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July 2020

CONCORDIA
Financial Group

Integrated Report

(Annual Report)

2020

For and on behalf of
THE BANK OF YOKOHAMA, LTD.
HONG KONG REPRESENTATIVE OFFICE

本乾伸一郎
Authorized Signature

Certified True Copy

Bank of Yokohama | HIGASHI-NIPPON BANK

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Governance

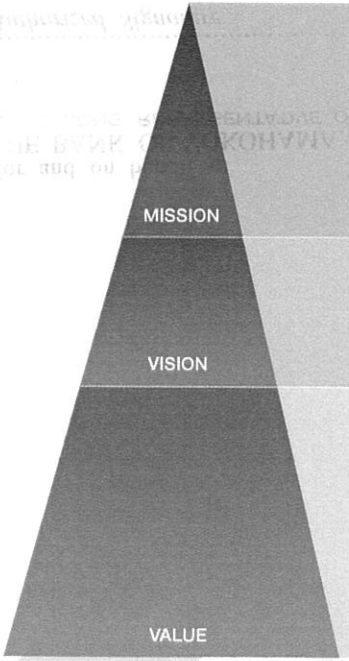
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Management Principles

In the Concordia Financial Group, the following management philosophy system is the basic policy of the Group's management and is the foundation of our corporate activities.



Management Principles

As a financial group trusted by our customers and indispensable for the community, our aims are as follows.

1. To contribute to enriching the lives of our customers and growing their businesses.
2. To contribute to the sustainable development of regional communities.
3. To be an attractive company that employees are proud to work for.
4. To grow sustainably and enhance our corporate value.

Vision

Our vision is to become a "new financial company beyond the scope of traditional banks".

Code of Conduct for Executives and Employees

1. Behavior as a member of society
   Compliance with laws and regulations, discipline and ethics
   Having no relations with antisocial forces and contributing to society
2. Behavior towards customers
   Acting with integrity and providing customer-oriented services
   Strict control of information
3. Behavior in the workplace
   Observance of etiquette and manners and encouragement of reporting, communication, and consultation
   Respect for human rights and prohibition of harassment

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. In writing this report, we have referenced the "International Integrated Reporting Framework" advocated by the International Integrated Reporting Council (IIRC) and the Ministry of Economy, Trade and Industry's "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation".

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, and may differ from actual figures due to changes in the business environment and other factors.

Environment
Social
Governance

Guidance for Collaborative Value Creation

History of the Concordia Financial Group

100 Years With the Community

Aiming to remain a financial group trusted by the community

Bank of Yokohama | Higashi Nippon Bank

1920s 1930s–1940s 1950s–1960s 1970s–1980s 1980s - 1990s 2000s 2010s 2020s

The Concordia Financial Group

1920
In response to the financial crisis at 74 Bank, the largest ordinary commercial bank in Yokohama, the Yokohama business community takes the lead in establishing the Yokohama Industrial Bank Ltd.

1924
'Tokiwa Mujin' established in Mito City, Ibaraki Prefecture in response to financial crisis triggered by Great Kanto Earthquake.





1938
Home office relocated from a temporary post-earthquake location to 4-chome, Sumiyoshi-cho, Naka-ku, Yokohama City.

1945
Yokohama Koshin Bank inherits the existing business of 31 banks in the prefecture, becoming the sole regional bank with its home office in Kanagawa Prefecture.



1951
Name changed to 'Joban Mutual Bank' with the implementation of the Mutual Bank Act.

1957
Name changed to 'Bank of Yokohama' for a new era of development in Yokohama and Kanagawa Prefecture.

1969
Deposit balance: 700 billion yen (approx.)
Becomes the top regional bank.



1973
First overseas representative office opened in London.

1973
Moves to First Section of the Tokyo Stock Exchange and changes name to The Tokiwa Mutual Bank Ltd.

1975
Headquarters relocated to current site in Nihonbashi, Chuo-ku, Tokyo.

1984
New Office Center opened in Shin-Yokohama.

1989
Name changed to Higashi-Nippon Bank with change from mutual savings bank to commercial bank.

1993
Headquarters relocated to the current site in the Minato Mirai 21 District, and operations commence at the new headquarters built as part of the commemoration of the bank's 70th anniversary.

1994
Yokohama Station Mortgage Center opened, and Mortgage Center program established.



2006
Basic agreement with Hokuhoku Financial Group for joint use of systems

2008
The first regional bank to surpass a deposit balance of 10 trillion yen

2009
Only regional bank to open a Shanghai branch



2016
Birth of the Concordia Financial Group

2019
New medium-term management plan established to transform the Group into a new financial enterprise over a period of three years.

2019
Chiba-Yokohama Partnership formed.

2020
The Bank of Yokohama 100th anniversary of the bank's founding

2024
Higashi Nippon Bank 100th anniversary of the bank's founding

100th anniversary



The Bank of Yokohama mascot Hamapen
Higashi-Nippon Bank mascot Ponkuma

Local Events

Great Kanto Earthquake (1923)

Outbreak of World War II (1939)

Air raids on Tokyo and Yokohama (1945)

Supreme Allied Commander MacArthur lands at Atsugi Airfield (1945)

Yokohama City one of five cities designated by cabinet order (1956)

Tokyo Olympics (1964)

Tomei Expressway opened to traffic between Atsugi and Tokyo (1968)

Kawasaki City designated by cabinet order. (1972)

Yokohama Stadium opened(1978)

Yokohama Expo (1989)

Yokohama Bay Bridge opened (1989)

Population of Kanagawa Prefecture reaches 8 million.(1991)

Tokyo Bay Aqualine opened to traffic (1997).

Population of Kanagawa Prefecture surpasses Osaka Prefecture to become second largest in Japan (2006).

Population of Kanagawa Prefecture reaches 9 million (2009).

Sagamihara City designated by cabinet order. (2010)

APEC (Asia Pacific Economic Cooperation Summit (2010)

Great East Japan Earthquake (2011)

Spread of COVID-19 (2020)

Financial Events

Ministry of Finance issues directive promoting joint banking operations (1927).

New York stock market crash (1929)

Exchange rate set to 360 yen per dollar (1949)

Mutual Banking Act comes into effect (1951)

Yen shifts to a floating exchange rate system (1973).

First oil shock (1973)

Plaza Agreement and sharp appreciation of the yen. (1985)

Ministry of Finance publishes international standard for bank capital adequacy ratios (1987).

Consumption tax introduced (1989)

Japan's version of the financial big bang
Wave of mergers among financial institutions (1996)

Ban on payoffs fully lifted (2005)

Lehman shock (2008)

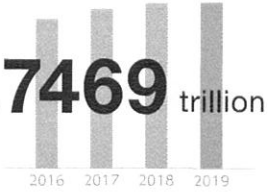
Bank of Japan introduces quantitative and qualitative monetary easing (2013).

Phase transition to Basel III commences (2013)

Group Financial Highlights

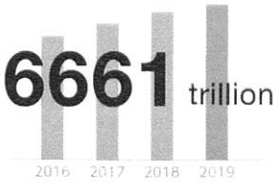
Loans to Small and Medium-Sized Enterprises (average balance, sum for two banks)

4.7469 trillion yen



Loans for HNWI (average balance, Bank of Yokohama)

2.6661 trillion yen



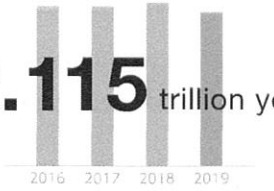
Domestic Deposits (end-of-period balance, sum of two banks)

16.2169 trillion yen



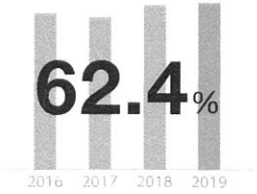
Group Investment Products (end-of-period balance)

2.115 trillion yen



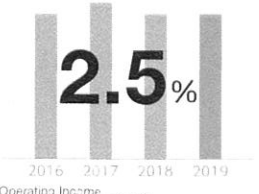
Consolidated OHR (expense rate)

62.4%



Consolidated Gross Operating Income RORA

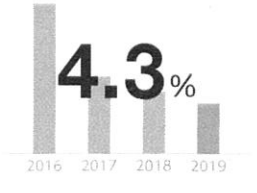
2.5%



$$\frac{\text{Gross Operating Income}}{\text{Total risk-weighted assets}} \times 100$$

Consolidated ROE (shareholders equity basis)

4.3%



CET1 ratio (consolidated)

12.27%



$$\frac{\text{CET1}}{\text{Total risk-weighted assets}} \times 100$$

Group ESG Highlights

Environment

Reduction in CO_2 emissions

20.3%

(FY 2014 - FY 2017)

Number of sustainable development goal (SDGs) private placement bonds and friends loans

1,904

(FY 2019)

Social

Number of financial education course participants

2,729

(FY 2019)

Proportion of employees taking childcare leave (male and female)

89.1%

(FY 2019)

Governance

Ratio of Independent External Directors and Auditors

50.0%

(as of end of June 2020)

Proportion of women executives

31.4%

(as of end of March 2020)

External evaluation

健康経営優良法人 Health and productivity ホワイト500

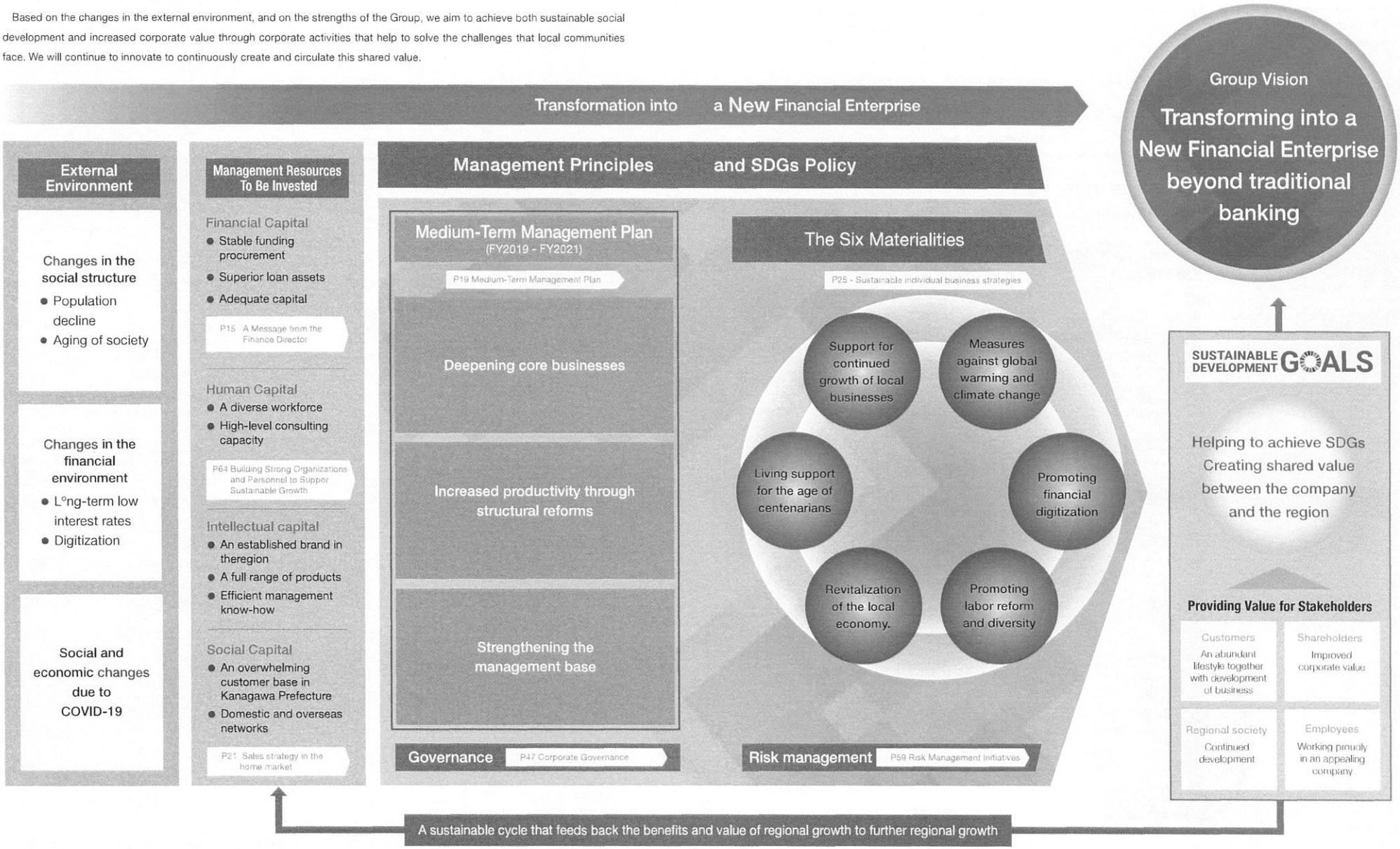
A company practicing health management
Awarded "White 500"

A company that excels in promoting advancement of women
Awarded highest "Eruboshi" rating

A company supporting high standards of employee childcare.
Awarded "Platinum Kurumin" certification

Concordia Financial Group's value creation process

Based on the changes in the external environment, and on the strengths of the Group, we aim to achieve both sustainable social development and increased corporate value through corporate activities that help to solve the challenges that local communities face. We will continue to innovate to continuously create and circulate this shared value.



Top Management Commitments

The Concordia Financial Group was inaugurated four years ago. In the meantime, major changes have occurred in the structure of society.
What is the direction of the regional bank group's management in the midst of rough seas?
Yasutoshi Oya, who took over as Concordia's president in April, shared his thoughts.



The Concordia Financial Group

President and Representative Director
Yasuyoshi Oya

Accelerate our efforts to be a company that serves our customers

First of all, let me ask you about your perception of the environment of regional banks and the Concordia Financial Group. This year in particular, the spread of COVID-19 has had a significant impact on society as a whole. I would ask that we all look beyond COVID-19.

The scope of the COVID-19 problem is very significant, with global demand disappearing and supply chains vanishing, and the impact is not limited to Japan. We recognize that the impact on our business partners, and the impact on the local economy, are also very significant and unprecedented.

In this context, as a regional financial institution, we need to focus not only on providing immediate cash flow support to our customers, but also on rebuilding damaged demand and supply chains and on consulting for digitization. After conquering COVID-19, the community must not go back to what it was before. Positive changes are required and I believe that we have a very important role to play in this process.

We have been working on a new medium-term management plan since last year.
Given the impact of COVID-19, do you think our long-term management strategy and goals will change?

The axis of our strategy, or what we are aiming for, has not changed at all. Our goal is to be a company that is useful to our customers. With the advent of the corona virus crisis, I feel strongly that we must become even more useful and indispensable to our customers and local communities as a regional financial institution.

Even before COVID-19, the environment around us had already changed dramatically. There are challenges in various areas of the SDGs, including a low birthrate and an aging population, corporate cash surpluses, and environmental issues. Digitization is also progressing rapidly. Against this backdrop, I think the most important thing for a bank to do is to make sure that it is providing useful services to its customers as the starting point. We need to accelerate our progress toward becoming a company that is truly useful to everyone in the community.

This requires a wide range of specialized solutions to solve customer issues and local issues.

Although we have traditionally focused on plain senior loans, there is still room for us to improve our solutions to meet the various needs of our customers, whether it be liquidity needs or capital needs. In addition, we will provide a yet higher level of consulting services to help our clients grow and increase their corporate value.

Furthermore, with the accelerating trend toward digitization, we need to expand the range of our solutions to include new areas, such as support for customers in the IT field, how to change business models in the digital age, and how to provide appropriate specialized and managerial human resources.

Circulate the growth of local communities and improvement in our own corporate value in a sustainable manner

Over the past few years, due in part to changes in the social structure, the mission of regional banks has been emphasized as a way to contribute to the community.

In the days when both deposits and loans grew steadily, the bank and the community may have grown naturally and everyone could enjoy some share of the profits, but in an age of negative growth, population decline, and a surplus of capital, this is not possible.

The development of a region creates a demand for capital, which in turn creates employment opportunities and various economic activities, and as the region grows, the bank grows in a sustainable manner. Our goal is to become a company needed by local customers and useful to the local community, thereby creating a sustainable cycle of growth for the community and increased corporate value.

It is true that Kanagawa Prefecture, where we are based, is often seen as a more favorable area than other prefectures. However, it is also a highly competitive region and the solutions required are of a considerably higher level. We must hone our capacity for proposals and increase the value we can provide.



Where do you think the biggest changes are needed relative to what you have been doing as a banking business?

A key phrase is 'helping our customers', and we should stop thinking about sales and operational efficiency just from the bank's benefit. We are committed to thinking of everything from the customer perspective.

For example, the Group is in the process of closing and consolidating branches and reviewing its administrative operations, but we are thinking in terms of customers, not the benefit of the bank. Customers visiting the counter are required to apply identity seals, fill in pages of documents, and do clerical work that is all for the convenience of the bank. We must eliminate this. We would like to change our administrative processes to work from the customer's perspective and to become the most user-friendly, convenient bank in Japan. The result will be a change in the way branches are run, and in turn, they can be lighter and more integrated. I think it's very important to take the customer perspective as a starting point for reforming branch channels and administrative processes.

In fact, a variety of services are already available through online banking and smartphone apps, such as changing your address and opening an account with Investment Trusts. However, inadequate PR means that customers may not have heard about these. How are we going to make breakthroughs there as well? With the help of digital technology, we will pursue products and services that are truly valued by our customers. We want the branch to be a hub for advice on matters such as inheritance and estate management when customers are really facing problems.

We've made some progress in deepening our core businesses.

Next, how do you feel about the progress of the medium-term management plan at the end of the first year? Also, what are the challenges for the second year and beyond?

The medium-term plan lists three basic policies as major topics. The first is Deepening Our Core Businesses. We are raising our capacity for solutions. We have made considerable progress in building a framework to provide better services to our customers by increasing our corporate value through investments and alliances with other financial institutions and entities that have functions that we lack. Asset growth and profitability have also increased in each of these areas compared to the previous medium-term period. We have made some progress in terms of deepening our core businesses.

The second topic, Improving Productivity through Structural Reform, has been thoroughly discussed over the past year. We are at an advanced stage with reforms aimed at increasing the sophistication of our solutions and we have developed plans for reforms in our sales system, branches and channels, personnel system, and administrative processes.

There is much work to be done to reform administrative and business processes from the customer's perspective. We've been working on a number of points in response to the COVID-19 voluntary lockdown, but there are still many areas we can change so that further visits to the bank are not required to complete processes. This is currently the most requested issue.

For the third topic, Strengthening the Management Base, we will start personnel system reforms this year with the creation of a strong organization. How do we motivate our employees? The bank's assets are its customers and its employees, and as such, we aim to manage our business in a way that values people.

We make the work interesting and change it from a job that you are forced to do into a job that you want to do. Employees who can improve their skills, be appreciated by customers, increase their motivation, and realize a yet higher level of advanced skill. I would like to make the bank a place that attracts large numbers of such people.

Three basic policies presented in the medium-term management plan	1.	Deepening the value of core businesses by supporting customer growth and providing problem solving services ▶ P25 - Sustainable individual business strategies
	2.	Improving productivity through structural reforms using digital technology ▶ P33 Promoting financial digitization
	3.	Strengthening our management base by taking on the challenge of new business areas and supporting sustainable growth ▶ Page 47 - Management base for growth

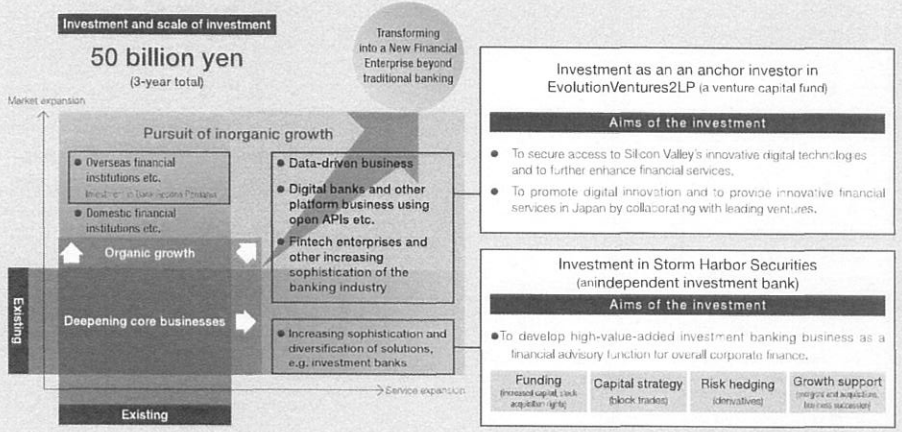
How is the strategic investment plan for new areas progressing?

The aim of this is also the Deepening of Core Businesses. Up till now, the main use of capital has been as a risk-weighted asset for senior loans and the like. However as we are changing our direction to become more about solutions than about asset accumulation, it is important to know how to improve functionality. There are investment, partnership, and the hiring of professional personnel. Strategic investment is one of the many ways to improve capacity to offer solutions that are the value of a bank.

The area for investment is enhancement of our capacity for solutions, that is, deepening our current core businesses. We will further enrich our areas of expertise.

And overseas too. Up till now, our overseas business was limited to customer support, but how should we hold overseas assets in the sense of diversifying our operations? We are working on this while considering liquidity and profitability.

And, again, the digital field. How to achieve a digital transformation? Investing in a fintech company may be an example. If an opportunity arises, I'd like to focus on those features and enhance them.



Human resource development is the foundation for improving solution capabilities.

In order to provide even more advanced services in response to customer needs and changes in society, will the image of what is desired from bank personnel change?

Yes, that's right. One important measure is human resource development. We are able to communicate well with our customers and draw out their needs and challenges. And we can provide advice that meets the needs of our customers with a range of specialized knowledge and expertise. We need to develop such people.

Also, the nature of the business branch will change. We will use digitization to make our existing systems more and more efficient, and we will use the time freed up in this way to focus on areas that our customers really think are problematic, such as inheritance advice and estate management for people with dementia concerns.

That's why we've been focusing on career change training since the previous fiscal year. For example, those in charge of internal clerical matters will be challenged to provide asset management counseling services, those with only experience in asset management counseling will be able to learn about loans and expand the range of services they can provide, and sales representatives dealing with individuals will also be able to make proposals for corporations. In addition to simple training, we will ensure that our employees have opportunities to interact with experts from outside the bank, such as from universities, research institutes, and consulting firms, and tax accountants and other professionals in order to improve their skills.

It is difficult to build up a highly specialized workforce.

Last year, we introduced a Professional Human Resources System. This system rewards people in their field of expertise to some extent. Those with specialized knowledge and experience can be compensated above the level of a department manager. For the time being, we will have to rely on outside experts in specialized fields, so our aim is to make it easier to attract people. I hope that more and more regular employees will also be eligible.

For the IT, investment banking, market, and overseas departments, we have already hired more professional personnel in mid-career in the previous year alone than in the three years of the previous medium-term plan. Originally, the Bank of Yokohama had an active mid-career hiring program. Currently about 12% of the total workforce is mid-career hires. We will continue to accelerate the use of professional staff and improve the quality of our regular employees.

Demonstrating our strength as an urban regional bank

What are your thoughts on Concordia's metropolitan area strategy as a uniquely urban regional bank? Please also tell us about the division of roles between the Bank of Yokohama and Higashi-Nippon Bank.

I have often been asked what are the Bank of Yokohama's strengths compared to other regional banks? Of course, we have the advantage of building a customer base in the very profitable market of Kanagawa Prefecture, but the depth of our relationships with listed companies in Tokyo is also one of our overwhelming strengths, even among regional banks. We do business with about 800 listed companies, including those with which we do not have financing transactions. A quarter of these businesses have the Bank of Yokohama as their core bank. The concerns of listed companies with regard to financing, such as capital policies, stock prices, equity securities held (market value), parent-subsidiary listing issues, and business succession, are very much in focus right now, and providing solutions to these concerns is a very rewarding job. The know-how and services that we have developed through our relationships with listed companies in the process of upgrading our corporate solutions business are very promising as items that we can offer to unlisted companies and small and medium-sized enterprises. We believe that we have a level of expertise that no other bank can offer.

With regard to personal transactions, Kanagawa and Tokyo are markets with high asset values. People with financial and real estate assets want asset or tax consulting and solutions for their inheritance and asset succession concerns. There are many business opportunities, but the solutions required are also very sophisticated, so this is an area where we want to continue to improve to become a dominant presence.

Higashi-Nippon Bank, on the other hand, focuses on sales to small and medium-sized businesses, mainly in Tokyo. We have many long-term customers, but until now, our business has been more focused on financing. In addition, the major issue is how to provide solutions. We are currently strengthening these capabilities. Building on these efforts will assist us in winning the trust of our customers.

In order to do so, it is important to develop personnel. We have entered a phase of increasing our organizational strength and motivating all our employees. Helping companies grow by providing them solutions is a very rewarding job to. The accumulation of this work will lead to the growth of Higashi-Nippon Bank. We have a strong customer base in Tokyo and I am confident that we will be able to make our presence felt.

You entered into a business partnership with Chiba Bank in July 2019. What was your aim?

Chiba Bank and the Bank of Yokohama have very similar business models as banks located in the same metropolitan area. On the other hand, we do not compete at all. There is little overlap between our branch network and our international offices. While our business models are similar, we do not compete with ecah other, which makes it easy for us to collaborate and cooperate with each other. As we each further refine our solutions business to meet the diverse challenges of our customers, we can collaborate with each other and gradually fill in the missing parts of our solution capabilities to increase their sophistication. On the finance side of things, I think it's easier to share because we're on the same page.

To be a bank indispensable to the community for the next 100 years.

Finally, what are your ambitions as President of the Financial Group?

At the moment, we are placing the highest priority on responding to customers affected by COVID-19, but through a series of operational reforms, we will continue to deepen our solutions business, which is useful to our customers. We want to create a group brand that says 'convenience in banking'. I know that it is difficult to be the bank with the 'easiest banking in Japan', but that is the kind of motivation I want to use to reform our business. I want all employees to be aware that they must change things, that they must change themselves, and that it is okay to change, and I want to make sure that they are aware of the need to change for the sake of our customers.

Thanks to you, the Bank of Yokohama will be celebrating its 100th anniversary in December 2020. Higashi-Nippon Bank will also be celebrating its 100th anniversary in 2024. We would not be where we are today without the support of our customers, local communities and shareholders over the years.

We have built up a firm customer base through years of trust from our customers, an invaluable asset and a great strength of our company. With an awareness of the weight of our history, we will continue to innovate without fear of change so that we can continue to be the bank of choice and be trusted for the next 100 years.

We look forward to your continued support and patronage.



(Interviewer: Ms. Yuriko Tajima, Assistant Director, Sumitomo Mitsui Trust Bank Asset Management Business Unit, Certified Analyst (CMA), Japan Securities Analysts Association)

A Message from the Director of Finance

While building a strong financial base that supports the regional economy, through strategic investment, we will take on the challenge of new business areas and increase our corporate value.



The Concordia Financial Group
Director
Tadashi Komine

Results for FY 2019

Looking back at the Japanese economy in FY 2019, in the first half of the year, the economy maintained a moderate recovery trend as domestic demand remained strong while exports were weak. However, in the second half of the fiscal year, the economic downturn became clearer as exports remained sluggish, while the increase in the consumption tax rate and the spread of COVID-19 caused personal consumption and exports to remain sluggish and corporate production activities to decline.

In this environment, the Group's deposits increased 2 8 8.2 billion yen from the end of the previous fiscal year to 16.2336 trillion yen, and loans increased by 406.3 billion yen from the end of the previous fiscal year to 13.0683 trillion yen, steadily expanding the management base. On the other hand, consolidated ordinary income decreased by 0.2 billion yen year-on-year to 306.2 billion yen due to a decrease in interest on loans with a decline in the lending interest rate. As a result, consolidated ordinary income decreased by 9.0 billion yen to 71.3 billion yen and net income attributed to shareholders of the parent company decreased by 7.7 billion yen to 46.5 billion yen.

With a CET1 ratio of 12.27% and a total equity ratio of 13.28%, we continue to utilize the risk appetite framework to secure a sufficient capital level for future risks.

For credit-related costs such as provision for loan losses, strict provisions were made in consideration of the impact of the spread of COVID-19 and Higashi-Nippon Bank began stricter self-assessment of operations. This resulted in an increase of 15.3 billion yen over the previous year. In planning for FY 2020 too, we are incorporating the impact of COVID-19.

Financial Targets and Progress of the Medium-Term Management Plan

Our medium-term management plan spanning the three years from FY 2019 to FY 2021 includes the following four numerical targets for both the final year of the plan in FY 2021 and the long-term.

Even in the continuing low-interest rate environment, we plan to maintain our level of gross operating income RORA, an indicator of earnings compared to risk assets, through enhanced solutions sales and appropriate risk-taking, and to leverage structural reform-driven productivity gains to improve OHR, an indicator of efficiency, and to boost ROE, an indicator of earnings compared to shareholder equity. Furthermore, our capital policy aims to maintain financial health and improve capital efficiency, balancing investment for growth with shareholder returns while keeping the CET1 capital ratio at an appropriate level.

This will be achieved by strengthening and enhancing core businesses, such as by upgrading solutions sales, and by improving productivity through structural reforms such as operational reforms using digital technology.

We will also actively pursue new business fields using strategic investment and financing in an effort to drive further profit growth.

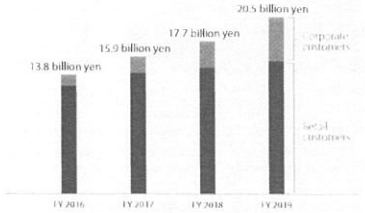
Item		FY 2019 (actual)	Target Indicators	
			2021(final fiscal year of medium-term plan)	Long-term goal level
Gross operating income RORA	(consolidated)	2.5%	Mid 2%	Mid 2%
OHR	(consolidated)	62.4%	about 60%	about 50%
ROE*	(consolidated)	4.3%	Mid 5%	about 7%
CET1 capital ratio	(consolidated)	12.27%	About 12%	Mid 11%

* Shareholder equity base

Basic Policy of Medium-Term Management Plan

1. Strengthen and enhance core businesses
   - In Kanagawa, where we have an overwhelmingly large customer base, and Tokyo, which is a huge market, we will work to upgrade solutions sales based on sales strategies tailored to the characteristics of each region, while at the same time supporting the growth of our business partners and expanding our overseas business.
   - In light of the widening of the deposit-loan gap and the continuing low interest rate environment, we will diversify our fund management activities by enhancing diversified investment and expanding the scope of our investments to ensure stable income income and to improve valuation gains under appropriate risk management.
2. Productivity improvement through structural reform
   - In order to further strengthen efficient management, one of the strengths of the Group, and to improve productivity in existing banking operations, we will undertake structural reforms centered on reform of operations using digital technology, reform of branch channels, and improvement in the efficiency of business operation systems.
3. Strengthen the management base
   - To transform ourselves into a 'new financial services company surpassing conventional banks', we will leverage strategic investments and financing to take on the challenge of new business areas, while proactively working to build a strong organization and human resources to support sustainable growth and to achieve SDGs (Sustainable Development Goals).
   - Using the Risk Appetite Framework, we will continue to maintain a balance of shareholder returns through a capital policy that combines soundness and capital efficiency.

Profitability Effects of Strengthening and Enhancing Core Businesses
(Bank of Yokohama)



Major Initiatives

Corporate-related
- Loans to non-Japanese enterprises
- LBO loans
- Subordinated capital loans
- Mergers and acquisitions
- Business matching

Personal
- Consumer loans by purpose
- Bankcards
- Introduction to experts
- Money trusts

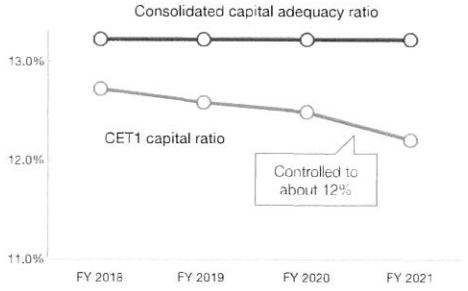
Capital policy

The company's CET1 capital ratio was 12.27% as of March 2020. This is sufficiently above the level required under a stress test that assumes a crisis on the scale of the Lehman Brothers collapse.

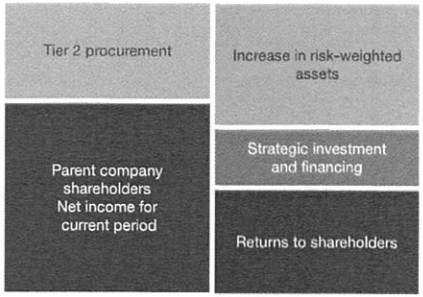
We will use our Risk Appetite Framework and a capital policy that aims to both maintain financial health and to improve capital efficiency in order to continue delivering balanced shareholder returns while increasing risk assets and strategic investment for growth.

We need to further increase the efficiency of capital management in order to push forward with fundamental structural reforms while improving corporate value by using strategic investment and financing to aggressively enter new business fields. With this in mind, we plan to keep the CET1 ratio at around 12% during the term of the medium-term plan, aiming for around 11.5% over the longer term.

Consolidated capital adequacy ratio



Capital allocation during the term of the medium-term plan



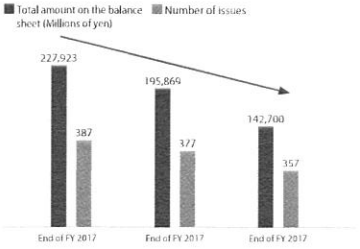
Strategic Shareholdings Policy

The Group has a cross shareholding policy of reducing the cross shareholdings, taking into account the cost of capital and the impact of share price volatility risk on equity capital.

Our holdings in each company are periodically reviewed individually at the directors' meeting for economic rationality in terms of their contribution to the development of the region, the strengthening of long-term and stable business relationships, and the risk/reward in terms of the cost of capital. To ensure economic rationality, we have established thresholds for RORA and return on capital employed that are aligned with our return on equity (ROE) targets.

Number of issues and investment amount on the balance sheet of investment shares held for purposes other than pure investment

Number of Issues and Balance Sheet Amount



* Holdings of Yokohama Bank, which has the largest amount of investment stock on the balance sheet

Returns to shareholders

Our shareholder returns policy strives to meet the expectations of long-term and retail investors. We aim to increase the dividend while maintaining its stability.

In FY 2019 we paid an annual ordinary dividend of 16 yen. Combined with a share buyback of 10 billion yen, the total return ratio was 63%. For FY 2020, the Company plans to pay a dividend of 17 yen per share, in addition to a commemorative dividend of 1 yen to commemorate the 100th anniversary of the founding of the Bank of Yokohama. We will continue to repurchase company stock in a flexible manner, taking into account market trends and earnings prospects in accordance with our policy of shareholder returns.

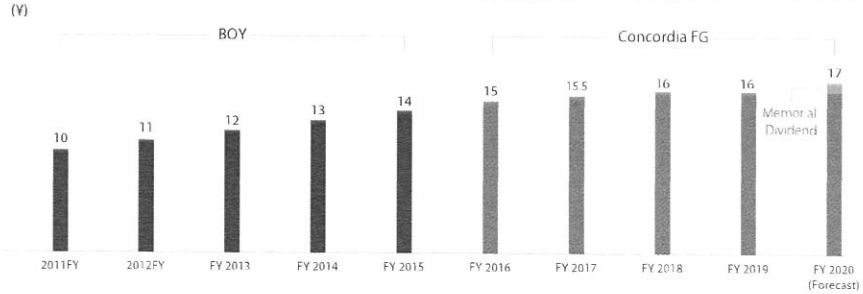
The regional economy has been severely affected by the spread of COVID-19. As a financial institution that supports the community, we will build a strong financial base and increase our corporate value by balancing strategic investments, capital investments, and returns to shareholders.

Shareholder Returns Policy

- We will provide balanced returns to shareholders taking into consideration capital conditions and opportunities for growth investment.
- We aim to achieve a stable increase in dividend per share, targeting a payout ratio of 35% or higher.
- We will flexibly buy back shares according to market conditions and business performance.



Dividends per share



(100 million yen)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 (forecast)
Current net income	728	663*1	664	542	465	400
Total dividend	170	192	195	198	193	205*2
Payout ratio	23%	29%	29%	36%	41%	51%
Share buyback	299	125	135	100	100	Undecided
Total shareholder return ratio	65%	48%	50%	55%	63%	51%

Note: FY 2015 is for the Bank of Yokohama only; FY2016 and later are for the Concordia Financial Group consolidated.
*1: FY 2016 net income excludes negative goodwill gain of 60.3 billion yen.
*2: Total dividend for FY 2020 is calculated based on the total number of shares outstanding (excluding treasury stock) of 1,208 million as of March 2020.

Concordia Financial Group Medium-Term Management Plan

Accelerate and increase the effectiveness of our business reform efforts and

The medium-term management plan, which began in April 2019, sets out three basic policies and 10 key measures, and positions the plan period (FY 2019 to 2021) as a 'three-year period of transformation' to transform the Bank into a new financial company surpassing conventional banks.

The environment surrounding the Group continues to be challenging, with a decreasing and aging domestic population, prolonged negative interest rates, and the spread of COVID-19.

To respond to such a severe business environment and issues in FY 2020, the second year of the medium-term business plan, we will accelerate business reform efforts and increase their effectiveness.

Basic policies	10 key measures	Results for FY 2019	Relevant page
Strengthen and enhance core businesses	(1) Business strategy for the home market	Signed the Chiba-Yokohama Partnership and formulated the Sunrise Plan to improve the profitability of Higashi-Nippon Bank.	P21
	(2) Enhanced solutions sales	Began handling PO financing loans and entered the trust business.	P27, 31
	(3) Expansion of overseas business.	Built up overseas assets and expanded overseas business earnings.	P30
	(4) Diversification of fund management	Continued to reduce policy holdings and increased diversified investment.	P16
Increased productivity through structural reforms.	(5) Operational reforms using digital technology	Introduced next generation branch terminals, with use of AI to improve business sophistication and efficiency.	P39
	(6) Branch channel reforms	Smartphone apps, enhancement of internet banking, integration of in-store formats, transition to mini branches	P41
Strengthened the management base.	(7) Challenging new business areas through strategic investments and financing	Invested in Evolution Ventures2LP, invested in Storm Harbor Securities, and invested in Bank Resona Perdania.	P12
	(8) Strengthening development of the organization and human resources to support sustainable growth	Established a professional human resources system and opened a daycare center in the company.	P64
	(9) SDGs initiatives	Established the Group SDGs Committee, formulated the SDGs policy, identified materiality, and endorsed the TCFD recommendations.	P25, 43
	(10) Capital Policy	Utilized the risk appetite framework.	P17, 58

Awareness of the current situation

External environment

- Shrinking loan/deposit margins due to negative interest rates
- Population decrease and aging
- Increase in the number of companies with no real debt
- Evolution of digital technology
- Globalization
- Entry into other industries
- Relaxation of banking regulations
- Spread of COVID-19

Group strengths and opportunities

Strengths

- An overwhelming customer base in **Kanagawa**
- **Efficient management** know-how

Opportunities

- Increase our presence **in the** huge Tokyo market

Medium-Term Management Plan (FY 2019 to FY 2021)

Positioning **transform into a new financial enterprise.**

Three **Years** of Change

Basic policies

1	Strengthen and enhance core businesses	• Strengthen the top line through sophistication of solution sales.
2	Productivity improvement through structural reform	• Reduce workloads by about 30% over five years. • Consolidate and lighten 1/3 of the branches.
3	Strengthen the management base	• Leverage strategic investments and financing. • Strengthen the company's human resources, organization and financial base.

Long-term vision

A new financial enterprise beyond traditional banking

- Providing advanced services that exceed expectations
- Building new business lines
- Achieving sustainable growth

Item	FY 2019 (Results)	Target Indicators	
		FY 2021 (final year of medium-term plan)	Level of long-term goals
Gross operating income RORA (consolidated)	2.5%	Mid 2%	Mid 2%
OHR (consolidated)	62.4%	about 60%	about 50%
ROE (consolidated)	4.3%	Mid 5%	about 7%
CET1 capital ratio (consolidated)	12.27%	About 13%	Mid 11%

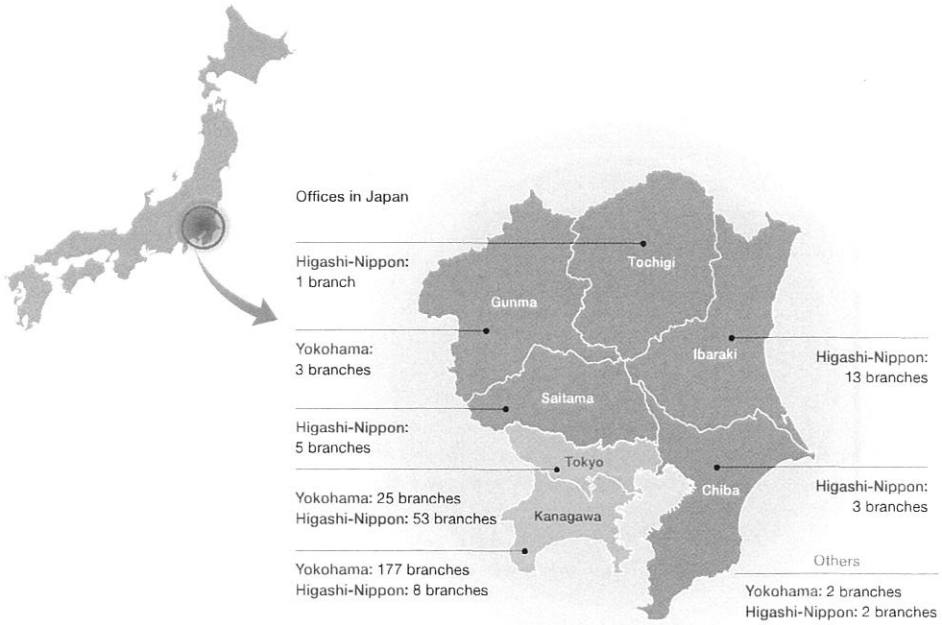
Business strategy for the Home Market

The Concordia Financial Group is a regional financial group that operates mainly in Kanagawa Prefecture and Tokyo. This area is Japan's largest market in terms of population density, corporate concentration and economic scale, and this Group has been operating in this region for nearly 100 years.

In KanagawaPrefecture, we develop community-based and detailed solution sales under the Regional Headquarters System of the Bank of Yokohama.

In Tokyo, the Bank of Yokohama and Higashi-Nippon Bank are engaged in a wide range of proposal-based sales and marketing activities to support the growth of corporate customers according to their stage of growth.

Our Operating Area



Note 1: Number of branches as of March 31, 2020
Note 2: The private banking office at the Bank of Yokohama and the sales office(HNB Mini-Plaza) at Higashi-Nippon Bank are not included in the number of branches.

Sales Area Potential

Economic Scale

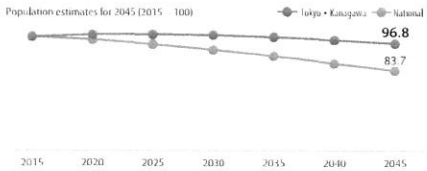
	Total population	Gross prefectural production	Number of private offices
Kanagawa	**9.19** million — 2nd place	**35** trillion yen — 4th place	**300,000** sites — 4th place
Tokyo	**13.92** million — 1st place	**106** trillion yen — 1st place	**680,000** sites — 1st place

Source: Ministry of Internal Affairs and Communications (population estimates, October 2019)

Source: Cabinet Office (Prefectural Accounts, Major Figures for FY Year 2017)

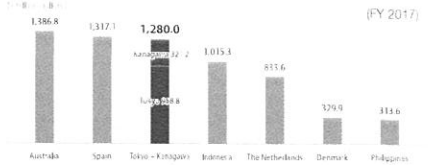
Source: Ministry of Internal Affairs and Communications (2016 Economic Census Activity Survey)

Population decrease has limited impact



Source: National Institute of Population and Social Security Research (Japan's estimated future population by region, 2018 estimates)

Comparison of GDP (Gross Prefectural Product) with major countries



Source: IMF, World Economic Outlook Database (October 2019), Kanagawa - Prefectural Economic Production (FY 2017), Metropolitan Tokyo Economic Production (FY 2017)

Market Characteristics

Large influx of young people

- First and second in Japan for net migration from other areas

Many superior companies

- Companies with high retained earnings

High level of interest in wealth management
A high concentration of wealthy individuals

- 26% of persons in Japan subject to inheritance tax on estates are concentrated here.

A mix of companies in various stages of growth

- While the number of new business premises is large, there is also a shortage of persons succeeding to businesses.

Growth Opportunities

Providing solutions to corporate customers, mainly small and medium-sized enterprises, according to their stage of growth

Providing wealth management services for wealthy individuals

Enhanced services for seniors

Providing highly convenient services focused on the younger generation

Increased presence in the home market

As a regional financial group with its primary base of operations in Kanagawa and Tokyo, we will enhance our presence in the region by developing a regional sales strategy that leverages market characteristics, our customer base, and branch networks.

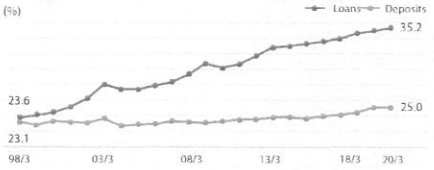
Strengthening the solutions sales system in Kanagawa

The Bank of Yokohama has approximately 1 8 0 branches in Kanagawa Prefecture, with a loan market share of over 35% in the prefecture, and has built a solid business base and is strengthening its operations closely linked with the region through its Regional Headquarters System, which places general managers in each district and region.

From August 2020, we are integrating branches located close to each other into a single Sales Department to shareknowledge and expertise on high value-added financial services etc. In addition, we are assigning new specialized Sales Managers to the Sales Department to conduct more flexible and detailed sales activities.

Furthermore, at Headquarters (Solutions Sales Department), we have increased the number of Solutions Sales staff with specialized knowledge and advanced proposal skills in asset inheritance for our personal customers, and in business succession for our corporate customers, in orderto strengthen the Solutions Sales system together with the Headquarters

Bank of Yokohama share of deposits and loans in Kanagawa Prefecture



*This share does not include the Japan Post Office, credit unions and agricultural cooperatives (Source: Bank of Yokohama).

Increasing our presence in Tokyo

Initiatives by the Bank of Yokohama

In the southwest part of the city, which borders Kanagawa Prefecture, many of our customers have traditionally enjoyed strong relationships with the Bank of Yokohama, but there are many competng banks in Tokyo, including megabanks, and our market share of loans in Tokyo is only about 2%.

In addition to continuing to deploy the solutions sales know-how cultivated in Kanagawa Prefecture to small and midsizecompanies in Tokyo, we will also expand businessfor asset owners, including the effective use of realestate. In addition, we will work with our partner Chiba Bank to build a corporate support system that rivals that of the megabanks in Tokyo, including syndicated loans to large and medium-sized companies in the metropolitan area.



Initiatives by Higashi-Nippon Bank

Higashi-Nippon Bank formulated the Higashi-Nippon Bank Sunrise Plan in November 2019 to accelerate the restructuring of its business model and to strengthen and enhance its core businesses as one of its key initiatives. In order to provide high value-added solutions to the various issues faced by our customers, mainly small and medium-sized enterprises (SMEs), we are strengthening the solutions sales structure at headquarters and expanding our services and products by leveraging group synergies and collaborating with external organizations. We have also increased the number of liaison staff, mainly at our branches in Tokyo, to provide detailed support in accordance with the customer's business conditions and life stages.

New Solution Menu for Higashi-Nippon Bank (from November 2019)

Support for starting a business	Establishment of the Higashi-Nippon Bank Local Business Revitalization Fund.
Business matching	Web services for corporations Introduction of the Higashi-Nippon Big Advance
Personnel placement	Entering the recruiting business
Mergers and acquisitions and business succession	Introduction of the M&A Business Promotion system

By shifting our business model from a focus on lending to a focus on providing solutions, we will strengthen our relationship with our customers and contribute to the revitalization of local communities as a trusted partner by ensuring a more thorough face-to-face approach.

Chiba-Yokohama Partnership

CHIBA YOKOHAMA PARTNERSHIP

The Bank of Yokohama and Chiba Bank, both based in the Tokyo metropolitan area, will work together to provide customers with high value-added services and products.

Purpose of the alliance

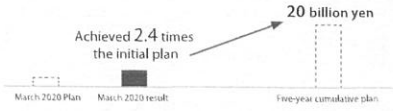
Amidst majorchanges in the business environment, including an aging population, a low birthrate, and prolonged negative interest rates, Chiba Bank and the Bank of Yokohama, both based in the Tokyo metropolitan area, signed a business alliance, the Chiba-Yokohama Partnership, in July 2019 with the aim of achieving sustainable growth and increasedcorporate value for both companies through collaboration and pooling of know-how.

Desired effects

Measures will be implemented mainly in the sales departments of the two banks and collaboration is expected to have an effect of approximately 20 billion yen in the first five years of the project.

Collaboration effect cumulative totals and totals for both banks

- In the first year, the Bank secured more benefits than planned, mainly from syndicated loans.
- From the second year, the benefits of the new products planned and developed in the personal banking field will increase at an accelerated pace, in addition to building up in the corporate banking field.



Primary collaboration measures in the first year

Corporate Banking Field

- Joint development of syndicated loans such as LBO financing and hybrid financing → Approximately 90 billion yen Composition
- Assignment of specialists to expand new business transactions with Tokyo corporations → Approximately 5 billion yen Implementation
- Mutual customer referrals → Approximately 150 companies Introduction
- Participation in co-financing for overseas companies → Approximately 4 billion yen Implementation

Personal Banking Field

- Joint development of mortgages that address natural disaster risk

Regional Revitalization

- Participation in the Minami Boso/Miura Peninsula Cycle Stamp Rally
- Forming an Alliance Agreement on Handling of Taxes and Public Funds with ALSOK.

Others

- Establish the New Business Co-Creation Project.
- Implement training sessions and personnel exchanges (a total of approximately 240 participants).

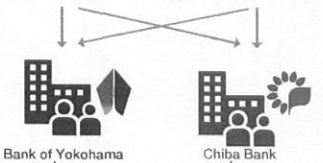
Primary collaboration measures in the second year

Asset management company products soldat both banks (from May 2020)

Increased product lineup and asset balance to meet customer needs

Sky Ocean Asset Management

Chiba Bank Asset Management



Appealing to acustomer base of approximately 9.3 million

Other measures

- Joint development of insurance products (July 2020)
- Demonstration experiments on individual themes through the New Business Co-Creation Project
- Financing through respective overseas branches (from May 2020)

The Concordia Financial Group
Sustainability Initiatives and Individual Business Strategies

A cycle of regional development and company growth to further strengthen the management base
Creating common value for the company and the region through our core business and achieving sustainable growth together with the region

As a regional financial institution, the Concordia Financial Group aims to become a bridge between all stakeholders, and to engage in corporate activities aimed at solving social issues, thereby achieving sustainable growth and development together with local communities.
The target for achieving the SDGs is 2030, but we will continue to build a sustainable society beyond that date through our corporate activities, which include revitalizing local economies, community development, support for enriching people's lifestyles, and environmentally conscious initiatives.

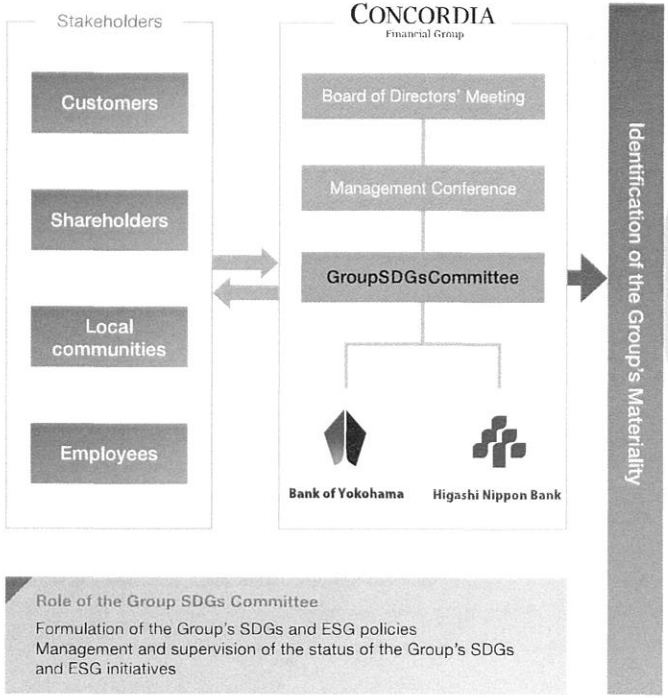
Group SDGs Policy

Based on our management philosophy, we at the Concordia Financial Group will achieve sustainable improvement in corporate value and solve social issues through our core business and will contribute to the sustainable development of society by engaging in activities that contribute to the community as a member of the community.
Under this policy, the Group will confer with stakeholders on its initiatives and actively disclose information.

Management Philosophy

As a financial group that is trusted by customers and indispensable to its region, we:

1. Contribute to enriching the lives of our customers and growing their businesses.
2. Contribute to the sustainable development of regional communities.
3. Continue to be an attractive company that employees are proud to work for.
4. Grow sustainably and enhance our corporate value.



Role of the Group SDGs Committee

Formulation of the Group's SDGs and ESG policies
Management and supervision of the status of the Group's SDGs and ESG initiatives

Materiality Identification Process

In the Group SDGs Committee, the Company examines and discusses the priority of issues to be addressed by the Company from the perspectives of the degree of impact on stakeholders and the significance of social presence as a regional financial institution. It has established the '6 materialities' that the Group should work on to create a sustainable society.
Based on materiality, the director in charge of SDGs promotion and each business unit work together to promote business strategies.

Materiality	Related goals	ESG	Specific examples of initiatives	Reference
1 Supporting Sustainable Growth of Local Businesses		Social	■ Trouble-free financial support ■ Providing a wide range of solutions ■ Supporting trouble-free business succession	Sustainable Individual Business Strategy P27
2 Lifestyle-support in the age of centenarians		Social	■ Support according to life stage ■ Supporting the children who will carry the future of the region ■ Financial and economic education	Sustainable Individual Business Strategy P31
3 Revitalizing the local economy		Social	■ Supporting the development of prosperous communities ■ Regional revitalization in cooperation with local governments ■ Regional revitalization in collaboration with universities	Sustainable Individual Business Strategy P35
4 Promoting financial digitization		Social	■ Building more convenient branch channels ■ Promoting the cashless society ■ Improving services through digital technology	Sustainable Individual Business Strategy P39
5 Measures against global warming and climate change		Environment	■ Environmental considerations in investment and lending ■ Environmentally conscious corporate activities ■ Addressing climate change	Sustainable Individual Business Strategy P43
6 Workplace reform and diversity promotion		Governance	■ Respect for human rights and creation of a rewarding workplace ■ Becoming a company where diverse personnel can thrive ■ Development of personnel to meet customer expectations	A Management Base Supporting Growth P47

Supporting Sustainable Growth of Local Businesses

Vision

In Kanagawa and Tokyo, where Corporate customers are at various stages of growth, we will contribute in the development of our customers' businesses as an indispensable financial group in the region by providing optimal solutions through business evaluation, leveraging the customer base built up over the years.

Medium-Term Management Plan Strategy

We will assist with financing and strengthen our Group-wide solutions provision system. In addition to establishing and strengthening direct sales functions from headquarters to customers, we established the Solutions Sales Department in April 2019 at the headquarters of the Bank of Yokohama to team up with corporations and individuals to solve customer problems. Higashi-Nippon Bank is also increasing the number of solution sales staff at its headquarters.

We are also providing new solutions such as personnel placement as well as developing Internet services for corporations with work area consultation and information provision functions.

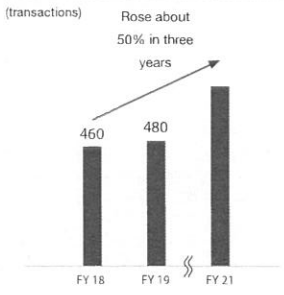
Objectives of the Medium-Term Management Plan and Solution Delivery System

In addition to making the most of the functions of the Group's companies, we are also expanding the appointment of professional personnel and partnerships with outside experts. In addition, our branch managers are strengthening top sales.

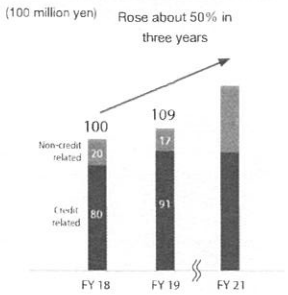
Number of mergers and acquisitions

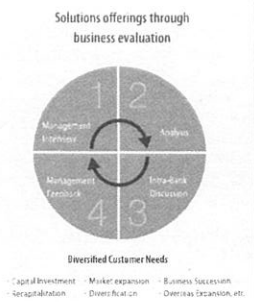


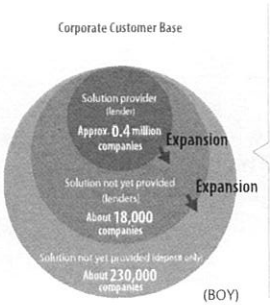
Number of business matching deals



Corporate solution revenue (total for both banks)









Increased Sophistication and Diversification of Solution Sales

We contribute to the revitalization and healthy development of the local economy by supporting the growth and revitalization of local small and medium-sized enterprises and by helping to increase the corporate value of core companies in the region.

Startup → Growth → Maturity → Transformation

In addition to ordinary loans, we also provide capital loans, which are long-term stable funds, and funds in cooperation with Yokohama Capital (a subsidiary of the Bank of Yokohama) and external institutions to provide a variety of funding options, as well as propose appropriate solutions to support corporate growth.

Support for the Startup Phase

In addition to providing financial support through loans and funds, we also provide a variety of information on founding and starting businesses.

Main Support Menu

- Business Startup Support Pack and Business Startup Support Desk (Bank of Yokohama)
- Startup Seminars (Bank of Yokohama, Higashi-Nippon Bank)
- Achieve loans for new entrepreneurs (Higashi-Nippon Bank)
- Kibo Investment Limited Partnership (Kibo Fund) (Bank of Yokohama, Higashi-Nippon Bank)
- In cooperation with Japan Finance Corporation (Bank of Yokohama, Higashi-Nippon Bank)
- Business Connect (Bank of Yokohama)

Support During Growth and Maturity

We have a diverse menu of support services to help companies solve their problems, including new services for staffing etc.

Main Support Menu

- PO Finance Loans secured by electronically recorded bond security financing at the order stage (Bank of Yokohama)
- Business Equity Loans, long-term, stable capital loans (Bank of Yokohama)
- Business matching and business meetings (Bank of Yokohama, Higashi-Nippon Bank)
- M&A advisory and investment banking services (Bank of Yokohama, Higashi-Nippon Bank)
- SDGs-related loans and private placements (Bank of Yokohama and Higashi-Nippon Bank)
- Mirai Hishokai next-generation management network (Bank of Yokohama)
- Overseas business support (Bank of Yokohama, Higashi-Nippon Bank)
- Introduction of personnel (Bank of Yokohama, Higashi-Nippon Bank)

Support During Transformation

Through support for business succession and revitalization, we aim to maintain local employment and sustainable development of the local economy.

Main Support Menu

- Business succession support (Bank of Yokohama, Higashi-Nippon Bank)
- Tsumugu Business Succession Fund (Bank of Yokohama, Higashi-Nippon Bank)
- SAYL business succession support program (Bank of Yokohama)
- Business revitalization assistance (Bank of Yokohama, Higashi-Nippon Bank)

TOPIC Penetration of SDGs management into small and medium-sized enterprises



As a regional financial institution, we actively support local companies in their efforts to promote SDGs management and to help build a sustainable society through their core businesses.

The Bank of Yokohama promotes SDGs in the region in cooperation with local governments in Kanagawa Prefecture and Yokohama City, both of which have been selected as SDGs future cities. In December 2018, we signed a partnership agreement with Kanagawa Prefecture to promote the SDGs, and we are implementing a variety of joint measures, including holding SDGs seminars for small and medium-sized enterprises.

In addition, we offer the SDGs Friends Loan, a program that enables small and medium-sized business owners to identify the relevance of their management philosophies and plans to the SDGs goals, the actions they will take to contribute to the achievement of the SDGs through their businesses, and the impact they will have on society, through dialogue with corporate managers. Approximately 1,800 companies (as of March 31, 2020) have used the service since it was launched in October 2019.

The Hamagin Research Institute, one of our group companies, regularly introduces SDGs management in a booklet issued to its member companies and holds SDGs seminars, inviting experts to speak to promote the penetration of the SDGs in the community.

COVID-19-related support for companies

To support customers suffering losses through, or affected by, COVID-19, we are implementing a range of measures not only to provide financing support but also capital support and core business support with an eye on post-COVID scenarios to meet customer needs and problems.



Rapid Cash-Flow Support

In principle, the Bank of Yokohama and Higashi-Nippon Bank remain open at all branches in principle, even during the state of emergency, and have established a dedicated service desk and toll-free number for consultation on new loans, changes in terms and conditions, and other matters related to cash-flow.

The Bank of Yokohama is working to provide quick and detailed cash-flow support through the COVID-19 Emergency Fund, a proprietary loan that partially expands the decision-making authority of branch managers. For our large corporate customers, we work closely with the Chiba Bank, signatory to the Chiba-Yokohama Partnership Agreement, to quickly syndicate loans and provide funds.

Higashi-Nippon Bank supports customers' cash flow stabilization with a special loan fund that utilizes the Bank of Japan's 'Special Operations for Corporate Financial Assistance for COVID-19'.

Cooperation with Local Governments and Credit Guarantee Associations

In cooperation with local governments and credit guarantee associations, we are actively involved in institutional financing, including essentially interest-free loans. At the Bank of Yokohama, we have established a one-stop system through which customers can apply for loans as well as request certifications and guarantees from credit guarantee associations. These operations are carried out by local governments through the bank. We also dispatch bank staff to credit guarantee associations and support the digitization of guarantee operations to ensure a speedy supply of funds.

Equity Finance

The Bank of Yokohama has established a crisis response framework for the Business Equity Loan, a capital loan that enables borrowed money to be treated as capital for credit examination in response to losses in equity capital due to temporary deficits resulting from the effects of COVID-19. In addition to improving balance sheets by capitalizing loans, the Bank has extended the maximum repayment period from 10 to 15 years for lump-sum repayment, providing customers with longer-term, stable funding.

We also provide capital support to meet the various needs of our customers, such as arranging hybrid loans where credit rating agencies evaluate a certain percentage of the funding amount as capital.

Issue of Subordinate Corporate Bonds

The Company will issue unsecured corporate bonds (subordinated corporate bonds) with a prepayment clause in the form of a public offering that limits the use of funds to provide cash flow support to customers affected by COVID-19. Funds raised by subordinated bonds will be provided as a subordinated loan to the Bank of Yokohama and Higashi-Nippon Bank and will be used to provide loans to customers affected by COVID-19 to support their cash flow.

Online Consultation Sessions

The Bank of Yokohama holds online consultation meetings to match customers who have business issues that have become apparent as a result of COVID-19 to businesses that can provide solutions. In addition to expert consulting on grants and subsidies, we also help customers solve their business challenges and expand sales channels by providing solutions to companies in need of changes in their business model.

Major online consultation sessions

Partner companies	Solutions we offer
F&V Co., Ltd.	Consulting on employment adjustment subsidies
Human Research Institute Ltd.	Consulting on manufacturing subsidies
Toatec Corporation	Introduction of electronic contracts
Alibaba Group Holding Limited	Use of EC sites
Hinos Co., Ltd.	Installation of telephone answering systems
Studist Corporation	Introduction of electronic mutual systems

Supporting Customers' Overseas Business

Within the context of diversification of customers' overseas business, we are utilizing Bank of Yokohama overseas offices, and overseas bank networks provided by the Bank of Yokohama and Higashi-Nippon Bank, to support overseas expansion, expansion of overseas sales channels, inbound response support, etc.

In Asia, we have further expanded our network supporting trading partners through our investment in Bank Resona Perdania in Indonesia.

We have also begun to provide financial support to our customers through our overseas offices and those of Chiba Bank, our partner in the Chiba-Yokohama Partnership.



We aim to grow overseas business income by accumulating overseas assets through support for corporate business growth and increased investment capabilities. We plan to roughly double our overseas assets to over 400 billion yen by FY 2021 by extending cross-border loans from Japan(*), expanding our overseas network to facilitate lending to customers' local entities, and collaborating with other regional financial institutions.

(*) This is a method of direct financing from Japan to a customer's local entity overseas.

Building Up Overseas Assets

Accumulating overseas assets by supporting the growth of business partners and strengthening operational capabilities



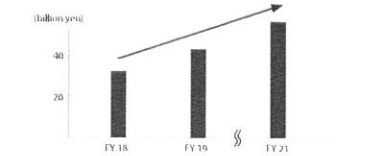
Overseas Operations

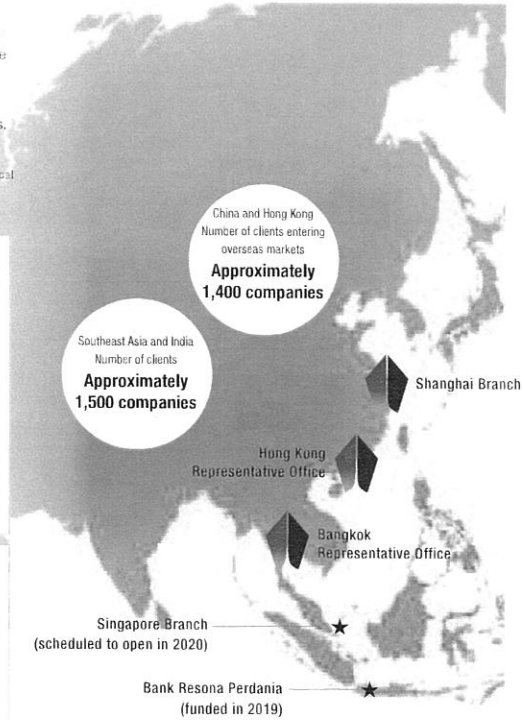
- Business loans to non-Japanese companies.
- Diversifying the range of investments with attention to risk management

For Business Partners

- Loans etc. from domestic and overseas branches to clients' local corporations
- Loans to local corporations that are clients of other banks using regional bank SBLCs

Overseas business revenue





Lifestyle Support in the Age of Centenarians

Vision

From the children, who will be the future, to the elderly, we provide one-stop solutions that meet the diverse lifestyle needs of our customers at various stages of their lives, and support the richness of their lifestyles in the age of centenarians.

Medium-Term Management Plan Strategy

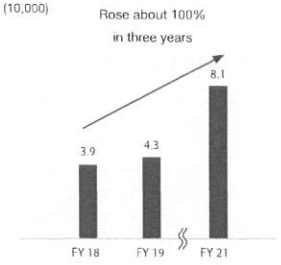
We will increase the versatility of our staff and provide one-stop solutions for asset management and loans.

With our sights set on the age of centenarians, we enhance our financial services in line with our customers' life events, such as marriage, education, and inheritance, and also approach our customers from the financial services side to help solve local community issues by grasping the needs for things, people, and experiences beyond financial services. In addition, in order to increase customer access points, we improve our smartphone apps and contact centers, upgrade branch consultation spaces, and provide comprehensive solutions to approximately three million people who are forming their wealth.

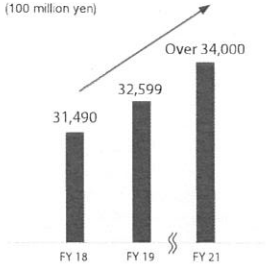
Objectives of the Medium-Term Management Plan and Solution Delivery System

We are expanding our comprehensive solutions for life events. We also offer advanced private banking services to high net worth individuals, building medium to long-term relationships.

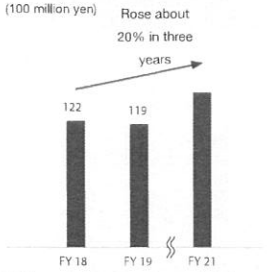
Number of investment trust contracts



Mortgage average balance

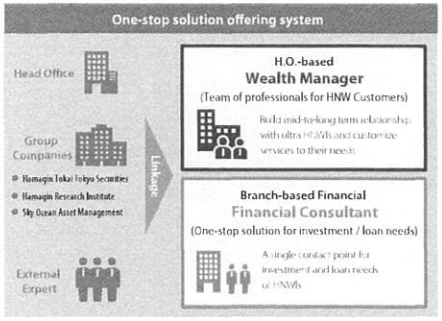


Corporate solution revenue (total for both banks)

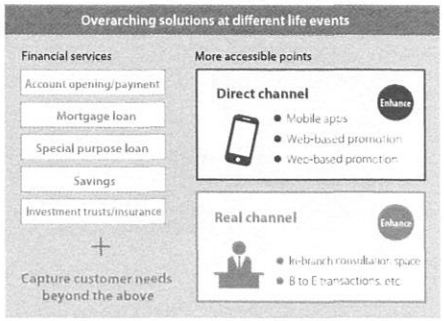


* Total amount of investment-type product sales and consulting-related revenue

One-stop solution offering system

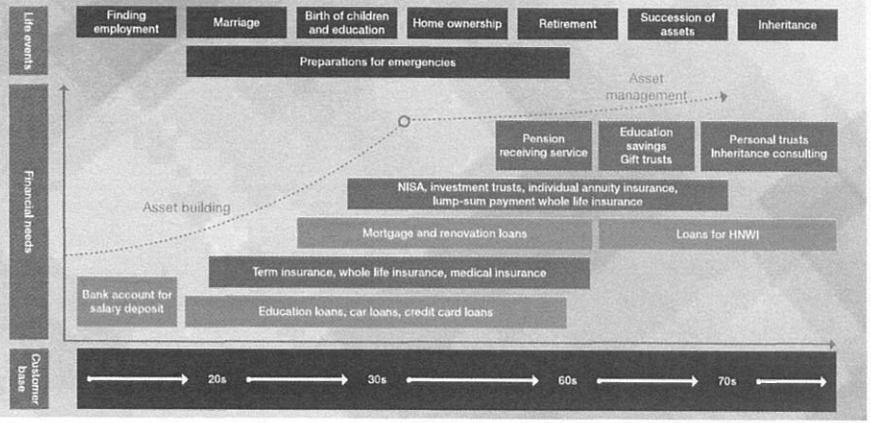


Overarching solutions at different life events



Detailed Response to Diverse Financial Needs

We provide optimal solutions to meet the diverse financial needs of our clients, which vary according to their life events and asset backgrounds.

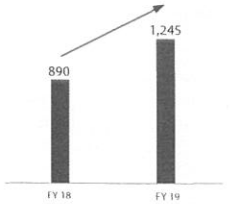


Solutions for the wealthy

- These services include providing consulting and solutions in cooperation with external specialists for asset management, loans, inheritance and succession of assets, as well as other highly specialized consultations.

Main Support Menu
- Loans for property owners
- Measures dealing with inheritance tax*
- Measures dealing with succession of shares
- Effective use of real estate
- Asset management support
- Asset succession (e.g. wills)
- Money trusts etc.

Number of specialist referrals



Investment-type product balance for individuals (group total)



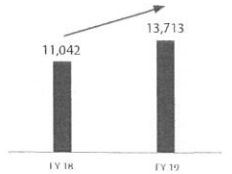
Solutions for the asset-building community

- When a customer opens an investment trust at the Bank of Yokohama, he or she can apply to open an Investment Trust Specified Account or a NISA Account, and purchase a Tsumitate(Savings) NISA account at the same time, either at a branch office or via a smartphone.

Main Support Menu
- Account opening and payments
- Mortgages
- Loans for specific purposes
- Tsumitate NISA* investment trusts & insurance etc.

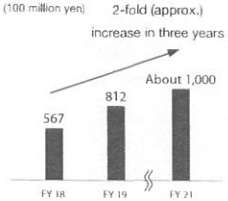
Number of IB investment trusts sold

- A complete service launched in December 2018 covering everything from opening an investment trust account to purchasing by smartphone.



Balance of loans for specific purposes

- Enhancements through advanced web promotions etc.



Building a Society for the Next Generation

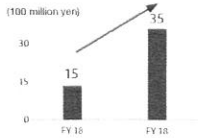
We are working to build a regional society that will link to the next generation by supporting the growth of children and the lives of seniors in the age of centenarians.



Wealth building support

The iDeCo personal defined contribution pension plan and the Tsumitate NISA small investment tax exemption are available to support asset formation through mid- to long-term accumulation. We also offer a Junior NISA, a children's version that allows legal representatives (e.g. persons with parental authority) to manage assets on behalf of their children and grandchildren until they reach the age of 20.

Tsumitate NISA balance



Supporting greater financial literacy and children's growth

Economic and financial education

Spreading and improving financial literacy is the core business of regional financial institutions. We are working to nurture the children who will be both the future of the region and to further revitalize the region.

The Bank of Yokohama offers on-site classes and hands-on banking experience through its Hamagin Okane no Kyoshitsu [Hamagin Money Classroom] financial education program, as well as information on Tsumitate NISA and iDeCo which provide for asset formation through mid to long-term accumulation, and through occupational seminars. We held approximately 1,400 seminars in FY 2019.

In June 2020, we published the SDGs for Beginners booklet to help local children learn the basics of the SDGs and are promoting its use in financial education and other settings.





Education loans

The Bank of Yokohama offers essentially interest-free education loans for trouble-free educational funding to families affected by COVID-19. Those who live in Kanagawa Prefecture and have children enrolled in educational institutions such as universities and vocational schools can receive interest subsidies of up to 1.70% per year for the entire borrowing period from Kanagawa Prefecture.

Preparation for Natural Disasters

The Bank of Yokohama offers Disaster Support Mortgages that can reduce the burden of repayment in the event of a natural disaster.

In recent years, due to the earthquake and tsunami caused by the Great East Japan Earthquake, and the occurrence of typhoons and torrential rains including Typhoons No. 15 and No. 19 in 2019, customers have become increasingly concerned about natural disasters. This product can cover risks that are not covered by conventional insurance policies.



Support for Seniors in the Age of Centenarians

Club Anchor

The Bank of Yokohama is pleased to announce Club Anchor, a free membership service for customers 55 years and older. We believe that in order to live a long, fulfilling life, it is important to strike a balance between purpose in life, health, and money. That is why we provide a variety of information on financial services, nursing care, and inheritance.

In addition, we have set up a dedicated web-based Nursing Care Consultation Service in partnership with local nursing care providers, and our experts respond to your inquiries via e-mail.

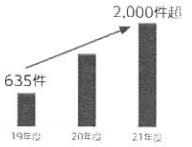
Club Anchor

Entry into trust business

The Bank of Yokohama handles trust services to meet the financial asset management and succession needs of individual customers.

The Hamagin Okane Trust, a monetary trust based substituting for a will, can meet two needs - that of asset succession, where money received from the customer is delivered in a lump sum to a second beneficiary designated in advance (the beneficiary) upon inheritance, and that of needs for asset administration, where the payment and use of the trust assets are entrusted to a person other than the customer (the beneficiary's agent) if the customer becomes incapable of making decisions etc.

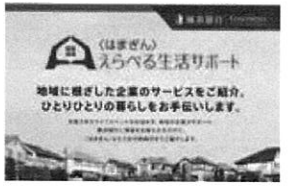
Number of money trusts concluded
- New Participation at the Bank of Yokohama -



Support for Issues of Daily Life

The Bank of Yokohama provides Hamagin's Eraberu Seikatsu Support, a service that introduces customers to partner businesses operating in the community to meet the needs of daily life, including nursing care facilities and renovations, home security, and monitoring services.

Special discounts, cash-back, and other benefits can be received by applying for services from a partner company via the dedicated page on the Yokohama Bank website. By helping to match the needs of customers with local businesses, we are also helping revitalize the region.



TOPIC Dealing with Dementia Issues

Support for use of the guardianship system

The Bank of Yokohama introduces you to affiliated trust companies if you wish to use the Adult Guardianship System, which is designed to help you manage your property and receive support in day-to-day living should your decision-making ability deteriorate in the future.

In addition, we offer Support for Guardianship System Deposits, which are designed to more safely protect the assets of customers (wards) already using the guardianship system. Separate management of funds not intended for daily use and a directive issued by the family court for all transactions, such as opening accounts, withdrawals, and cancellations, will be required, so the ward's assets can be properly managed.

Dementia Insurance

The Bank of Yokohama offers dementia insurance products. In addition to preparing for the expenses that arise when a person is diagnosed with dementia and requires treatment or needs nursing care, adding the Special Clause for Designated Representative Claims allows a family member designated in advance to claim the benefits on behalf of the insured person should the insured person become unable to claim benefits due to dementia etc.

Placement of Dementia Supporters at all branches

The Bank of Yokohama has around 2,400 employees who are 'dementia supporters' and are ready to help those with dementia and their families when the need arises. Dementia supporter training courses on symptoms of dementia, support methods, attitudes etc. are conducted for employees by instructors from staff of the Regional Comprehensive Support Center, and employees with correct knowledge and understanding are placed in all sales offices throughout Japan.

In addition, each branch is working to improve services for customers who do not have adequate decision-making abilities by collaborating with community comprehensive support centers.

Revitalizing the Regional Economy

Vision

By working to solve local problems and contributing to the sustainable development of the region, we will continue to develop as a company based on regional growth.

The Bank of Yokohama celebrates its 100th anniversary in 2020 and Higashi-Nippon Bank does so in 2024. We will continue to work hard to be an indispensable financial institution to our community for the next 100 years.

Medium-Term Management Plan Strategy

In the "Hamagin 10 Years in the Future Project", in order to develop affluent and sustainable local communities, the Bank of Yokohama will go beyond simply supporting the implementation of measures laid out by the government and independently identify problems that the region could face ten years from now, proactively moving to propose and implement measures that will enable us to achieve our vision of the bank for 10 years in the future.

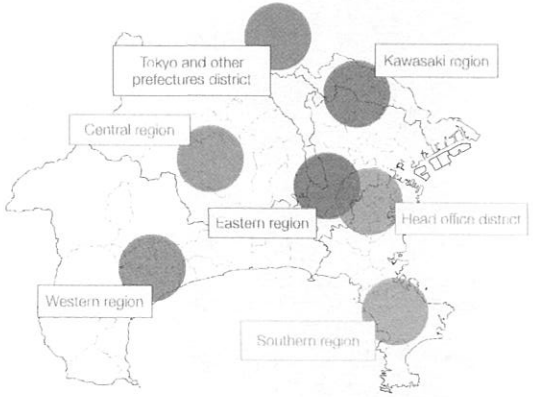
The bank will also collaborate with local governments, local universities, other financial institutions, and other partners to utilize its customer base and networks, which are the bank's strengths, in order to build communities, revitalize tourism, and resolve issues faced by local businesses.

Regional Headquarters System

The Bank of Yokohama abolished its previous block sales headquarters system in April 2018 and introduced a new regional headquarters system in order to work more closely with local communities. This new system organizes the sales area into two districts (head office, Tokyo and other prefectures) and five regions (East, Central, West, South, Kawasaki).

In the regional headquarters system, a regional manager is assigned as the head of each district or regionand is tasked with devising regional strategies to address the various issues and needs of the area, planning and putting into place the measures needed to achieve the strategy, as well as strengthening and enhancing the Hamagin 10 Yearsin the Future Project.

Higashi-Nippon Bank has introduced a Block Sales Department System that organizes its sales area into 10 blocks.



Major Achievements of Collaboration with Local Governments, Local Universities, etc. (FY 2017 - 2019)

Collaboration with Local Governments

- Yugawara Town (Partnership Agreement for Regional Revitalization)
- Isehara City (Partnership Agreement for Regional Revitalization)
- Oiso Town (Partnership Agreement for Support for Commerce and Industry)
- Yokohama City (Agreement for Promoting Work Reform)
- Kawasaki City (Partnership Agreement for Promoting Industry)
- Yokosuka City (Agreement for Support for Small- and Medium-Sized Business)
- Tokyo Metropolitan Government (Partnership Agreement on Promoting Work Reform)
- Kanagawa Prefecture (Agreement for Cooperation and Collaboration in Promoting SDGs)
- Yamakita Town (Comprehensive Partnership Agreement for Promoting Migration and Settlement)
- Sagamihara City (Partnership Agreement for Regional Revitalization)
- Kiyokawa Village (Partnership Agreement for Regional Revitalization)

Collaboration with Local Universities

- Yokohama National University (Comprehensive Partnership Agreement for Regional Economic Revitalization)
- Tokyo University of Agriculture (Comprehensive Partnership Agreement for Revitalization of Agriculture and Related Industries)
- Tokyo Institute of Technology (Comprehensive Partnership Agreement for Regional Economic Revitalization)
- Keio University (Memorandum on Promoting Industry in Kawasaki City)

Cooperation with Other Financial Institutions

- Yamanashi Chuo Bank, Shizuoka Bank (Partnership Agreement for Promoting Tourism)
- Chiba Bank (Chiba/Yokohama Partnership)

Concrete Initiatives

Support for Branding of Specialty Products

The Bank of Yokohama supported the Shonan Pomoron tomato product development project in cooperation with the city of Chigasaki and Bunkyo University after receiving an inquiry from a farmer in Chigasaki City about expanding sales channels for Shonan Pomorons, a tomato variety developed independently by Kanagawa Prefecture. This product was certified under the 'Kanagawa Nadeshiko Brand', a prefectural government project that recognizes outstanding products that women contributed to development of.

Also, aroma oil developed in cooperation with the Oiso Town Chamber of Commerce and Industry and Sagami Women's College is made from mandarin oranges grown in Oiso, and is sold at the college's school festival and at the Oiso Town Chamber of Commerce and Industry Association.



Product Business Meetings

The Bank of Yokohama and the Tokyo Institute of Technology hold product business meetings with the aim of matching the university's intellectual property with the needs of businesses and encouraging the development of new products and upgrading of technology by local companies. The business partners of Higashi-Nippon Bank and Chiba Bank have participated in the two product business meetings held so far and in one case university intellectual property has actually begun to be commercialized.

Also, joint product business meetings concerning food have been held with Chiba Bank and Yamanashi Chuo Bank. Buyers (trading companies, supermarkets, etc.) and suppliers (food manufacturers etc.) who are clients of each bank participated in the event, and a wide range of specialty products from Kanagawa, Chiba, and Yamanashi were traded to support the reconstruction of the areas affected by the typhoon and torrential rains.

Higashi-Nippon Bank organizes product business meetings to discover the appeal of food in collaboration with regional banks across the country, and works to match the businesses of our partner companies.



Cashless Taking Root in the Community

At the Bank of Yokohama, we were one of the first in the financial industry to provide the HamaPay smartphone-based payment service, with a focus on revolutionizing distribution and commercial transactions through cashless payment and creating a sustainable community where people can live with peace of mind.

In cooperation with local governments, universities, shopping malls and commercial facilities, we aim to realize a safe and secure cashless society rooted in the community.

In addition to multi-bank support with BankPay member banks nationwide, such as the Japan Post Bank and Fukuoka Bank, HamaPay can also be used at JCB Smart Code merchants. The number of stores using HamaPay is expanding.

Building Sustainable Communities through Financing

The Bank of Yokohama cooperated with the City of Yokohama in financing the redevelopment of the Kamigo-Mori No Ie [Kamigo Forest House] training and accommodation facility in Yokohama.

The City of Yokohama will retain ownership of the facility and a private sector operator will raise funds to renovate and repair the facility, and then maintain and manage the facility under the RO PFI scheme. The Bank of Yokohama will help fund not only the renovation and maintenance costs of the facility, but also the management and operational costs of the project in the future.

The Bank of Yokohama assisted an agricultural corporation in the opening of a farmer's restaurant in Fujisawa City, providing consultation services from the project's conception, as well as application procedures for National Strategic Special Zone, financing, and the advice and business matching necessary for running the restaurant.

Strict regulations govern the construction of new buildings on farmland, but the restaurant was certified as a special zone by satisfying conditions such as producing its main ingredients in-house or procuring the ingredients within the city. The restaurant is built on farmland using elements of old Japanese-style housing from Kanagawa Prefecture and serves a menu that features local produce in a buffet style.



Supporting Revitalization of Tourism

We support the revitalization of the region through the creation of a vibrant local economy and brand through between the public and private sectors.
We are also working on measures to support the recovery of local economies affected by COVID-19.



Revitalization of the Miura Peninsula

The Bank of Yokohama, together with the Keikyu Electric Railway Co. and NTT DoCoMo Inc., has signed the Agreement on Cooperation and Collaboration for the Economic Revitalization of the Miura Peninsula Region with the aim of revitalizing the Miura Peninsula region, which is facing the challenges of declining birthrates and an aging population.

In cooperation with Chiba Bank, local governments, and tourist facilities, we also held cycle tourism in the form of a cycle stamp rally on cycle roads on the Boso Peninsula in Chiba Prefecture and the Miura Peninsula in Kanagawa Prefecture. A portion of the sales was donated to the two prefectures, which were severely hit by the typhoon, to support their regional revitalization and the reconstruction of the affected areas.



Support for sightseeing tours around shopping districts and famous sites

For one-day tours that connect shopping districts in Yokohama and tourist attractions, the Bank of Yokohama supports the revitalization of local shopping districts that support the local economy and the lives of citizens by providing ideas for excursions, proposing events to shopping district associations, and publicizing tours. Aside from the direct economic impact on shopping districts and tourist attractions, the event also provides an opportunity for participants to rediscover the area's attractions.



Use of the Kanagawa Tourism Revitalization Fund

The Bank of Yokohama and the Regional Economy Vitalization Corporation of Japan (REVIC) have invested in the Kanagawa Tourism Revitalization Fund to support the opening of the Fujiya Ryokan in Yugawara Town and the Kamakura Cocon, a private inn in Kamakura that has been renovated from an old house and converted into an accommodation facility.



Support for Local Lodging and Restaurants

The Group will continue to develop measures to support the recovery of local economies that have been depressed by the effects of COVID-19.

In order to support consumption at local food and beverage businesses and lodging businesses whose business activities have been significantly affected, the Bank of Yokohama will implement measures to encourage our employees to patronize them. This initiative, which also serves as a demonstration test for the use of a dedicated smart phone app for local currency, aims to further increase consumption by providing subsidies as part of the bank's welfare program.

Centenary of Founding of Bank of Yokohama

100th anniversary

100年分の、感謝をこめて。100年目の、ルーキー宣言。

The Bank of Yokohama will be celebrating its 100th anniversary on December 16, 2020. We would like to express our sincere gratitude to our customers and local residents for their support over the years. Thanks to this support, we have been able to build a 100-year history as a regional financial institution.

'With 100 Years of Gratitude' - the slogan created to celebrate our 100th anniversary A 100th year rookie declaration. It is our desire to return to our original intentions, to evoke a sense of gratitude, and to repay what everyone has given us.

The environment surrounding us is changing dramatically, but we will continue to work hard every day to transform ourselves into a new kind of financial institution, and will continue to be a bank that supports our customers and the communities we serve for the next 100 years.

100 Years in Review

In December 1920, when 74 Bank, the largest ordinary bank in Yokohama at the time, was in financial difficulties, the local business community stood up and negotiated with the government to establish Yokohama Industrial Bank, the predecessor of the Bank of Yokohama, in order to rescue depositors and stabilize the local economy. Yokohama Industrial Bank was established with a special loan of 16 million yen from the government and the Bank of Japan, and its articles of incorporation clearly stated that its officers, except those employed full-time, would receive no remuneration, and that its shares would be 'non-dividend', making it an extremely public bank.

After surviving the Great Kanto Earthquake and the financial panic of the early Showa era of the late 1920s and 1930s, the bank became the only regional bank in Kanagawa Prefecture to see the end the war in 1945, and changed its name to the Bank of Yokohama in 1957. It steadily expanded its business in conjunction with the development of Kanagawa Prefecture and southwest Tokyo, where it was based and in 1969 it became the largest regional bank in Japan by volume of deposits.

The company moved to its current headquarters in Minatomirai, Nishi-ku, Yokohama, which was built in 1993, as part of its 70th anniversary project. After overcoming the tough times of the late 1990s when the impact of the bursting of the economic bubble was intense, in 2016 we merged with Higashi-Nippon Bank to launch a new financial group, the Concordia Financial Group, which has continued in operation since.

From the days of Yokohama Industrial Bank to the present, we have worked together with the people of the region as a regional financial institution.



Head office of the Yokohama Industrial Bank (1920)

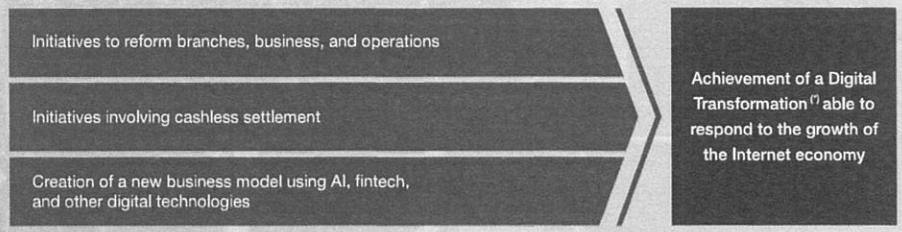


Head office operating from barracks after the Great Kanto Earthquake (1923)

Promoting Financial Digitization

We will transform into a more convenient bank by moving into new business areas and advancing operational reforms through the use of digital technology.

Fintech, AI, IoT, and other digital technologies are rapidly becoming a part of everyday life, and have become issues that regional financial institutions must urgently address. In addition, in order to promptly develop advanced products and provide services that meet the needs of customers in the face of changes in the external environment, such as the continued monetary easing policy centered on negative interest rates by the Bank of Japan and the low birthrate and aging population. A new business model is urgently needed that is efficient and highly productive on the basis of business reviews and operational reforms. The Bank of Yokohama established a new Digital Strategy Department in April 2019 for initiatives utilizing digital technology, and the Group is working as one to promote digitization measures based on the following three pillars.



* Digital transformation: The use of digital technology to rethink the way the company does business, and to reform corporate culture. This will enable us to generate new value, build a new business model with digital capabilities, revolutionize the customer experience, improve society and people's lives, and gain a competitive edge.

In the medium-term management plan from FY 2019, we have set 'operational reforms utilizing digital technology' as a priority measure, and we will implement drastic reform of branch operations through three 'less' (paperless, less cash handling, and back office less) operations to transform the branch into a place for customer consultation. In addition, we will build a regional ecosystem that captures things, people, and experience needs ahead of financial needs, and communicate with customers from outside the connection with finance, expand payment services, provide a platform for issuing local currency to local governments, chambers of commerce, private companies, and shopping malls etc. with the aim of diversifying services utilizing digital technology.

Leveraging Digital Technology and Taking on the Challenge of New Business Fields

Through the use of digital technology, we will improve productivity and provide high value-added services, as well as take on new business areas that are not extensions of existing banking business.

Making Business Operations More Sophisticated and Efficient Using AI

The Bank of Yokohama uses AI to check business reception records when selling financial products, to select documents for new graduate hires, and to monitor suspicious transactions such as money laundering and special fraud.

By utilizing AI for primary checking of sales contact records, the time required for the person in charge to create the records, and the time required for the manager to check the records, can be reduced by approximately 50%, improving efficiency and the quality of work. In new graduate hiring, AI can quantify the evaluation of entry sheets and use it as one of the criteria for making decisions, greatly reducing the amount of time spent on document screening and freeing up new time for face-to-face communication such as interviews.

In addition, in monitoring suspicious transactions, we expect to reduce the number of accounts requiring secondary investigation (detailed investigation) by 30 - 40% by utilizing AI technology for the primary investigation of deposit accounts selected based on certain conditions. It is expected that AI will identify deposit accounts, for which humans find it difficult to recognize risks, and will contribute to the prevention of financial crimes such as money laundering and special fraud.

Collaboration with MEJAR mission-critical system

MEJAR Digital Innovation Hub

The Bank of Yokohama and Higashi-Nippon Bank have collaborated with the regional financial institutions that are jointly operating the MEJAR core system to launch the MEJAR Digital Innovation Hub (MDIH) to collaboratively promote business process reforms, channel service reforms, and other measures using digital technology. The Bank of Yokohama's Digital Strategy Department has accepted temporary staff transfers from other MEJAR banks. Temporary transfers of staff from NTT Data and the NTT Data Force have also been placed in various divisions of the bank to aid with development. By strengthening cooperation with the MEJAR banks, we aim to improve productivity and offer high value-added services suited to a digital society.

New Business Co-Creation Project



In light of the changes in the external environment, including deregulation and the advancement of digital technology, we have established the New Business Co-Creation Project with our business partner Chiba Bank in order to take on the challenge of new business areas that are not an extension of existing banking business. We will continue to enhance and diversify our digital solutions for our customers by considering new businesses such as digital banking and collaborating with outside companies for services.

Investment in Venture Capital Funds

The Bank of Yokohama is an anchor investor in Evolution Ventures 2 LP, a fund formed by Evolution Ventures, which has extensive contacts with leading venture companies in Silicon Valley, where many of the world's most advanced digital technologies are born.

This Fund aims to create new, customized financial services for Japan by investing not only in leading US venture businesses, but also by supporting open innovation between the Fund's investors, including the Bank of Yokohama, and companies invested in that have innovative digital technology.

The Bank of Yokohama will work with Evolution to create new value experiences for customers and communities, as well as to further enhance financial services, through this strategic collaboration.

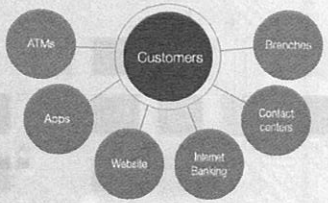
Introduction of AGENT next-generation branch terminals



The Bank of Yokohama is in the process of introducing AGENT next generation branch terminals. Until now, customers were required to hand write application forms and stamp them with their signature stamps. Now however procedures such as opening an ordinary deposit account or making changes to personal information on the application form can all be completed on a tablet. In addition, input data is automatically linked to the business system through API integration, greatly reducing input and checking work that was previously performed by employees, resulting in paperless operations and increased productivity. We plan to introduce this system in all branches by the end of FY 2020.

To Be a More Convenient Bank

To enhance customer convenience, multiple access points are linked in real time to accurately respond to customer financial needs.
We are working to improve the functionality of each access point so that customers can receive services efficiently regardless of time or place.

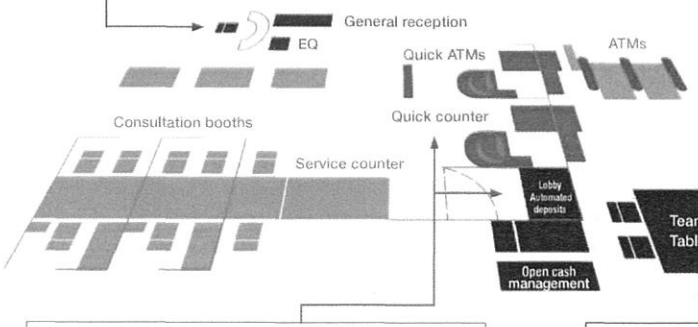


Transforming branches into consultation spaces for customers through the three 'less'

Paperless Operations

In order to eliminate the inconvenience of filling out vouchers and application forms, we will proceed with new identity verification in place of signatures and seals at branches, and with paperless application forms and vouchers.

▶ P40 Introduction of the AGENT next-generation model branch terminals



Use of AI and RPA (*)

We are promoting the use of AI and RPA in our operational reforms. We will continue to expand the scope of application of AI to call centers and customer service record confirmation operations, expand the scope of application of RPA to the investigation reports and contract registration for investment trusts, mainly for headquarters operations.

(*) AI: Artificial Intelligence
RPA : Robotic Process Automation

Reduced cash handling

We plan to move toward a cashless system in which customers mainly complete transactions on their own or with limited assistance, by introducing Quick ATMs with cash functions and lobby deposit machines for large cash deposits.

Reduced back-office operations

We are setting up a new middle office function to centralize various back office operations and streamline back office operations at branches.

Expansion of digital channels

The Bank of Yokohama is working to digitize all types of transactions for the convenience of our customers.
The Bank of Yokohama at Home, which allows personal customers to use various financial services at home, offers a variety of services including opening regular deposit accounts and investment trusts accounts, change of address and phone number, as well as other services such as WealthNavi for the Bank of Yokohama, which allows robo-advisors to automatically manage their assets through the web and apps.
Corporate customers can also use the Hamagin Business Connect portal site to check details of their deposits and other transactions and apply for various products and services.



Enhancing HamaPay functions

HamaPay is a convenientcashlesspayment service that allows customers to instantly debit Bank of Yokohama accounts registered in advance in the smartphone application when they pay for purchases at stores (member stores) that have signed a contract with the Bank of Yokohama.
HamaPay is multi-bank compatible with BankPay member banks across the country, including Japan Post Bank and Fukuoka Bank, and the number of stores where it can be used is expanding.
TheCash-out Service allows users to withdraw deposits from ticket vending machines at stations on the Tokyu Line, and the Smart Phone Storage Service allows users to pay payment slips at convenience stores.



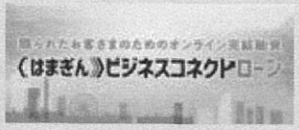
Contact centers

We are working to improve the customer experience by upgrading contact centers that serve as a point of contact.
When a call is received at Bank of Yokohama headquarters, the telephone number allows the bank to identify the customer and draw upon personal data stored at the bank (age, family structure, transaction status etc) to ascertain products and services that the customer might be interested in. The call is then automatically connected to operators who specialize in these products and services via intelligent routing. The Bank of Yokohama has also introduced a web chat service on its homepage to allow customers to ask specialist operators questions via the Internet.



Recommendation-based online lending

The Hamagin Business Connect Loan, a recommendation-based online lending service, provides customers of Hamagin Business Connect, a members-only portal site for corporations, with information on the amount and interest rate level available for borrowing through a pre-screening process that utilizes big data such as account histories of deposit accounts.
Customers who wish to borrow money do not need to submit financial documents and can complete the procedure online. In addition, the loan is executed in as little as two business days after the application is submitted, enabling you to obtain funds quickly.



Targets and Results of Productivity Improvement Through Structural Reform

Branch channels

Number of branches integrated and rationalized (Bank of Yokohama)

	FY 2016	FY 2017	FY 2018	FY 2019
Integration through in-branch format	1	2	3	5
Transition to mini-branches	–	–	2	2
Transition to component branches and sales offices	–	–	–	1
Introduction of concurrent branch managers	–	–	–	24
Introduction of lunch break	–	–	–	2
Total	1	2	5	34

Business center

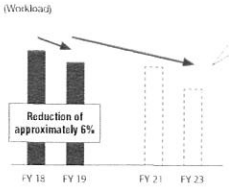
Use of RPA

Reduction of 132,000 hours of work by FY 2019 through the use of RPA in the office center and various headquarters departments

Center reform

Reduction of administrative personnel by standardizing and systematizing operations through diversification and review of the organizational work system

Workload in sales offices and office centers



Approximately 30% reduction in target workload over 5 years
(equivalent to 800 people)

- In FY 2019, we reduced the workload by approximately 6% (equivalent to approximately 150 employees).
- In FY 2021, reductions are expected to increase with the rollout of transaction consultation tablets at all branches.

The Bank of Yokohama

Implement integration and rationalization in over 20% of all branches in 5 years
(number of branches as of March 2019: 207)

Reduction in branch maintenance costs	Approximately 2 billion yen (annually)

Higashi-Nippon Bank

Implement integration and rationalization in over 60% of all branches in 3 years
(number of branches as of March 2007: 85)

Reduction in branch maintenance costs	Approximately 800 million yen (annually)



Implementing Environmentally Conscious Sustainable Management

Global warmingandclimate change are important issues related to a variety of social and economic activities that need to be addressed from a medium to long-term perspective. The Concordia Financial Group is committed to combating global warming and protecting the environment in its core business of financial services and in its own corporate activities, based on the Group Environmental Policy.

The Concordia Financial Group's Environmental Policy

The Concordia Financial Group strives to consider the environment in our core business of financial services and our own corporate activities and contributes to the sustainable development of society.

Environmental Policy 1	We support our customers in their efforts to address environmental issues through the development and provision of products and services.
Environmental Policy 2	We comply with all laws and regulations regarding environmental protection.
Environmental Policy 3	We strive to reduce our environmental impact by saving resources, saving energy, and recycling waste.
Environmental Policy 4	We disseminate this policy throughout the company, and each and every one of our executives and employees actively engages in environmental protection activities. We also publicize this policy outside the company and promote educational activities.
Environmental Policy 5	We regularly review the impact of our corporate activities on the environment and take steps to improve and prevent pollution. In addition, we strive to enhance the disclosure of environmental information.
Environmental Policy 6	We engage in dialogue with local communities to promote local environmental protection and ecosystem conservation activities.

Environmental considerations through our core financial services

Environment-related donations through private placements and loans

The Bank of Yokohama's SDGs Private Placement Bond is a commemorative product for which the Bank will donate 0.1% of the amount of the private placement bond issued by the customer to efforts by five related organizations in Kanagawa Prefecture to contribute to the promotion of the SDGs. The donations will be used to help solve the microplastic problem and undiagnosed diseases and to promote local production of energy for local consumption.

Higashi-Nippon Bank's Donated SDGs Promotion Loan is a product for which Higashi-Nippon Bank donates 0.1% of the loan amount to local governments and other businesses that promote SDGs. The donations will be used for greening activities in Tokyo and Ibaraki Prefecture and to support poor households.

■ Donations to Kanagawa Prefecture-related organizations through SDGs private placement bonds

July 2019	5 million yen (approx.)
December 2019	6 million yen (approx.)
July 2020	8 million yen (approx.)

Endorsement of the Kanagawa Zero Plastic Trash Declaration



The Bank of Yokohama supports the Kanagawa Zero Plastic Litter Declaration that Kanagawa Prefecture, an SDGs future city, has established to eliminate plastic waste and supports efforts to tackle microplastic issues.

To commemorate the expansion of the use of the SDGs Friends Loan supporting SDGs management initiatives by local companies, we donated 5 million yen to the Kanagawa Coastal Beautification Foundation Public Interest Foundation Corporation The donation is used for coastal cleanup and coastal beautification awareness in an effort to solve the microplastic problem.

Environmental protection and social contributions through investment



The Bank of Yokohama invests in Sustainability Bonds issued by the Railway Construction and Transport Facilities Development Support Agency Independent Administration Corporation to reduce the environmental impact and improve transportation infrastructure essential to local life, and also invests in Social Bonds (JICA bonds) issued by the Japan International Cooperation Agency (JICA) Independent Administration Corporation. The funds raised by JICA bonds will be used for the resolution of social issues in developing countries and for the sound development of the Japanese and international economy through Official Development Assistance (ODA) projects funded by JICA.

Environmental protection and social contributions through loans

The Bank of Yokohama, in cooperation with the Sumitomo Mitsui Banking Corporation, has provided SDGs Social Loans to Pacifico Yokohama (official title: Yokohama International Peace Conference Center), one of the largest MICE complexes in Japan, for the large-scale renovation of the facility. The projects covered by the loan have been assessed by an external evaluator in accordance with the Social Bond Principles published by the International Capital Market Association (ICMA) and other principles for social bonds, including the achievement of a sustainable environment.

Hamagin Forest



The Bank of Yokohama supports the Kanagawa 50-Year Reforestation Plan to pass on the rich blessings of the forests of Kanagawa Prefecture to the next generation, and uses CSR Environment Private Bonds donations as a Forest Revitalization Partner working on reforestation. As part of this activity, we acquired naming rights to the forest owned by the prefecture on the banks of Lake Tanzawa and named it Hamagin Forest.

Environmental considerations in corporate activities

Marine conservation efforts through the company cafeteria

The Bank of Yokohama is the first bank in Japan to offer a menu of Sustainable Seafood (*) in its headquarters employee cafeteria. Incorporating sustainable marine products into the company cafeteria menu encourages each employee to change his or her food awareness and behavior.

(*) Sustainable seafood is not over-fished and is caught in a way that is environmentally friendly. There are two types of fisheries products - fish caught in the wild in consideration of marine resources and the environment and farmed fish raised in a way that minimizes their impact on the environment. Both require certification by an inspection organization (e.g. MSC or ASC certification).

'Plastic-free' and 'paperless' efforts

With 'plastic-free' in mind, the Bank of Yokohama and Higashi-Nippon Bank have switched to the environmentally friendly Limex material for the bags used in branches to hold documents and other items, and for fans distributed in branches during the Cool Biz period. We also use LIMEX for our employee business cards and our leaflets to shareholders in consideration of the environmental issues facing the world, such as deforestation and water shortages.

A revolutionary new material made from limestone

LIMEX

Addressing Climate Change (Tackling TCFD Recommendations)

The Concordia Financial Group endorses the recommendations of the Task Force on Climate-Related Financial Information Disclosure (TCFD)[*1] and will work to enhance disclosure of information on climate change as recommended by the TCFD and take appropriate action.

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

Governance		• We established the Group SDGs Committee, chaired by the President of the company, to centrally manage the formulation and progress of policies on climate change initiatives. • We will establish a Group SDGs policy and formulate action plans concerning risks and opportunities for social issues including climate change, and report regularly to Directors' meetings.
Strategy		We have identified the Group's Materiality on social issues including climate change. We will work on the management of these assets and analyze the impact of physical risks and transition risks. Based on the IEA 2°C Scenario and IEA Decision Policy Scenario (4°C Scenario) for transition risk as scenarios that might impact the management of the Group and based on IPCC's RCP2.6 and RCP8.5 Representative Concentration Pathway (RCP) scenarios for physical risk, we will initiatives concerning the evaluation of risks and opportunities.[*1, 2] • The ratio of carbon-related assets (electricity, energy etc.) to loans[*3] is 0.3%.
Risk management		• We are working to construct a management system for credit risk, risk related to the Group's tangible fixed assets, operational risk etc. based on the impact of climate change risks on the Group's loans. • Recognizing the risks due to climate change, we will introduce policies for business related to coal-fired power generation, deforestation, and palm oil plantations, and work to limit the increase in carbon-related assets. • These risks will be managed within a comprehensive risk management framework, with an eye to the degree of impact and probability of climate change risks (physical risks and transition risks).
Indicators and targets	Target	Reduction target for CO_2 emissions from domestic sites: 26% reduction from FY-2013 levels by FY 2030
	Monitoring indicators	Scope 1 (direct) and Scope 2 (indirect) CO_2 emissions
	Actual results	Actual reduction in CO_2 emissions[*4] was 20.3% in FY 2019 compared to FY 2013.

(*1) IEA (International Energy Agency): A subordinate organization of the OECD (Organization for Economic Co-operation and Development). It focuses on ensuring energy security centered on oil and has 29 member countries.
(*2) Intergovernmental Panel on Climate Change (IPCC): An organization focused on making a comprehensive assessment of anthropogenic climate change, impacts, and adaptation and mitigation measures from scientific, technological and socio-economic perspectives
(*3) Bank of Yokohama and Higashi-Nippon Bank loans as of March 31, 2020.
(*4) CO_2 emissions from Scope 1 and Scope 2 are tabulated in accordance with the standards for periodic reports in the Energy Conservation Law.

Reference Major environment-related data (total for the Bank of Yokohama and Higashi-Nippon Bank)

Item		Unit	FY 2016	FY 2017	FY 2018	FY 2019
CO_2 Emissions	Scope 1 (direct emissions) ①	tCO_2e	808	783	815	828
	Scope 2 (indirect emissions) ②	tCO_2e	23,614	22,696	21,565	21,066
	Total ①+②	tCO_2e	24,422	23,479	22,380	21,894
Total amount of energy used (in crude oil equivalent)		KL	12,630	12,512	12,277	12,264
Total amount of energy used		GJ	489,539	484,958	475,859	475,332
Amount of electricity used		1000KWh	44,037	44,034	42,705	42,651

Policy for Specific Sectors

The Concordia Financial Group has a Sector Policy to ensure that loans and other financing are carefully judged to reduce or avoid the environmental and social impacts of investments and loans that are likely to contribute to negative environmental and social impacts.

1 Coal-fired power generation business

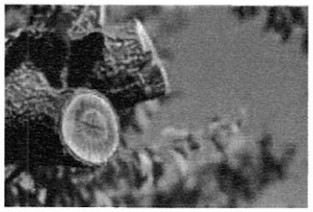
We will not, in principle, engage in new investments in or loans for coal-fired power generation projects that are likely to have a negative impact on the environment. However, when considering exceptional measures, we will carefully consider each project's background and characteristics, such as power generation efficiency and performance, impact on the environment, and impact on local communities, with reference to international guidelines etc.

2 Cluster bomb manufacturing business

New investments in and loans to companies that manufacture cluster munitions are prohibited, regardless of the use of the funds.

3 Palm oil plantation development business

From the perspectives of conservation of forest resources and biodiversity and protection of human rights, we prohibit new investments and loans for those developments of palm oil plantations that may involve human rights violations such as illegal logging and child labor. In addition, investments and loans for palm oil plantation development will be made with careful attention to the status of certification by the RSPO[*1], the international certification for sustainable palm oil, as well as consideration for local communities and the environment.



4 Deforestation projects

We make new investments and loans for forest harvesting projects with great care, taking into account whether they have received international certifications (FSC[*2], PEFC[*3] etc.) and the consideration given to local communities and the environment.

(*1) RSPO (Roundtable on Sustainable Palm Oil): An organization that develops globally trusted certification standards to promote sustainable palm oil production and use
(*2) FSC (Forest Stewardship Council): A non-profit organization that operates an international forest certification system based on the principle of appropriate, socially beneficial, and economically sustainable forest management from the perspective of environmental protection
(*3) PEFC (Forest Certification Programs): An international umbrella organization that promotes examination of forest certification systems that have been individually developed in each country based on the Intergovernmental Process for Sustainable Forest Management, which covers 85% of the world's forests, and that promotes mutual recognition of these systems

TOPIC External Evaluation of Environmentally Friendly Branches and Headquarters Buildings

The Bank of Yokohama headquarters building receives high marks for its introduction of air conditioning equipment that considers energy conservation and the quality of the indoor environment, its intake of natural light through open glass windows, its monitoring of energy consumption, and its operation of equipment to ensure energy conservation and comfort. As a result, the building was the first building of a Japanese financial institution to receive (September 2017) LEED EBOM certification from the American Green Building Association. This certification evaluates the environmental performance of existing buildings.

We were also the first financial institution to receive the Best Facility Management Award from the Japan Facility Management Association (January 2019) for our environmentally friendly management of our branches and headquarters building.



Support for international initiatives

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

21世紀金融行動原則*

*Signed by the Bank of Yokohama

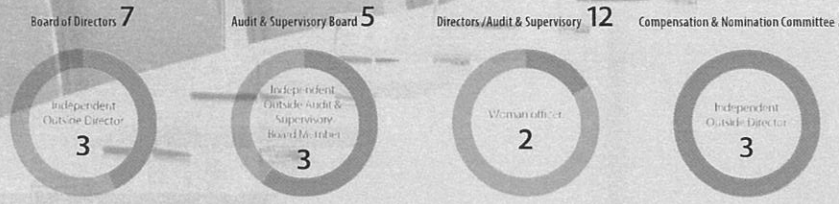
Corporate Governance

I. Basic Concepts

The Concordia Financial Group has established the Basic Corporate Governance Policy to define the policies and framework for effective corporate governance with the aim of promoting the Group's sustainable growth and enhancing its corporate value over the medium to long-term. We will constantly review our philosophy of corporate governance and work to improve it.

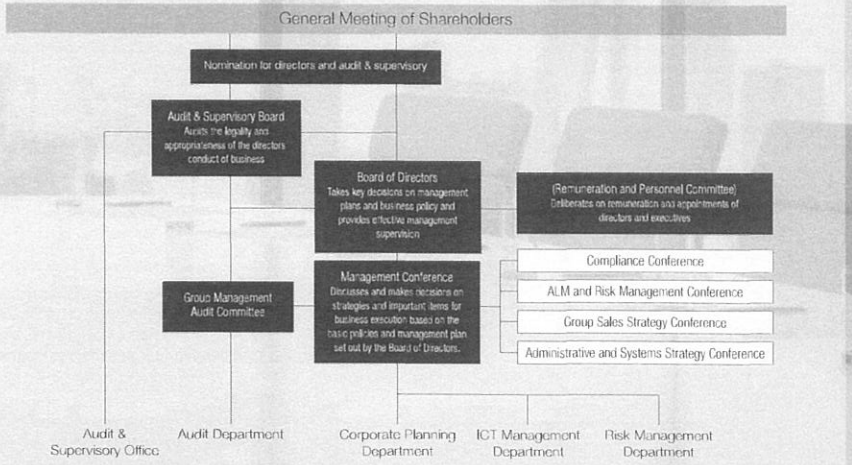
Based on our Management Principles, we will ensure fair, transparent ,and timely decision-making for our customers, local communities, employees, shareholders and other stakeholders, and build an appropriate corporate governance structure as a regional financial group.

Board of Directors: Makes key decisions on management plans and business policy, and provides effective management supervision.
Auditors and Audit & Supervisory Board : Audits the legality and validity of directors' business execution.
Management Conference: Discusses and make decisions on strategies and important items for business execution based on the basic policies and management plan set out by the Board of Directors.
Compensation and Personnel Committee: Deliberation on matters concerning compensation of directors and executive officers, and matters relating to personnel.



Corporate Governance System

The Company has adopted a corporate auditor system in which the Board of Directors decides on basic management policies and other important management matters.



II. Efforts to Improve Governance

FY 2016	Concordia Financial Group (the Company) established We have employed an audit company for which the board of directors decides on important management matters.
FY 2017	Basic Corporate Governance Policy established. Effective corporate governance realized.
FY 2020	The President of the Bank of Yokohama serves concurrently as the President of the Company. The Bank of Yokohama has led improved governance across the group.

III. Directors and Audit & Supervisory

Position on appointments

Directors

Candidates for Director will be appointed by the Board of Directors after deliberation by the voluntary Compensation and Personnel Committee, based on factors such as its views on the composition of the Board of Directors. Persons satisfying the following will be appointed from among candidates for external 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 business management, fiscal matters, finance, economics, accounting, taxation, and legal affairs
C. Persons who, based on their experience and expertise, can provide timely and appropriate opinions and proposals to Directors and the management team from the perspective of promoting sustainable growth of the Group and enhancing medium to long-term corporate value.

Since it is important to systematically train and nominate successors to top management, we have established a succession plan to systematically train Group top management.

Audit & Supervisory

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 will be appointed from among candidates for external auditor.

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 business management, fiscal matters, finance, economics, accounting, taxation, and legal affairs
C. Persons who are expected to contribute to ensuring the sound and sustainable growth of the Group and to enhancing the corporate value of the Group over the medium to long-term by forming and expressing an audit opinion in a timely and appropriate manner based on his or her experience and expertise, in light of the fact that the appointment of such a person is mandatory from the perspective of further enhancing the neutrality and independence of the audit system

Reasons for Appointment of Outside Officers

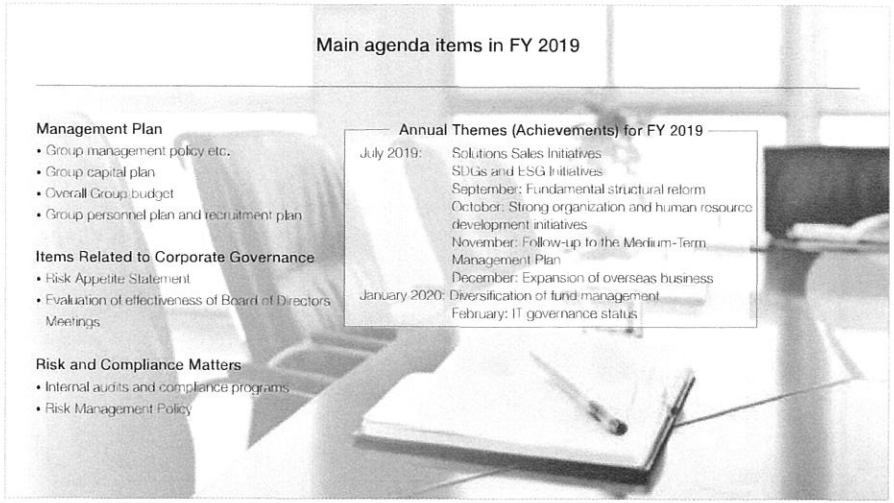
Name	Reason
Mitsuru Akiyoshi	He was previously Senior Managing Executive Officer, Representative Director, and then Senior Executive Vice President, Representative Director of Maruberi Corporation, before serving as CEO of their Food & Consumer Products Group. He currently serves as President and Representative Director at Mizuho Maruberi Leasing Corporation. The Company has appointed him to the position of outside director based on the judgment that he will be able to provide timely and appropriate opinions and proposals to the Company's management and directors from the perspective of promoting the Group's sustainable growth and enhancing its medium- to long-term corporate value by making use of such experience and knowledge.
Yoshinobu Yamada	He has wide-ranging knowledge as a financial specialist, including extensive experience and a high degree of expertise in financial analysis, mainly in the financial sector, and has held key positions at securities companies. The Company has appointed him to the position of outside director based on the judgment that he will be able to provide timely and appropriate opinions and proposals to the Company's management and directors from the perspective of promoting the Group's sustainable growth and enhancing its medium- to long-term corporate value by making use of such experience and knowledge.
Mami Yoda	She has a high level of expertise and broad knowledge, having worked for many years at Standard & Poor's International LLC, where she was involved in rating and research services related to corporations and other companies. She currently teaches at Sagami Women's University and its graduate school as an expert in business administration. The Company has appointed him to the position of outside director based on the judgment that he will be able to provide timely and appropriate opinions and proposals to the Company's management and directors from the perspective of promoting the Group's sustainable growth and enhancing its medium- to long-term corporate value by making use of such experience and knowledge.
Mizuho Ogata	Mizuho Ogata possesses substantial experience and deep insight as a real estate appraiser and corporate representative, having had many years of experience as Representative Director of a real estate appraisal firm, and has also served as President of Japan Association of Real Estate Appraisers. She is judged to be capable of forming and expressing audit opinions in a timely and appropriate manner from a neutral and independent position, so we have appointed her as an Outside Auditor.
Keiichiro Hashimoto	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 Limited. Accordingly he possesses substantial experience and deep 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, so we have appointed him as an Outside Auditor.
Seiichi Husamura	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, so we have appointed him as an Outside Auditor.

* For more details on reasons for appointment of directors and audit & supervisory, please refer to the "Reference Material for the General Meeting of Shareholders" in the Notice of the 4th General Meeting of Shareholders, which is posted on the Company's website.
(https://www.concordia-fg.jp/shareholder/stock/meeting/index.html)

IV. Details of Company Organization

Board of Directors

The Board of Directors defines the scope of the resolutions of the Board of Directors meetings based on regulations such as the Regulations on the Board of Directors, and clarifies the scope of delegation to the Management Conference, management, etc. In this way, important decisions are taken on management plans, matters related to governance, and the Group's management policies, such as basic policies on risk and compliance, and also the Board of Directors takes on the role of more effective management supervision. In addition, themes that focus on important management policies are selected as "annual themes" for discussion.



Main agenda items in FY 2019

Management Plan
- Group management policy etc.
- Group capital plan
- Overall Group budget
- Group personnel plan and recruitment plan

Items Related to Corporate Governance
- Risk Appetite Statement
- Evaluation of effectiveness of Board of Directors Meetings

Risk and Compliance Matters
- Internal audits and compliance programs
- Risk Management Policy

Annual Themes (Achievements) for FY 2019

July 2019: Solutions Sales Initiatives
SDGs and ESG Initiatives
September: Fundamental structural reform
October: Strong organization and human resource development initiatives
November: Follow-up to the Medium-Term Management Plan
December: Expansion of overseas business
January 2020: Diversification of fund management
February: IT governance status

Support for Outside Directors (Outside Auditors)

In order to enhance Board of Directors meetings, the Company provides outside directors and outside auditors 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 the audits of audit & supervisory. 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 auditors 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 ensure coordination between the outside directors and the Representative Director, the audit & supervisory, internal audit departments, and the financial auditors, as well as interaction between the outside directors and the directors of the Group companies.

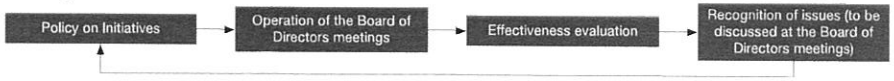
Results for FY 2019	Contents
Board of Directors meetings Advance briefings	Advance briefing on the meeting agenda
Visits to subsidiaries' sales offices	Visits to sales offices and meetings with branch managers of the Bank of Yokohama and Higashi-Nippon Bank
Meetings to exchange ideas with the audit company	Exchange of opinions with financial auditors
Exchange of opinions with the Audit Department	Explanations and reports from the Audit Department
Study Groups	Study groups with outside experts

Evaluation of Effectiveness of Board of Directors Meetings

Every year, the Company evaluates the effectiveness of the Board of Directors meetings as a whole, and works to improve the functioning of the Board of Directors meetings by considering and implementing improvement measures to address identified issues.

The operational policy for evaluating the effectiveness of the Board of Directors meetings is described in Article 22 of Basic Policy on Corporate Governance.

PDCA cycle



Results of the Management and Effectiveness Evaluation of the Board of Directors Meetings for Fiscal Year 2019

Based on the evaluation results of the FY2018 effectiveness evaluation, in FY2019 we managed the Board of Directors meetings with an emphasis on action and an increased sense of speed in management. The Medium-Term Management Plan, which began in fiscal 2019, was reviewed periodically for progress, and future initiatives to recognize and resolve issues were deliberated. In addition, we reviewed the authority for business execution and clarified the division of roles between the Company and its subsidiaries. In addition, the deliberations at the Board of Directors meetings have been invigorated by providing enhanced explanations of the agenda and information to the outside directors in advance.

We assessed that these efforts to improve on the issues identified in FY 2018 have resulted in steady progress and ensured the effectiveness of the Board of Directors meetings in FY 2019.

Recognition of Issues and Initiatives for FY 2020

From the perspective of further improving the effectiveness of the Company's Board of Directors meetings, the Company recognizes the following three issues as challenges and will continue to work on them.

1. Enhancing discussions on strategies for sustainable growth and increased corporate value in response to environmental changes
2. Strengthening supervision and monitoring of responses to important management issues
3. Enhancing the operating framework to strengthen group collaboration

Evaluation Method

In the FY2019 effectiveness evaluation, as described below, we conducted a self-evaluation by utilizing a third party's perspective, questionnaires, and interviews and by discussing issues and future efforts for the effectiveness of Board of Directors meetings.

1. To ensure objectivity and anonymity, a questionnaire from a third-party organization was given to each director and audit & supervisory who participates in Board of Directors meetings.
2. In addition to the responses to the questionnaire, individual interviews were conducted with each of the directors and audit & supervisory in order to obtain more specific information.
3. After compiling the results, we discussed the challenges and future initiatives to ensure the effectiveness of the Board of Directors meetings at the regular Board of Directors meeting in May 2020 and conducted a self-evaluation.

Main evaluation items

Composition of Board of Directors meetings, provision of information, etc., matters to be discussed at Board of Directors meetings, status of deliberations at Board of Directors meetings, ensuring time for deliberations at Board of Directors meetings, remuneration and appointment of directors, coordination among officers, etc.

Audit & Supervisory Board

In accordance with the audit policy and audit plan established by the Audit & Supervisory Board, the audit & supervisory audits the legality and appropriateness of the execution of director's business operations by attending important meetings such as Board of Directors meetings, examining the status of operations and assets, inspecting important decision-making documents, communicating with internal audit departments and Group companies, and exchanging information with the financial auditor and other parties.

To ensure the effectiveness of audits, the Articles of Incorporation stipulate that the number of audit & supervisory may not exceed five, and half or more of them are outside auditors. As of June 19, 2020, we have three independent outside auditors out of the five auditors (four male and one female).

Management Conference

Based on the basic policy and management plan decided at the Board of Directors meetings, the Management Conference discusses and decides on important business execution matters and strategies for flexible business execution in the Group, and also holds preliminary discussions of the resolutions of the Board of Directors meetings when necessary.

In addition, for important matters related to the Group's business operations, the following meetings are positioned as part of the Management Conference and they deliberate in a concentrated manner on items under their respective jurisdictions.

Compliance Conference	Discussion and deciding of basic policies on compliance and customer protection management for the Group as a whole and monitoring of the status of subsidiaries
ALM and Risk Management Conference	Discussion and deciding of the Group's ALM, integrated risk management, credit risk management, market risk management, liquidity risk management, operational risk management, profit management, as well as basic policies, plans, and key measures related to the overall budget, and monitoring of the status of subsidiaries
Group Sales Strategy Conference	Discussion and deciding of basic policies, plans, and important measures related to the Group's business strategies and alliance strategies, and monitoring of the progress of the medium-term management plan and other plans
Administration and Systems Strategy Conference	Discussing and deciding on policies and plans for the optimization of business operations and the integration of systems and business processes across the Group, as well as the basic policy, plans, and important measures for IT strategies, and monitoring the progress of each measure at subsidiaries
Group Management Audit Committee	Discussions, resolutions, and reports on important matters related to internal audits, as well as reports on and discussions of matters related to the results of audits by auditors and internal audits of the Group as a whole

Remuneration and Personnel Committee

In order to ensure objectivity and transparency in the remuneration and appointments of directors and executive officers, we have established a voluntary Remuneration and Personnel Committee consisting of Outside Directors. The Committee considers matters relating to the remuneration and appointment of directors and executive officers.

Constituent Members (from June 2020)

(Chairperson) Mitsuru Akiyoshi (Outside Director),
Yoshinobu Yamada (Outside Director),
Mami Yoda (Outside Director)

* An outside director as defined in Article 2, Item 15 of the Companies Act

Main Discussion Items

<Number of committee meetings> FY 2018: 15, FY 2019: 12

- Executive Personnel of the Group
- Table of executive compensation at the Company and its subsidiary banks
- Policy on and evaluation of bonus payments
- Target indices and performance indices for stock compensation

Internal audit departments

The Board of Directors has established the Audit Department as an organization independent of the executive departments, and the Audit Department conducts internal audits on the effectiveness and adequacy of the internal control systems and internal controls. Our Audit Department evaluates the status of the internal audits within each Group company and strengthens the internal audit function by ensuring consistent internal audits are conducted throughout the Group.

V. Executive Compensation System

Basic Concepts

In order to promote the Group's sustainable growth and increase its corporate value over the medium to long term, the Company has adopted a compensation system that increases the incentive for executives to take risks in an appropriate manner and implement aggressive governance.

The compensation structure, composition ratio, and level of executive compensation are determined based on data on executive compensation provided by an external research organization, and are compared and verified against benchmarks from other industries and groups of companies in similar industries and business categories to the Company.

1. Director

Compensation structure

- Compensation consists of basic salary, bonus, and stock-based compensation.
- Compensation consists of 6 6% base salary, 1 7% bonus, and 17% stock-based compensation (when bonuses and stock-based compensation are paid in standard amounts).
- Note that the standard amounts of basic remuneration, bonuses, and stock-based remuneration are determined by position.

Details of each type of compensation

(a) Basic salary

- The basic salary is paid monthly based on the role and responsibilities of the employee.

(b) Bonus

- The bonus is an annual cash payment evaluated based on the Company's performance (the level of the actual net earnings of the Bank of Yokohama, Ltd., and Higashi-Nippon Bank (hereafter referred to as the "two banks total"), the net earnings attributable to the parent company shareholders, etc.), and the business results of the individual officer.
- The business results of each officer are evaluated based on the degree of achievement of an initially set target (three to six items are set for each individual based on the department they are in charge of, such as achieving the budget for the department, the progress of each policy, the development of a risk management system, etc.). If the standard amount for each position is set at 100, the amount of payment to be paid to the executive officer will vary between 70% and 130% depending on the evaluation results for the individual officer. Note that the final evaluation of the Company's performance and the performance of officers based on their work performance is subject the deliberation by the Compensation and Personnel Committee.

(c) Stock-based compensation

- Stock-based compensation refers to the amount of money equivalent to the Company's shares using a trust and cash proceeds from the realization of the Company's shares (hereafter referred to as the "Company's Shares, etc."). Two types of trusts have been established, Trust I and Trust II, as follows.

1) Trust I

- Company shares etc. equivalent to the standard amount for each position will be provided to each director upon their resignation.

2) Trust II

- Company shares etc. will be provided at the end of the Medium-Term Management Plan, in an amount equal to the base amount for each position to which is applied a performance-linked coefficient (varying from 75% to 200% depending on the degree of achievement) reflecting the level of achievement of the performance targets in the Medium-Term Management Plan.
- The indicators used to evaluate the "degree of achievement of the performance targets of the medium-term management plan" are the target indicators of the current Medium-Term Management Plan (fiscal 2019-2021). The final performance-linked coefficient is determined after deliberation by the Compensation and Personnel Committee, taking into account non-financial indicators and qualitative matters.

Compensation composition	Compensation type		Payment method	Payment criteria
66%	Basic salary		Paid monthly	Payable according to the position
17%	Bonus		Paid annually	Payment is in accordance with the base amount for each position plus an amount based on the company's performance (e.g., the level of net business profit for the two banks combined and the level of net income attributable to the parent company's shareholders) and an evaluation of the operational performance of the individual officer.
17%	Stock compensation	<Trust I>	Upon retirement as an officer Company shares etc. are provided.	Paid according to the standard amount for each position
		<Trust II>	At the end of the Medium-Term Management Plan Company shares etc. are provided.	Payable in an amount that reflects the performance-linked coefficient in accordance with the degree of achievement of the performance targets of the Medium-Term Management Plan in addition to the standard amount for each position

2. Outside Directors

Compensation structure

In view of their role in supervising the execution of business, the compensation is not linked to performance, but is only the basic salary.

Details of compensation

The basic salary is paid monthly based on the role and responsibilities of the outside director.

3. Audit & Supervisory

Compensation structure

From the perspective of ensuring the neutrality and independence of audit & supervisory, compensation is not linked to performance, but is only the basic salary.

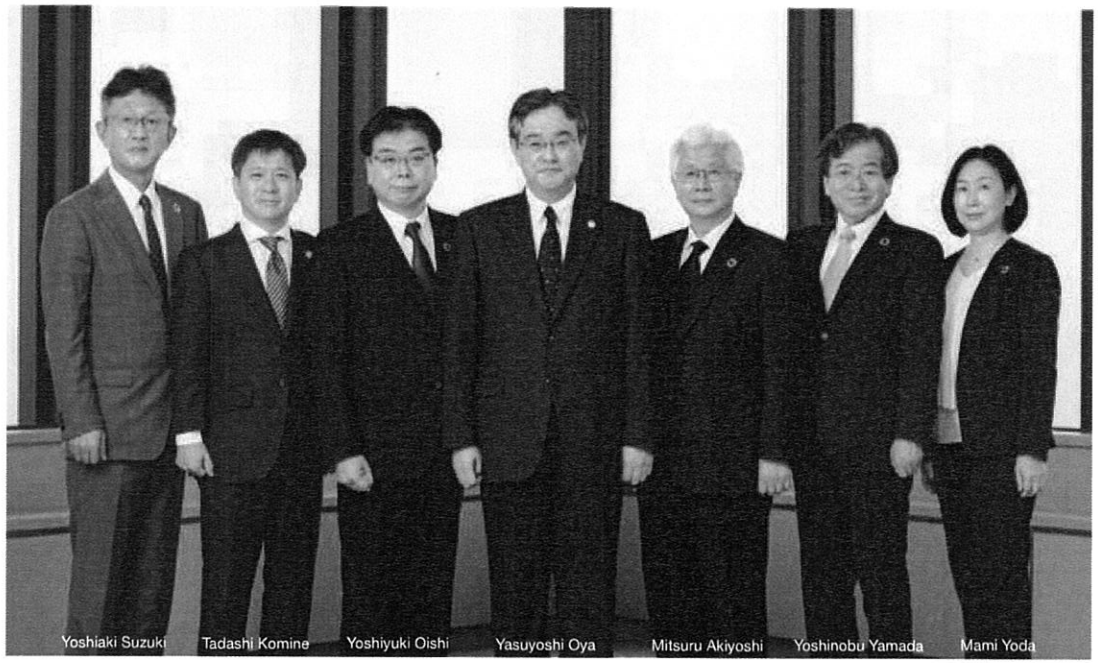
Details of compensation

The basic salary is paid monthly based on the role and responsibilities of the auditor.

▶ (Reference Material) P123 Items Disclosed Regarding Compensation, Etc.

Board of Directors

Director



President and Representative Director Yasuyoshi Oya

Year of Appointment **Main Career Summary**

1985 Joined the Bank of Yokohama, Ltd.
2015 Bank of Yokohama, Ltd., Representative Director, Managing Executive Officer
2016 Company Representative Director
2018 Bank of Yokohama, Ltd., Representative Director, President Present post
2020 Company Representative Director, President Present post

Director Yoshiyuki Oishi

Year of Appointment **Main Career Summary**

1985 Joined the Bank of Yokohama, Ltd.
2018 Bank of Yokohama, Ltd., Representative Director, Managing Executive Officer
2019 Managing Executive Officer of the Company
2019 Bank of Yokohama, Ltd., Representative Director, President Present post
2020 Director of the Company Present post

Director Tadashi Komine

Year of Appointment **Main Career Summary**

1988 Joined Bank of Yokohama, Ltd.
2018 Managing Executive Officer of the Company
2019 Bank of Yokohama, Ltd., Representative Director, Managing Executive Officer Present post
2020 Director of the Company Present post

Director Yoshiaki Suzuki

Year of Appointment **Main Career Summary**

1988 Joined the Bank of Yokohama, Ltd.
2018 Executive Officer of the Company
2019 Bank of Yokohama, Ltd., Representative Director Executive Officer Present post
2020 Director of the Company Present post

Director Mitsuru Akiyoshi Outside

Year of Appointment **Main Career Summary**

2015 Marubeni Corporation Representative Director and Executive Vice President Executive Officer CEO, Food & Consumer Products Group
2019 M.G. Leasing Corporation (currently Mizuho Marubeni Leasing Co., Ltd.) Representative Director, President Present post
2019 INPEX Corporation, Auditor Present post
2019 Director of the Company Present post

Director Yoshinobu Yamada Outside

Year of Appointment **Main Career Summary**

2009 Deutsche Securities Inc., Managing Director
2019 PwC Advisory LLC, Senior Advisor
2020 Director of the Company Present post

Director Mami Yoda Outside

Year of Appointment **Main Career Summary**

2005 Standard & Poor's International LLC Managing Director
2017 Sagami Women's College of Arts and Sciences Associate Professor, Department of English Language, Culture and Communication Present post
2020 Associate Professor, Graduate School of Social Entrepreneurship, Sagamihara Women's University Present post
2020 Director of the Company Present post

Executive Officer

Keigo Makino
(concurrent position Director and Executive Officer of the Bank of Yokohama)

Minoru Karaki
(concurrent position Managing Director of Higashi-Nippon Bank)

Akira Yamashita
(concurrent position Director of Higashi-Nippon Bank)

Yutaka Awano
(concurrent position Executive Officer of the Bank of Yokohama)

Tatsuya Kataoka
(concurrent position Director of Higashi-Nippon Bank)

Toshihiko Onuki
(concurrent position Executive Officer of the Bank of Yokohama and Executive Officer of Higashi-Nippon Bank)

Audit & Supervisory



Full-time auditor Kazuhiro Maehara

Year of Appointment **Main Career Summary**

2016 Bank of Yokohama, Ltd., Executive Officer
2016 Executive Officer of the Company
2019 Full-time auditor of the Company Present post

Full-time auditor Yoji Maekawa

Year of Appointment **Main Career Summary**

2014 Bank of Yokohama, Ltd., Chief Accounting Officer, Corporate Planning Department
2018 Full-time auditor Present post

Audit & Supervisory Mizuho Ogata Outside

Year of Appointment **Main Career Summary**

1983 Ogata Real Estate Appraisal Office, Representative Director Present post
2007 Tokyo Real Estate Appraisers Association, Chairperson
2011 Japanese Association of Real Estate Appraisers, Chairperson
2016 Audit & Supervisory of the Company Present post

Corporate Auditor Keiichiro Hashimoto Outside

Year of Appointment **Main Career Summary**

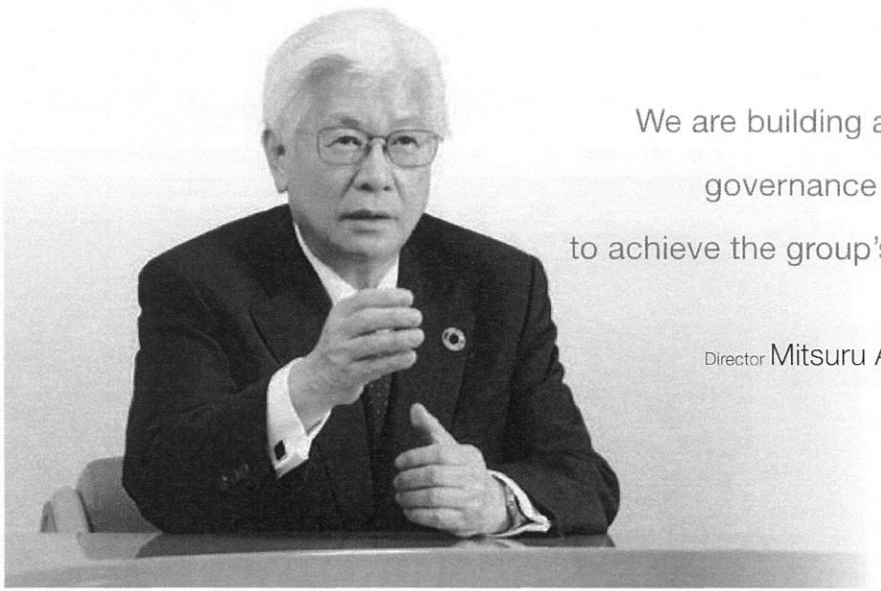
2010 Metropolitan Expressway Company Limited, Representative Director Chairman and President
2015 Higashi-Nippon Bank Limited, Audit & Supervisory
2016 Audit & Supervisory of the Company Present post
2019 Japan Association of Corporate Executives, Corporate Vice President and Executive Director Present post

Audit & Supervisory Seiichi Fusamura Outside

Year of Appointment **Main Career Summary**

2011 President of Nagoya High Court
2013 Public Security Examination Commission, Chairperson Present post
2016 Bank of Yokohama, Ltd., Audit & Supervisory
2020 Audit & Supervisory of the Company Present post

Outside Director Message



We are building a strong governance system to achieve the group's goals.

Director Mitsuru Akiyoshi

What is your evaluation after completing the first financial year of the three-year medium-term management plan as an outside director, and what is your opinion of the Company's governance structure?

This past year's activities have reminded us of the challenging business environment surrounding regional financial institutions. The Group is a financial institution with an advantage over other regions, having its home market in Kanagawa Prefecture, where it has an overwhelming advantage, and access to the huge market of Tokyo, but competition is intensifying, including from other industries. We have positioned the current medium-term management plan as a three-year period of change in which we will transform ourselves into a "new financial company that surpasses conventional banks". The entire Group shares a strong sense of urgency about the loss of corporate value if we continue with traditional banking management. In particular, "operational reform using digital technology" and "the challenge of new business areas using strategic investments and capital investments" go beyond the conventional framework of banking operations. We believe that the key issues are how to speed up the pace of these initiatives and how to proactively utilize external human resources.

The Group must also improve and upgrade its operations and review its governance structure at Higashi-Nippon Bank. Although it has taken nearly two years since the business improvement order in August 2018, I judge that there is steady implementation and strengthening of our Compliance Awareness Reform and Business Improvement Plan. In the future, I expect that the results swiftly being produced by Governance Reform, Improvement of Profitability, and Unification of the Group, which are the goals of the Sunrise Plan formulated last November, will greatly contribute to improving the corporate value of the Group.

Since last summer, the Remuneration and Personnel Committee, which includes Outside Directors, has been thoroughly discussing the ideal governance structure of the Group, as well as engaging in a series of dialogues with former President Kawamura and President Oya. As a result, although partway through the 3-year Medium-term Management Plan, in December last year we discussed and decided on the new President of Higashi-Nippon Bank (Oishi, Representative Director of the Bank of Yokohama, Ltd., was appointed), and in April this year we decided that President Oya of the Bank of Yokohama, Ltd., should be appointed to the Board of Directors with concurrent position of FG President. The key points for discussion were how to bring together and demonstrate the Group's strengths and how to promote a unifying management approach in response to the Group's difficulties.

We determined that making the Bank of Yokohama the axis of the system would enable us to increase the effectiveness of our efforts to improve the corporate value of Higashi-Nippon Bank and increase the speed with which we could achieve our medium-term targets, so we consolidated the top management of the Bank of Yokohama in order to utilize the management resources of the company in an agile manner. Both Mr. Oya and Mr. Oishi have the courage to tackle difficult situations head on. They are both cheerful personalities with the ability to communicate directly with employees about the direction of management. That makes them suitable as leaders of the Group, and it is expected that they can achieve unifying management.

What is your evaluation of the effectiveness of our Board of Directors meetings?

We recognize that the governance of a financial institution is intended to achieve maximized corporate value and to ensure soundness. We understand that the role of the Board of Directors meetings is important in this context and that the responsibility of independent outside directors is particularly heavy.



At every meeting of FG's Board of Directors, there is lively discussion with the executive officers focusing on questions and opinions from the outside directors and the external auditors. In addition, the fact that the outside directors have diverse backgrounds and professional expertise and that there are two women on the board means that the discussions at the meeting are conducted from more diverse perspectives.

A financial institution's Board of Director meetings have more regulatory, soundness, and other specialized issues than those at a typical company, so the non-executive officers must be very prepared and strong-willed to deal with these issues. In this regard, we believe that the executive side has been able to hold careful briefing sessions in advance and fully respond to the opinions and questions of the outside directors, which has resulted in lively Board of Directors meetings.

In addition to the Board of Directors meetings, we also conduct visits to see and hear the actual situation in the field and talk directly with the employees. It has been a very valuable experience to see first-hand the challenges banks are facing today.

Going forward, as an outside director, I believe our important mission is to further deepen discussions on (1) how to steer the Group for sustainable growth and increased corporate value, and (2) to develop and strengthen human resources and identify and nurture the next generation of leaders to achieve this goal.

Initiatives to Improve the Corporate Value of Higashi-Nippon Bank

Higashi-Nippon Bank, under the management and supervision of Concordia Financial Group, has been steadily implementing the Business Improvement Plan established in August 2018. Furthermore, to ensure sustainable profitability and future financial health, we are making fundamental structural reforms, enhancing our core business, and strengthening our credit risk management under our "Higashi-Nippon Bank Sunrise Plan," a profitability improvement plan that concludes in FY 2022.

Establishing a Legal Compliance System

To ensure sound and appropriate business operations, we completed the development of our internal control posture and business management posture by the first half of FY 2019. Based on the Business Improvement Plan, management is taking the lead in steadily implementing the action plan and in properly executing the PDCA cycle to improve the effectiveness of our measures.

Establishment of legal compliance posture

In order to establish a corporate culture that emphasizes compliance, we have clarified the departments and managers responsible for promoting compliance and established an organization, rules, and a management system. In addition, in order to raise awareness of compliance across the entire bank, we continuously conduct training and other sessions with outside experts and conduct periodic compliance awareness surveys to determine the status of compliance.

Establishment of a customer-oriented business operation posture

The Customer Service Office was established as the department responsible for promoting customer-oriented business operations. In addition, to raise awareness of customer-oriented business operations across the entire bank, we continue to invite outside experts to provide training and other programs, and we have reviewed our personnel evaluation system and award system in order to revise the performance-oriented culture.

Establishing a system for mutual checks and balances and internal audits

In order to improve the mutual checks and balances, we have implemented structural reform of the headquarters organization, reviewed the division of operations among executives, reduced the decision-making authority of sales office managers, established a system for headquarters to monitor sales offices, developed an internal reporting system, etc. In addition, internal audit staff has been assigned to the three group companies to strengthen the integrated management of the group's internal audit department, develop the audit staff, and improve specialist skills.

Initiatives for the Higashi-Nippon Bank Sunrise Plan

In December 2019, we changed our governance structure. We took on additional personnel from the Bank of Yokohama and with the strong support of the Group, we put in place a management structure to deliver structural change and improved profitability. We will accelerate the restructuring of our business model by focusing on (1) fundamental structural reforms, (2) deepening our core business, and (3) strengthening our credit risk management, with the aim of becoming a partner trusted by our customers in the Tokyo metropolitan area market, with a focus on Tokyo itself.

❶ Radical structural reform

Further closure of branches

- Right-sizing channels based on our business model
- Lighten the weight on branches by introducing lunch breaks, consolidating loan operations, etc.

Number of stores and offices

Complete by 3rd year

End of March 2019	End of March 2022
80 locations	55 locations

Streamlining of Headquarters

- Reviewing the organization of Headquarters, including the consolidation of FGs on two and three lines (risk and audit)
- Sharing IT departments and centers

Number of headquarter employees

End of March 2019	End of March 2023
280 (approx.)	210 (approx.)

Building a strong organization and developing human resources

Review the HR system and salary system to increase motivation

Cost reduction campaign

Expense reduction campaign and other efforts to thoroughly reduce costs

Improving the efficiency of the business operation system

	End of March 2019	End of March 2023
Number of employees	About 1,210	▼△ About 20% reduction
Expenses	23.4 billion yen	▼△ About 12% reduction

❷ Deepening our core businesses

Review of the sales system

- Increasing the number of external liaison personnel, particularly in the Tokyo area

End of March 2019	End of March 2023
External liaison officers About 240	External liaison officers About 330
of which, the 5 wards in the center of the city About 90	of which, the 5 wards in the center of the city About 170

Strengthening the solution business

- Strengthen the Headquarters solutions system
- Expanding services and products through Group companies and external collaborations

Headquarters solution personnel

+10people

Increase the value provided to customers by strengthening relationships

❸ Strengthen credit risk management

Headquarters

- Strengthen the structure of the Loan Department (establish a Management Support Office, assign dedicated liaison officers, and directly manage loans to bankrupt borrowers)

Business offices

- Strengthen efforts to support credit management and business improvement by assigning credit management personnel

Management team

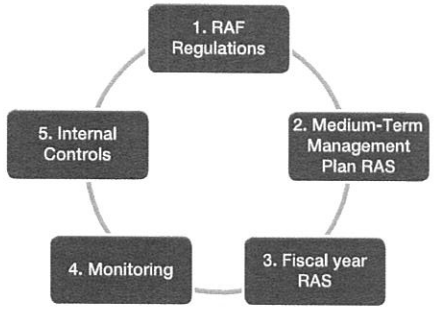
- Establish new Credit Portfolio Management (CPM) Committee

Maintain and improve the soundness of the Group by controlling credit risk

VI. Risk Governance

Introduction of the Risk Appetite Framework (RAF)

The Concordia Financial Group is introducing 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. In formulating the medium-term management plan and the 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. We plan to optimize risk-return, using the RAF to constantly monitor the risk assets and their relationship to return, which are incorporated in the budget.



Overview of Risk Appetite Framework (RAF) Management System

A. Capital allocation and risk capacity based capping

- The potential maximum loss (risk amount) of each risk is measured using value-at-risk (VaR) and other measures, and capital is allocated to each risk type in order to keep the risk amount within the range of the equity capital available for risk-taking. For risk-weighted assets, the risk appetite is determined within the 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 management has an acceptable level of profit in times of stress.

C. Management of Top Management Risks

- In order to manage our top management risks, as much as possible, we set up Key Risk Indicators (KRI) as warning indicators to detect the possibility of risks materializing in the future. We continuously monitor these KRI to understand the signs and prepare to respond flexibly in the event that risks do materialize.

Top Management Risks

Concordia Financial Group defines the risk events that are important to management and that it should manage as "top management risks". 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 Management Risks

- Additional monetary easing by the Bank of Japan
- Large-scale damage due to cyberattacks
- Natural catastrophes
- Sanctions for lack of anti-money laundering measures
- Business conditions of certain major clients deteriorating significantly and them going bankrupt etc.

*These are some of the risks that the Company has recognized, but risks other than those mentioned above may have a particularly significant adverse effect on our business.

Medium-Term Management Plan and Capital Policy Based on Risk Appetite Framework

In formulating the Medium-Term Management Plan, the RAS sets out "risks to accept willingly" and "risks to avoid" in line with the plan's 10 key policies. The main initiatives are business finance and foreign currency loans, mortgages, and loans to wealthy individuals with strong asset backgrounds, which have been defined as the risks to be willingly accepted.

For our capital structure, in order to maintain financial health and improve capital efficiency, we will use the RAF to keep the CET1 capital ratio at about 12% while procuring Tier 2 capital.

▶ P15 Message from the CFO

Risk Management Initiatives

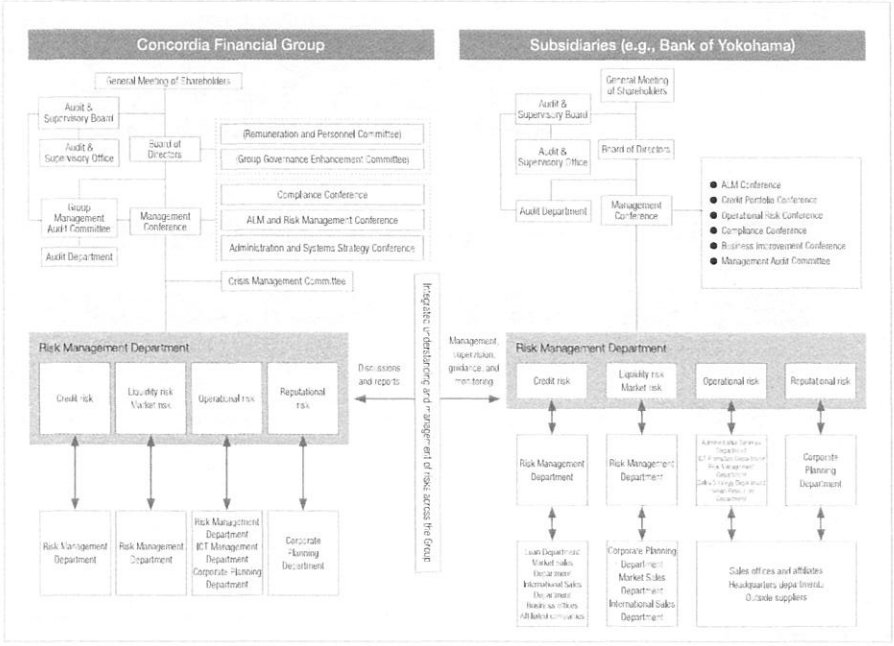
Risk Culture

The Group's risk management is based on the following basic policies.

- In order to minimize the negative impact of economic fluctuations and to provide stable and continuous financial services as a financial group that is trusted by the community, the Group will conduct appropriate risk management.
- The Company ensures management soundness by identifying, assessing, monitoring, and controlling the risks of the entire Group as comprehensively as possible, and strives to secure stable earnings that are commensurate with the risks through the appropriate allocation of management resources.
- In order to ensure objectivity and take into account the interaction between risks, we will strive to quantify and manage various risks in an integrated manner.

Overview of Risk Management System

In the Concordia Financial Group, the subsidiaries (Bank of Yokohama and Higashi-Nippon Bank) manage risk by setting up a risk management department and a control department for each type of risk, while the holding company manages the risks of the Group as a whole in an integrated manner. Specifically, the subsidiaries manage risks appropriately in accordance with their risk profiles and report to the holding company on the status of risks. The holding company provides the subsidiaries with necessary guidance, and the ALM and Risk Management Committee (Management Conference) monitors, discusses, and decides on various types of risks and risks for the entire Group.



Integrated Risk Management

1. Basic Concepts

The Group classifies and manages 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.

■ Credit Risk	Risk of loss due to a decline in the value of assets due to deterioration of the financial condition of the borrower
■ Market Risk	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
■ Liquidity risk	Risk of losses due to unexpected outflows of funds (cash flow risk and market liquidity risk)
■ Operational Risk	Risk of loss due to inadequate administration, inadequate systems, violations of laws or regulations, natural disasters, and health hazards for executives and employees
■ Reputational Risk	Risk of incurring losses due to negative external publicity as a result of the words, actions and behavior of the Group, its officers and employees, etc.

2. Integrated Risk Management Framework

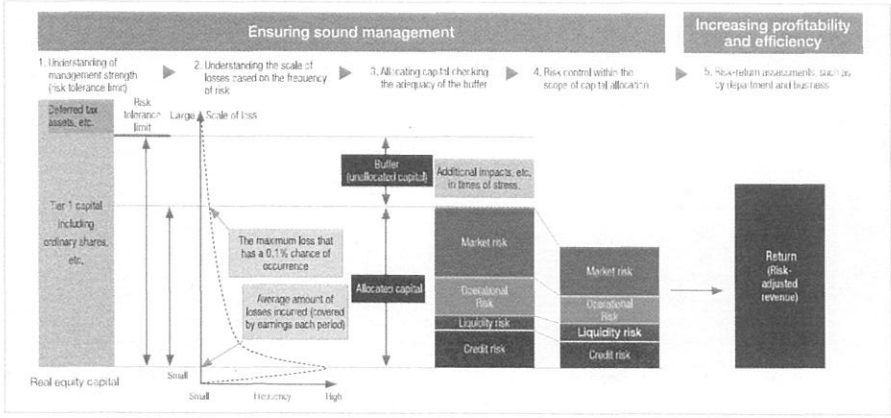
Ensuring soundness through capital allocation

The Group measures the potential maximum loss (risk amount) for each risk using value-at-risk (VaR) 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 common stock Tier 1 less deferred tax assets equivalent, 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 such a stress event is estimated across the risk categories.

The stress scenarios have been established for the Group taking into consideration past sharp economic downturns and future environmental changes.



Cybersecurity

To ensure the safety of the Group's information assets, we have established our basic Security Policy, and we implement system risk management by defining specific management methods in our Security Standards and System Risk Management Regulations. In addition, we have also established a CFG-CSIRT to collaborate with the CSIRTs established by Group companies to respond to cyberattacks and other attacks.

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 in the event of an earthquake or other large-scale disaster, system failure, spread of an infectious disease, etc. In the event of a crisis, the Crisis Management Committee, 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.

Compliance Initiatives

Basic Code of Compliance

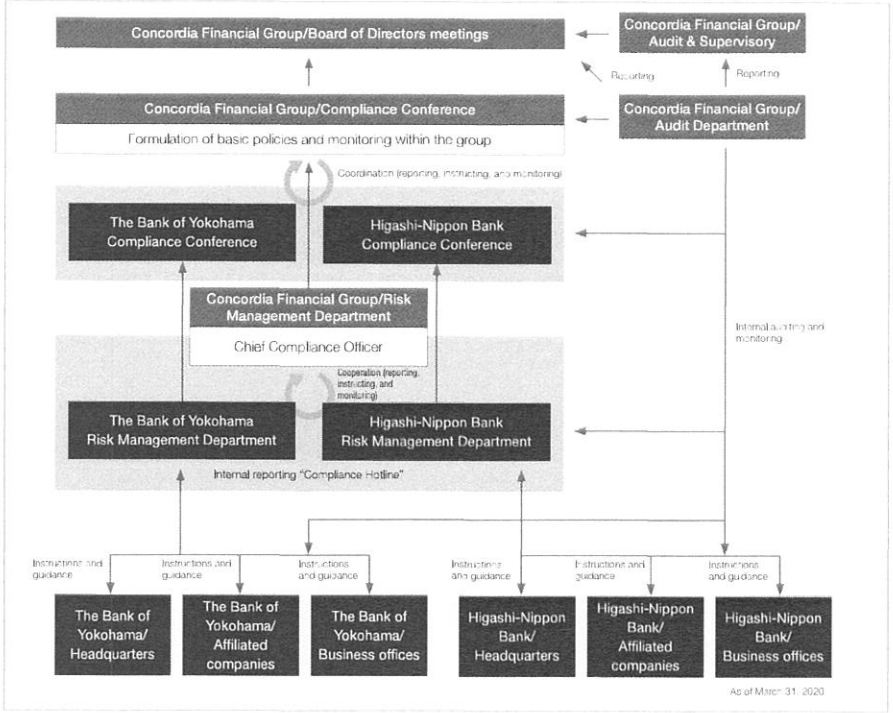
The Concordia Financial Group recognizes compliance to be an important management issue, with executives and employees working together to enhance the compliance system based on our Basic Compliance Policy(*).

(*) Basic Compliance Policy https://www.concordia-fg.jp/compliance/index.html

Compliance Operational Structure

A Chief Compliance Officer is in charge of compliance-related issues for the entire Concordia Financial Group. The Risk Management Department manages and provides guidance to the entire Group on compliance-related issues, .

In addition, as a specific plan of practice to achieve compliance throughout the Group, we establish a Compliance Program for each financial year in accordance with the Basic Compliance Policy and have newly established action principles for the realization of the program. Also, to enhance its effectiveness, the Compliance Conference meets regularly to monitor the progress of the Compliance Program and the status of compliance and reports to Board of Directors meetings.



Establishment of a Compliance Hotline

Furthermore, the Concordia Financial Group, the Bank of Yokohama, and Higashi-Nippon Bank each have their own Compliance Hotline to act as a whistleblowing system to encourage early detection and rectification of any acts or behavior violating laws. Group executives and employees are able to use this hotline to consult directly on compliance-related issues. We also use an outside law firm as a contact point for whistleblowing.

Establishing a Compliance Program

The Concordia Financial Group designs compliance programs as concrete plans put into effect annually to improve compliance and ensure we meet our compliance goals. In our FY 2020 compliance program, we are focusing on initiatives such as maintaining a thorough awareness of compliance and a sensible sales attitude, practicing customer-oriented services, rigorous information management, combating money laundering and the financing of terrorism, and taking appropriate action against anti-social forces and financial crimes.

Initiatives to Prevent Money Laundering

With the widespread transfer of funds by criminal groups, terrorists and others, and the growing threat of international terrorism, the risk of financial institutions being entangled in money laundering and terrorist financing has increased.

The Concordia Financial Group is committed to complying with the basic requirements for checking, etc., at the time of transactions as stipulated in relevant laws and regulations, such as the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act. We are also committed to effective countermeasures against money laundering and terrorist financing to ensure that we are able to respond to the risks that may change from over time, and to playing our role as a participant in the financial system in order to maintain its integrity.

Specifically, each entity prepares a risk assessment document based on the Act on Prevention of Transfer of Criminal Proceeds, which comprehensively and specifically identifies and evaluates risks, and implements risk mitigation measures such as proper notification of suspicious transactions. In addition, we have established a Money Laundering Prevention Program to verify the effectiveness of risk reduction measures and we review the program annually to enhance our preparedness.

Consolidation of Anti-Bribery and Corruption Regulations

We are consolidating the existing Anti-Bribery and Corruption Regulations as a preventive initiative, by clearly identifying and positioning the risks associated with bribery and corruption as money laundering risks etc. and are taking initiatives to prevent bribery and corruption.

Elimination of Anti-Social Influences

The Concordia Financial Group is deeply aware of the importance that banks must place on their public mission and social responsibilities. The Concordia Financial Group absolutely refuses financing for anti-social elements that pose a threat to the order and safety of civil society. The organization as a whole works towards the elimination of all relationships, including transactions, with anti-social elements, and takes a firm stance against unjustified demands and intervention by such elements.

More specifically, the Concordia Financial Group has used this basic principle to formulate a Basic Policy on Anti-Social Elements (*) from the perspective of preventing damage by anti-social elements. Executives and employees are made aware of company policies through workshops, and the Risk Management Departments of each Group company work with lawyers and public administration agencies such as law enforcement to prevent transactions and interactions with anti-social elements.

(*) Basic Policy Against Ant-Social Forces: https://www.concordia-fg.jp/antisocial/index.html

Improvement of Management Systems for Customer Protection

The Concordia Financial Group considers customer protection to be one of the most crucial areas of management and operation. We stand in the customer's perspective and follow all laws and regulations and conduct our corporate activities fairly and in good faith.

To protect customers and ensure thorough compliance, all employees receive e-learning and group training for their respective duties and positions with themes such as fiduciary duty, management of customer information, abuse of a superior position, and conflict of interest management. We also conduct information security training for all employees based on the basic policies set out in the Security Policy to ensure the safety of our information assets.

The Bank of Yokohama and Higashi-Nippon Bank each have their own customer support office accepting consultations and complaints.

The Concordia Financial Group has entered into a basic agreement with the Japanese Bankers Association, a designated dispute resolution organization under the Japan Banking Act. All customer conflicts are handled using the Financial ADR (Alternative Dispute Resolution) System, a system to resolve conflicts through third party involvement.

As part of the Concordia Financial Group's efforts to protect personal information, we not only have our policy on the handling of personal information available on our homepage, but also all executives and employees are notified of the various rules and regulations, and any subsequent modifications concerning the appropriate handling of such information.

Internal audit system

| The Role of the Internal Audit

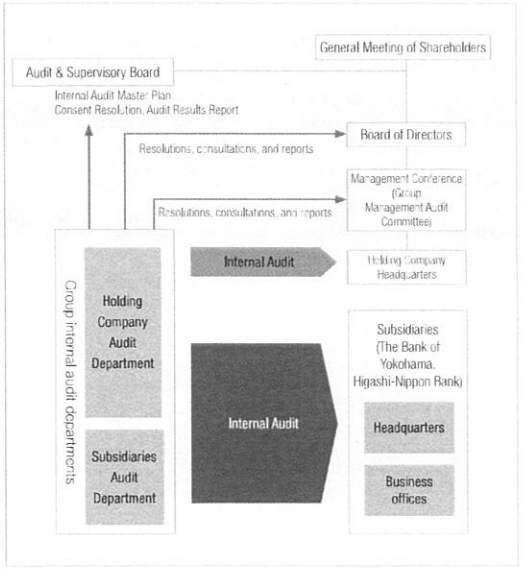
To ensure sound and appropriate operations, the Group's internal audit departments conduct internal audits of the effectiveness and appropriateness of each department's compliance and risk management systems, as well as internal control over financial reporting, from a standpoint that is independent of the operating divisions. The results of each company's internal audits are regularly reported to the Board of Directors meetings and other committees.

| The Group's Internal Audit System

In order to ensure that the methods and standards are consistent within the Group, the Company has established the Basic Internal Audit Regulations, which are based on the policies and regulations established by the Company and its subsidiaries regarding internal audits.

The Group's Audit Department, which includes members of the Audit Department of the Company and its subsidiaries, is working to strengthen the internal audit function by establishing a system for conducting efficient and effective risk-based audits across the Group and by ensuring consistency in the conduct of internal audits. For example, the Company's Auditing Department takes the lead in conducting audits throughout the Group on key risks that are common within the Group.

In addition, the Group Management Audit Committee, which is part of the Management Conference, has been established to resolve, discuss, and report on important matters related to internal audits, as well as to discuss and report on matters related to the results of internal audits of the entire Group.



| Efforts to Improve Internal Auditing Performance and Efficiency

The audit departments of the Company and its subsidiaries assess the risks inherent in the departments and operations to be audited (risk assessment) and determine the scope, frequency, and depth of internal audits accordingly, in order to allocate limited audit resources effectively and efficiently and conduct risk-based audits. In addition, we are working to increase the sophistication and efficiency of our operations by ensuring sufficient cooperation between our internal audit departments and risk management departments, auditors, and financial auditors. In addition, audits are conducted into the suitability of cybersecurity management systems to ensure the safety of the Group's information assets in light of recent cyberattacks and related threats.

Developing a Strong Organization and Human Resources to Support Sustainable Growth

Vision

In order to remain an attractive company where employees can work with pride, the Concordia Financial Group aims to transform into a highly productive organization where diverse human resources can unleash their full potential, and foster a culture that encourages employees to seek new challenges and growth.

Medium-Term Management Plan Strategy

Under the Medium-Term Management Plan, we have set "Strengthening the development of a strong organization and human resources to support sustainable growth" as a key policy, and we are working more than ever to strengthen our human resource development, to effectively utilize human resources, and to create a comfortable work environment in the Group.

Evolving to a Human Resources System where All Employees can Thrive

We are reforming our personnel system to create an environment in which employees of all ages can play an active role, regardless of their seniority or age, that encourages employees to take on new challenges, and that encourages their individual growth. In addition, as the bank's business lines diversify, we will restructure our multilinear career paths and upgrade our human resource management in order to make the most of our human resources with diverse values, skills, and abilities.

Promotion of Active Participation Across All Generations

In order to foster a sense of unity within the Group and to promote effective human resource utilization, we are building a unified platform for all generations to ensure fair and equitable treatment of employees regardless of personal factors.

In addition, as part of our efforts for the diversification of part-timers, we revised our personnel system based on the principle of "equal pay for equal work". This included reviewing the payment system to reflect the diverse status of work, strengthening our training and on-the-job training functions, and expanding our bonus, retirement benefit, vacation systems, etc. We encourage those who are willing to take on the challenge of transferring to a new position and we are strengthening our support system for skill enhancement and career changes.

Enhanced Incentives Based on Job Responsibilities

With changes in the business environment, the roles that customers demand of us have become more sophisticated and diversified. This requires a fundamental review of operations through the use of digital technology and other means. To this end, we are working to develop the human resources that will be the driving force behind the Company, and we will support the success of our diverse human resources by thoroughly adopting a meritocracy system that leaves behind the emphasis on seniority, a system in which employees are treated according to the importance of their responsibilities based on the difficulty, scope, and role of their duties, and according to the degree of their contribution to the company's performance.

Professional Human Resources System

In response to the diversification and sophistication of the banking business, we launched a Professional Human Resources System from FY 2019, because there is a need to strengthen the development of human resources in priority fields with a high level of expertise. As human resources with diverse senses of values and career perspectives increase, we are preparing career paths and a compensation system that enables employees to play an active role as professionals in their field of expertise by utilizing their strengths, and preparing the foundation for strengthening and developing specialized human resources.

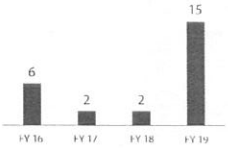
Also, the compensation system will provide more incentive to contribute to the Company's results than a normal compensation system. The level of compensation will be determined individually based on factors such as the level of expertise and performance, which may result in compensation at the executive or general manager level.

We are actively recruiting mid-career workers from outside the company, and we hired 15 professionals with extensive work expertise, including some from foreign securities companies in FY 2019.

Professional Personnel Certification Requirements

1. Advanced Specialized Expertise	Persons with expertise and skills in the business areas designated by the bank and the ability to perform their duties (and demonstrate results)
2. Mindset	Persons who understand the bank's management policy, the intent of the business strategy, the numbers, etc., and who have the will to fulfill the required role (mission).
3. Self-starter and developer of human resources (succession)	Persons who strive to improve their skills and expertise through proactive efforts and continuous self-improvement, who serve as role models for employees, and who work to guide and train their successors

Mid-career specialist staff recruiting results



Major fields of recruitment in FY 2019

Digital/ICT	3 professionals
International/Market	4 professionals
Investment Banking	3 professionals
Audit and risk management	2 professionals

Fostering an Organizational Culture that Encourages Taking on Challenges and Growth and Strengthening Human Resources Development

We aim to foster an organizational culture that encourages taking on challenges and growth, and train and promote personnel who can provide financial services that meet customer expectations and earn their trust.

Improving Engagement



In order to realize a company where employees can work with pride, we regularly conduct an employee engagement survey to understand what employees find motivating and rewarding and the organizational factors that affect this. We survey employee views on the characteristics of the job, the work environment, and their sense of fulfillment, and use these results to derive indicators such as the Employee Net Promoter Score (eNPS) and the outlook for the company. We then use these indicators to inform future personnel measures in an effort to create a workplace where staff can work more enthusiastically.

Employee Stock Ownership Plan

We have also introduced an employee stock ownership plan that assists employees in their planned asset formation and provides them with a sense of participation in management by paying incentives commensurate with the amount of savings and by regularly promoting the system.
As part of the Bank of Yokohama's 100th anniversary project, we raised the incentive grant rate for employee stock ownership plans from October 2020, as well as the maximum amount of contributions eligible for the incentive plan.

Career Development Support

Internal Recruitment

To help support the development of our employees' careers, we are offering MBA study abroad, a trainee system inside and outside the bank, a system for posting to specialized headquarters sections, dispatching to companies inside and outside the group, and other initiatives designed to develop highly specialized staff. We are also working on the management and strategic allocation of our human resources portfolio and systematic development of executive candidates.

Digital Fields	International and Market Operations
FinTech, RPA, Cashless Promotion Digital Marketing	Japan Bank for International Cooperation (JBIC), Japan External Trade Organization (JETRO), Japan Center for International Finance (JCIF) Bangkok Bank Asset Management Company
Solution Enhancement	**Regional Strategy etc.**
Think Tanks　Megabanks　Development Bank of Japan Regional Economy Vitalization Corporation of Japan Medical consulting company	Central Government　Tokyo Metropolitan Government Kanagawa Prefectural Government Yokohama City Hall　Kawasaki City Hall　Railway Company

Career Design Measures

We have developed a variety of career design measures to encourage employees to proactively think about their own career plans and work proactively to achieve their goals. The following is an example of measures at the Bank of Yokohama.

Career Design Guidebook	Career Design Training
Employee prepares a Career Plan Sheet and considers his or her own career plan, and his or her supervisor conducts a "Career Interview" based on the sheet to encourage the employee to change careers and improve skills.	A panel discussion with senior employees is held for 4th and 7th year employees for them to recognize their own strengths and growth experiences, and to consider their future careers.
JOB FORUM 2020	**Annual Interviews**
Forums are held for young employees to promote their understanding of the work of the division, including presentations by each department of Headquarters, introductions to open positions, and individual consultations.	The Human Resources Department conducts annual interviews for 2nd and 7th year employees. By sharing thoughts about future career plans, we are able to effectively manage human resources.

Strengthening Personnel Exchange

The Bank of Yokohama and Higashi-Nippon Bank jointly hold training sessions for new bank staff, deputy section managers, and management level staff at different levels, and also dispatch headquarters trainees and jointly implement holiday seminars in order to strengthen personnel exchange within the Group.
By unifying our approach to education and training programs and expanding the range of joint training programs, we will promote mutual understanding between the two banks and integrate human resource development across the Group.
In addition, since the business tie-up between the Bank of Yokohama and Chiba Bank, there have been joint planning and organization initiatives related to human resource development, such as dispatching staff to headquarters, joint training, and support for employees' qualification acquisition. We aim to strengthen our sales and proposal skills through friendly competition among employees of both banks.

Main Personnel Exchanges with Chiba Bank

Mutual Exchange of Headquarters Personnel	
Finance Division	Dispatch of syndicated loan and other personnel to promote mutual understanding for identifying joint arrangement deals
Overseas Business Division	Dispatch of overseas business support staff to share know-how on the use of overseas offices and foreign exchange operations
Holiday Seminars	Management seminars for managers, time management training, basic coaching training

Joint Training	
Top Management Training	Workshops and lectures are held for branch manager-level employees with the aim of promoting greater collaboration.
Joint management-level overseas study tours	A study tour of San Francisco and Silicon Valley was conducted for managers to broaden their international perspective.
Personal Sales Training	Training is provided for personal external liaison officers by external instructors on security insurance and the market.

Developing human resources to strengthen problem-solving skills

In order to meet the diversified needs of customers, we are conducting skill upgrade training to strengthen our problem-solving capabilities in order to meet the key initiative of our medium-term management plan, "Make solutions sales more sophisticated".
We also provide career change training to support employees in taking on the challenges of new roles. Training recipients are officially placed in their new roles after their career change and are able to broaden their activities. In FY 2019, 44 employees changed careers, including the conversion to sales personnel of clerical personnel , which was achieved by improving operational efficiency, and the conversion from personal sales to corporate sales.

Career Change Results(FY 2019)

Post-conversion careers	
Over-the-counter sales	12 persons
Personal sales	19 persons
Corporate sales	13 persons
Total	44 persons

A Training and Development System that Encourages Taking on New Challenges and Growth



The Bank of Yokohama has assigned a full-time lecturer to provide training in various operations at its Financial Business School, which manages all education and training. In addition, systematic and planned training is provided for young employees, part-timers, managers, and executives. This includes intensive courses such as the Hamagin Management School, which is aimed at developing the leadership and management skills essential for driving forward the entire organization.
Higashi-Nippon Bank revised its training system in FY 2017, improving the training offered for each course and rank in order to strengthen sales and management skills. It is also enhancing customer protection and compliance training to firmly establish an ethos of legal compliance and to develop bank-wide awareness of these issues.

TOPIC Establishment of an Accommodation typed Training Facility



The Bank of Yokohama will open an Accommodation typed raining facility on the upper floor of the Kawasaki Branch during fiscal 2020 as part of its 100th anniversary project. Taking advantage of its location between Tokyo and Yokohama, the facility will be used as a training facility that can be shared within the Group. The aim is to expand the scope of training and to increase the effectiveness of education, as well as to foster a sense of unity in the corporate culture.

Building a Highly Productive Organization

We will transform ourselves into a highly productive organization that can maximally utilize the capabilities which our diverse workforce has.

Improving Productivity by Deepening Work Style Reform

We are taking steps to improve the work environment for employees in order to promote work style reform. Supporting the development of a healthy work-life balance and flexible and efficient working patterns for employees will create an organization in which our diverse human resources can play an active role. We aim to become a financial group that customers choose because our staff make effective use of the time thus freed up and are able to take the initiative to come up with and act on new ideas.

Reducing Overall Working Hours by Realizing Flexible and Efficient Work Styles

Introduction of Flex-Time System
In order to achieve ways of working that are flexible and efficient, we are introducing a flex-time system in which employees themselves can select starting and ending times for their work that fit their own life styles and the state of operations.

Expansion of Telework
We have introduced telework using tablets as a flexible way of working, regardless of location or time. In the past, telework was limited to certain employees engaged in Headquarters planning and management work. However, due to the coronavirus, we have expanded the scope of telework to include personnel at other operations in Headquarters as well as branch office liaison operations, etc.

Introducing Business Casual
The Bank of Yokohama has implemented a business casual policy for all employees, except those wearing uniforms, to encourage employees to change their awareness and to encourage reform of the organizational culture by making attire more flexible.

Promoting Work-Life Balance

Introduction of a Work Shift Interval System
We have established a work shift interval system that gives employees 11 hours rest (work shift interval) between work shifts to ensure they can refresh their mind and body, maintain health, and achieve a work-life balance.

Introduction of Hourly Unit Based Annual Holidays
From the perspective of achieving a work-life balance, we have introduced a system that allows staff to take leave in hourly units for a maximum of five days a year.

Male employees are encouraged to take childcare leave

We also encourage men to take childcare leave in order to further enhance their work-life balance. At Bank of Yokohama, we are encouraging male employees whose spouse is expecting a baby to participate in child-rearing by holding seminars on parenting taught by outside instructors, with the aim of achieving 100% uptake of childcare leave by the end of fiscal 2020.

Bank of Yokohama	FY 2018	FY 2019
Number of males taking childcare leave	67	93
Percentage of male childcare leave takers	51.9%	90.3%

Creating a Healthy and Safe Workplace

Bank of Yokohama Health Declaration

The Bank of Yokohama Health Declaration underlines our efforts to help employees achieve their full potential through initiatives involving health management.

We have established a cross-functional "Health Management Promotion Liaison Committee" to promote health management, and have taken a variety of initiatives to maintain and promote employee health. These include the establishment of a health management center at headquarters, individual interviews with industrial physicians for those working long hours, and the introduction of an interval system to promote work style reform. We have been recognized as "Health and productivity - White 500 -" in the category of large scale corporations in accordance with the "Superior Corporate Health Management Accreditation System" established by METI and the Japan Health Conference (Nippon Kenko Kaigi).

Moving forward, we plan to address lifestyle-related diseases by setting up consultation desks aimed at improving eating habits, by expanding health management education, and by increasing opportunities for regular health checkups.

健康経営優良法人
Health and productivity
ホワイト500

In-House Childcare Center

In October 2019, the Bank of Yokohama opened the Hamagin Kids Park (Nishi-ku, Yokohama), an in-house daycare center for employees, to support employees who are raising children to return to work and continue working.



Expansion of Diversity and Inclusion Measures

Support for Women in the Workplace

In order to promote the continued employment of women, we are working to support the continuation of employment, including a childcare leave system, a system to subsidize childcare expenses, and a curriculum to support the return to work after childcare leave. The percentage of female managers was 31.4% (as of the end of March 2020, two banks combined), achieving the 25% target for the end of March 2021 ahead of schedule.

(FY 2019)	Bank of Yokohama	Higashi-Nippon Bank	Total
Percentage of female employees	48.2%	30.4%	44.4%
Percentage of new female employees	39.8%	55.8%	43.1%
Percentage of women executives	35.3%	21.1%	31.4%
Percentage of women administrators	13.5%	5.5%	11.3%
Percentage of female childcare leave takers	100%	85.0%	98.1%
Percentage of childcare leave takers (male and female)	96.7%	43.9%	89.1%

▶ (Reference Material) P44 ESG-related data

A company that excels in promoting advancement of women
Awarded highest "Eruboshi" rating

A company that supports its employees children rearing to a high standard
Awarded "Platinum Kuruumin" certification

Implementation of an Executive Mentor System

As an initiative to strengthen the career development of female employees, the Bank of Yokohama has implemented an "Executive Mentor System" in which officers mentor section chief- and assistant section chief-ranked employees. Through dialogue with management, we encourage female employees to raise their awareness of the need to participate in management and raise their motivation, expand opportunities for female employees to play an active role, form networks, make them role models, and reform the culture of the entire organization.

Group Human Rights Policy

We at the Concordia Financial Group respect the fundamental human rights of our customers, employees, and all other stakeholders, and aim to be a financial group that is trusted by our customers and indispensable to the community.

Under this policy, we are concerned with negative impacts on human rights from corporate activities of our investment and financing partners and our procurement and contracting partners (supply chain), and we strive to improve and enhance our efforts to respect human rights through dialogue and consultation with relevant stakeholders.

1. [Respect for International Norms]
   We respect international norms such as the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights.
2. [Eliminating Discrimination]
   We will not discriminate or violate human rights in any of our corporate activities on the basis of human rights, ethnicity, religion, nationality, origin, social status, beliefs, age, disability, physical characteristics, gender, sexual orientation, gender identity, or any other such basis.
3. [Fostering Corporate Culture]
   We foster a corporate culture that respects human rights by viewing all human rights issues as our own, encouraging people to see things from the perspective of others.
4. [Establishing a Good Working Environment]
   We are building relationships of equality where officers and employees recognize each other as business partners and can freely express their opinions. We eliminate all harassment from the workplace.
5. [Fair Hiring]
   We hire employees through a rigorous and fair selection process based solely on their ability and aptitude.
6. [Human Rights Awareness Training]
   We engage in a wide range of human rights awareness-raising activities, including Burakumin anti-discrimination, to help each and every employee have a deep and correct knowledge and understanding of human rights, with the aim of resolving all human rights issues.

Acquisition of Certification as a Special-Purpose Subsidiary

Hamagin Business Challenged, a subsidiary of Bank of Yokohama that aims to employ persons with disabilities, is expanding employment opportunities for persons with disabilities by creating a workplace environment that matches the characteristics of persons with disabilities in terms of job descriptions, personnel systems, hiring methods, etc.

In addition, in April 2020, we obtained certification as a special subsidiary under the Act on the Promotion of Employment of Persons with Disabilities, and the employment rate of Bank of Yokohama was above the statutory employment rate (2.20%).

LGBT (Sexual Minority) Initiatives

The Bank of Yokohama and Higashi-Nippon Bank handle mortgages that include same-sex partners in the definition of spouse. Provided that they submit the necessary documents, such as a notarized document to a contract specifying certain items, same sex partners are considered to be spouses. We aim to create a society in which everyone's own sexual orientation and gender identity are respected and everyone is allowed to live their own life.

Stakeholder Communication

As a financial group chosen by all stakeholders, including customers, shareholders, and regional communities, the Concordia Financial Group seeks to provide appropriate communication and robust information disclosure to all its stakeholders, and earnestly reflect feedback and requests in our management and operating strategies.



Customer-Focused Business Operation

We receive feedback and requests concerning staff performance and our services through our branches and the Internet in an effort to become a financial group chosen by customers.

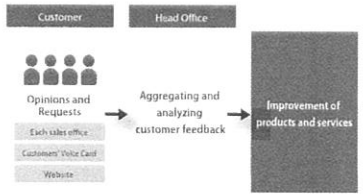
Use of Customer Feedback in Management

We actively seek to improve our business operations by collecting and analyzing feedback and requests obtained from customers at branch teller windows, call centers, our homepage, and customer feedback cards.

* Since FY 2018 we have conducted group interviews for customers, including users of other financial institutions, and endeavored to make use of these frank opinions in our services.

Putting Customer Feedback into Action

- Cash card magnetic strip damage repair at an ATM
- Zero fee
- Real-time congestion/teller window congestion forecast calendar
- Hamagin Donichi Bank (Saturday and Sunday bank)
- Making reservations via the Internet (some branches)



Efforts to Make Financial Services Accessible to All

By making our financial services accessible to seniors and persons with disabilities, as well as by digitizing our operations, we aim to be a bank that is accessible to all.

1 Introduction of the Multilingual Communication Terminal "Mieru Interpreter"

We are in the process of installing "viewable interpreters" at all of our stores to enable smooth communication with foreigners and with customers with hearing impairments.

Customers and operators can watching each other's facial expressions so that that even conversations with subtle nuances and on difficult topics go smoothly. In addition to foreign languages, it also supports "sign language", which allows quicker communication than with a writing device.

2 Introduction of "Barrier-Free Tools"

In addition to providing barrier-free tools, such as ATMs with writing devices and voice guidance, we are working to deploy qualified service care attendants* to ensure that all of our customers, including disabled and elderly customers, can use our services with peace of mind.

(*) The Service Care Attendant program is conducted and operated on a trial basis by the Japan Consulting Institute for the purpose of fostering communication skills to communicating with all customers, including those with physical disabilities and the elderly, and of improving service quality.

Solicitation Policy and Personal Information Protection Policy for Sales of Financial Products

Each company in the Group complies with all laws and regulations relating to the sale of financial products and makes appropriate solicitations in accordance with the solicitation policies set forth by each company.

In addition, we comply with the relevant laws and regulations as well as the policies established by each company with regard to the protection of personal information.

For more information, please visit the websites of the group companies.

External Evaluation of Investment Funds

The Blend Six fund managed by Sky Ocean Asset Management of the Bank of Yokohama won the "Excellence Award" in the Investment Trusts/ Overall Category, Balanced Overall category in the R&I Fund Awards 2020 by Rating and Investment Information, Inc. (R&I). It was evaluated from a neutral, third-party perspective, using only a quantitative assessment of historical operation performance data.

Fiduciary Duty

We have established a "Declaration of Fiduciary Duty" that sets out our responsibility to act in the best interests of customers in efforts that support longer-term wealth formation for customers. We have formulated a detailed plan of action to put this declaration into practice in all Group companies. We regularly conduct customer satisfaction surveys regarding employee performance and our wealth formation and investment services, and work to build a system that takes frank customer feedback into account.

For more information, please visit our website at https://www.concordia-fg.jp/company/fd/index.html.

Action Plan for Implementing the Declaration of Fiduciary Duty (example: Bank of Yokohama)

Customer-Focused Support for Asset Formation and Management

- We provide portfolios for clients that meet their needs and benefit over the medium to long term, in line with their life stage.
- These products are designed to help customers understand the Bank's approach to the sale of investment trusts and assist them in their asset formation and management with common understanding with the Bank.

Providing the Best Investment Products

- We continue to develop a lineup of investment products in response to the diverse needs of customers, such as long-term accumulation and diversification products suitable for customers' asset formation, and products that meet the asset withdrawal needs of our retirement generation.

Provision of Information to Customers

- We utilize IT tools such as tablets to provide information to customers with easy-to-understand explanations, including about fees and charges.
- We provide timely and appropriate follow-up services according to the objectives of our clients' asset formation and management. In particular, we are developing a follow-up system for customers who have foreign currency insurance and elderly customers with limited investment experience.
- In order to improve financial literacy in the regional society, we hold various web seminars and online seminars and also use the Hamagin Donichi (Weekend) Bank to hold seminars on topics that contribute to asset formation, such as long-term, savings, and diversification.

Appropriate Management of Conflicts of Interest

- We manage product selection and information provision in an appropriate manner to prevent customers' interests from being unfairly compromised.

Development of a System That Prioritizes Customer Satisfaction

- We are establishing an appropriate sales structure that contributes to improving investment performance for customers, improving customer convenience, and creating an environment in which customers can consult with us with peace of mind.
- We are building an evaluation system based on customer satisfaction and a relationship of trust, in which the results of customer questionnaires are reflected in the evaluation, and other measures.

Developing and Securing Human Resources

- We aim to provide the best financial services to our customers by improving the level of expertise through training and other programs and by developing personnel with a strong sense of responsibility to respond to our customers' requirements.

<Main Training>

- Faculty Development Training for staff members: training on investment products sales methods, compliance, etc.
- Compliance training for section chiefs: These training sessions are designed to ensure compliance in investment product sales
- Training for managers: Training on key points of verification and guidance, FD, compliance principles, etc.

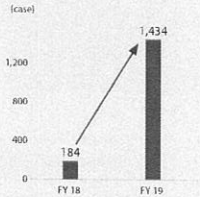
For more information, please visit the websites of the group companies.
Bank of Yokohama (https://www.boy.co.jp/shared/pdf/boy/fd_torikumi2019.pdf)
Higashi-Nippon Bank (http://www.higashi-nipponbank.co.jp/about/pdf/fd_efforts.pdf)
Hamagin TT Securities (http://www.hamagintt.co.jp/company/pdf/initiatives.pdf)

Status of Efforts for the Declaration of Fiduciary Duty

We conduct customer surveys on a regular basis in order to hear the frank opinions of our customers.

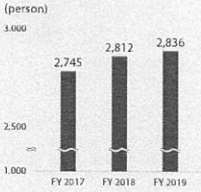
Starting in FY 2019, the Bank has been using NPS® to directly have customers evaluate the state of our efforts. The results are used to improve our products and services.

Number of occupational seminars held (Bank of Yokohama)



The number of persons who have acquired financial professional (FP) qualifications is gradually increasing and we continue to work to develop human resources with the specialized knowledge and skills appropriate for financial professionals.

Number obtaining FP qualifications (total for the two banks)



FP Level 1/CFP or FP Level 2/AFP Qualifications

External Evaluation of Sales Structure for Investment Trusts

The Bank of Yokohama and the Bank of Yokohama Group's Hamagin TT Securities have received an "R&I Customer-Focused Investment Trust Distributor Rating" from Rating and Investment Information, Inc. (R&I). This is an objective evaluation by a neutral third-party assessing the degree to which a company's sales of investment trusts reflect a customer-oriented approach.

Bank of Yokohama　Hamagin TT Securities



Communication with shareholders and investors

We value opportunities for dialogue with shareholders and investors. We have therefore established policies on system development and initiatives to promote constructive dialogue, and strive to actively communicate and improve internal systems.

We value opportunities for dialogue with shareholders and investors. We have therefore established policies on system development and initiatives to promote constructive dialogue, and strive to actively communicate and improve internal systems.

In FY 2019, we held a briefing for institutional investors after announcing financial results (full-year and interim results). The videos for the briefing are available on our website.

In order to prevent the spread of the new coronavirus infection, we decided to hold the May 2020 briefing after the announcement of these financial results by telephone conference, and from March 2020 onward we will no longer hold in-person individual meetings and small-scale meetings in Japan and abroad, but are further expanding the provision of information via the Internet, including telephone and online briefings.

The representative director reports the opinions of shareholders and investors expressed in these dialogues to the board of directors and the management team and shares them with them in a timely manner for reference in management.

We strive to make the annual general shareholders meeting held in late June every year easy for shareholders to understand, for example by showing videos on sustainability initiatives and by presenting business reports. At the 4th Annual General Meeting of Shareholders held on June 19, 2020 at the Hamagin Hall Viamare, a video of the business report to be screened on the day of the meeting was distributed on the Company's website in advance of the meeting in order to enable shareholders to exercise their voting rights in advance via the Internet or in writing, and views of the meeting were distributed immediately after the meeting.

We will continue to hold dialogues with shareholders and investors and endeavor to clearly explain the Group's businesses and financial situation.

Provision and Disclosure of Information

- Investor presentations
- Information meetings
- Personal investor briefings

- Financial statements
- Annual General Meeting of Shareholders

- Publication of the Disclosure magazine (integrated report)
- Publication of interim Disclosure magazine
- Annual report

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Feedback from Shareholders and Investors

↓

Integration and analysis at Board of Director meetings

↓

Management and Policy Improvements



Information Meeting (Online)

Concordia Financial Group Disclosure Policy

The Group strives to robustly disclose information disclosure on its operations so that depositors and other customers, shareholders, local communities, and other stakeholders can make appropriate decisions when choosing to engage in transactions with the Group and to invest in its shares. We plan to further enhance the transparency of our operations as a financial group that conducts business in a fashion that inspires trust from our stakeholders. We disclose information in accordance with the appropriate procedures outlined in our disclosure policy.

For more information, please visit our website.

https://www.concordia-fg.jp/company/disc/index.html

Concordia Financial Group Search

Contribution to Regional Society

Each company in the Group contributes to the sustainable growth and revitalization of the region by solving regional issues through its core business. Our employees are also active members of the community, participating in volunteer activities such as local events and activities.

Support through Donations

When a natural disaster or other event causes critical damage to a local economy, we make a donation to support the communities and companies affected by the disaster.

The Bank of Yokohama made donations to the areas affected by Typhoon No. 19 in 2019, and to support the development of the medical system in Kanagawa Prefecture following the spread of the novel coronavirus.



Volunteer Cooperation

Our employees value their ties to the community and actively participate in local volunteer activities.

The Bank of Yokohama is cooperating with Food Bank Kanagawa's "Food Drive". This initiative delivers donated food and other items, such as vacuum-packed food from households and businesses, to families and facilities in need. In addition to encouraging customers to participate in our activities at our stores, our volunteer employees also donate food products.

Higashi-Nippon Bank formed the "Volunteer Caravan" in 1999 as a unique contribution to the community, and over the years has deepened exchange with the community by playing musical instruments, singing and dancing at social welfare facilities and other places.



Supporting Children's Growth

Support for Children in the Fields of Sport and Science

The Higashi Nippon Bank co-sponsors the "Little League Higashi Kanto" and "Major Ibaraki Tournament".

The Bank of Yokohama supports the "Bank of Yokohama Cup Kanagawa Schoolchildren Rubber-Ball Baseball Tournament" as the title sponsor, and also cooperates with professional sports teams and others within the prefecture to hold a variety of events.

In addition, as a naming rights sponsor of the Hamagin Space Science Center, we host the "Hamagin Kids Science" program that offers hands-on learning for elementary school students, providing children a place to learn about the wonders of space and science.





Charity Fund-Raising Activities for Children in Developing Countries

We are participating in the Table for Two (TFT) project at the staff cafeteria of the Bank of Yokohama and Higashi-Nippon Bank. This is a project to support developing countries by the Table for Two International, an NPO. TFT is a system in which employees enjoy a healthy meal at the staff cafeteria with 20 yen of each bill donated to provide meals for children in Africa and Asia.

Cooperation with Special Education Programs

The Bank of Yokohama has cooperated in the broadcast of a special education program produced by TV Kanagawa (TVK) with the aim of supporting learning and building a regular rhythm of life for elementary and junior high school students in the prefecture, whom persons were concerned were falling behind in their studies and having their day-to-day lives disrupted amid the ongoing closure of schools due to the spread of the novel coronavirus.

Consolidated Balance Sheet

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS:			
Cash and due from banks (Notes 3, 12, and 27)	¥ 2,635,524	¥ 2,969,305	$ 24,216,895
Call loans and bills bought (Note 27)	187,230	256,899	1,720,399
Monetary claims bought (Note 5)	36,568	44,220	336,013
Trading assets (Note 4)	4,493	5,243	41,293
Securities (Notes 5, 12, and 27)	2,442,074	2,476,944	22,439,353
Loans and bills discounted (Notes 6, 12, and 27)	13,068,308	12,661,999	120,080,021
Foreign exchanges (Notes 6 and 7)	17,462	17,636	160,453
Lease receivables and investment assets (Note 26)	69,011	68,684	634,124
Other assets (Notes 8 and 12)	233,366	208,672	2,144,323
Property, plant and equipment (Note 9)	167,483	166,862	1,538,943
Intangible assets (Note 10)	18,444	16,721	169,479
Net defined benefit asset (Note 17)	32,111	33,958	295,065
Deferred tax assets (Note 25)	25,364	8,085	233,063
Customers' liabilities for acceptances and guarantees (Note 11)	52,664	65,280	483,913
Allowance for loan losses	(62,172)	(53,418)	(571,284)
TOTAL	¥18,927,937	¥18,947,097	$173,922,053
LIABILITIES:			
Deposits (Notes 12, 13, and 27)	¥16,233,671	¥15,945,423	$149,165,413
Negotiable certificates of deposit (Note 27)	272,120	234,633	2,500,413
Call money and bills sold (Note 27)	326,541	496,364	3,000,470
Payables under repurchase agreements (Note 12)	12,969	13,726	119,175
Payables under securities lending transactions (Note 12 and 27)	204,018	307,071	1,874,654
Trading liabilities (Note 4)	87	113	803
Borrowed money (Notes 12, 14, and 27)	416,720	489,630	3,829,099
Foreign exchanges (Note 7)	249	407	2,296
Bonds payable (Note 15)	80,000	60,000	735,090
Due to trust account	4,825		44,336
Other liabilities (Note 16)	194,035	134,880	1,782,919
Provision for bonuses	4,131	4,465	37,964
Provision for directors' bonuses	51	94	471
Provision for share-based compensation	238	272	2,191
Net defined benefit liability (Note 17)	1,409	1,040	12,953
Provision for reimbursement of deposits	1,856	2,274	17,059
Provision for contingent losses	1,796	1,255	16,511
Reserves under special laws	18	18	172
Deferred tax liabilities (Note 25)	133	13,521	1,224
Deferred tax liabilities for land revaluation	16,424	16,474	150,916
Acceptances and guarantees (Note 11)	52,664	65,280	483,913
Total liabilities	17,823,964	17,786,949	163,778,042
EQUITY (Notes 18 and 19):			
Capital stock – common stock – authorized, 3,000,000 thousand shares in 2020 and 2019; issued, 1,209,616 thousand shares in 2020 and 1,245,616 thousand shares in 2019	150,078	150,078	1,379,018
Capital surplus	247,362	263,294	2,272,924
Subscription rights to shares	62	169	571
Retained earnings	669,897	644,634	6,155,445
Treasury shares – common stock – at cost, 3,325 thousand shares in 2020 and 13,201 thousand shares in 2019	(1,416)	(6,879)	(13,017)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	5,128	72,907	47,127
Deferred gains or losses on hedges	(2,637)	(2,707)	(24,238)
Revaluation reserve for land	36,686	36,799	337,095
Foreign currency translation adjustment	225		2,074
Remeasurements of defined benefit plans	(6,773)	(3,237)	(62,239)
Total	1,098,612	1,155,059	10,094,760
Noncontrolling interests	5,360	5,088	49,251
Total equity	1,103,972	1,160,147	10,144,011
TOTAL	¥18,927,937	¥18,947,097	$173,922,053

See notes to consolidated financial statements.

Consolidated Statement of Income

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥140,965	¥143,336	$ 1,295,283
Interest and dividends on securities	22,253	29,961	204,483
Interest on call loans and bills bought	4,010	5,523	36,849
Interest on due from banks	2,776	2,939	25,512
Other interest income	2,742	3,766	25,195
Trust fees	99		915
Fees and commissions	63,499	62,717	583,471
Trading income	2,156	2,046	19,812
Other operating income (Note 21)	45,880	39,427	421,584
Reversal of provision for loss on cancellation of system contracts		295	
Other income (Note 22)	21,955	16,777	201,742
Total income	306,339	306,790	2,814,846
EXPENSES:			
Interest expenses:			
Interest on deposits	7,948	10,742	73,037
Interest on negotiable certificates of deposit	25	20	237
Interest on call money and bills sold	2,207	2,069	20,284
Interest on payables under repurchase agreements	448	124	4,117
Interest on payables under securities lending transactions	1,334	936	12,258
Interest on borrowed money	2,105	2,096	19,347
Interest on bonds payable	301	183	2,770
Other interest expenses	2,645	2,706	24,305
Fees and commissions	14,545	14,879	133,657
Other operating expenses (Note 23)	36,943	39,367	339,458
General and administrative expenses	134,818	133,012	1,238,803
Provision of allowance for loan losses	16,419	5,088	150,873
Other expenses (Note 24)	17,954	16,246	164,973
Total expenses	237,697	227,475	2,184,119
INCOME BEFORE INCOME TAXES	68,641	79,314	630,727
INCOME TAXES (Note 25):			
Current	25,345	22,434	232,891
Deferred	(3,511)	2,412	(32,265)
Total income taxes	21,834	24,847	200,626
NET INCOME	46,807	54,467	430,101
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(271)	(181)	(2,497)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 46,536	¥ 54,285	$ 427,604

	Yen		U.S. Dollars
PER SHARE INFORMATION (Notes 2.x and 20):			
Basic net income per share	¥38.38	¥43.46	$0.35
Diluted net income per share	38.37	43.44	0.35
Dividend on common stock	16.00	16.00	0.15

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET INCOME	**¥ 46,807**	**¥ 54,467**	**$ 430,101**
OTHER COMPREHENSIVE INCOME (Note 29):			
Valuation difference on available-for-sale securities	(67,779)	(14,134)	(622,798)
Deferred gains or losses on hedges	69	(2,683)	642
Remeasurements of defined benefit plans	(3,526)	(1,847)	(32,407)
Share of other comprehensive income of entities accounted for using equity method	216		1,988
Total other comprehensive income	(71,019)	(18,664)	(652,575)
COMPREHENSIVE INCOME	**¥(24,211)**	**¥ 35,802**	**$(222,474)**
Comprehensive income attributable to owners of the parent	¥(24,483)	¥ 35,621	$(224,971)
Comprehensive income attributable to noncontrolling interests	271	181	2,497

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	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	Total Equity
BALANCE, APRIL 1, 2018	1,253,071	¥150,078	¥273,204	¥ 357	¥609,633	¥ (7,033)	¥ 87,042	¥ (24)	¥36,935		¥(1,389)	¥1,148,804	¥5,178	¥1,154,282
Net income attributable to owners of the parent					54,285							54,285		54,285
Cash dividends, ¥15.5 per share for common stock					(19,440)							(19,440)		(19,440)
Purchases of treasury shares	(21,353)					(10,002)						(10,002)		(10,002)
Disposals of treasury shares	946		(84)			329						244		244
Retirements of treasury shares			(9,826)			9,826								
Reversal of revaluation reserve for land					135							135		135
Net change in the year				(187)			(14,134)	(2,653)	(135)		(1,847)	(18,957)	(90)	(19,077)
BALANCE, MARCH 31, 2019	1,232,414	¥150,078	¥263,294	¥ 169	¥644,614	¥ (6,879)	¥ 72,907	¥(2,707)	¥36,799		¥(3,237)	¥1,155,059	¥5,088	¥1,160,147
Net income attributable to owners of the parent					46,536							46,536		46,536
Cash dividends, ¥17.5 per share for common stock					(21,386)							(21,386)		(21,386)
Purchases of treasury shares	(26,700)					(10,751)						(10,751)		(10,751)
Disposals of treasury shares	576		(11)			294						282		282
Retirements of treasury shares			(15,920)			15,920								
Reversal of revaluation reserve for land					113							113		113
Net change in the year				(107)			(67,779)	69	(113)	¥225	(3,526)	(71,231)	271	(70,959)
BALANCE, MARCH 31, 2020	1,206,290	¥150,078	¥247,362	¥ 62	¥669,897	¥ (1,416)	¥ 5,128	¥(2,637)	¥36,686	¥225	¥(6,773)	¥1,098,632	¥5,360	¥1,103,972

	Thousands of U.S. Dollars (Note 1)												
						Accumulated Other Comprehensive Income							
	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, 2019	$1,379,018	$2,419,335	$1,561	$5,923,313	$(63,214)	$ 669,525	$(24,880)	$338,140		$(29,746)	$10,613,432	$46,757	$10,660,189
Net income attributable to owners of the parent				427,604							427,604		427,604
Cash dividends, $0.16 per share for common stock				(196,517)							(196,517)		(196,517)
Purchases of treasury shares					(98,791)						(98,791)		(98,791)
Disposals of treasury shares		(796)			2,703						2,587		2,587
Retirements of treasury shares		(146,285)			146,285								
Reversal of revaluation reserve for land				1,045							1,045		1,045
Net change in the year			(991)			(622,798)	642	(1,045)	$2,074	(32,493)	(654,610)	2,495	(652,112)
BALANCE, MARCH 31, 2020	$1,379,018	$2,272,924	$ 571	$6,155,445	$(13,017)	$ 47,127	$(24,238)	$337,095	$2,074	$(62,239)	$10,094,760	$49,253	$10,144,011

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 68,641	¥ 79,314	$ 630,727
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation	13,041	11,787	119,835
Impairment loss	501	195	4,612
Amortization of goodwill	14	39	136
Share of (profit) loss of entities accounted for using equity method	251	7	2,307
Increase (decrease) in allowance for loan losses	8,754	(113)	80,439
Increase (decrease) in provision for bonuses	(333)	(140)	(3,066)
Increase (decrease) in provision for directors' bonuses	(43)	(8)	(400)
Increase (decrease) in provision for share-based compensation	(34)	127	(313)
Decrease (increase) in net defined benefit asset	(2,313)	(4,582)	(21,261)
Increase (decrease) in net defined benefit liability	(435)	(336)	(3,997)
Increase (decrease) in provision for reimbursement of deposits	(418)	273	(3,844)
Increase (decrease) in provision for loss on cancellation of system contracts		(2,270)	
Increase (decrease) in provision for contingent losses	541	143	4,972
Interest income	(172,748)	(185,526)	(1,587,322)
Interest expenses	17,016	18,880	156,355
Loss (gain) related to securities	(19,732)	(4,497)	(181,311)
Foreign exchange losses (gains)	4,947	(6,121)	45,464
Loss (gain) on disposals of non-current assets	2,210	1,158	20,312
Net decrease (increase) in trading assets	749	668	6,891
Net increase (decrease) in trading liabilities	(26)	6	(240)
Net decrease (increase) in loans and bills discounted	(406,233)	(216,109)	(3,732,731)
Net increase (decrease) in deposits	288,248	449,281	2,648,611
Net increase (decrease) in negotiable certificates of deposit	37,486	47,856	344,450
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(72,909)	(165,886)	(669,938)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	(46,902)	74,594	(430,972)
Net decrease (increase) in call loans and others	77,139	41,743	708,804
Net increase (decrease) in call money and others	(170,579)	(209,389)	(1,567,395)
Net increase (decrease) in payables under securities lending transactions	(103,052)	171,156	(946,913)
Net decrease (increase) in foreign exchanges – assets	174	(667)	1,599
Net increase (decrease) in foreign exchanges – liabilities	(157)	(41)	(1,449)
Net decrease (increase) in lease receivables and investment assets	(818)	(1,282)	(7,522)
Net decrease (increase) in due to trust account	4,825		44,336
Interest and dividends received	180,538	185,918	1,658,907
Interest paid	(18,263)	(18,504)	(167,816)
Other, net	35,696	3,912	328,000
Subtotal	(274,222)	271,585	(2,519,733)
Income tax paid	(20,371)	(23,889)	(187,190)
Net cash provided by (used in) operating activities	¥ (294,594)	¥ 247,695	$ (2,706,923)
INVESTING ACTIVITIES:			
Purchases of securities	(1,446,081)	(1,194,695)	(13,287,522)
Proceeds from sales of securities	517,397	397,254	4,754,181
Proceeds from redemption of securities	872,538	669,049	8,017,443
Purchases of property, plant and equipment	(9,579)	(11,587)	(88,022)
Proceeds from sales of property, plant and equipment	462	156	4,251
Purchases of intangible assets	(7,694)	(8,631)	(70,702)
Other, net	(987)	72	(9,070)
Net cash provided by (used in) investing activities	(73,943)	(148,380)	(679,441)
FINANCING ACTIVITIES:			
Proceeds from issuance of subordinated bonds and bonds with subscription rights to shares	20,000	20,000	183,773
Purchases of treasury shares	(10,751)	(10,002)	(98,790)
Proceeds from sales of treasury shares			3
Cash dividends paid	(21,386)	(19,440)	(196,517)
Cash dividends paid to noncontrolling interests		(272)	
Net cash provided by (used in) financing activities	(12,137)	(9,714)	(111,531)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(7)	7	(74)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(380,683)	89,608	(3,497,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,895,885	2,806,276	26,609,258
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	¥ 2,515,201	¥ 2,895,885	$ 23,111,289

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2020

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 ¥108.83 to U.S. $1, the rate of exchange at March 31, 2020. 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 by the equity method.

The number of consolidated subsidiaries as of March 31, 2020 and 2019 were 13 and15, respectively.

Yokohama Operation Service Co., Ltd. and Hamagin Business Operations Center Co., Ltd. were excluded from the scope of consolidation as the liquidation completed during the year ended March 31, 2020.

The number of associates accounted for by the equity method as of March 31, 2020 and 2019 were 4 and 1, respectively.

PT Bank Resona Perdania, PT Resona Indonesia Finance, and StormHarbour Japan Ltd. were newly added as equity method investees from the year ended March 31, 2020 due to acquisition of shares.

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 four subsidiaries in 2020, and five subsidiaries in 2019, 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 whose fair values cannot be reliably determined are stated 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 Company and its consolidated subsidiaries 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 ¥36,241 million ($ 333,009 thousand) and ¥36,405 million as of March 31, 2020 and 2019, respectively.

h. **Deferred Charges** — Bond issue expenses are recognized as expense when incurred.

i. **Allowance for Loan Losses** — Major consolidated subsidiaries provide an allowance for loan losses, which is determined based on management's judgment and an assessment of future losses based on major consolidated subsidiary's self-assessment systems. These systems reflect past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, the value of collateral or guarantees, and other pertinent indicators.

Major consolidated subsidiaries have implemented a self-assessment system to determine its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division, which is independent from the operating divisions, in accordance with major consolidated subsidiary's policy and guidelines for the self-assessment of asset quality.

Major consolidated subsidiaries have established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

The allowance for loan losses is calculated based on the actual historical loss ratio for "normal" and "in need of caution" categories; the fair value of the collateral for collateral-dependent loans; and other factors of solvency, including future cash flows for other categories. For claims to borrowers whose loans are classified as "possible bankruptcy" or "restructured loans" over a certain amount, for which future cash flows could be reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims (the "DCF method"). Also, for claims for which allowance has been provided based on the DCF method in previous fiscal years, an allowance is provided based on the DCF method.

For collateralized or guaranteed claims to borrowers who are in the "virtual bankruptcy" 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, 2020 and 2019, the deducted amounts were ¥ 36,874 million ($338,826 thousand) and ¥33,122 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.

(Additional Information)
The Group assumes that the Novel Coronavirus Infectious Diseases will have a significant impact for the first half of the fiscal year ending March 31, 2021 and will gradually ease toward the second half of the fiscal year. Therefore, the impact on the business performance of the Group's borrowers is generally temporary, and the Group does not expect to incur a large amount of credit losses. However, the Group determines the borrower classification based on the impact on the cash flows of the borrowers. This assumption is uncertain, and actual credit losses may exceed the expected credit losses if the borrowers' business performance deteriorates due to sluggish consumer spending or stagnant production activities.

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.

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 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. **New Accounting Pronouncements**

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

In order to improve comparability with the international accounting standards, these accounting standards and implementation guidance have been established on how to determine the fair value measurement. In addition, items to be disclosed in the notes such as breakdowns of financial instruments by the level of the fair value measurement have been stipulated.

(2) Effective date

The Group plans to apply these accounting standards at the beginning of the fiscal year ending March 31, 2022.

(3) Effect of adoption of these accounting standards

The Group is currently evaluating the effects of adoption of these accounting standards.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

(1) Outline

The purpose of this accounting standard is to clarify the principles and the overview of procedures of the accounting treatments adopted, in cases where the provisions of relevant accounting standards, etc. are unclear.

(2) Effective date

The Group plans to apply this accounting standard at the end of the fiscal year ending March 31, 2021.

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1) Outline

The purpose of this accounting standard is to disclose information that will facilitate the understanding of the users of the financial statements, regarding items of accounting estimates recorded in the financial statements for the current fiscal year that have a risk of significantly impacting the financial statements for the following fiscal year.

(2) Effective date

The Group plans to apply this accounting standard at the end of the fiscal year ending March 31, 2021.

z. **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 companies; 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, 2020 and 2019, were ¥1,107 million ($10,177 thousand) for 2,626 thousand shares and ¥531 million for 927 thousand shares, respectively.

(Gains and losses on cancellation of investment trusts)

Previously, gains on cancellation of investment trusts were presented as "Interest and dividends on securities" in "Interest income," and losses on cancellation of investment trusts were presented as "Other operating expenses" for individual issues. However, with the revision of disclosures under the Banking Act, all gains and losses on cancellation of the issues are aggregated, and the gains on cancellation of investment trusts are presented as "Interest and dividends on securities" in "Interest income" or the losses on cancellation of investment trusts are presented as "Other operating expenses" from the current fiscal year.

In the consolidated statement of income for the previous fiscal year, losses on cancellation of investment trusts were included in "Other operating expenses" of ¥2,462 million. However, due to the above change, the total amount of "Other operating expenses" was changed from ¥39,367 million to ¥36,904 million, and the total amount of "Interest and dividends on securities" in "Interest income" was changed from ¥29,961 million to ¥27,498 million.

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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and due from banks	¥2,635,524	¥2,969,305	$24,216,895
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(120,323)	(73,420)	(1,105,606)
Cash and cash equivalents	¥2,515,201	¥2,895,885	$23,111,289

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Trading assets:			
Trading securities	¥4,202	¥4,897	$38,613
Trading-related financial derivatives	291	346	2,680
Total	¥4,493	¥5,243	$41,293
Trading liabilities — trading-related financial derivatives	¥ 87	¥ 113	$ 803

5. SECURITIES

Securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Japanese national government bonds	¥ 340,027	¥ 465,144	$ 3,124,390
Japanese local government bonds	370,485	259,866	3,404,260
Japanese corporate bonds	663,649	594,012	6,098,042
Japanese corporate stocks	154,825	213,466	1,422,634
Other securities	913,086	944,454	8,390,027
Total	¥2,442,074	¥2,476,944	$22,439,353

The carrying amounts and aggregate fair value of securities and monetary claims bought as of March 31, 2020 and 2019, were as follows:

	Millions of Yen			
March 31, 2020	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 93,019	¥57,745	¥ 4,169	¥ 146,596
Debt securities	1,098,194	5,629	5,186	1,098,637
Other securities	946,906	11,680	56,196	902,390
Held-to-maturity	275,525	2,993	492	278,026

	Millions of Yen			
March 31, 2019	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 102,169	¥103,407	¥ 1,183	¥ 204,393
Debt securities	1,135,715	8,722	294	1,144,143
Other securities	961,535	14,001	21,709	953,827
Held-to-maturity	174,879	5,245		180,125

	Thousands of U.S. Dollars			
March 31, 2020	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 854,728	$530,607	$ 38,314	$ 1,347,021
Debt securities	10,090,916	51,728	47,659	10,094,985
Other securities	8,700,787	107,329	516,371	8,291,745
Held-to-maturity	2,531,706	27,511	4,528	2,554,689

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 ¥32,361 million ($ 297,359 thousand) and ¥19,330 million as of March 31, 2020 and 2019, respectively. And "Other securities" includes monetary claims bought whose fair value can be reliably determined, of ¥13,436 million ($ 123,464 thousand) and ¥19,630 million as of March 31, 2020 and 2019, respectively.

Information on available-for-sale securities and held-to-maturity securities which were sold during the years ended March 31, 2020 and 2019, was as follows:

	Millions of Yen		
March 31, 2020	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 26,958	¥18,142	¥ 149
Debt securities	300,814	1,166	927
Other securities	202,044	6,453	1,135
Total	¥529,817	¥25,762	¥2,212

	Millions of Yen		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 17,518	¥10,377	¥ 45
Debt securities	164,664	710	278
Other securities	193,556	2,312	4,625
Total	¥375,739	¥13,400	¥4,949

	Thousands of U.S. Dollars		
March 31, 2020	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 247,713	$166,707	$ 1,375
Debt securities	2,764,076	10,716	8,525
Other securities	1,856,519	59,297	10,430
Total	$4,868,308	$236,720	$20,330

Impairment losses on securities whose fair value can be reliably determined, other than trading securities, for the year ended March 31, 2020, was ¥2,355 million ($21,645 thousand), which consisted of ¥667 million ($6,133 thousand) for equity securities, ¥983 million ($9,038 thousand) for debt securities and ¥704 million ($6,474 thousand) for other securities.

Impairment losses on securities whose fair value can be reliably determined, other than trading securities, for the year ended March 31, 2019, was ¥899 million, which consisted of ¥614 million for equity securities and ¥285 million for debt securities.

Securities also include corporate stocks and investments in unconsolidated subsidiaries and affiliates, which totaled ¥11,542 million ($106,062 thousand) and ¥3,109 million as of March 31, 2020 and 2019, respectively.

Japanese national government bonds as of March 31, 2020 and 2019, included bonds of ¥66,465 million ($610,728 thousand) and ¥66,014 million , respectively, which were being rented to third parties without collateral under lending contracts.

As for securities received under repurchase agreement transactions and securities lending transactions which the Group had the right to sell or pledge without restriction, nil and ¥417 million were held in hand on March 31, 2020 and 2019, respectively.

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, 2020 and 2019, was ¥74,739 million ($686,757 thousand) and ¥68,954 million, respectively.

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Bills discounted	¥ 39,231	¥ 47,226	$ 360,481
Loans on bills	253,542	288,156	2,329,711
Loans on deeds	11,654,347	11,270,383	107,087,640
Overdrafts	1,121,187	1,056,232	10,302,189
Total	¥13,068,308	¥12,661,999	$120,080,021

"Past due loans", include loans classified as "possible bankruptcy" and "virtual bankruptcy" under the Group's self-assessment guidelines. Interest receivables on loans in these categories are not accrued as accruals for accounting purposes. The loans and bills discounted include "loans to borrowers in bankruptcy" totaling ¥ 3,396 million ($31,209 thousand) and ¥3,907 million as of March 31, 2020 and 2019, respectively, as well as "past due loans" totaling ¥ 178,869 million ($1,643,569 thousand) and ¥164,757 million as of March 31, 2020 and 2019, respectively.

In addition to "past due loans" certain other loans classified as "in need of caution" under the Group's self-assessment guidelines include "accruing loans contractually past due for three months or more." "Accruing loans contractually past due for three months or more" are loans on which the principal and/or interest is three months or more past due, but exclude "loans to borrowers in bankruptcy" or "past due loans." The balances of "accruing loans contractually past due for three months or more" as of March 31, 2020 and 2019, were ¥ 3,795 million ($34,872 thousand) and ¥4,026 million, respectively.

"Restructured loans" are loans for which BOY, The Higashi-Nippon Bank Ltd. ("HNB") and its subsidiaries have restructured lending conditions, such as by a reduction of the original interest rate, forbearance of interest payments, principal repayments, or renunciation of claims to support the borrowers' reorganization, but exclude "loans to borrowers in bankruptcy," "past due loans," and "accruing loans contractually past due for three months or more." The outstanding balances of "restructured loans" as of March 31, 2020 and 2019, were ¥ 13,914 million ($127,859 thousand) and ¥12,811 million, respectively.

The allowance for loan losses is not deducted from the amounts of loans shown in the above three paragraphs.

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, 2020 and 2019, the amounts of unused commitments were ¥ 2,316,865 million ($21,288,851 thousand) and ¥2,281,540 million, respectively. As of March 31, 2020 and 2019, the amounts of unused commitments whose remaining contract terms were within one year were ¥ 1,474,309 million ($13,546,903 thousand) and ¥1,523,069 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, 2020 and 2019, 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 ¥39,437 million ($362,377 thousand) and ¥47,385 million, respectively.

7. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets			
Foreign exchange bills bought	¥ 206	¥ 159	$ 1,896
Foreign exchange bills receivable	1,729	2,159	15,888
Due from foreign correspondent accounts	15,526	15,317	142,669
Total	¥17,462	¥17,636	$160,453
Liabilities			
Foreign exchange bills sold	¥ 35	¥ 8	$ 325
Foreign exchange bills payable	214	385	1,971
Due to foreign correspondent accounts		13	
Total	¥ 249	¥ 407	$ 2,296

8. OTHER ASSETS

Other assets as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Accrued income	¥ 12,575	¥ 15,835	$ 115,549
Derivatives other than for trading – assets	35,631	33,269	327,408
Cash collateral paid for financial instruments	50,293	29,971	462,132
Temporary advance	57,687	61,201	530,068
Installments receivable	21,410	22,466	196,734
Other	55,767	45,928	512,432
Total	¥233,366	¥208,672	$2,144,323

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Buildings, net	¥ 53,564	¥ 54,992	$ 492,189
Land	93,331	93,532	857,588
Lease assets, net	58	165	541
Construction in progress	4,442	2,626	40,817
Other	16,085	15,545	147,808
Total	¥167,483	¥166,862	$1,538,943

The accumulated depreciation of property, plant and equipment as of March 31, 2020 and 2019, amounted to ¥177,125 million ($1,627,540 thousand) and ¥171,914 million, respectively.

10. INTANGIBLE ASSETS

Intangible assets as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Software	¥17,893	¥15,993	$164,413
Goodwill		14	
Other	551	713	5,066
Total	¥18,444	¥16,721	$169,479

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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets pledged as collateral:			
Cash and due from banks	¥ 12,593	¥ 12,593	$ 115,721
Securities	861,401	995,584	7,915,107
Loans and bills discounted	572,023	606,306	5,256,119
Other	830	904	7,631
Relevant liabilities to above assets:			
Deposits	¥ 55,263	¥ 70,101	$ 507,793
Payables under repurchase agreements	12,969	13,726	119,175
Payables under securities lending transactions	204,018	307,071	1,874,654
Borrowed money	377,952	447,677	3,472,869

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
	2020	2019	2020
Securities	¥41,473	¥38,853	$381,081
Other assets amounting	53,036	53,022	487,333

Additionally, initial margins of futures markets, cash collateral received 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
	2020	2019	2020
Initial margins of futures markets	¥ 1,653	¥ 1,653	$ 15,189
Cash collateral paid for financial instruments	50,293	29,971	462,132
Guarantee deposits on office space	8,399	8,475	77,179

13. DEPOSITS

Deposits as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current deposits	¥ 593,786	¥ 587,470	$ 5,456,092
Ordinary deposits	11,252,842	10,728,471	103,398,353
Savings deposits	219,234	220,648	2,014,464
Deposits at notice	102,543	108,842	942,233
Time deposits	3,748,483	3,874,433	34,443,474
Other deposits	316,782	425,556	2,910,797
Total	¥16,233,671	¥15,945,423	$149,165,413

14. BORROWED MONEY

As of March 31, 2020 and 2019, the weighted-average annual interest rate applicable to borrowed money was 0.44% and 0.53%, respectively.

Annual maturities of borrowed money as of March 31, 2020, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥286,017	$2,628,109
2022	108,472	996,718
2023	4,508	41,430
2024	3,958	36,369
2025	2,287	21,023
2026 and thereafter	11,476	105,450
Total	¥416,720	$3,829,099

15. BONDS PAYABLE

Bonds payable as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unsecured fixed (0.50% interest until March 2022) and floating (Libor linked interest after March 2022) subordinated bonds, payable in Japanese yen, due March 2027	¥20,000	¥20,000	$183,773
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	20,000	183,773
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	91,886
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	91,886
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		91,886
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		91,886
Total	¥80,000	¥60,000	$735,090

Annual maturities of bonds payable as of March 31, 2020, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2026 and thereafter	¥80,000	$735,090

16. OTHER LIABILITIES

Other liabilities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Income taxes payable	¥ 14,298	¥ 10,372	$ 131,387
Accrued expenses	8,814	10,535	80,997
Unearned revenue	37,240	33,905	342,192
Derivatives other than for trading – liabilities	31,349	28,833	288,063
Suspense receipts	62,823	20,240	577,260
Other	39,507	30,992	363,020
Total	¥194,035	¥134,880	$1,782,919

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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥102,512	¥104,241	$941,951
Current service cost	2,636	2,661	24,223
Interest cost	484	572	4,451
Actuarial losses	(949)	616	(8,728)
Benefits paid	(5,462)	(5,674)	(50,196)
Other	93	94	863
Balance at end of year	¥ 99,314	¥102,512	$912,564

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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥135,430	¥134,619	$1,244,419
Expected return on plan assets	2,764	3,143	25,403
Actuarial losses	(7,061)	(2,227)	(64,884)
Contributions from the employer	2,814	3,925	25,858
Benefits paid	(4,024)	(4,125)	(36,981)
Other	93	94	862
Balance at end of year	¥130,016	¥135,430	$1,194,677

(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
	2020	2019	2020
Funded defined benefit obligation	¥ 98,807	¥ 102,057	$ 907,907
Plan assets	(130,016)	(135,430)	(1,194,677)
	(31,209)	(33,372)	(286,770)
Unfunded defined benefit obligation	506	455	4,658
Net liability (asset) arising from defined benefit obligation	¥ (30,702)	¥ (32,917)	$ (282,112)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Net defined benefit liability	¥ 1,409	¥ 1,040	$ 12,953
Net defined benefit asset	(32,111)	(33,958)	(295,065)
Net liability (asset) arising from defined benefit obligation	¥(30,702)	¥(32,917)	$(282,112)

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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current service cost	¥ 2,636	¥ 2,661	$ 24,224
Interest cost	484	572	4,452
Expected return on plan assets	(2,764)	(3,143)	(25,403)
Recognized actuarial losses	1,029	182	9,459
Other	102	223	942
Net periodic benefit costs	¥ 1,488	¥ 497	$ 13,674

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial losses	¥(5,081)	¥(2,661)	$(46,697)
Total	¥(5,081)	¥(2,661)	$(46,697)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial losses	¥9,746	¥4,664	$89,558
Total	¥9,746	¥4,664	$89,558

(g) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2020 and 2019, consisted of the following:

	2020	2019
Domestic equity investments	27%	31%
[Of which, domestic equity investment contributed to retirement benefit trusts]	[15]	[18]
Overseas equity investments	9	9
Domestic debt investments	19	18
Overseas debt investments	33	30
Other	12	12
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, 2020 and 2019, were included as 21% 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, 2020 and 2019, are set forth as follows:

	2020	2019
Discount rate	0.5-0.6%	0.4-0.6%
Expected rate of return on plan assets	2.0-2.5	2.5
Future salary growth	3.4-5.4	3.4-5.4

(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, 2020 and 2019, was ¥423 million ($3,889 thousand) and ¥422 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 total of 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, 2020 and 2019.

The stock options outstanding as of March 31, 2020, are as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
3rd Stock Option	3 directors of BOY and an executive officer of BOY	74,000	April 1, 2016	¥1	From April 1, 2016 to July 7, 2040
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
9th Stock Option	8 directors of HNB	187,402.4	April 1, 2016	1	From April 1, 2016 to September 11, 2042
10th Stock Option	8 directors of HNB	154,509.6	April 1, 2016	1	From April 1, 2016 to August 13, 2043
11th Stock Option	8 directors of HNB	123,618.5	April 1, 2016	1	From April 1, 2016 to August 12, 2044
12th Stock Option	8 directors of HNB	58,536.2	April 1, 2016	1	From April 1, 2016 to August 11, 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, 2019	3rd Stock Option	4th Stock Option	5th Stock Option	6th Stock Option	7th Stock Option	8th Stock Option	9th Stock Option	10th Stock Option	11th Stock Option
Non-vested (shares):									
April 1, 2018 — outstanding									
Granted									
Canceled									
Vested									
March 31, 2019 — outstanding									
Vested (shares):									
April 1, 2018 — outstanding	18,900	25,200	47,500	52,100	56,000	48,400	128,866.2	106,901.6	86,235.4
Vested									
Exercised		(8,800)	(18,500)	(19,400)	(16,000)	(13,600)	(91.210)	(74.170)	(59,616)
Canceled							(2.6)	(1.1)	(2.2)
March 31, 2019 — outstanding	18,900	16,400	29,000	32,700	40,000	34,800	37,653.6	32,730.5	26,617.2

Year Ended March 31, 2019	12th Stock Option	13th Stock Option
Non-vested (shares):		
April 1, 2018 — outstanding		
Granted		
Canceled		
Vested		
March 31, 2019 — outstanding		
Vested (shares):		
April 1, 2018 — outstanding	35,651.9	227,100
Vested		
Exercised	(24,614)	(121,400)
Canceled	(1.5)	
March 31, 2019 — outstanding	11,036.4	105,700

Year Ended March 31, 2020	3rd Stock Option	4th Stock Option	5th Stock Option	6th Stock Option	7th Stock Option	8th Stock Option	9th Stock Option	10th Stock Option	11th Stock Option
Non-vested (shares):									
April 1, 2019 — outstanding									
Granted									
Canceled									
Vested									
March 31, 2020 — outstanding									
Vested (shares):									
April 1, 2019 — outstanding	18,900	16,400	29,000	32,700	40,000	34,800	37,653.6	32,730.5	26,617.2
Vested									
Exercised	(18,900)	(7,600)	(19,200)	(19,000)	(15,600)	(12,000)	(37,652)	(32,730)	(26,616)
Canceled							(1.6)	(0.5)	(1.2)
March 31, 2020 — outstanding		8,800	9,800	13,700	24,400	22,800			
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01
Average stock price at exercise	¥ 447	¥ 447	¥ 428	¥ 436	¥ 435	¥ 435	¥ 425	¥ 426	¥ 425
	$4.11	$4.11	$3.93	$4.01	$4.00	$4.00	$3.91	$3.91	$3.91
Fair value price at grant date	¥ 368	¥ 367	¥ 326	¥ 486	¥ 548	¥ 691	¥ 294	¥ 394	¥ 463
	$3.38	$3.37	$3.00	$4.47	$5.04	$6.35	$2.70	$3.62	$4.25

Year Ended March 31, 2020	12th Stock Option	13th Stock Option
Non-vested (shares):		
April 1, 2019 — outstanding		
Granted		
Canceled		
Vested		
March 31, 2020 — outstanding		
Vested (shares):		
April 1, 2019 — outstanding	11,036.4	105,700
Vested		
Exercised	(11,036)	(52,400)
Canceled	(0.4)	
March 31, 2020 — outstanding		53,300
Exercise price	¥ 1	¥ 1
	$0.01	$0.01
Average stock price at exercise	¥ 425	¥ 435
	$3.91	$4.00
Fair value price at grant date	¥ 877	¥ 375
	$8.06	$3.45

20. PER SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2020 and 2019, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2020	Net Income	Weighted-Average Shares	EPS	
Basic EPS — Net income available to common stockholders	¥46,536	1,212,504	¥38.38	$0.35
Effect of dilutive warrants		250		
Diluted EPS — Net income for computation	¥46,536	1,212,754	¥38.37	$0.35
Year Ended March 31, 2019				
Basic EPS — Net income available to common stockholders	¥54,285	1,248,936	¥43.46	
Effect of dilutive warrants		493		
Diluted EPS — Net income for computation	¥54,285	1,249,430	¥43.44	

* 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 2,009 thousand and 963 thousand, for the years ended March 31, 2020 and 2019, respectively.

21. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gain on foreign exchange transactions – net	¥ 1,996	¥ 1,642	$ 18,344
Gain on sales and redemption of bonds and other securities	7,406	2,353	68,056
Gain on derivatives	1,040	643	9,559
Lease receipts	24,650	24,927	226,506
Other	10,787	9,861	99,119
Total	¥45,880	¥39,427	$421,584

22. OTHER INCOME

Other income for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gain on sales of stock and other securities	¥18,393	¥11,047	$169,008
Recovery of claims previously charged-off	2,072	2,211	19,043
Gain on disposals of non-current assets	102		944
Other	1,387	3,518	12,747
Total	¥21,955	¥16,777	$201,742

23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Losses on sales and redemption of bonds and other securities	¥ 3,215	¥ 7,810	$ 29,544
Losses on write-downs of bonds and other securities	1,930	351	17,741
Lease costs	22,465	22,810	206,426
Other	9,331	8,393	85,747
Total	¥36,943	¥39,367	$339,458

24. OTHER EXPENSES

Other expenses for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Losses on sales of stocks and other securities	¥ 159	¥ 45	$ 1,465
Losses on write-downs of stocks and other securities	762	695	7,002
Loss on disposals of non-current assets	2,313	1,158	21,256
Impairment loss	501	195	4,612
Direct charge-off of loans	10,414	6,028	95,697
Other	3,802	8,123	34,941
Total	¥17,954	¥16,246	$164,973

25. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% for the years ended March 31, 2020 and 2019.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Allowance for loan losses	¥28,381	¥24,522	$260,788
Net defined benefit liability	9,241	7,854	84,914
Write-downs of securities	2,611	2,416	24,000
Valuation difference on available-for-sale securities	2,796		25,697
Other	12,685	11,995	116,559
Less valuation allowance	(9,144)	(5,434)	(84,023)
Total deferred tax assets	46,572	41,352	427,935
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	5,779	31,661	53,104
Gain on contribution of the employees' retirement benefit trust	6,243	6,243	57,368
Other	9,318	8,883	85,624
Total deferred tax liabilities	21,341	46,788	196,096
Net deferred tax assets	¥25,231	¥(5,436)	$231,839

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2020 and 2019, 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.

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
	2020	2019	2020
Gross lease receivables	¥64,649	¥64,605	$594,039
Unguaranteed residual values	1,665	1,707	15,300
Unearned interest income	(3,712)	(3,803)	(34,112)
Lease investment assets	¥62,602	¥62,509	$575,227

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
2021	¥2,332	$21,429
2022	1,423	13,077
2023	1,040	9,564
2024	719	6,615
2025	417	3,832
2026 and thereafter	604	5,551
Total	¥6,537	$60,068

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
2021	¥19,020	$174,776
2022	15,399	141,501
2023	11,792	108,355
2024	9,125	83,848
2025	4,899	45,017
2026 and thereafter	4,412	40,542
Total	¥64,649	$594,039

The minimum rental commitments under noncancelable operating leases as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥ 528	¥218	$ 4,852
Due after one year	1,671	687	15,354
Total	¥2,199	¥906	$20,206

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 status of compliance with various risk limits and profit and loss situation of the market business are directly reported to management on a daily basis. Those are based on the reports from the risk management post of the subsidiary. And those report the situation of the market risk in 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 ¥24 million ($221 thousand) and ¥31 million as of March 31, 2020 and 2019, 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 ¥150,598 million ($1,383,791 thousand) and ¥136,102 million as of March 31, 2020 and 2019, 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.

Risk supervisory department directly reports the status of compliance with various risk limits to management on a daily basis. Those are based on the reports from the risk management post of the subsidiaries. The situation of the liquidity risk and the situation of 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 order to set the task force in 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 values of financial instruments are based on their market prices and, in cases where market prices are not readily available, reasonably calculated prices. Such prices have been calculated using certain assumptions and these prices may differ if calculated based on different 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.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	¥ 2,635,524	¥ 2,635,524	
(2) Call loans and bills bought	187,230	187,230	
(3) Securities:			
Held-to-maturity securities	275,525	278,026	¥ 2,501
Available-for-sale securities	2,134,187	2,134,187	
(4) Loans and bills discounted	13,068,308		
Allowance for loan losses*1	(61,426)		
Net	13,006,882	13,083,906	77,024
Total assets	¥18,239,350	¥18,318,876	¥79,525
(1) Deposits	¥16,233,671	¥16,234,148	¥ 476
(2) Negotiable certificates of deposit	272,120	272,120	
(3) Call money and bills sold	326,541	326,541	
(4) Payables under securities lending transactions	204,018	204,018	
(5) Borrowed money	416,720	416,720	
Total liabilities	¥17,453,072	¥17,453,549	¥ 476
Derivative instruments*2:			
Hedge accounting is not applied	¥ 8,572	¥ 8,572	
Hedge accounting is applied	(4,086)	(4,086)	
Total derivative instruments	¥ 4,486	¥ 4,486	

	Millions of Yen		
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	¥ 2,969,305	¥ 2,969,305	
(2) Call loans and bills bought	256,899	256,899	
(3) Securities:			
Held-to-maturity securities	174,879	180,125	¥ 5,245
Available-for-sale securities	2,282,733	2,282,733	
(4) Loans and bills discounted	12,661,999		
Allowance for loan losses*1	(52,596)		
Net	12,609,403	12,684,943	75,540
Total assets	¥18,293,221	¥18,374,007	¥80,785
(1) Deposits	¥15,945,423	¥15,946,063	¥ 639
(2) Negotiable certificates of deposit	234,633	234,633	
(3) Call money and bills sold	496,364	496,364	
(4) Payables under securities lending transactions	307,071	307,071	
(5) Borrowed money	489,630	489,630	
Total liabilities	¥17,473,122	¥17,473,761	¥ 639
Derivative instruments*2:			
Hedge accounting is not applied	¥ 9,122	¥ 9,122	
Hedge accounting is applied	(4,454)	(4,454)	
Total derivative instruments	¥ 4,668	¥ 4,668	

	Thousands of U.S. Dollars		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	$ 24,216,895	$ 24,216,895	
(2) Call loans and bills bought	1,720,399	1,720,399	
(3) Securities:			
Held-to-maturity securities	2,531,706	2,554,689	$ 22,983
Available-for-sale securities	19,610,288	19,610,288	
(4) Loans and bills discounted	120,080,021		
Allowance for loan losses*1	(564,428)		
Net	119,515,593	120,223,340	707,747
Total assets	$167,594,881	$168,325,611	$730,730
(1) Deposits	$149,165,413	$149,169,794	$ 4,381
(2) Negotiable certificates of deposit	2,500,413	2,500,414	1
(3) Call money and bills sold	3,000,470	3,000,470	
(4) Payables under securities lending transactions	1,874,654	1,874,654	
(5) Borrowed money	3,829,099	3,829,099	
Total liabilities	$160,370,049	$160,374,431	$ 4,382
Derivative instruments*2:			
Hedge accounting is not applied	$ 78,771	$ 78,771	
Hedge accounting is applied	(37,549)	(37,549)	
Total derivative instruments	$ 41,222	$ 41,222	

*1 Allowances for loan losses relevant to loans and bills discounted have been deducted.

*2 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.

Assets

(1) Cash and Due from Banks

The book values of due from banks with no maturities approximate fair value. For due from banks with maturities, the book values approximate fair value because they have short maturities of one year or less.

(2) Call Loans and Bills Bought

The book values of call loans and bills bought approximate fair value because they have short maturities of one year or less.

(3) Securities

The fair values of marketable equity securities are measured at the quoted market price of the stock exchange for equity instruments. Fair values of bonds are measured at the reference statistical price of the Japan Securities Dealers Association or the quoted price obtained from financial institutions. Fair values of investment trusts are measured at the quoted price.

The fair values of private placements with floating interest rates approximate their book values as long as customers' credit risks have not changed significantly after issuance because the market rates are promptly reflected in the floating interest rates. The fair values of private placements with fixed interest rates are determined by discounting future cash flows at the rate that consists of the risk-free rate and the credit risk premium that corresponds to the internal credit rating.

(4) Loans and Bills Discounted

The book values of loans and bills discounted with floating interest rates approximate fair value as long as customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating interest rates.

The fair values of loans and bills discounted with fixed interest rates are mainly determined by discounting the future cash flows at rates that consist of the risk-free rate and the credit risk premium that corresponds to the internal credit rating. The book values of loans and bills discounted with maturities less than one year approximate fair value because of their short maturities.

For loans to customers deemed as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy," an allowance for credit losses is provided based on the DCF method or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The book value, net of the reserve, as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The book values of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The fair values of demand deposits are recognized as payment at the date of the consolidated balance sheet. The fair values of time deposits and negotiable certificates of deposit are determined by discounting the contractual cash flows grouped by product and by the remaining duration at the rates that would be applied for similar new contracts. The book values of the deposits with maturities less than one year approximate fair value because of their short-term maturities.

(3) Call Money and Bills Sold and (4) Payables under securities lending transactions

The book values of call money and bills sold and payables under securities lending transactions approximate fair value because they have short maturities of one year or less.

(5) Borrowed Money

The book value of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate and the credit risks of the Group have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that would be applied for similar new contracts. The book value of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivatives

The fair values of derivative instruments are measured at the market price or determined using the discounted cash flow method or option-pricing model.

(b)Consolidated balance sheet amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Equity securities without readily available market price*1,2,3	¥ 7,887	¥ 8,436	$ 72,472
Investments in partnerships*3,4,5	12,931	7,784	118,826
Total	¥20,818	¥16,221	$191,298

*1 Equity securities without readily available market price are out of the scope of the fair value disclosure because their fair values cannot be reliably determined.

*2 Equity securities in affiliates are not included and totaled ¥8,997 million ($82,673 thousand) and ¥638 million as of March 31, 2020 and 2019, respectively.

*3 During the year ended March 31, 2020, impairment losses on equity securities without a readily available market price of ¥94 million ($869 thousand) and on investments in partnerships of ¥21 million ($196 thousand) were recognized.
During the year ended March 31, 2019, impairment losses on equity securities without a readily available market price of ¥80 million and on investments in partnerships of ¥5 million were recognized.

*4 Investments in partnerships, the assets of which comprise equity securities without a readily available market price, are out of the scope of the fair value disclosure.

*5 Investments in unconsolidated subsidiaries and affiliates are not included, and totaled ¥2,545 million ($23,389 thousand) and ¥2,470 million as of March 31, 2020 and 2019, respectively.

(6) Maturity Analysis for Financial Assets and Liabilities with Contractual Maturities

	Millions of Yen					
March 31, 2020	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	¥2,486,619					
Call loans and bills bought	187,230					
Securities:						
Held-to-maturity securities	49,009	¥ 97,557	¥ 6,700	¥ 10,320	¥ 111,599	¥ 400
Available-for-sale securities with contractual maturities	191,868	183,500	205,755	87,321	160,909	1,098,910
Loans and bills discounted	2,695,487	2,181,480	1,624,738	1,137,102	1,277,226	3,818,697
Total	¥5,610,125	¥2,462,538	¥1,837,193	¥1,234,743	¥1,549,735	¥4,918,007

	Millions of Yen					
March 31, 2019	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	¥2,827,641					
Call loans and bills bought	256,899					
Securities:						
Held-to-maturity securities	18,482	¥ 146,566		¥ 10,000		
Available-for-sale securities with contractual maturities	396,877	231,682	¥ 149,968	72,543	¥ 130,501	¥1,012,739
Loans and bills discounted	2,614,856	2,122,233	1,567,548	1,106,723	1,261,024	3,678,731
Total	¥6,114,756	¥2,500,482	¥1,717,517	¥1,189,266	¥1,391,526	¥4,691,471

	Thousands of U.S. Dollars					
March 31, 2020	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	$22,848,657					
Call loans and bills bought	1,720,399					
Securities:						
Held-to-maturity securities	450,326	$ 896,416	$ 61,564	$ 94,827	$ 1,025,451	$ 3,675
Available-for-sale securities with contractual maturities	1,763,014	1,686,123	1,890,612	802,363	1,478,539	10,097,494
Loans and bills discounted	24,767,872	20,044,847	14,929,141	10,448,429	11,735,978	35,088,647
Total	$51,550,268	$22,627,386	$16,881,317	$11,345,619	$14,239,968	$45,189,816

Note: As of March 31, 2020, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥182,266 million ($1,674,778 thousand) and loans and bills discounted with no contractual maturities amounting to ¥152,641 million ($1,402,565 thousand) are not included.
As of March 31, 2019, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥168,665 million and loans and bills discounted with no contractual maturities amounting to ¥143,813 million are not included.

	Millions of Yen					
March 31, 2020	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	¥15,487,125	¥501,834	¥229,042	¥ 4,864	¥10,804	
Negotiable certificates of deposit	272,120					
Call money and bills sold	326,541					
Payables under securities lending transactions	204,018					
Borrowed money	286,017	112,981	6,246	10,898	577	
Total	¥16,575,822	¥614,816	¥235,288	¥15,763	¥11,381	

	Millions of Yen					
March 31, 2019	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	¥15,154,055	¥541,990	¥229,971	¥7,131	¥12,274	
Negotiable certificates of deposit	234,633					
Call money and bills sold	496,364					
Payables under securities lending transactions	307,071					
Borrowed money	218,958	251,136	6,705	2,368	10,461	
Total	¥16,411,082	¥793,127	¥236,676	¥9,500	¥22,735	

	Thousands of U.S. Dollars					
March 31, 2020	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	$142,305,662	$4,611,182	$2,104,594	$ 44,698	$ 99,277	
Negotiable certificates of deposit	2,500,413					
Call money and bills sold	3,000,470					
Payables under securities lending transactions	1,874,654					
Borrowed money	2,628,108	1,038,148	57,392	100,145	5,306	
Total	$152,309,307	$5,649,330	$2,161,986	$144,843	$104,583	

Note: The cash flow of demanded deposits is included in "Due in 1 Year or Less."

28. DERIVATIVE INFORMATION

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2020 and 2019

The Group's derivative contracts that were quoted on listed exchanges, outstanding as of March 31, 2020 and 2019, were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2020	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	¥302		¥(3)	¥(3)	$2,775		$(28)	$(28)

	Millions of Yen			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Bond contracts — Futures written	¥2,292		¥(7)	¥(7)

The Group's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2020 and 2019, were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2020	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	¥ 985,420	¥786,392	¥ 27,425	¥ 27,425	$9,054,676	$7,225,877	$ 252,001	$ 252,001
Receive floating and pay fixed	935,403	696,648	(19,314)	(19,314)	8,595,088	6,401,252	(177,472)	(177,472)
Receive floating and pay floating	1,083,120	875,480	548	548	9,952,403	8,044,473	5,041	5,041
Caps and others written	11,417	11,217	(10)	174	104,913	103,076	(94)	1,600
Caps and others purchased	9,842	9,407	5	5	90,441	86,441	47	47
Foreign exchange:								
Currency swaps	499				4,592		3	3
Forward exchange contracts — written	39,284	1,005	(344)	(344)	360,972	9,237	(3,169)	(3,169)
Forward exchange contracts — purchased	37,932	979	261	261	348,548	9,000	2,400	2,400
Options written	17,233	9,334	(413)	228	158,354	85,774	(3,797)	2,103
Options purchased	17,583	9,334	417	(59)	161,566	85,774	3,839	(547)

	Millions of Yen			
March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:				
Interest rate swaps:				
Receive fixed and pay floating	¥1,182,668	¥1,004,546	¥ 30,770	¥ 30,770
Receive floating and pay fixed	1,147,317	867,977	(22,543)	(22,543)
Receive floating and pay floating	1,239,070	941,120	981	981
Caps and others written	15,011	14,106	(23)	201
Caps and others purchased	12,910	12,910	30	30
Foreign exchange:				
Currency swaps	705	504	1	1
Forward exchange contracts — written	35,271	582	(135)	(135)
Forward exchange contracts — purchased	37,076		42	42
Options written	9,708	4,792	(310)	232
Options purchased	10,179	4,792	317	(120)

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2020 and 2019

The Group's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2020 and 2019, were as follows:

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2020	Hedged Item	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	¥185,000	¥185,000	¥(9,336)	$1,699,899	$1,699,899	$(85,788)
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	112,207	125	(193)	1,031,033	1,154	(1,782)
Stock related transactions – Forward stock agreements – Sold	Available-for-sale securities	30,200	30,200	5,443	277,506	277,506	50,021
Special hedging treatment:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	64,743	64,638		594,902	593,942	

March 31, 2019	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	¥105,000	¥105,000	¥(3,927)
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	163,706	164	(527)
Special hedging treatment:				
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	66,841	66,786	

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 for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Gains arising during the year	¥(75,678)	¥ (6,606)	$(695,382)
Reclassification adjustments to profit or loss	(17,782)	(13,457)	(163,397)
Amount before income tax effect	(93,460)	(20,063)	(858,779)
Income tax effect	25,681	5,929	235,981
Total	¥(67,779)	¥(14,134)	$(622,798)
Deferred gains or losses on hedges:			
Gains arising during the year	¥ (1,567)	¥ (4,504)	$ (14,401)
Reclassification adjustments to profit or loss	1,668	638	15,327
Amount before income tax effect	100	(3,866)	926
Income tax effect	(30)	1,183	(284)
Total	¥ 69	¥ (2,683)	$ 642
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ (6,111)	¥ (2,844)	$ (56,156)
Reclassification adjustments to profit or loss	1,029	182	9,459
Amount before income tax effect	(5,081)	(2,661)	(46,697)
Income tax effect	1,555	814	14,290
Total	¥ (3,526)	¥ (1,847)	$ (32,407)
Share of other comprehensive income of entities accounted for using equity method:			
Total	¥ 216		$ 1,988
Total other comprehensive income	¥(71,019)	¥(18,664)	$(652,575)

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 Mach 31, 2020

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	Makoto Torii			An auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥32 million ($300 thousand)
Director or Close relative of a director	Masaru Fujino			Close relative of an auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥13 million ($120 thousand)

* The terms and conditions of transactions and policies of determining the terms and conditions are similar to general cases.

For the fiscal year ended Mach 31, 2019

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	Makoto Torii			An auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥36 million
Director or Close relative of a director	Kyoko Kawamura			Close relative of an auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥37 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 EVENT

On May 14, 2020, the Board of Directors resolved the following appropriation of retained earnings:

Appropriation of Retained Earnings as of March 31, 2020

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends - common stock (¥8.00 - $0.07 per share)	¥9,671	$88,866

Deloitte.

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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, 2020, 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, 2020, 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.

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.

Member of
Deloitte Touche Tohmatsu Limited

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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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

June 16, 2020

Non-Consolidated Financial Statements

Bank of Yokohama

Non-Consolidated Balance Sheet

The Bank of Yokohama, Ltd.
March 31, 2020 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
ASSETS:			
Cash and due from banks	¥ 2,572,291	¥ 2,899,008	$ 23,635,869
Call loans	187,230	256,899	1,720,399
Monetary claims bought	30,919	36,834	284,105
Trading assets	4,493	5,243	41,293
Securities	2,128,272	2,117,635	19,555,937
Loans and bills discounted	11,553,236	11,133,160	106,158,560
Foreign exchanges	16,308	16,202	149,852
Other assets	186,552	158,826	1,714,163
Property, plant and equipment	140,220	140,141	1,288,436
Intangible assets	12,676	10,071	116,483
Prepaid pension costs	41,056	38,742	377,254
Deferred tax assets	10,800		99,239
Customers' liabilities for acceptances and guarantees	32,958	39,698	302,847
Allowance for loan losses	(47,409)	(42,564)	(435,628)
TOTAL	¥16,869,608	¥16,809,902	$155,008,809
LIABILITIES:			
Deposits	¥14,634,013	¥14,320,931	$134,466,723
Negotiable certificates of deposit	142,620	91,833	1,310,484
Call money	326,541	496,364	3,000,470
Payables under repurchase agreements	12,969	13,726	119,175
Payables under securities lending transactions	199,977	282,334	1,837,518
Trading liabilities	87	113	803
Borrowed money	432,184	482,359	3,971,188
Foreign exchanges	228	394	2,099
Due to trust account	4,825		44,336
Other liabilities	119,821	69,237	1,100,993
Provision for bonuses	3,141	3,124	28,863
Provision for directors' bonuses	33	41	307
Provision for share-based compensation	156	173	1,439
Provision for reimbursement of deposits	1,779	2,161	16,349
Provision for contingent losses	814	642	7,488
Deferred tax liabilities		15,872	
Deferred tax liabilities for land revaluation	16,424	16,474	150,916
Acceptances and guarantees	32,958	39,698	302,847
Total liabilities	15,928,576	15,835,483	146,361,998
EQUITY:			
Capital stock — common stock — authorized, 3,000,000 thousand shares in 2020 and 2019; issued, 1,204,576 thousand shares in 2020 and 2019	215,628	215,628	1,981,334
Capital surplus	177,244	177,244	1,628,636
Retained earnings:			
Legal retained earnings	38,384	38,384	352,699
Other retained earnings	460,392	437,351	4,230,384
Valuation difference on available-for-sale securities	15,334	71,718	140,899
Deferred gains or losses on hedges	(2,637)	(2,707)	(24,236)
Revaluation reserve for land	36,686	36,799	337,095
Total equity	941,032	974,419	8,646,811
TOTAL	¥16,869,608	¥16,809,902	$155,008,809

Non-Consolidated Statement of Income

The Bank of Yokohama, Ltd.
Year Ended March 31, 2020 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥120,405	¥119,972	$1,106,364
Interest and dividends on securities	21,002	27,196	192,987
Interest on call loans	4,013	5,516	36,879
Interest on due from banks	2,768	2,924	25,436
Other interest income	2,654	3,644	24,395
Trust fees	99		915
Fees and commissions	51,119	50,334	469,720
Trading income	108	107	996
Other operating income	9,297	4,390	85,431
Other income	19,010	13,838	174,677
Total income	230,480	227,926	2,117,800
EXPENSES:			
Interest expenses:			
Interest on deposits	7,750	10,477	71,215
Interest on negotiable certificates of deposit	7	7	72
Interest on call money	2,208	2,069	20,297
Interest on payables under repurchase agreements	448	124	4,117
Interest on payables under securities lending transactions	1,316	930	12,093
Interest on borrowed money	2,317	2,179	21,292
Other interest expenses	2,645	2,687	24,304
Fees and commissions	16,085	16,220	147,806
Other operating expenses	3,678	8,144	33,796
General and administrative expenses	104,304	101,167	958,421
Provision of allowance for loan losses	10,170	5,345	93,450
Other expenses	8,304	6,518	76,310
Total expenses	159,237	155,874	1,463,173
INCOME BEFORE INCOME TAXES	71,243	72,052	654,627
INCOME TAXES:			
Current	22,825	20,055	209,731
Deferred	(2,094)	1,899	(19,247)
Total income taxes	20,730	21,955	190,484
NET INCOME	¥ 50,512	¥ 50,097	$ 464,143

Non-Consolidated Financial Statements

Higashi-Nippon Bank

Non-Consolidated Balance Sheet

The Higashi-Nippon Bank, Limited
March 31, 2020 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
ASSETS:			
Cash and due from banks	**¥ 64,986**	¥ 72,264	**$ 597,133**
Securities	**321,385**	365,085	**2,953,094**
Loans and bills discounted	**1,578,586**	1,598,067	**14,505,066**
Foreign exchanges	**1,209**	1,433	**11,112**
Other assets	**9,262**	10,147	**85,108**
Property, plant and equipment	**28,805**	30,099	**264,682**
Intangible assets	**5,246**	6,107	**48,210**
Prepaid pension costs	**886**	399	**8,144**
Deferred tax assets	**7,541**	6,076	**69,295**
Customers' liabilities for acceptances and guarantees	**1,539**	1,831	**14,144**
Allowance for loan losses	**(18,808)**	(10,731)	**(172,828)**
TOTAL	**¥2,000,639**	¥2,080,779	**$18,383,160**
LIABILITIES:			
Deposits	**¥1,666,634**	¥1,691,943	**$15,314,112**
Negotiable certificates of deposit	**175,000**	191,800	**1,608,012**
Payables under securities lending transactions	**4,041**	24,736	**37,137**
Borrowed money	**37,400**	40,000	**343,655**
Foreign exchanges	**76**	12	**707**
Other liabilities	**9,954**	5,622	**91,469**
Provision for bonuses	**453**	816	**4,164**
Provision for directors' bonuses		26	
Provision for share-based compensation	**22**	38	**205**
Provision for reimbursement of deposits	**77**	113	**710**
Provision for contingent losses	**982**	613	**9,023**
Deferred tax liabilities for land revaluation	**2,584**	2,584	**23,751**
Acceptances and guarantees	**1,539**	1,831	**14,144**
Total liabilities	**1,898,766**	1,960,138	**17,447,089**
EQUITY:			
Capital stock — common stock — authorized, 388,000 thousand shares in 2020 and 2019; issued, 176,869 thousand shares in 2020 and 2019	**38,300**	38,300	**351,925**
Capital surplus	**24,600**	24,600	**226,043**
Retained earnings:			
Legal retained earnings	**1,904**	1,904	**17,498**
Other retained earnings	**41,024**	48,824	**376,958**
Valuation difference on available-for-sale securities	**(9,544)**	1,430	**(87,705)**
Deferred gains or losses on hedges		(7)	**(2)**
Revaluation reserve for land	**5,588**	5,588	**51,354**
Total equity	**101,872**	120,641	**936,071**
TOTAL	**¥2,000,639**	¥2,080,779	**$18,383,160**

Non-Consolidated Statement of Income

The Higashi-Nippon Bank, Limited
Year Ended March 31, 2020 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥20,630**	¥23,455	**$189,568**
Interest and dividends on securities	**2,891**	4,499	**26,571**
Interest on call loans	**(3)**	6	**(30)**
Interest on due from banks	**7**	13	**72**
Other interest income	**3**	18	**31**
Fees and commissions	**3,287**	3,528	**30,205**
Other operating income	**1,018**	269	**9,357**
Other income	**938**	3,313	**8,623**
Total income	**28,774**	35,103	**264,397**
EXPENSES:			
Interest expenses:			
Interest on deposits	**199**	266	**1,835**
Interest on negotiable certificates of deposit	**18**	12	**169**
Interest on call money	**(1)**		**(13)**
Interest on payables under securities lending transactions	**18**	6	**166**
Other interest expenses	**10**	75	**96**
Fees and commissions	**1,527**	1,505	**14,032**
Other operating expenses	**916**	10	**8,424**
General and administrative expenses	**22,286**	23,864	**204,782**
Provision of allowance for loan losses	**9,503**	2,734	**87,328**
Other expenses	**2,933**	4,504	**26,956**
Total expenses	**37,412**	32,981	**343,775**
INCOME BEFORE INCOME TAXES	**(8,638)**	2,122	**(79,378)**
INCOME TAXES:			
Current		424	**(2)**
Deferred	**(838)**	303	**(7,704)**
Total income taxes	**(838)**	727	**(7,706)**
NET INCOME	**¥ (7,800)**	¥ 1,394	**$ (71,672)**

Financial Highlights

Concordia Financial Group (Consolidated)

Years Ended March 31	Millions of Yen* 2020	Millions of Yen* 2019	Thousands of U.S. Dollars** 2020
At year-end:			
Total assets	¥18,927,937	¥18,947,097	$173,922,053
Cash and due from banks	2,635,524	2,969,305	24,216,895
Deposits	16,233,671	15,945,423	149,165,413
Loans and bills discounted	13,068,308	12,661,999	120,080,021
Securities	2,442,074	2,476,944	22,439,353
Total equity	1,103,972	1,160,147	10,144,011
Capital stock	150,078	150,078	1,379,018
For the year:			
Total income	¥ 306,339	¥ 306,790	$ 2,814,846
Total expenses	237,697	227,475	2,184,119
Net income attributable to owners of the parent	46,536	54,285	427,604

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥108.83=$1 effective on March 31, 2020.

Bank of Yokohama (Non-Consolidated)

Years Ended March 31	Millions of Yen* 2020	Millions of Yen* 2019	Thousands of U.S. Dollars** 2020
At year-end:			
Total assets	**¥16,869,608**	¥16,809,902	**$155,008,809**
Cash and due from banks	**2,572,291**	2,899,008	**23,635,869**
Deposits	**14,634,013**	14,320,931	**134,466,723**
Loans and bills discounted	**11,553,236**	11,133,160	**106,158,560**
Securities	**2,128,272**	2,117,635	**19,555,937**
Total equity	**941,032**	974,419	**8,646,811**
Capital stock	**215,628**	215,628	**1,981,334**
For the year:			
Total income	**¥ 230,480**	¥ 227,926	**$ 2,117,800**
Total expenses	**159,237**	155,874	**1,463,173**
Net income	**50,512**	50,097	**464,143**

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥108.83=$1 effective on March 31, 2020.

Higashi-Nippon Bank (Non-Consolidated)

Years Ended March 31	Millions of Yen* 2020	Millions of Yen* 2019	Thousands of U.S. Dollars** 2020
At year-end:			
Total assets	**¥2,000,639**	¥2,080,779	**$18,383,160**
Cash and due from banks	**64,986**	72,264	**597,133**
Deposits	**1,666,634**	1,691,943	**15,314,112**
Loans and bills discounted	**1,578,586**	1,598,067	**14,505,066**
Securities	**321,385**	365,085	**2,953,094**
Total equity	**101,872**	120,641	**936,071**
Capital stock	**38,300**	38,300	**351,925**
For the year:			
Total Income	**¥28,774**	¥35,103	**$264,397**
Total Expenses	**37,412**	32,981	**343,775**
Net income	**(7,800)**	1,394	**(71,672)**

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥108.83=$1 effective on March 31, 2020.

Capital Ratio

Concordia Financial Group (International standard)

[Consolidated]

(Billions of yen)	As of March 31, 2020	As of March 31, 2019
(1) Total capital ratio (4)/(7)	13.28%	13.76%
(2) Tier 1 capital ratio (5)/(7)	12.27%	13.00%
(3) Common equity Tier 1 capital ratio (6)/(7)	12.27%	13.00%
(4) Total capital	1,124.3	1,153.0
(5) Tier 1 capital	1,038.3	1,089.8
(6) Common equity Tier 1 capital	1,038.1	1,089.7
(7) Risk-weighted assets	8,460.6	8,377.7
(8) Total required capital (7)×8%	676.8	670.2

Bank of Yokohama (International standard)

[Consolidated]

(Billions of yen)	As of March 31, 2020	As of March 31, 2019
(1) Total capital ratio (4)/(7)	**13.72%**	14.47%
(2) Tier 1 capital ratio (5)/(7)	**12.61%**	13.60%
(3) Common equity Tier 1 capital ratio (6)/(7)	**12.60%**	13.59%
(4) Total capital	**989.4**	1,000.0
(5) Tier 1 capital	**909.2**	939.8
(6) Common equity Tier 1 capital	**909.1**	939.7
(7) Risk-weighted assets	**7,210.1**	6,909.9
(8) Total required capital (7)×8%	**576.8**	552.7

Higashi-Nippon Bank (Domestic standard)

[Consolidated]

(Billions of yen)	As of March 31, 2020	As of March 31, 2019
(1) Capital adequacy ratio (2)/(3)	**7.87%**	8.01%
(2) Total capital	**108.5**	113.9
(3) Risk-weighted assets	**1,378.5**	1,421.4
(4) Total required capital (3)×4%	**55.1**	56.8

ESG-Related Data

Corporate Governance

<CONCORDIA Financial Group>

Item	Unit	FY2018	FY2019
		CONCORDIA Financial Group	CONCORDIA Financial Group
Number of directors	Persons	7	6
Of which, number of outside directors	Persons	3	3
Auditors	Persons	5	5
Of which, number of outside auditors	Persons	3	3
Number of women directors	Persons	1	1
Proportion of women directors	Persons	16.7	18.2
Board of Directors average attendance rate	%	99.2	100.0

<BOY, HNB>

Item	Unit	FY2017			FY2018			FY2019		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Number of directors	Persons	10	7	17	8	8	16	8	8	16
Of which, outside directors	Persons	1	1	2	2	2	4	2	2	4
Number of women directors (*)	Persons	1	-	1	1	-	1	1	-	1
Board of Directors average attendance rate	%	99.3	98.2	-	100.0	95.4	-	99.2	100.0	-

*: Including outside directors

Diversity

Item	Unit	FY2017			FY2018			FY2019		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Number of employees	Persons	4,730	1,403	6,133	4,622	1,323	5,945	4,559	1,238	5,797
Of which, number of women employees	Persons	2,259	421	2,680	2,222	423	2,645	2,197	376	2,573
Proportion of women employees	%	47.8	30.0	43.7	48.1	32.0	44.5	48.2	30.4	44.4
Number of temporary employees and number of overseas local personnel hired	Persons	3,193	542	3,735	3,192	571	3,763	3,356	555	3,911
Average age	Years	39.1	38.6	39.0	38.3	39.1	38.5	39.7	39.9	39.7
Average number of years at the bank	Years	15.8	15.7	15.8	15.1	16.2	15.3	16.0	17.0	16.2
Of which, average years of employment for men	Years	17.7	17.2	17.6	16.9	18.5	17.3	17.6	19.2	17.9
Of which, average years of employment for women	Years	13.7	10.4	12.9	13.2	10.8	12.7	14.2	11.7	13.7
Average monthly salary	¥1,000	441	424	437	447	453	448	456	448	454
Personnel hired	Persons	232	90	322	186	53	239	189	36	225
Of which, number of women personnel hired	Persons	130	46	176	104	31	135	83	21	104
Total number of new graduates hired	Persons	185	88	273	159	50	209	133	34	167
Of which, number of women personnel hired	Persons	91	44	135	79	29	108	53	19	72
Number of administrative staff	Persons	1,082	484	1,566	1,077	458	1,535	1,153	435	1,588
Of which, number of women administrative staff	Persons	113	29	142	131	28	159	156	24	180
Proportion of women administrators	%	10.4	6.0	9.4	12.2	6.1	10.4	13.5	5.5	11.3
Total number of administrators	Persons	1,956	846	2,802	1,958	839	2,797	2,105	812	2,917
Of which, number of women administrators	Persons	594	148	742	643	162	805	744	171	915
Proportion of women administrators	%	30.4	17.5	26.5	32.8	19.3	28.8	35.3	21.1	31.4
Number of Persons taking parenting leave	Persons	387	49	436	311	53	364	541	42	583

Environment

Item	Unit	FY2017			FY2018			FY2019		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Total Amount of energy used Converted to petroleum	KL	11,071	1,441	12,512	10,815	1,462	12,277	10,928	1,336	12,264
Total amount of energy used	GJ	429,124	55,834	484,958	419,198	56,661	475,859	423,557	51,775	475,332
Greenhouse gases (GHG) Scope 1 (direct emissions)	tCO2e	751	32	783	793	22	815	819	9	828
Greenhouse gases (GHG) Scope 2 (indirect emissions)	tCO2e	20,239	2,457	22,696	19,480	2,085	21,565	19,270	1,796	21,066
Total emissions of greenhouse gases (GHG)	tCO2e	20,990	2,489	23,479	20,273	2,107	22,380	20,089	1,805	21,894
Amount of electricity used	1,000kWh	38,312	5,722	44,034	37,067	5,638	42,705	37,494	5,157	42,651
Amount of gasoline used *1	KL	362.4	26.1	388.5	347.1	25.2	372.3	311.1	24.2	335.3
Amount of paper purchased *2	t	107.0	23.4	130.4	100.5	44.4	144.9	97.2	50.8	148.0
Of amount of paper purchased, amount of environmentally friendly paper *2	t	68.1	6.8	74.9	66.3	1.1	67.4	65.7	1.0	66.7
Amount of waste generated *3	t	851.5	181.2	1,032.7	569.9	218.0	787.9	293.8	186.6	480.4
Of amount of waste generated, final disposal amount *3	t	56.9	25.4	82.3	65.6	13.7	79.3	36.9	14.7	51.6
Of amount of waste generated, amount recycled *3	t	794.6	155.8	950.4	504.4	204.3	708.7	256.9	121.9	378.8
Total amount of water used *4	m³	71,185	5,344	76,529	69,207	5,505	74,712	68,609	4,650	73,259
Amount of cooling water inflow *5	m³	14,397	0	14,397	14,878	0	14,878	16,170	0	16,170

*1: Higashi-Nippon Bank tabulates the numbers for headquarters and branches in Metropolitan Tokyo.
*2: Bank of Yokohama tabulates the numbers for headquarters, Tokyo, and business centers in Metropolitan Tokyo. Higashi-Nippon Bank tabulates the numbers for headquarters and business centers.
*3: Bank of Yokohama tabulates the numbers for headquarters and business centers in Metropolitan Tokyo. Higashi-Nippon Bank tabulates the numbers for headquarters and business centers.
*4: Bank of Yokohama tabulates the numbers for headquarters and business centers in Metropolitan Tokyo. Higashi-Nippon Bank tabulates the numbers for headquarters.
*5: Bank of Yokohama tabulates the numbers for business centers.

Consumer Issues

Item	Unit	FY2017			FY2018			FY2019		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Number of cases of customers consulting consultation room	Cases	4,806	160	4,999	3,649	193	3,842	3,874	303	4,177
Of which, telephone consultation	Cases	4,101	110	4,211	2,845	129	2,974	3,060	245	3,305
Complaints	Cases	824	106	930	743	124	867	1,004	216	1,220
Inquiries	Cases	3,277	4	3,281	2,102	5	2,107	2,056	29	2,085
Of which, number of Voice of Customer cards received	Cases	84	20	134	121	21	142	108	20	128
Of which, number of Voices of Customer received on home page	Cases	621	30	651	683	43	726	706	38	744
Complaints	Cases	374	9	392	395	20	427	423	15	448
Wishes	Cases	210	11	222	253	8	262	240	6	248
Compliments	Cases	37	0	41	35	2	42	43	2	50
Others	Cases	0	10	16	0	13	16	0	15	18

Community

Item	Unit	FY2017			FY2018			FY2019		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Regional society activity expenses	¥1,000	62,627	715	63,342	68,358	326	68,684	73,735	531	74,266
Regional society activity expenses/ Profits after tax	%	0.10	0.02	0.10	0.11	0.02	0.11	0.15	(0.01)	0.17
Number of schools visiting for work place experiential learning	Schools	69	3	72	68	2	70	70	3	73
Number of students visiting for work place experience	Persons	856	27	883	730	6	736	2,363	17	2,380

Board Members

(As of June 19, 2020)

Concordia Financial Group

Directors

Representative Director, President	Yasuyoshi Oya
Directors	Yoshiyuki Oishi
	Tadashi Komine
	Yoshiaki Suzuki
Outside Directors	Mitsuru Akiyoshi
	Yoshinobu Yamada
	Mami Yoda

Supervisory Board Members

Full-time Audit & Supervisory Board Members	Kazuhiro Maekawa
	Yoji Maekawa
Outside Audit & Supervisory Board Members	Mizuho Ogata
	Keiichiro Hashimoto
	Seiichi Fusamura

Executive Officers

Executive Officers	Keigo Makino
	Minoru Karaki
	Akira Yamashita
	Yutaka Awano
	Tatsuya Kataoka
	Toshihiko Onuki

Bank of Yokohama

Directors

Representative Director, President	Yasuyoshi Oya
Representative Director, Managing Executive Officer	Tadashi Komine
Directors and Managing Executive Officer	Kazuhiro Okada
Directors and Executive Officers	Yoshiaki Suzuki
	Keigo Makino
Outside Directors	Yuzo Takagi
	Kyoko Okumiya

Supervisory Board Members

Full-time Audit & Supervisory Board Members	Shinya Yamada
	Mitsuhiro Hara
Outside Full-time Audit & Supervisory Board Member	Junichi Iwabuchi
Outside Audit & Supervisory Board Member	Hidekazu Hayashi

Executive Officers

Managing Executive Officer	Haruo Ezu
Executive Officers	Kazuo Kubota
	Akira Ohki
	Yutaka Awano
	Yusuke Tasaka
	Tohru Shiino
	Yutaro Koshiba
	Toshiya Kubota
	Akihiko Bandai
	Tomoki Arai
	Toshihiko Onuki
	Takeshi Hirama

Higashi-Nippon Bank

Directors

Representative Director, President	Yoshiyuki Oishi
Managing Director	Minoru Karaki
Directors	Yasunari Kawabata
	Noriyuki Otsuka
	AkiraYamashita
	Tatsuya Kataoka
Outside Director	Masataka Ueda

Supervisory Board Members

Full-time Audit & Supervisory Board Member	Kouji Metsugi
Outside Audit & Supervisory Board Members	Masaru Ono
	Noriko Koike

Executive Officers

Senior Managing Executive Officer	Shizumi Maesako
Executive Officers	Akihiko Kuriyama
	Mitsuyoshi Tanaka
	Hisanaga Maejima
	Shigeo Iida
	Mototsugu Kishiro
	Tatsuhiko Hasegawa
	Akira Okuzumi
	Toshihiko Onuki

Corporate Information

CORPORATE DATA

Concordia Financial Group

(As of March 31, 2020)

Company Name
Concordia Financial Group, Ltd.

Head Office
7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo
(Tokyo Nihombashi Tower, 34th floor)
Tel: +81 (3) 5200-8201

Date of Establishment
April 1, 2016

Paid-in Capital
¥150,000 million

Internet Address
http://www.concordia-fg.jp/e/index.html

Bank of Yokohama

(As of March 31, 2020)

Company Name
The Bank of Yokohama, Ltd.

Head Office
1-1, Minatomirai 3-chome, Nishi-ku,
Yokohama, Kanagawa 220-8611, Japan
Tel: +81 (45) 225-1111

Date of Establishment
December 16, 1920

Paid-in Capital
¥215,628 million

Number of Employees
4,559

Number of Branches and Offices (As of June 30, 2020)
640
Domestic: 635 (202 branches, 5 sub-branches, 428 ATM locations)
Overseas: 1 Branch, 4 Representative offices

Internet Address
http://www.boy.co.jp/e/index.html

Higashi-Nippon Bank

(As of March 31, 2020)

Company Name
The Higashi-Nippon Bank, Limited

Head Office
11-2, Nihonbashi 3-chome, Chuo-ku,
Tokyo 103-8238, Japan
Tel: +81 (3) 3273-6221

Date of Establishment
April 5, 1924

Paid-in Capital
¥38,300 million

Number of Employees
1,240

Number of Branches and Offices (As of June 30, 2020)
Domestic: 86 (84 branches, 1 sub-branches, Unmanned branch office 1)

Internet Address
http://www.higashi-nipponbank.co.jp/

INTERNATIONAL NETWORK (Bank of Yokohama)

(As of August 31, 2020)

Asia

Shanghai Branch:
19F, Shanghai World Financial Center,
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Daisuke Kiyokawa

Europe

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London EC2M 5QQ, U.K.
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Fax: +44-20-7638-1886

CHIEF REPRESENTATIVE
Daisuke Shimizu