

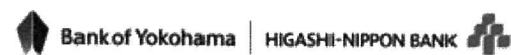
# CONCORDIA

Financial Group

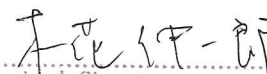
## Integrated Report ■

(Annual Report)

# 2021



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

  
.....  
Authorized Signature

*Certified True Copy*

Published  
by:

Concordia Financial Group, Ltd.  
Public Relations Office,  
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# Management Philosophy

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.

## MISSION

### Management Principles

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

## VISION

### Our Vision

A new financial company that goes beyond the bounds of traditional banks

1. Providing sophisticated services that exceed expectations
2. Building new business lines
3. Achieving sustainable growth

## VALUE

### Values and action guidelines to be shared by all executives and employees

1. Maximizing Customer Satisfaction
2. Rising to the challenge and acting quickly and boldly
3. Fulfilling one's duty

**CONCORDIA**  
Financial Group

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

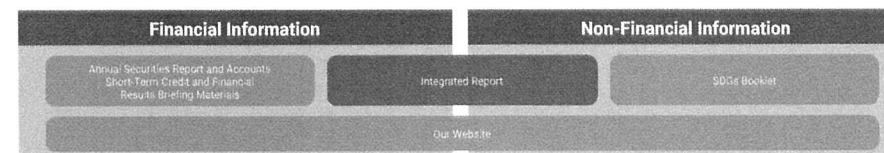
### Editorial Policy

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.



### Information Disclosure Communication



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

Concordia Financial Group

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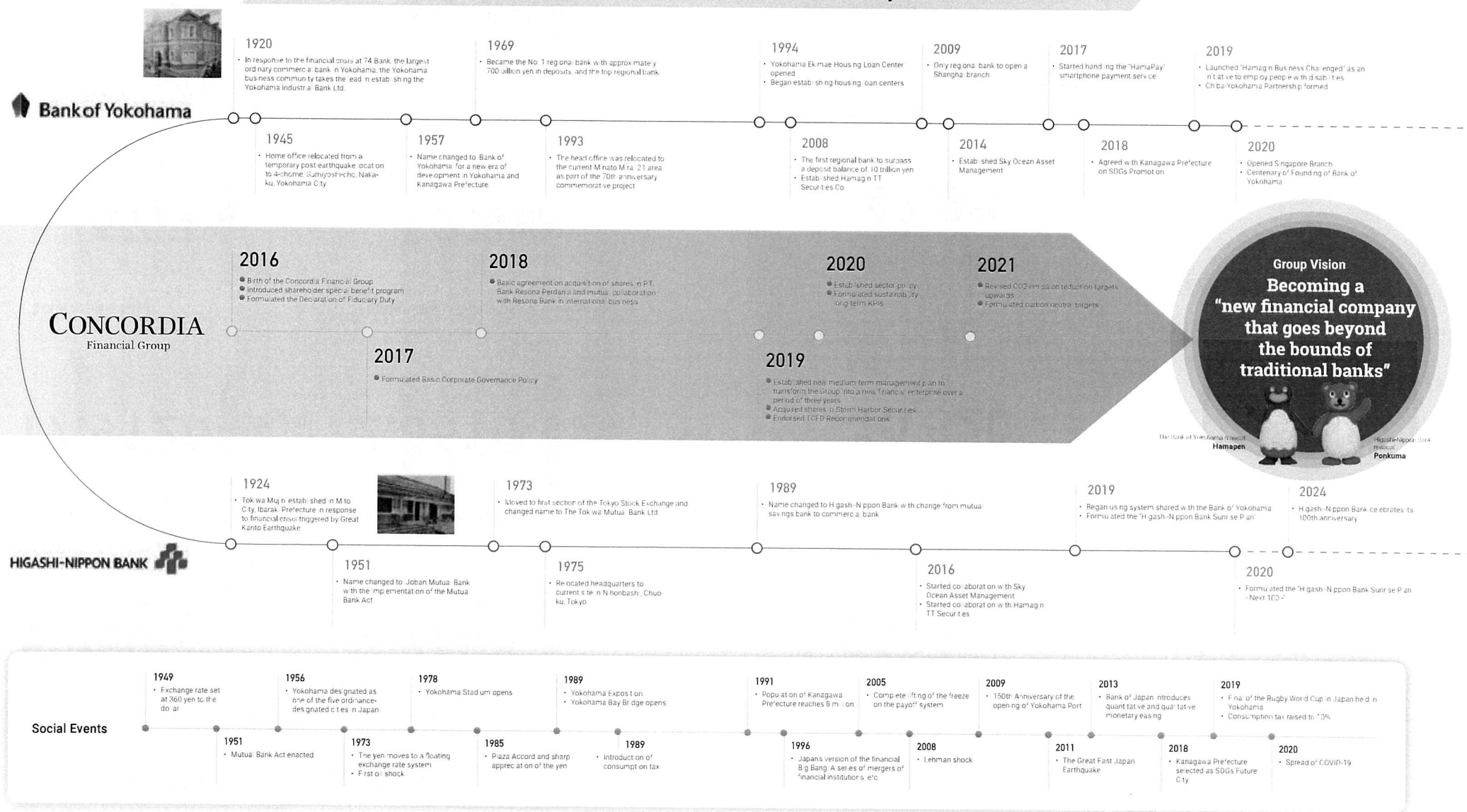


# History of the Concordia Financial Group

## About the Concordia Financial Group

100 years with the community  
financial group for the region for

We want to be an indispensable  
the next 100 years too.



## Group Financial and Group Non-Financial Highlights

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

5.0605 trillion yen

2016 2017 2018 2019 2020

Loans for HNWI  
(average balance, Bank of Yokohama)

2.7605 trillion yen

2016 2017 2018 2019 2020

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

17.9126 trillion yen

2016 2017 2018 2019 2020

Group Investment Products  
(end-of-period balance)

2.3510 trillion yen

2016 2017 2018 2019 2020

OHR (Consolidated)

67.7%

2016 2017 2018 2019 2020

Gross business profit RORA (consolidated)

2.3%

2016 2017 2018 2019 2020

ROE (shareholders' equity basis, consolidated)

2.3%

2016 2017 2018 2019 2020

\* Consolidated ROE  
Net profit this period attributable to parent company shareholders  
(Total shareholders' equity at the beginning of the period - Total shareholders' equity at the end of the period) x 100

CET1 ratio (consolidated)

12.40%

2016 2017 2018 2019 2020

## About the Concordia Financial Group

Amount of sustainable finance provided



1.0621 trillion yen

(FY 2019-FY 2020)

Reduction in CO<sub>2</sub> emissions



24.6%

(FY 2013 → FY 2020)

Number of financial education course participants



10,520

(FY 2019-FY 2020)

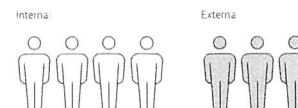
Percentage of women executives



32.6%

(as of end of March 2021)

Percentage of independent outside directors



42.8%

(as of end of June 2021)

Rating Information

(As of June 30, 2021)

	Moody's	R&I	JCR
Concordia Financial Group	A3	A+	AA
Bank of Yokohama	A2	AA-	AA
Hagihara Nippon Bank	-	-	AA

Endorsement of national and international initiatives



External evaluation



Included in the "White 300" of companies practicing best management



Obtained the highest "Eruboshi" rank for companies superior at empowering women in the workplace



Obtained "Platinum Kurumi" certification as a company that provides a high level of support for employee child rearing



Bank of Yokohama



Hamamatsu Securities



Bank of Yokohama and Hamamatsu Securities obtained external evaluation of their investment trust sales system

# TOP COMMITMENT

Concordia Financial Group

Yasuyoshi Oya, President and Representative Director

Accumulating the successful experience of being of use to customers leads to our employees having a sense of enjoyment and accomplishment in their work, and the sense of contributing to society and the community leads to a sense of fulfillment.

## Management Letter

### Protecting the regional economy is a top priority.

The spread of the novel coronavirus has led to an unprecedented stoppage of human movement globally. The impact of the crisis on the whole world and on society itself has been far greater than the economic crisis of the Lehman Shock.

The coronavirus pandemic has had an impact on all aspects of people's daily lives, lifestyles, corporate activities, and work styles, and has created a situation that has forced people to reconsider conventional wisdom. The coronavirus pandemic has brought to the fore issues that we had long been concerned about, and in some areas, this has accelerated the pace of our efforts. We think that due to the pressure of the pandemic, moves to deal with issues immediately are spreading. Examples are promoting digitization and improving productivity for companies. For small and medium-sized companies, business succession is another example.

It was a year in which we, as a regional financial institution, felt a renewed sense of pride in our ability to play a role in the local economy. When it came to funding support for customers, banks were once said to "take away umbrellas on a rainy day," but this time, with the support of the government and financial authorities, we were able to work with a sense of speed, placing the highest priority on staying close to customers and protecting their businesses and employment and, by extension, the regional economy.

However, now it is time to think seriously about how we should face our customers. What is the plan for repaying the capital and what can be done to improve the profitability of the core business? It has become even more important to provide consulting and support on the measures are necessary to achieve these goals. At a time when the issues and needs of our customers are rapidly becoming more apparent, we think it is important for us to increase their trust by providing them with necessary solutions, and supporting them while staying close to them. The cumulative effect of these individual sincere efforts will lead to growth opportunities for us.

## Top Management Commitments

### FY2021 to provide answers regarding legacy transformation

There is much legacy in banking. The five main forms of this legacy are branches, human resources, systems, business processes, and sales style. The aim of the current medium-term management plan is to change this. The final year of the program, FY2021, will be a phase in which the five legacies will be properly addressed.

For example, branches. We are improving productivity by reducing inefficient operations, but we must not inconvenience our customers by doing so. Rather, I believe that only when we can enhance the convenience of transactions through the power of digital technology and create a system that eliminates the need for customers to come all the way to our branches will people understand our decision to revamp some of the functions of our branches.

In the past year, due to the coronavirus pandemic, it has been difficult for customers to visit our branches, so we have been expanding the number of procedures that can be performed through our apps and website, which we call "Bank of Yokohama at Home" and which are open 24 hours a day for customers. We have increased the number of transactions that do not require signature seals or paper documents, and the reform of our branch operations is on track to bring forward the original five-year plan to three years. The convenience for customers has created a cycle of making

effective use of management resources.

For us, Digital Transformation (DX) is not just about systemization, but about changing business processes to increase user convenience. There are hundreds or thousands of patterns to each of the bank's business processes, and greater efficiency is needed for investment too. By laying the foundation for reflecting data through API connections from the preliminary stages of the accounting system, we have been able to process business in similar transactions for both branches and in applications.

For example, currently, when opening a new account at a store, customers enter the necessary information on a tablet. For customers, it is easy and convenient to complete the procedures without having to wait in line at the counter, but ultimately we want to make it possible to do the same thing at home. In addition, many customers have asked us to close their accounts while staying at home due to the coronavirus pandemic. In the past, this procedure had to be carried out in a store, but this was changed in 2020 so that it could be handled over the telephone. Branches, systems, and business processes are a connected story. With ingenuity and ideas, we should think about how to eliminate the stress of banking transactions on our customers.

### Support that "helps the customer" leads to subsequent business

Our human resources and sales style are closely linked to the major pillar of our medium-term management plan, which is to deepen our core businesses. Traditionally, banks have focused on a plain sales style, asking corporate customers to borrow money. However, this senior loan sector does not lead to differentiation because all banks do this, and lending to companies with good financial standing tends to lead to interest rate competition among multiple banks. In order to be a bank that is useful to our customers, it is essential that we have the ability to make proposals through consulting and have a range of solutions that we can provide.

We are fortunate to have the characteristics of an urban regional bank. The Bank of Yokohama outperforms other banks in the depth of its relationships with small and medium-sized listed companies. The Bank of Yokohama is the core bank for one in four of the 800 or so listed companies with which we do business.

Each listed company faces a number of challenges and concerns. We are often asked how to increase market capitalization, what can be done to improve return on equity (ROE), and how to optimize the shareholder composition. This

is where high-level support is needed, including beneficial business matching, M&A, digitization, and environmental considerations. I believe that by providing solid solutions to these issues, we can earn the trust of our customers, which can lead to new loans for the necessary funds.

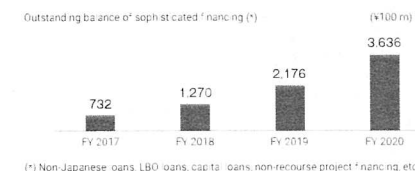
Change is already occurring. In the previous fiscal year, the Bank of Yokohama provided MBO financing for two projects. We have received consultations from several companies this year. This used to be something that happened once every three years or so. The process of implementing an MBO requires the ability to arrange capital packages, such as the issuance of preferred stock and subordinated loans. Even if this does not lead to an MBO, it may develop into creative M&A financing, such as a leveraged buyout (LBO) loan where a fund acquires a company. The outstanding balance of such advanced financing reached approximately 360 billion yen, more than triple the actual balance in FY2018. By shifting assets from senior loans to high value-added loans, we will be able to enhance our relationship with customers and increase the profitability of the bank itself.

## Management Letter

In these projects, we receive a fee for the arrangements we are involved in, and we expect to see growth in our solution fees.

In addition, the fields of wealth management and tax consulting are also growing in the individual sector.

Equity finance may be a theme that is of the most interest to listed companies, but business succession and sponsorship support come up for unlisted small and medium-sized companies too, so I believe that we are making full use of the know-how we have accumulated.



### Support for sustainability with potential

In terms of providing new solutions, support for sustainability holds potential. For example, the transition to a decarbonized society will be a major theme for corporate customers. In Kanagawa Prefecture, there are many suppliers to the automotive industry, and it is expected that environmental considerations will be a condition for doing business, even for small and medium-sized companies. The Bank of Yokohama is promoting initiatives such as sustainability linked loans, and the use of hydroelectric power to generate electricity for its head office building. Consulting to help customers integrate sustainability into their management is one of the solutions that will be needed in the future.

Because we live in an age of 100-year lifespans, individual customers need life-plan consulting throughout their lives.

Until now, we have tended to provide support separately for each life event, such as mortgage guidance, retirement fund management, and inheritance measures, but we would like to create a system that provides uninterrupted support in line with life plans. This is not limited to simulation and design of

funding. For example, in the case of mortgage loans, we would like to be a point of contact for all aspects of life and living, such as introducing customers to clients who can build the house they want to live in, or introducing schools according to their children's desired career paths. Our goal is to create a sustainable relationship that links the generations from parents to children and their children.



### Active pursuit of alliances with external parties

We will actively pursue alliances with external parties to achieve our long-term goal of becoming a "new financial company that goes beyond the bounds of traditional banks". In this case also, the objective and focus should be on two things: whether it will help customers, and whether it will improve the functioning of the bank itself.

For example, the "Chiba-Yokohama Partnership" is a business alliance with Chiba Bank. By joining forces, the two banks, which are both urban regional banks but do not compete with each other to any great extent, can combine their respective functions. As a result, we have been able to broaden the scope of our solutions, including joint structuring of investment products, and we have been able to mutually participate in syndicated loans, which would have been difficult to do by ourselves.

To improve productivity, the Bank of Yokohama led the development of a multi-bank joint use system (MEJAR) in 2010, which will be developed into the next system to improve operational efficiency. The aim is to improve the convenience of online banking and eliminate business waste, as I mentioned at the beginning of this report.

In order to enhance our solutions, we are expanding our business areas through strategic investments and capital investments in a wide range of fields. In February 2021, we teamed up with IT company Digital Garage Inc. to establish the Corporate Venture Capital (CVC) fund. We expect to invest in about 15 companies, including startups. CVC doesn't just aim for a net investment return. We find value in closely monitoring the trends of the companies we discover and invest in, developing into other businesses such as M&A and matching these companies with existing customers, and helping them solve their problems.





— Promoting transformation  
into a mindset that  
relishes challenges —

## Promoting transformation into a mindset that relishes challenges

In order to provide a wide range of advanced solutions, it is essential to secure human resources. The Bank of Yokohama introduced the Professional Human Capital System in FY2019, offering compensation equal to the level of department manager or higher for those who excel in their expertise. We are promoting the mid-career hiring of specialist personnel in investment banking, markets, IT, and other divisions from outside the company, and the results are beginning to show.

As we have developed our ability to close complex financing such as MBO financing on our own, we are increasingly being approached by our clients for various other matters. We see this as an opportunity to make proposals in areas where we can contribute to our customers. For example, Kanagawa Prefecture is the logistics hub of the Tokyo metropolitan area, and there are many next-generation warehouses belonging to players including both Japanese and foreign companies, and this is expected to increase in the future. Logistics-related financing is a growing area of focus for us.

The IT department is stepping up its game on cybersecurity. Here, too, we have hired outside personnel to enhance our internal knowledge and strengthen our functions.

The Bank of Yokohama has always been active in mid-career hiring, with about 10% of its total workforce being mid-career hires. However, this does not mean that employees who have come up within the company do not have a sense of resistance to the appointment of specialist personnel from outside the bank. I would like to see our employees that have been with us from the start of their career improve their skills and play an increasingly active role as specialists, but the key to this is how they are rated by our customers. As the number of customers who are delighted with our new solutions increases, the motivation to have such a challenge-oriented mindset should emerge. We will promote such awareness transformation throughout the company.

## Encouraging employees to pursue the careers they want to pursue

One thing to consider in this process is the evaluation system. Traditionally, I think banks have been short-term results-based organizations, and that orientation was highly regarded. That may generate immediate revenue, but it simply cannot provide a sustainable business. Even if you don't see immediate results in terms of revenue, you can motivate your employees by setting a goal that they will give themselves credit for achieving by making customers happy.

Accumulating the successful experience of being useful to customers leads to employees' enjoyment of work and sense of accomplishment. By extension, the feeling of being able to contribute to society and the community is rewarding. If we can instill in our people the understanding that this attitude

adds value to the Concordia Financial Group, we will have the opportunity to create another success story.

As a result of sales process reforms, more and more jobs that once existed are being replaced through digitization, and an increasing number of job categories are disappearing. It is very important to create an environment in which the employees who were responsible for the work that is no longer needed can move on to their next career. There is a wide range of work that will be required in the future, such as inheritances, estate administration, IT, and consulting. We encourage all employees to pursue the careers they want to pursue, and the future of our company depends on each individual's ability to improve with goals and fulfillment.

## Our customer base is our greatest asset

As a listed company, we must not neglect our efforts for capital to increase profitability in order to continue to grow. There are three key points to consider when thinking about capital policy. The first point is to make a profit. Capital is, so to speak, the accumulation of profits, and profits are what improves the value of our customers, in which we are able to share. The second point is to increase profitability. We will create an efficient management structure with an emphasis on profit per employee. The third point is the use of capital. The idea is to create an asset portfolio in which to invest and with which to provide loans. We will then improve our earning power through effective capital management and contribute to our shareholders and other stakeholders.

The Bank of Yokohama celebrated its 100th anniversary in December 2020. Higashi-Nippon Bank will be celebrating its 100th anniversary in 2024. We have 5 million individual customers and 250,000 corporate customers, which we have built up over many years of trust. Our customer base is our greatest asset. What we need to do now is to further increase the trust of our customers and expand our customer base. To this end, we will further accelerate and deepen our solutions business, which is useful to our customers, and link it to a new stage of growth.

We hope that you will continue to support us as we take on the challenge of achieving sustainable growth.





## A Message from the Director of Finance

**We aim to achieve a significant recovery in business performance by accelerating our efforts to improve productivity through greater sophistication of solution sales and structural reforms.**

Concordia Financial Group  
Yoshiaki Suzuki, Director

## FY2020 Results

The spread of the novel coronavirus has changed the economic climate in Japan and had a major impact on the business environment of the Group.

On the financial front, the Bank of Japan continued its quantitative and qualitative monetary easing with long and short-term interest rate operations and further strengthened its monetary easing policy, resulting in a continued low interest rate environment.

In this environment, net income attributable to shareholders of the parent company for FY2020 was ¥25.3 billion, a decrease of ¥21.2 billion from the previous fiscal year. There were two main reasons for the decrease in profits.

The first was the improvement in the soundness of the securities portfolio at the Bank of Yokohama through the disposal of unrealized losses on investment trusts (bear funds). The Bank of Yokohama had been holding bear funds to avoid the risk of falling stock prices, but unrealized losses expanded as stock prices rose. By wiping out this unrealized loss, we recorded a loss on the cancellation of investment trusts, while significantly improving our net unrealized gains on securities.

The second was the improvement of the soundness of loan assets

at the Higashi-Nippon Bank by implementing preventive provisions. The impact of the spread of the new coronavirus infection on credit costs was in line with the plan, and no major bankruptcies occurred. However, the Higashi-Nippon Bank determined that it was necessary to make additional precautionary provisions for certain large loans and recorded additional credit costs.

On the other hand, a positive aspect of the financial results for FY2020 is that both interest income on loans and service transactions in the domestic business sector increased from the previous fiscal year. We were able to finally halt the decline in profitability, which had been continuing for some time, by increasing the number of financing transactions with high margins and by growing service revenues such as for loan arrangements and connecting with the performance of our efforts to raise the level of our solutions business.

With regard to capital, the common equity Tier 1 ratio was 12.40%, and the total capital ratio was 13.66%. Through the use of a risk appetite framework, we have secured a high quality and sufficient level of capital to prepare for future risks.

## Business Forecast for FY2021

In FY2021, we plan to significantly improve net income by 19.6 billion yen year-over-year to 45.0 billion yen by recovering market-related gains and losses at the Bank of Yokohama, accelerating efforts to improve productivity through greater sophistication of

solution sales and structural reforms, and by steadily implementing the measures set out in the "Sunrise Plan-Next 100-" (announced in November 2020) at Higashi-Nippon Bank.

## Management Letter

### < FY2020 Financial Summary, FY2021 Projections >

Total for two banks (Bank of Yokohama and Higashi-Nippon Bank)

	FY2019 (actual)	FY2020 (actual)	FY2021 (forecast)
Gross operating income	2,001	1,832	2,035
Expenses (-)	1,251	1,267	1,245
QHR	62.5%	69.1%	61.1%
Net business profit	749	564	790
Credit costs (-)	245	302	140
Ordinary profit	653	331	640
Current net income	427	205	435

Consolidated

	FY2019 (actual)	FY2020 (actual)	FY2021 (forecast)
Consolidated ordinary profit	713	414	680
Net profit attributable to parent company shareholders	465	253	450

## Progress of the Medium-Term Management Plan

### < Results for FY2019 and FY2020 >

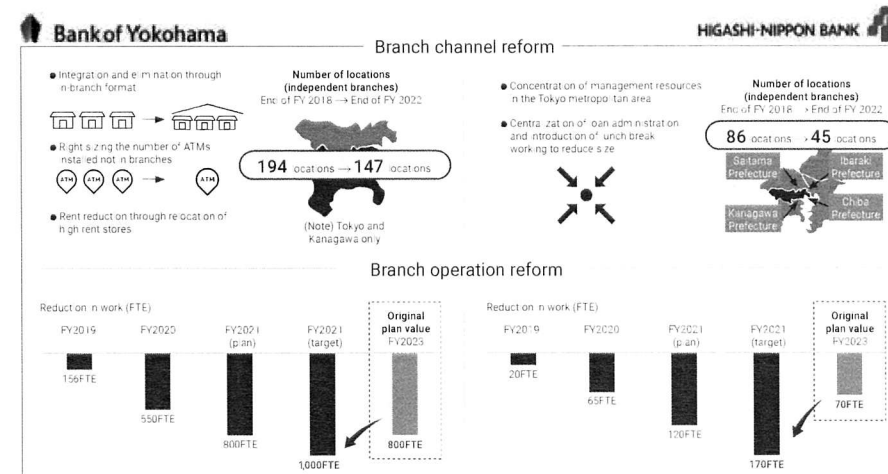
In order to realize our long-term vision of becoming "new financial company that goes beyond the bounds of traditional banks", we are working on a medium-term management plan (for the three years from FY2019 to FY2021) based on three basic policies: deepening our core businesses, improving profitability through structural reforms, and strengthening our management base.

In the two years FY2019 and FY2020, we made solid progress in raising the top line, reducing costs, and strengthening human resources through measures based on our basic policies.

For the first basic policy item, "Deepening Core Businesses," we strengthened our solution provision structure through such steps as establishing an investment banking team and opening a branch

in Singapore, and we also expanded our solution provision menu by enhancing our capital loan products and entering the trust business. As a result, the Bank of Yokohama raised its top-line ¥27.3 billion.

In the second area of the basic policy, improving productivity through structural reforms, we implemented measures to improve both customer convenience and operational efficiency, including the introduction of RPA and the expansion of non-face-to-face transactions. In addition, we promoted the lightening and consolidation of branches in order to build a store network optimized for meeting changing social conditions, such as declining population and the advance of digitization, while maintaining customer convenience. As a result, we have reduced



## A Message from the Director of Finance

branch expenses by more than 1 billion yen per year and eliminated the workload of a cumulative total of 615 employees.

In the third area of our basic policy, strengthening our management base, we are working to take on the challenge of new business areas through strategic investment and capital participation, and we are also working to strengthen human resource development to support sustainable growth. Taking on the challenge of new business areas, we implemented a total of 11 projects over

### <Initiatives for FY2021>

FY2021, the final year of the medium-term management plan, is positioned as a year to finish our overall structural reforms. We will accelerate and deepen the implementation of priority measures based on the three basic policies set forth in the medium-term management plan, and we will build a management base that is resilient and capable of generating sustainable earnings, thereby leading into a new growth stage.

In this way, we expect to achieve the target indicators set out in the medium-term management plan, with a gross operating income RORA of 2.3% and a common equity Tier 1 ratio of 11.63%

the two years, including the Chiba-Yokohama Partnership, a business alliance between the Bank of Yokohama and Chiba Bank, and strategic investments in Bank Resona Perdana and others. To strengthen our human resource development, we are actively recruiting specialist mid-career personnel and actively promoting staff changing careers from clerical work to sales with the aim of upgrading our solution sales. We have completed this with a total of 107 employees.

In FY2021, which is the long-term goal. Our OHR is expected to be 61.5% in FY2021, but by implementing structural reform initiatives ahead of schedule and realizing the benefits of those initiatives, the target is to achieve a level of 58.8% in FY2022, which will be one year behind the target of the current medium-term management plan. In addition, ROE has remained at a low level, which we recognize as our most important issue. We will increase our earning power mainly at the Bank of Yokohama and Higashi-Nippon Bank, and we will steadily increase ROE by managing capital to maintain a proper capital adequacy ratio through appropriate risk control.

			Current medium-term plan Final fiscal year	Next medium-term plan First fiscal year	Target indicators	
	FY2019 (actual)	FY2020 (actual)	FY2021 (plan)	FY2022 (target)	FY2021 (medium-term targets)	Long term goal level
Gross operating income RORA (consolidated)	2.5%	2.3%	2.3%	2.6%	Mid 2% level	Mid 2% level
OHR (Consolidated)	62.4%	67.7%	61.5%	58.8%	About 60%	About 50%
ROE* (consolidated) * Shareholder equity basis	4.3%	2.3%	4.2%	4.6%	Mid 5% level	About 7%
Ordinary shares, etc. Tier 1 capital ratio (consolidated)	12.27%	12.40%	11.63%	13.19%	About 12%	About 11.5%

## Capital Policy and Shareholder Returns

We use our risk appetite framework to manage capital in a way that maintains soundness and improves capital efficiency.

The common equity tier 1 ratio (CET1 ratio) was 12.40% as of March 2021, remaining at a level sufficient to withstand a crisis on the level of the Lehman Shock. In addition, from the perspective of improving capital efficiency, we systematically procure subordinated debt, thereby procuring regulatory capital stably and at low cost without relying on the accumulation of common equity and other Tier 1 assets (CET1 ratio).

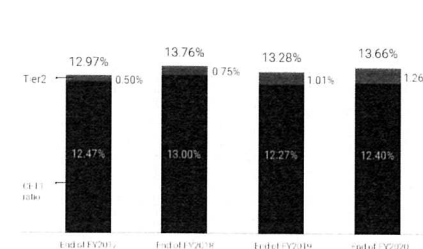
In FY2021, we will continue to actively allocate capital to strategic investments to increase risk-weighted assets for future growth and for taking on the challenge of new business areas, while at the same time managing capital to provide flexible returns to shareholders in order to increase capital efficiency, based on an assessment of the state of improvement in business performance.

### Shareholder Returns Policy

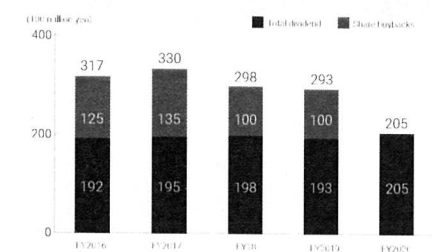
- We will provide balanced returns to shareholders taking into consideration capital conditions and opportunities for growth investment.
- We aim to achieve a stable increase in dividend per share, targeting a payout ratio of 35% or higher.
- We will flexibly and expeditiously buy back shares according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



### Changes in capital adequacy ratio



### (Reference) Trends in shareholder returns

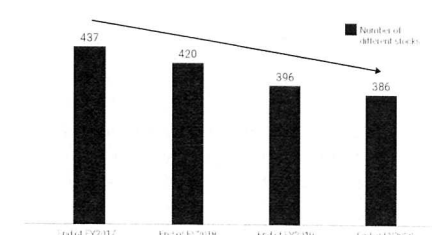


## Strategic Shareholdings Policy

The Group has established a "Policy on Cross-Shareholdings" and continues to reduce its cross-shareholdings, being aware of the impact of stock price fluctuation risk on equity capital and the cost of capital.

The Board of Directors periodically verifies the shares that continue to be cross-held, from both qualitative and quantitative perspectives. On the qualitative side, we verify that such cross-held shares contribute to the revitalization of the regional economy and strengthening of long-term and stable business relationships. On the quantitative side, we use RORA and return on capital employed to verify that the return is commensurate with the cost of capital.

### Number of different investment stocks held for purposes other than pure investment





Concordia Financial Group  
**Yoshinobu Yamada -**  
Outside Director

Concordia Financial Group  
**Mitsuru Akiyoshi -**  
Outside Director

Concordia Financial Group  
**Mami Yoda -**  
Outside Director

Special  
Symposium

**We will engage in discussions to grow with the development of the community, and to aim for sustainable growth through coexistence and co-prosperity with all stakeholders.**

## Changes in the environment require quick management decisions.

**As an outside director, what is your assessment of the Company's Board of Directors, and what is your opinion of its governance structure?**

**Akiyoshi** - Speaking from my experience of participation in the boards of directors of trading companies and other retail and energy-related companies, I believe that the Group's board of directors has an openness and respect for the opinions of outside directors that is second to none. In particular, President Ohya is enthusiastic about actively incorporating the opinions of our outside directors, and our Board of Directors meetings have become forums for active discussion and exchange of opinions.

**Yamada** - I come from a background in financial analysis, and the number of directors involved is very important when comparing and evaluating boards. In that sense, I think seven people in our group is a very comfortable number. We also have a very good balance in that, of the seven directors, three are outside directors. We are able to discuss and exchange opinions frankly, and some of our recommendations are reflected in actual policy.

**Yoda** - Yes, I agree with you both. Furthermore, the pre-meeting briefings of the Board of Directors are another point for evaluation. Opportunities are provided for the Board of Directors to explain the agenda prior to the meeting. If we have any questions or concerns on this point, they will be investigated and answered by the Board of Directors. Although there are many agenda items to be considered at board of director meetings, the board of directors makes every effort to discuss them as efficiently as possible through careful preparations such as advance briefings.

On the other hand, I also feel that there are challenges. Over the past year, I think there have been a number of agenda items that should have been discussed by management regarding the immediate response to the COVID-19 pandemic. In the future, I would like to have more discussion of medium- and long-term management strategies. Discussion on the next medium-term management plan may well be a turning point.

**Yamada** - Due to their position, internal directors tend to focus their discussions on reporting on, and responding to, day-to-day business operations. It is therefore very important to have discussions from a broad perspective at board meetings with outside directors. When we look at the banking sector as a whole, different banks have different strategies, but the first thing we need to consider is what is most important for our local customers and shareholders. The timing is right for these discussions, and the next medium-term management plan will be positioned as the axis of these discussions.

In addition, the world is moving very quickly, and we are at a time when we need to discuss how to proceed with digitization. There are many examples of digitization to learn from, both within Japan and overseas. I would like to include such matters and proceed with discussions from a broad perspective.

**What kind of advice can you provide in terms of the pace of management and strengthening of governance?**

**Akiyoshi** - In the past, banks may not have paid so much attention to transforming themselves because of the regulatory environment. However, as the business environment becomes even more difficult, financial institutions are expected to become the driving force for revitalization and creation of local communities at the same time that deregulation is progressing by means of measures such as amendments to the Banking Act. The Group recognizes the importance of contributing to the revitalization of local economies by differentiating itself from other banks and demonstrating originality. We believe it is important for us to manage our business so that we can quickly become a financial group able to provide new financial services needed in the region, services that go beyond traditional banking services. Accordingly, the Board of Directors also emphasizes the pace of management.



## Outside Directors Roundtable Discussion

**Yoda** - Local businesses have very high expectations of local financial institutions. We believe that a financial institution should be like a fount of wisdom available to corporate customers to continue or further develop their business. To achieve this, the Group needs to have the knowledge to discern and advise on the direction in which the world and society are moving, from both broad and long-term perspectives. We should be the kind of financial institution that can lead the region in terms of both digitization and financial technology.

**Yamada** - Currently, the watchword for financial institutions around the world is 'agile', in other words, making decisions quickly. Without this approach, it is not possible to cope with

the speed of change. The reason for the need for agility can be seen in the changing demographics. As millennials become an increasing proportion of the world's population, their ideas are driving the world, and their values are oriented toward social and environmental responsibility. In the US, companies are striving to harmonize their operations with their employees and local communities, as symbolized by the shift from a shareholder-first approach to a stakeholder-oriented approach.

Although it is difficult for the Group to change its mindset immediately, it is essential that the Board of Directors itself change its way of thinking so that it can respond to the new era.

## Boldly Envisioning the Future Through Diverse Voices

### What are your views on the ideal image and vision for a "new financial company that goes beyond the bounds of traditional banks"?

**Akiyoshi** - Both the Bank of Yokohama and Higashi-Nippon Bank have a history of almost 100 years and are certainly financial institutions with deep roots in the community. Precisely because we are an indispensable part of the local community, it is desirable for us to grow and expand along with the vitality and development of the community. Amid calls for the realization of a sustainable

society, there are high expectations on the Group to provide the necessary financial services to the people and companies who live there. Without a long-term vision for the next 10 to 20 years, there is no point in discussing the next 3 to 5 years. How do you see financial institutions changing in the future? We recognize that it is important for us to fully discuss and share among ourselves the direction we are taking as the Concordia Financial Group.

**Yamada** - There is a strong need for a consulting function to find solutions while worrying together with customers. The millennial generation that I mentioned earlier has a strong focus on SDGs and ESG. Finding answers by staying close to such customers will lead to coexistence and co-prosperity and to the *raison d'être* of the Concordia Financial Group in the community.

**Yoda** - I think it would be great if we could play the role of an accelerator to encourage and accelerate change in the community or of an agent of change. To do this, we need expertise from outside of our traditional financial operations. When it comes to sustainability, we are able to provide comprehensive solutions such as advice plus financial product proposals.

With the coming of the COVID-19 pandemic, Kanagawa Prefecture is changing from being a bedroom community from which people commute to the city center into being a place where people live and work. As a result, business opportunities are expanding, and the need for business transformation and entrepreneurship is increasing. It is important that we become an organization that can support new ways of existing in the community.

### Please tell us about the issues discussed by the Board of Directors and the challenges ahead for the Group as it seeks to enhance its ability to provide solutions and contribute to sustainability.

**Yamada** - Recruitment and training of professional talent within the company. These require us to devise working hours that provide work-life balance and contribute to society. We should rethink the way we do business and promote digitization to create new time. Recruiting talent is important not only in consulting but also in the IT sector. We need more discussion about how to chart a career path and how to transition a career after hiring.

With SDGs, it is important to think of ways to balance the concerns of the community with the efforts of the bank itself. Furthermore, as all banks are promoting SDGs, I believe there will be more opportunities in the future to discuss concrete measures, and the digitization that supports them in a comprehensive manner.

**Akiyoshi** - As a financial institution with deep roots in the local community, the Group is very involved with local companies and people, and I believe that our sales branches are already aware of customers' concerns and requests regarding sustainability. I would like to have these customer opinions fed back to the Board of Directors to deepen specific discussions.

As a member of the Board of Directors, it is always my view that Concordia Financial Group is a publicly traded company. I believe that only by growing and expanding as a listed company can we demonstrate our value as a reliable financial institution in the community. In order to do so, we should be more aware of our increased value as a company and of our stock price. We will never be more satisfied than when the growth scenario we are trying to achieve matches the market's assessment. We will discuss how we can achieve this and put it into action at the Board of Directors meeting.

**Yamada** - I'd also like to discuss measures that maximize shareholder value over the long term. If there is one thing that should be added about our contribution to stakeholders, it is employee engagement. The sense of pride in working for the Bank of Yokohama and Higashi-Nippon Bank is transmitted not only to but also to the employees who work there but also to our customers. That is why creating an organization that can nurture such feelings is also a topic.

## Management Letter



**Yoda** - Our Group has a very good operating base and excellent employees among regional financial institutions in Japan. In this era of rapid change, it is desirable to have the ability to boldly envision the future while assessing both risks and opportunities.

We have an opportunity to discuss medium and long-term management strategies for the next medium-term management plan. As with our outside directors, I would like to see opportunities created for as many employees as possible to participate in these discussions.

**Akiyoshi** - In the end, the financial services industry is only as good as its people. As the pace of change in the world's environment continues to intensify, organizations must seek diversity to incorporate the opinions and ideas of many different people in order to achieve transformation. We, the outside directors, will also participate in these discussions with the aims of training highly specialized and competitive personnel the equal of our competitors, and of creating a financial group that is unique and diverse.



# Value creation process

The Group will grow through corporate activities that minimize risk and promote opportunities while making integrated use of the financial and non-financial capital, such as human resources, that we have cultivated over our nearly 100-year history. We aim to achieve both an increase in corporate value and sustainable development of local communities, and to realize our long-term goals of becoming a new financial company that goes beyond the bounds of traditional banks and of achieving a resilient, sustainable society.

## Management capital

### Financial Capital

Stable funding 17,917.6 trillion yen  
Favorable loan assets 12,375.7 trillion yen  
Sufficient equity capital 12.40% (common equity Tier 1 ratio)

### Intellectual capital

- Integrated Solutions for the Group
- An established brand in the community
- Extensive networks including collaboration with other companies

### Human Capital

- Number of employees 5,455
- Diverse human resources and advanced consulting abilities
- Professional human resources 38 /
- Small and medium-sized enterprise consultants 43 /
- FP Level 1 equivalent 335 / Securities analysts 82

### Social and Relationship Capital

- Customer base
- Individual customers 5 million (approx.)
- Corporate customers 250,000 companies (approx.)
- Domestic and overseas branch network 295 branches in Japan 5 overseas locations

## External environment

- COVID-19
- Spread of new lifestyles
- Accelerating digitization
- Initiatives to realize a decarbonized society
- Population decrease and aging of society
- Prolonged negative interest rate policy

## Materialities



## Business model



## A resilient and sustainable society



Management Principles  
Concordia Financial  
Group, Inc.

### Risk

### Stakeholders

### Opportunities

Medium-term  
management plan

Robust corporate governance

Corporate behavior based on  
high ethical standards

Risk management

Highly resilient management structure



## Value creation and SDGs

The Concordia Financial Group is committed to sustainable growth together with local communities through coexistence and co-prosperity with all stakeholders, and to contributing to the sustainable development of society.

Concordia Financial Group x SDGs

Change the future  
Create the future



### Group SDG 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.

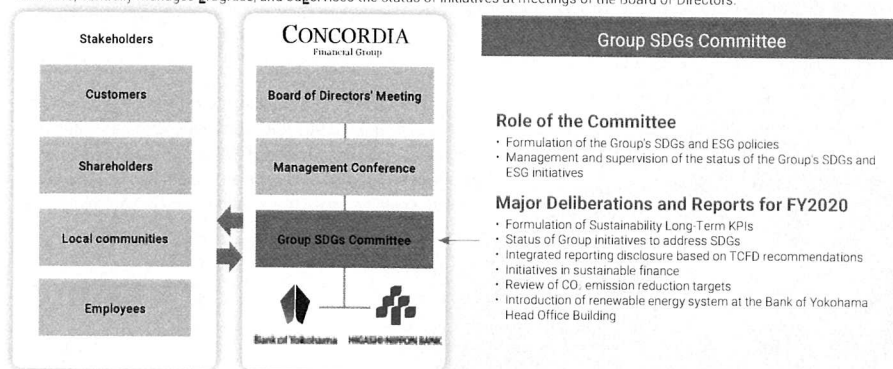
### Long-term sustainability KPIs

As an action plan based on its SDGs policy, in November 2020 the Group formulated its Sustainability Long-Term KPIs for the period up to FY2030. Furthermore, the renewable energy system introduced at the Bank of Yokohama head office building in April 2021 is expected to achieve the targeted reduction in CO<sub>2</sub> emissions by May 2021, and the target for reduction in CO<sub>2</sub> emissions has therefore been revised upward, and a carbon neutral target and a renewable energy ratio target for 2050 have been newly established.

<p>Increase the actual amount of sustainable finance by FY2030 to 2 trillion yen of which 1 trillion yen will be Green Finance.</p>	<p>Reduce CO<sub>2</sub> emissions by 50%, and increase the renewable energy ratio to 60% by FY2030.</p>	<p>Increase the ratio of carbon neutral renewable energy to 100% by FY2050.</p>	<p>Increase the number of students taking financial education to 100,000 by FY2030.</p>
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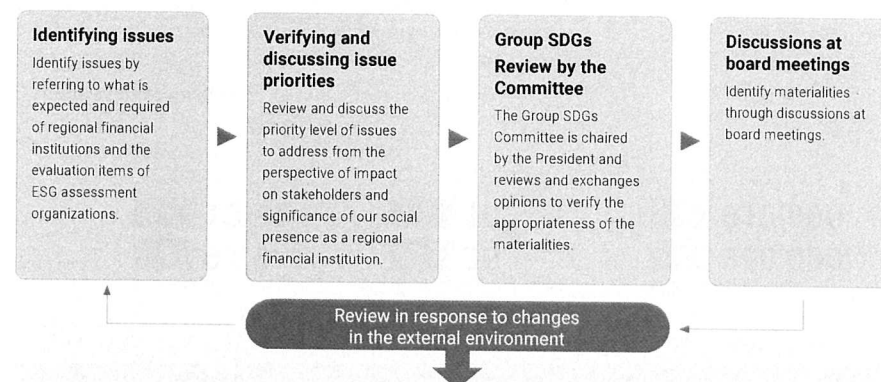
### Sustainability promotion structure

Through the Group SDGs Committee, chaired by the President, the Group regularly deliberates and reports on the Group's SDGs-related initiatives, centrally manages progress, and supervises the status of initiatives at meetings of the Board of Directors.



### Materialities

We examine and discuss the priority level of issues to address from the perspective of the degree of impact on stakeholders and our social presence as a regional financial institution, and finally set the "Six Materialities" via the Board of Directors. Based on these materialities, the business units work together to promote business strategies.



Materialities	Specific examples of initiatives	Reference	Related goals
<b>Supporting Sustainable Growth of Local Businesses</b>	<ul style="list-style-type: none"> <li>Support for SDGs management in local companies</li> <li>Support for post-COVID-19 initiatives</li> <li>Overseas business support</li> </ul>	P33	
<b>Lifestyle Support in the Age of Centenarians</b>	<ul style="list-style-type: none"> <li>Supporting greater financial literacy and childhood development</li> <li>Providing solutions for life plans</li> <li>Support for life during senior years</li> </ul>	P37	
<b>Revitalizing Local Economies</b>	<ul style="list-style-type: none"> <li>Initiatives to create sustainable cities</li> <li>Initiatives to create a flow of people into regions</li> <li>Initiatives to create jobs in the region</li> </ul>	P41	
<b>Promotion of Financial Digitization (DX)</b>	<ul style="list-style-type: none"> <li>Reform of business processes and improvement in operation value added</li> <li>Creation of new businesses and innovation</li> <li>Innovation in customer experience</li> </ul>	P45	
<b>Measures against Global Warming and Climate Change</b>	<ul style="list-style-type: none"> <li>Status of response to TCFD recommendations</li> <li>Sustainable finance</li> <li>Reduction in CO<sub>2</sub> emissions</li> </ul>	P49	
<b>Workplace Reform and Promotion of Diversity</b>	<ul style="list-style-type: none"> <li>Personnel development</li> <li>Diversity &amp; inclusion</li> <li>A safe, secure place to work</li> </ul>	P55	

## Sources of Competitive Advantage

We will create the most appropriate financial services for our customers by leveraging the strong operating base that we have built up over our nearly 100-year history, the network that only a regional financial group can provide, and the ability of our entire group to work together as one team.

### Our Strengths

#### Strength 1 Overall group abilities

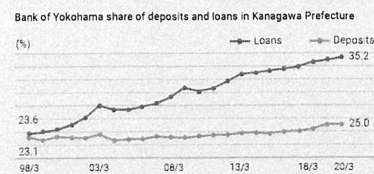
Our Group consists of 24 group companies that serve customers in a variety of fields and businesses, including banking, securities, leasing, information services and research, and venture capital.



#### Strength 3 A strong operating base (amount of funds)

The bank is one of the top regional banks in terms of funding volume, and has built a strong operating base, with its share of loans in Kanagawa Prefecture exceeding 35%.

- Individual customers: 5 million (approx.)
- Corporate customers: 250,000 companies (approx.)



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

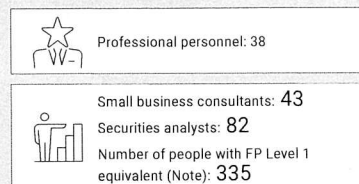
#### Strength 2 Ability to offer advanced solutions

As an urban regional bank, we have business relationships with many listed companies and small and medium-sized companies in Tokyo and Kanagawa Prefecture, with approximately 800 listed companies as clients. The Bank of Yokohama serves as the core bank for approximately 200 of these companies, providing highly specialized solutions in areas such as capital policy, business succession, and support for listing.

The ability to offer advanced solutions cultivated in this environment are also effective in resolving issues faced by small and medium-sized companies. We are building a robust corporate support system by sharing know-how across the Group.

#### Strength 4 Diverse human resources

We actively recruit professional personnel with a high level of expertise in digital and ICT fields, as well as mid-career hires from outside the company, to ensure that we have the expertise and skills to meet the sophisticated and diverse needs of our customers.

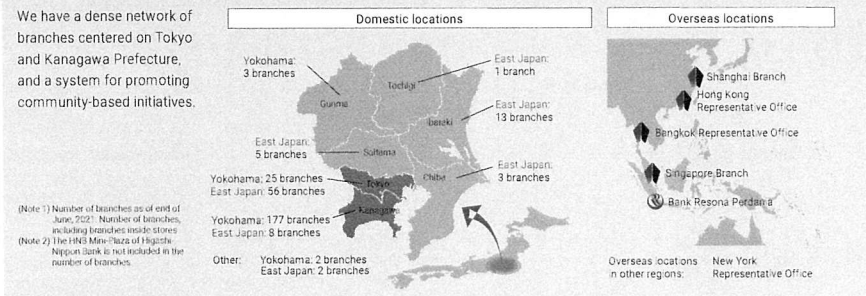


(Note) CFP/FP Technician Level 1

## The Value Creation Story

### Strength 5 Networks

We have a dense network of branches centered on Tokyo and Kanagawa Prefecture, and a system for promoting community-based initiatives.



### Home Market Features

Tokyo and Kanagawa Prefecture, the Group's main markets, have the two most populous cities in Japan, and are huge markets that boast Japan's largest population, economic scale, and concentration of companies.

#### Large influx of young people

- \* Net migration from other areas is the first and second highest respectively in the country.

#### Concentration of high-net-worth individuals with a considerable interest in wealth management

- Concentration of 26% of persons subject to inheritance tax on estates

#### Many superior companies

- Many listed companies
- \* Companies with high retained earnings

#### A mix of companies in various stages of growth

- Although many new business are established, company presidents are aging.

Kanagawa	Total population	2nd place	9.19 million	Gross prefectural production	4th place	35 trillion yen	Number of private offices	4th place	360,000 sites
Tokyo		1st	13.92 million		1st	107 trillion yen		1st	910,000 sites

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

Source: Cabinet Office (Prefecture Accounts, Major Figures for FY2018)

Source: Ministry of Internal Affairs and Communications (Economic Census Act Survey June 2019)

### Home Market Features

Today, as social structures undergo major changes due to the COVID-19 pandemic, global warming, the acceleration of digitization, etc., we believe that the very nature of regional financial institutions is being called into question. We see this situation as an opportunity for innovation and growth, and we are working to achieve these in a sustainable manner.



Risk

- COVID-19 pandemic
- Development of digitization and intensifying competition with other business categories
- Strengthening of various regulations associated with the transition to a decarbonized society
- Building damage and business interruption caused by natural catastrophes such as typhoons and floods
- Large-scale damage etc. due to cyberattacks



Opportunities

- Expanding needs (asset formation, business succession, etc.) arising from changes in awareness and values triggered by the COVID-19 pandemic
- Expanding needs associated with capital policy and business restructuring
- Expanding needs associated with non-face-to-face and non-contact business through accelerated digitization
- Expanding needs associated with the transition to a decarbonized society

## Long-Term Goals and Medium-Term Management Plan

Although the external environment has changed significantly due to the COVID-19 pandemic, the essential management issues that we need to resolve have not changed.

To this end, we will respond to changes in the current environment and build a strong management foundation by digging deep into each measure and accelerating it under the three basic policies of deepening our core businesses, improving productivity through structural reforms, and strengthening our management base.

We will then move to a new stage of growth in the next medium-term management plan and strive to realize our long-term vision.

### Awareness of the current situation

#### External Environment



COVID-19



Normalization of low economic growth and low interest rates



Digital shift



A new global balance of power



Increasing awareness of environmental and social issues



Low birthrate and aging population

#### Management Tasks

- I. Improving profitability
- II. Holding down the OHR
- III. Improving business productivity
- IV. Training professional personnel

### Medium-term management plan (FY2019 - FY2021)

#### Positioning

Three-year transformation into a new financial company

#### management plan (FY2019 - FY2021)

#### Basic policies

- I. Deepening our core businesses
- II. Improving productivity through structural reform
- III. Strengthening our management base

#### Initiatives for FY2021 in Light of

We will accelerate and deepen measures a management base that is resilient and

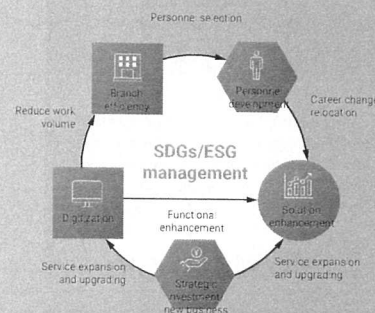
#### Environmental Changes

based on our basic policies in order to build capable of generating sustainable profits.

#### Measures

- | Measures   | Details   |
|--|---|
| I. Deepening our core businesses                     | <ul style="list-style-type: none"> <li>Enhanced solutions sales</li> </ul>  |
| II. Improving productivity through structural reform | <ul style="list-style-type: none"> <li>Branch operation reform</li> <li>Branch channel reform</li> </ul>  |
| III. Strengthening our management base               | <ul style="list-style-type: none"> <li>Strategic investment and financing</li> <li>Strengthening personnel development</li> <li>SDGs initiatives</li> </ul> |

#### Concordia Resilience System



### A New Financial Company Beyond the Scope of Traditional Banks

Providing advanced services that exceed expectations

Building new business lines

Achieving sustainable growth

Item	Target Indicators
	Long term goal level
Gross business profit RORA (consolidated)	Mid 2%
OHR (Consolidated)	about 50%
ROE* (consolidated)	about 7%
Common equity Tier 1 ratio (consolidated basis)	Mid 11%

\* Shareholder equity base



## Strengthening Initiatives to Improve Corporate Value of Higashi-Nippon Bank

### - Aiming to be a 'Total Partner for Small and Medium Enterprises' -

After completing our response to the Business Improvement Order, in November 2020, Higashi-Nippon Bank formulated the 'Higashi-Nippon Bank Sunrise Plan - Next 100 -', which includes measures to improve the top line and reorganize branches, in order to ensure sustainable profitability and future well-being, even in the face of the significant impact of the COVID-19 pandemic. Based on the corporate philosophy of Higashi-Nippon Bank, we will cherish our relationships with our customers by providing earnest face-to-face support. By implementing the following measures, we will rebuild our business model to lead beyond the 100th anniversary of our founding in April 2024 and into the next 100 years, and achieve our transformation into a "total partner for small and medium-sized enterprises" to provide comprehensive support in solving the various management issues of our customers, who are primarily small and medium-sized enterprises.

#### Deepening core businesses

- Deepening sales with a focus on solutions -

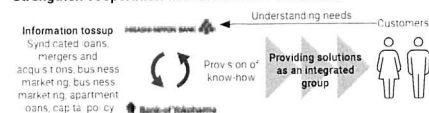
#### Review and strengthen sales structure

By increasing the number of liaison officers, mainly in Tokyo, increasing the number of headquarters solution officers, reorganizing the Group, and strengthening cooperation with the Bank of Yokohama, the Bank's sales branches, headquarters, and the Group will work together to meet the diverse needs of customers, including for syndicated loans, apartment loans, M&A, and business matching.

#### Increase the number of liaison officers



#### Strengthen cooperation with the Bank of Yokohama



#### Through new transactions, expand the base of business partners and establish a customer base.

We will expand our core customer base in small and medium-sized corporate transactions from ¥300 million - ¥2 billion to ¥300 million - ¥5 billion in sales, broaden our customer base through development activities led by new corporate staff, and establish a customer base in the Tokyo metropolitan area.



#### Strengthen credit risk management

- Reduction of credit costs -

#### Strengthen understanding of the customer's situation

Not only sales branches, but also Loan Department staff will visit customers directly to accurately understand their business situation and issues, including the impact of the COVID-19 pandemic.

#### Strengthen business improvement support and management, and collections

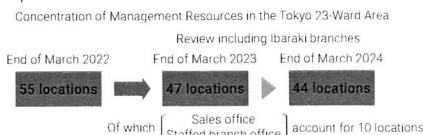
The Management Support Division of the Loan Department and the credit management staff at sales offices will work together as one team to reduce credit costs by strengthening management improvement support and credit management and collection according to customers' situations by means of the management team monitoring the results of such efforts through the Credit Portfolio Management (CPM) Committee.

#### Radical structural reform

- Thorough streamlining of operations -

#### Concentration of management resources in the Tokyo metropolitan area

We will revise the channel optimization planned in the Higashi-Nippon Bank Sunrise Plan in November 2019 to include the Ibaraki area and thus further reduce costs. In addition, we will centralize branch office operations at the head office and shift as much work as possible to the sales force.



#### Improving efficiency of the business operation system

The Risk Management Department, Audit Department, IT Management Department, Human Resources Department, and Administrative Management Department were relocated to the Bank of Yokohama head office by FY2020. In the future, we will centralize the functions of the Group headquarters even more in order to further improve the efficiency and sophistication of our business operation system.



#### Strengthening the management base

- Mitigating future risks for the next 100 years -

#### Thorough compliance

In order to establish a solid management foundation, we will ensure that lessons from improper incidents in the past are not forgotten, promote an essential understanding of compliance and risk, and further spread this throughout the entire organization.

#### Training of personnel to support our role as a "Total Partner of Small and Medium Enterprises"

By fundamentally reviewing our personnel evaluation and training systems, we will draw out a high level of motivation and willingness to take on new challenges from each and every employee, and train financial professionals with advanced operational and consulting skills so that they can accurately respond to customer needs.

## Report Interbank cooperation

## Business Strategy for Value Creation

### MEJAR Joint Use System

MEJAR is a joint-use system that began operating in 2010 with the aim of reducing IT costs. As of July 2021, five banks are jointly using the core system, which handles business processing functions such as deposits, foreign exchange, and loans, as well as systems for data utilization, ATMs, and Internet banking.



#### First in Banking - Agreement to Use Open Platform for Core System

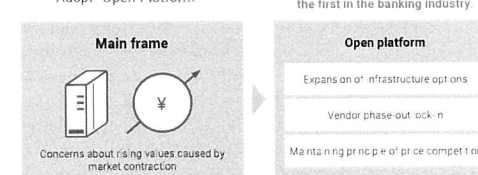
(Together with the online data collaboration platform, the project was selected to support the Financial Services Agency's Core Systems Front-Runner Support Hub.)

In order to meet the diversifying needs of their customers and the progress of digitization, in April 2021, the five banks using MEJAR agreed to adopt an open platform that allows flexible selection of various hardware and software according to changes in the environment. This is the first initiative in the banking industry to open up a core system for joint use.

This will allow for future scalability of functionality and use of the latest technology, while significantly reducing operating costs. In addition, the introduction of environmentally friendly Green IT will reduce power consumption by 20% compared to current levels and contribute to a reduction in CO<sub>2</sub> emissions. Furthermore, the Bank of Yokohama will build an online data linkage platform as the foundation for linking non-face-to-face channels and the bank's internal sales-related systems with the core banking system (i.e. the accounting system) in order to make it possible to add functions flexibly and at low cost.

These initiatives were selected as a project to support the Financial Services Agency's Core System Front-Runner Support Hub in May 2021.

#### Adopt "Open Platform"



The joint-use core system is the first in the banking industry.

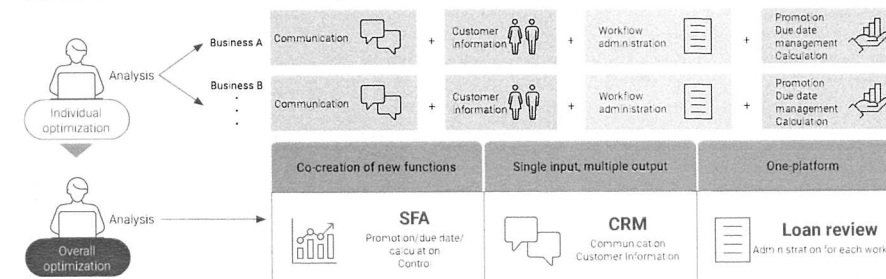
#### Benefits of introduction



#### Development Launched for a Next-Generation SFA/CRM/Loan Screening System to Reform Liaison Operations

In May 2021, the five banks using MEJAR began development of a next-generation SFA/CRM/Loan screening system to reform their liaison operations with the aims of improving their ability to present proposals and raising the level of their sales forces, as well as streamlining and increasing efficiency. This system will be developed with the aim of becoming operational in 2024. The operation of this system is expected to reduce liaison work by approximately 350,000 hours per year (the equivalent of almost 200 employees). In addition, by allocating the time saved to liaison activities, we can expect to improve profitability.

(\*) SFA: Sales Force Automation CRM: Customer Relationship Management



## Report Challenging New Business Areas through Strategic Investments and Financing

In order to take on the challenge of new business areas that go beyond existing business models, the current medium-term management plan calls for investment of 50 billion yen over three years. Through the sophistication and diversification of our solutions, the use of digital technology, and collaboration with domestic and overseas financial institutions, we are pursuing organic growth by deepening our core businesses, and inorganic growth by creating new businesses, taking into account the recent new deregulation of the scope of business of financial institutions.

### Investment and scale of investment

**50 billion yen**  
(Cumulative total for  
FY2019-2021)

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

#### Increased sophistication and diversity of solutions

Support customer growth and resolve customer issues by strengthening functions, including non-financial businesses.

#### Use of digital technology

Access a wide variety of technologies to drive new initiatives that outperform existing financial services.

#### Collaboration with domestic and overseas financial institutions

Pursue synergies with domestic and overseas financial institutions to capture new profit opportunities and enhance corporate value.

#### Pursuit of inorganic growth

### Major Achievements to Date

In FY2020, the Company underwrote a third-party allocation of new shares by beBit Corporation, a company engaged in consulting and other activities to support innovation centered on UX (customer experience) in digital marketing, and together with Digital Garage, Inc. established the Hamagin DG Innovation Fund, a fund for investing in startups with technologies and services that contribute to open innovation in the financial sector.



### I. Investment in beBit (UX consulting firm)

#### Aims of investment

Through collaboration with beBit, the Bank will exchange personnel and train UX (user experience) design planning personnel with the aim of providing the communication and services that customers need in a timely and appropriate manner.



### II. Investment in NetStars (multi-QR payment services)

#### Aims of investment

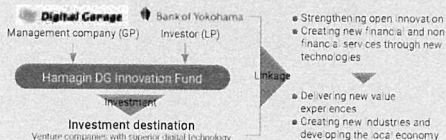
Through our investment in NetStars, we will capture growth opportunities in the cashless market, while at the same time meeting the demand of its clients for cashless transactions and stimulating the local economy.



### III. Establishment of the CVC "Hamagin DG Innovation Fund"

#### Aims of investment

As a dedicated fund of the Bank of Yokohama, this fund will invest in venture companies with technologies and services that contribute to open innovation at financial institutions and to the revitalization of regional economies, thereby dramatically enhancing the Bank of Yokohama's innovation abilities.



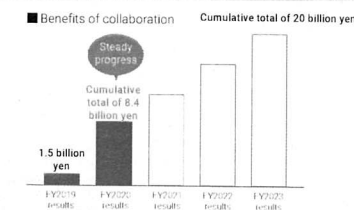
## Business Strategy for Value Creation



In July 2019, the Bank of Yokohama and the Bank of Chiba, both based in the Tokyo metropolitan area, entered into the Chiba-Yokohama Partnership, a business alliance whose aim is to achieve sustainable growth and increase corporate value by delivering higher value-added services to customers through collaboration in know-how.

### Effect of collaboration (cumulative and individual bank totals)

In FY2020, the effect of the collaboration was significantly greater than planned, and the cumulative effect of the collaboration from the conclusion of the agreement in July 2019 to FY2020 will be 8.4 billion yen, well on the way to achieving the five-year cumulative effect target of 20 billion yen.

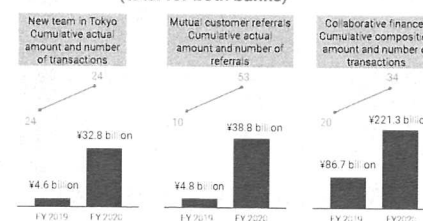


### Progress in collaboration measures

#### Corporates

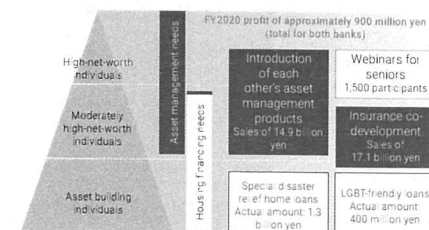
In addition to syndicated loans, LBO financing, and other forms of coordinated financing, we are seeing an accelerating increase in loans provided through mutual referrals by customers.

#### FY2020 profit approximately 6 billion yen (total for both banks)



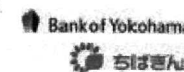
#### Individuals

We are providing new services to meet the needs of our customers, such as the mutual introduction of insurance products jointly planned and developed by the two banks and of investment trust products of the two group asset management companies.



### TOPIC

In April 2021, as a new collaborative measure, we established the Chiba-Yokohama Partnership No. 1 Fund, in which both banks will invest as limited partners (LPs). In addition to investing in companies with business succession and growth support needs in the regions where the two banks operate, we aim to enhance corporate value by providing high-quality hands-on support through collaboration with external specialists.





## Supporting Sustainable Growth of Local Businesses

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

### Business Strategy for Value Creation

In addition to finance support, we provide highly specialized solutions such as group-wide financial and business strategy support, and we are strengthening our efforts in new asset classes.

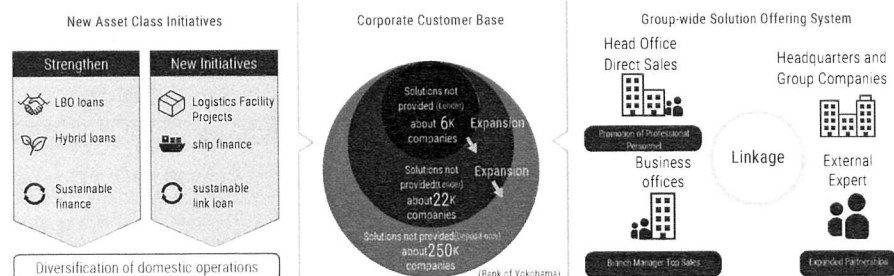
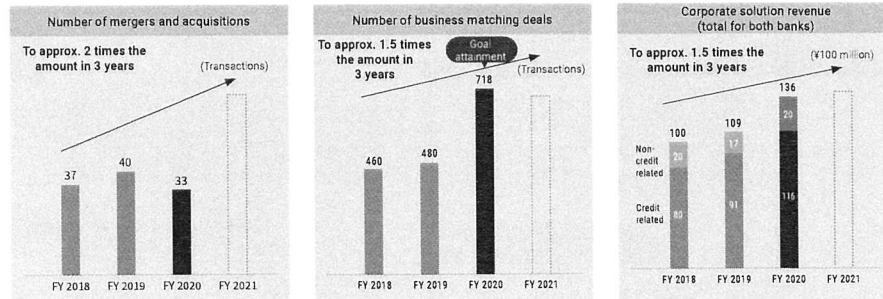
We are moving away from a traditional banking business model that relies on deposit and loan income, and are strengthening our solution profitability by refining our equity and investment banking functions. In addition we are steadily accumulating overseas assets utilizing our overseas base function, and strengthening our overseas customer support posture.

We are also working to provide new solutions such as recruiting, DX consulting, expansion of non-face-to-face transactions and services, and SDGs management support to local companies.

### Medium-Term Management Plan Targets and Systems

The Bank of Yokohama strengthened its capability to provide comprehensive solutions to meet the diverse needs of its customers by integrating its head office and sales branches, by increasing the number of specialist personnel in its head office, and by reinforcing top sales activities by branch managers. Higashi Nippon Bank is increasing the number of liaison officers, mainly in Tokyo, and deepening its solutions-based sales by increasing the number of headquarters solutions personnel and strengthening its cooperation with the Bank of Yokohama.

Due to the sophistication of solution sales across the Group, corporate solution revenues in FY2020 increased by approximately 2.7 billion yen from the previous fiscal year.



## Business Strategy for Value Creation

### Increased Sophistication and Diversification of Solution Sales

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

In addition to regular loans, we also provide capital loans, which are long-term stable funds, and funds in collaboration with Yokohama Capital, which is a Bank of Yokohama Group company, and with external institutions. We support our customers according to their stage of growth and meet their diverse needs by providing appropriate solutions.

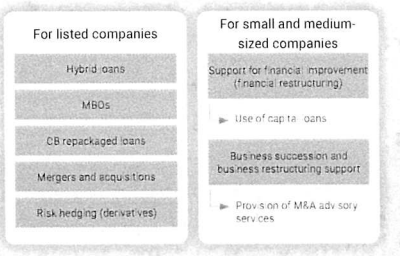
	Main Solutions	Examples of Initiatives
<b>Startup</b>	<ul style="list-style-type: none"> <li>Support for overall business start-up and management</li> <li>Founding capital support</li> <li>Provision of portal site for members</li> <li>Support for business start-ups through funds</li> <li>Seminars to support business startups</li> <li>Provision of grants</li> </ul>	<p><b>Holding seminars for founders, etc.</b></p> <p>The Bank of Yokohama holds "Online Startup Support Seminars" to help customers establish their businesses. The seminar is certified by Yokohama City, Kawasaki City, and Sagami City as a project to support the establishment of specific new businesses, and participants are eligible to receive a reduction in the registration and license tax for establishing a company.</p> <p>In addition to Yokohama Capital, a Bank of Yokohama Group company, we also collaborate with the Hamagin Foundation for the Promotion of Industry and Culture, the Japan Finance Corporation, and the Yokohama City Economic Affairs Bureau to offer an online course on procurement of funds for startups.</p> <p><b>Entrepreneurship support for Yokohama National University students</b></p> <p>The Bank of Yokohama has provided entrepreneurial support to students of Yokohama National University, with which it has signed a partnership agreement in September 2020. In April 2019, the university began offering an endowed course on corporate management and other topics, with Bank of Yokohama employees serving as instructors. The university provides ongoing support to students, including advice on their entrepreneurial plans, and has assisted them with the funds they needed to start their own businesses.</p>
<b>Growth and maturation period</b>	<ul style="list-style-type: none"> <li>Financial improvement support (use of capital loans, etc.)</li> <li>Issuance of private placement bonds</li> <li>Investment banking</li> <li>Business matching</li> <li>Holding various business meetings</li> <li>SDGs management support</li> <li>Digitization support</li> <li>Overseas business support</li> <li>Support for securing human resources for sales channel expansion</li> </ul>	<p><b>Holding individual online business meetings related to food</b></p> <p>The Bank of Yokohama and Higashi-Nippon Bank held online individual business meetings to support their food-related business partners. The Kansai Branch of Mitsu Foods Co., Ltd. was invited as a buyer to help expand sales channels for business partners whose business opportunities have been reduced due to the spread of the novel coronavirus.</p> <p><b>The Bank of Yokohama Accelerator Program</b></p> <p>The Bank of Yokohama is hosting the Bank of Yokohama Accelerator Program, which aims to create new businesses for core regional companies. Core regional companies in Kanagawa Prefecture and Tokyo are invited to submit innovative business ideas from start-up companies to support the creation of new businesses and innovation at existing businesses.</p>
<b>Transformation period</b>	<ul style="list-style-type: none"> <li>Business restructuring support</li> <li>Business recovery support</li> <li>Business succession support (inheritance measures, business succession funds, etc.)</li> <li>M&amp;A advisory services</li> </ul>	<p><b>Establishment of the "Chiba-Yokohama Partnership Fund No. 1"</b></p> <p>The Bank of Yokohama, together with its business partner Chiba Bank and the two banks' capital subsidiaries, has established the Chiba-Yokohama Partnership No. 1 Fund in order to invest in companies with business succession and growth support needs. In addition to investment through the fund, we provide high-quality hands-on support that is closely aligned with customers through collaboration with external experts.</p>

### TOPIC

#### Strengthening financial and capital policy proposals

Under the current medium-term management plan, we are working to utilize capital loans and engage in investment banking, with the aim of enhancing the sophistication of solution-based sales on a group-wide basis.

For listed companies, we are strengthening our financial and capital policy proposals, such as hybrid loans and MBOs. For small and midsize companies, we are strengthening our proposal of solutions that contribute to improving the corporate value of our clients, such as financial improvement support using capital loans to support medium- to long-term growth and M&A advisory services to meet business succession needs.



## Supporting Sustainable Growth of Local Businesses

### Initiatives for Value Creation

In addition to supporting the SDGs management of local companies, we are working to support the enhancement of corporate value through the resolution of customer issues, including support for digitization and equity financing, with an eye towards the post-pandemic situation.

#### Support for SDGs management in local companies

##### Launched SDGs sustainability linked loans and other products

As a long-term KPI for sustainability, the Group has set a target of executing a cumulative ¥2 trillion in sustainable finance from FY2019 to FY2030.

In April 2021, the Bank of Yokohama launched the "SDGs Sustainability Linked Loan", which offers interest rate reductions and other incentives based on the degree of achievement of ESG targets, and the "SDGs Green Loan/Social Loan", which limits the use of funds to eligible projects based on various principles for environmental improvement (green) and social problem solving (social), in order to support the SDGs management of local companies. Both products will be evaluated by an external organization (third-party evaluation) to ensure that the loans comply with the various standards published by the International Capital Markets Association (ICMA) and other organizations, allowing companies to appeal to investors and other parties regarding their commitment to the SDGs through financing with this product.

#### Collaboration with local governments

The Bank of Yokohama promotes SDGs in the region in cooperation with local governments in Kanagawa Prefecture and Yokohama City, 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 dispatched a bank employee to the expert committee for the "Y-SDGs" certification system of the City of Yokohama to participate in discussions on the operation of the system.

Hamagin Research Institute, a Group company, regularly provides information on the SDGs to its member companies, and has been entrusted with the "SMF Support Services" launched by Kanagawa Prefecture to support the SDGs initiatives of SMEs. They are working to promote SDGs management among local companies by supporting the formulation of business plans that incorporate the SDGs, including SDGs for SMEs.

#### Support for post-pandemic initiatives

##### Online consultation and digitization support

The Bank of Yokohama has held online consultation meetings to match customers who have business issues that have become apparent as a result of the pandemic to businesses that can provide solutions.

In addition, we have appointed "Digital Advisors" within the Digital Strategy Department to support the digitization of companies, in collaboration with the Bank of Yokohama Group's Hamagin Research Institute and external specialist companies.

##### Expansion of non-face-to-face services

The Bank of Yokohama is expanding its non-face-to-face services through "Hamagin Business Connect", a portal site for corporate members. This service allows the details of deposits and other transactions to be checked, including those with other banks, and to complete a variety of transactions on the Internet, such as loans within the limit of an overdraft facility, recommendation-based loans, and business matching.



##### Support through equity finance

The Bank of Yokohama and Higashi-Nippon Bank provide capital loans, in which borrowings can be regarded as equity for the purpose of credit screening, as a means of providing relief from damage to equity capital caused by temporary losses due to the effects of the novel coronavirus.

The Bank of Yokohama provides a syndicated loan scheme using the "New Coronavirus Measures Capital Subordinated Loan" of Japan Finance Corporation (JFC). In addition to supporting the formulation of management and financing plans for businesses, JFC provides capital funds to turn around deteriorating financial conditions, and the Bank of Yokohama provides senior loans in a coordinated manner.

## Business Strategy for Value Creation

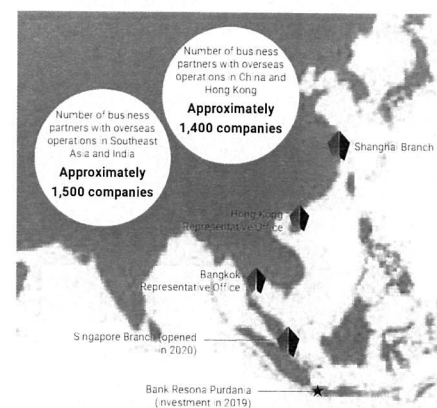
### Supporting Customers' Overseas Business

Concordia Financial Group supports the diversified overseas businesses of its customers, including overseas expansion, overseas sales channel expansion, and business acquisitions, by leveraging the overseas offices of the Bank of Yokohama and the overseas bank networks affiliated with the Bank of Yokohama and Higashi-Nippon Bank.

In Southeast Asia, we are expanding our client support network by opening a branch in Singapore and investing in Bank Resona Purdania in Indonesia. We are also working with Chiba Bank, with which we have a business alliance, to provide financial cooperation through their overseas offices.

We aim to grow overseas business income by accumulating overseas assets through support for corporate business growth and increased investment capabilities. We plan to expand our overseas assets to over 400 billion yen by FY2021 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.



#### Case 1

##### Support for raising funds for a local subsidiary in Singapore

The Bank of Yokohama, together with its business partner the Chiba Bank, Ltd., has supported the yen and US dollar denominated fund procurement needs of LOPS Asia PTE., LTD., the Singapore locally-incorporated subsidiary of the LOPS Corporation.

##### The Bank of Yokohama, Gotanda Ekimae Branch

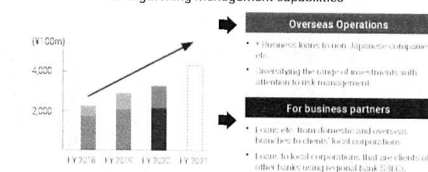
Financed yen-denominated parent-subsidiary loan to LOPS

##### Chiba Bank, Hong Kong Branch

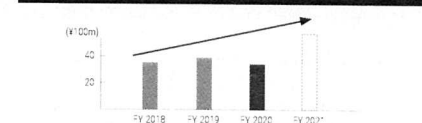
Financed US dollar loan to LOPS ASIS

#### Building Up Overseas Assets

##### Building up overseas assets by supporting clients' growth and strengthening management capabilities



#### Overseas business revenue



#### Case 2

##### Support through the State Bank of India

The Bank of Yokohama has signed a loan agreement with the State Bank of India\*, India's largest state-owned commercial bank, for a maximum loan amount of US\$20 million. Amidst the ongoing impact of the novel coronavirus, we provided funds for the overall production and sales activities of Japanese automobile manufacturers in India through loans to the State Bank of India, thereby contributing to the maintenance and improvement of the international competitiveness of Japanese industry.

(\*) Overseas business partner bank of the Bank of Yokohama

### TOPIC Establishment of Singapore Branch

The Bank of Yokohama opened a Singapore branch in August 2020.

The Singapore branch is further expanding its overseas business support for clients located in Southeast Asia and India through collaboration with the Bangkok Representative Office and local partner banks, and is also actively engaged in investment and financing for local companies.



## Lifestyle Support in the Age of Centenarians

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

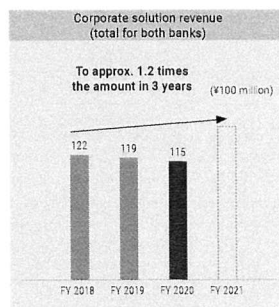
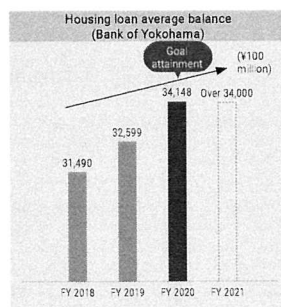
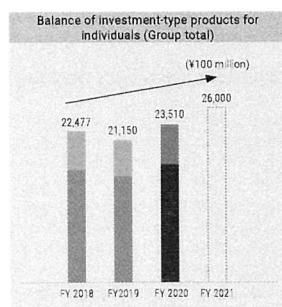


## Business Strategy for Value Creation

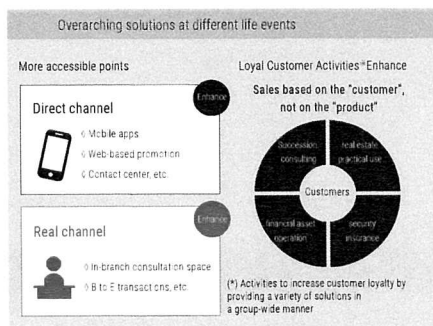
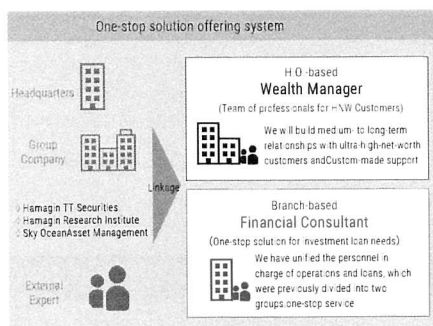
With our sights set on the age of centenarians, we are enhancing our financial services in line with our customers' life events, such as marriage, education, and inheritance. We also approach our customers from the financial services side to help solve local community issues by grasping the needs for things, people, and experiences that are the source of the demand for financial services. In addition, we provide optimal solutions to meet the diversifying financial needs of our customers by expanding our access points, including enhanced smartphone applications, websites, and contact centers.

## Medium-Term Management Plan Targets and Systems

We are promoting the diversification of our staff. By utilizing Group functions and outside experts, we will establish a Group-wide one-stop solution system, and provide life-plan consulting and financial products and services suitable for customers throughout their lives.



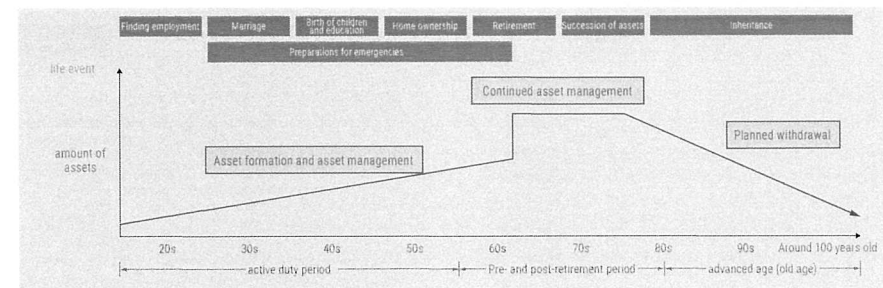
\* Total amount of investment-type product sales and consulting-related revenue



## Business Strategy for Value Creation

## 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.



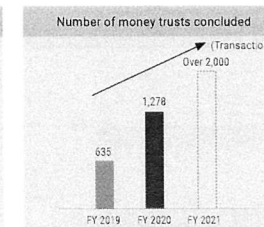
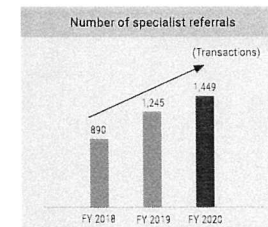
## Solutions for the wealthy

In order to meet the needs for management and inheritance of financial assets, we offer "Hamagin Okane Trust", a money trust that basically functions as a substitute for a will, and also provide consulting and solutions for highly specialized matters such as inheritance and asset inheritance, in cooperation with outside experts.

In addition, sales branches and the head office collaborate to respond to the consulting needs of more sophisticated and specialized customers on a tailor-made basis.

### Main Support Menu

- Loans for wealthy individuals
- Measures for succession of company stock
- Asset management support
- Money trusts
- Inheritance tax reduction measures
- Effective use of real estate
- Inheritance of assets, including wills
- Introduction to experts etc.



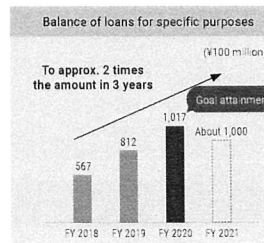
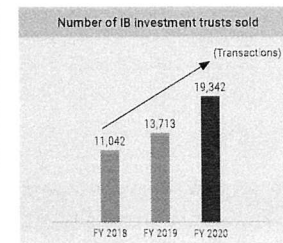
\* Available from 2019

## Solutions for the asset-building community

In order to meet the needs of non-face-to-face and non-contact customers during the pandemic, we have expanded procedures on our smartphone app and website, and conducted webinars on a variety of topics, including asset management and inheritance. At Bank of Yokohama, you can apply to open an "Investment Trust Specific Account" or a "NISA Account", and purchase "Tsumitate NISA" at the same time using just your smartphone.

### Main Support Menu

- Account opening/ payment
- IDeco
- Special purpose loan
- Webinars
- Mortgage loan
- Investment trusts (NISA, Tsumitate-NISA, etc.)
- Fund wrappers and insurance etc.





## Lifestyle Support in the Age of Centenarians

### Initiatives for Value Creation

We contribute to our customers attaining rich lives by providing financial products and services tailored to their life plans, including support for the growth of children, who will bear the future, support for asset building in accordance with their life plans, and support for the lives of senior citizens.

### Supporting greater financial literacy and children's growth

In order to meet the needs of non-face-to-face and non-contact customers during the pandemic, we have expanded procedures on our smartphone app and website, and conducted webinars on a variety of topics, including asset management and inheritance. At the Bank of Yokohama, you can apply to open an "Investment Trust Specific Account" or a "NISA Account", and purchase "Tsumitate NISA" at the same time using just your smartphone.



### Initiatives for Financial Education

As a long-term KPI for sustainability, the Group has set a target of 100,000 participants in financial education between FY2019 and FY2030.

The Bank of Yokohama is working to promote and improve financial literacy through its financial education program, "Hamagin Okane no Kyoshitsu" (Hamagin's Money Classroom), by holding school visits and work experience programs, and providing content on its website. The Bank also provides children with opportunities to think about their future by planning and sponsoring "Kanagawa EduTown Ashtane" (Kanagawa Education Town Tomorrow), a career education and job research website for elementary, junior high, and high school students.

In addition to holding school visits and work experience programs, Higashi-Nippon Bank also cooperates with the Tokyo Metropolitan Government's Entrepreneurship Education Program for elementary and junior high school students, and supports the development of entrepreneurial spirit and entrepreneurial qualities and abilities among a wide range of people, including children.



### Publication of "SDGs for Beginners"

As part of our initiatives concerning the SDGs, we publish a booklet entitled "SDGs for Beginners" to help local children learn the basics of the SDGs. In addition to promoting the use of this system for on-site classes and work experience, it can also be downloaded from our website. We support children, who will be the leaders of the future, to learn in a wide range of fields, not only in finance.

### TOPIC Launch of the "Hamagin Money Class" website

The Bank of Yokohama launched the "Hamagin Okane no Kyoshitsu" (Hamagin Money Class) website for the financial education program in December 2020 to ensure online educational opportunities in light of the social situation of the coronavirus pandemic.

The bank's mascot character "Hamapen" appears on the site, and provides easy-to-understand videos such as "How to use your allowance" and "How to think about money", as well as financial quizzes, calculation simulations, and other fun learning content for both children and adults. Various content, such as teaching plans and worksheets, can be downloaded easily, so they can be used in schools and local communities.

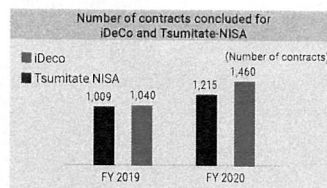
Bank of Yokohama Website <https://www.boj.co.jp/boy/brand/okane/>



## Provision of financial products and services that meet life plan needs

### Long-term asset building support

In order to support asset building through long-term accumulation, we provide information on "iDeCo" and "Tsumitate NISA", a tax exemption system for small investment amounts, through seminars at workplaces and webinars. 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 or grandchildren until they reach the age of 20.

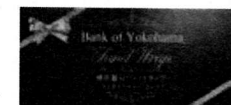


## Business Strategy for Value Creation

### Start of Bank of Yokohama fund wrapper service

In April 2021, the Bank of Yokohama began offering the Bank of Yokohama Fund Wrapper, a discretionary investment service that designs an optimal plan for each customer and manages the funds in accordance with that plan on behalf of the customer. The product is designed to provide customers with moderate asset growth in line with economic growth and preparation for future life events. By regularly confirming customers' intentions and reflecting them in investment proposals, we achieve asset management that meets the needs of each customer.

We are also working to enhance the sophistication of the solutions we offer by strengthening our "goal-based approach", which proposes asset management methods tailored to customers' life goals, and our "portfolio proposals", which propose optimal financial asset allocations based on investment objectives, risk tolerance, and other factors, in order to respond in detail to the needs of each customer.



### The opening of the second Hamagin Insurance Parlor

The Bank of Yokohama provides customers with attentive consultation on insurance matters at the "Hamagin Insurance Parlor", a dedicated insurance consultation window, and proposes tailor-made insurance plans to meet their needs. Our specialist staff, who are "insurance professionals" with a thorough understanding of the characteristics of each insurance product, will propose the most suitable insurance plan from a variety of products, including protection and savings, after thoroughly reviewing the customer's life plan and needs, including a review of insurance and the contents of the insurance currently in force. In June 2020, we opened a second branch at the west exit of Yokohama Station to meet growing insurance needs.



### Support for life during the senior years

#### Dealing with Dementia Issues

At the Bank of Yokohama, we introduce customers to trust companies that we have partnered with if they wish to use the "Adult Guardianship System" to manage their assets and support their life, as well as guardianship system support deposits to protect the assets of customers who are already within the system (wards), and dementia insurance to pay for dementia treatment.

In addition, approximately 2,400 employees of the Bank have taken courses on the symptoms of dementia, how to support dementia and how to be prepared for dementia, taught by staff of the Regional Comprehensive Support Center, and these 2,400 have been assigned as "dementia supporters" at all domestic branches.



### Conducting a demonstration experiment of a communication tablet for seniors

The Bank of Yokohama, together with the Chiba Bank, Ltd., and NEC Corporation, has conducted a demonstration test of the "Tablet PaPeRo", a communication tablet for seniors, in order to study new services for seniors that utilize digital technology. The Bank lent tablets to senior customers and provided them with a virtual assistant, PaPeRo, and the Bank's mascot character, Hamapen, to help them with their daily life problems, as well as various health-related functions such as cognitive function tests.



The Bank of Yokohama's screen for customers

### TOPIC Launch of "the Bank of Yokohama at Home"

In light of the spread of the novel coronavirus, the Bank of Yokohama has launched the "Bank of Yokohama at Home" concept, which is "a teller window open 24 hours a day, just for you." Through our smartphone app and website, a variety of services can be accessed from the comfort of home, including opening an account, paying taxes, changing your address, managing assets, and closing an account.



## Revitalizing the local economy

By proactively working to resolve regional issues and contributing to the revitalization and sustainable development of regional economies, we will continue to grow as a company with a regional operating base.

## Business Strategy for Value Creation

In order to systematically promote regional development, we have established promotion policies and medium- to long-term measures in each field of "Community, People, and Work", and formulated "Action Plans for Regional Strategy Promotion" for activities to meet the diversified and individualized challenges and needs of each region.

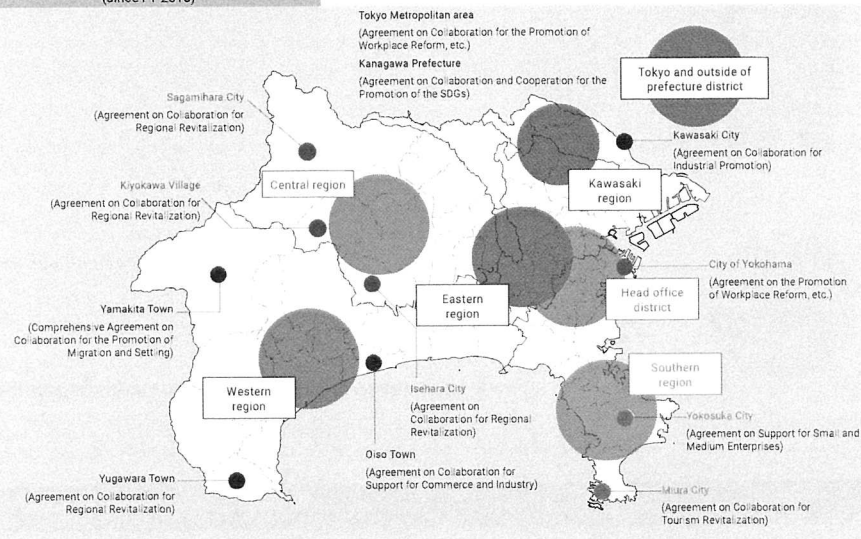
In the "Hamagin 10 Years Ahead Project", in order to develop rich and sustainable local communities, the Bank of Yokohama goes beyond simply supporting the implementation of measures laid out by the government and independently identifies problems that the region could face ten years from now, proactively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

## Regional Strategy Promotion System

In order to strengthen its community-based initiatives, the Bank of Yokohama has established a regional head office system, which divides its business area into two districts (Head Office, Tokyo and outside the prefecture) and five regions (Eastern, Central, Western, Southern, and Kawasaki). Under the regional headquarters system, the general managers assigned to each district and region play the role of "regional managers" and, based on the Action Plan for the Promotion of Regional Strategies, work to resolve regional issues while leveraging the bank's strengths in its customer base and its networks with local governments, local universities, and other financial institutions.

Higashi-Nippon Bank has a "block sales division system" that organizes its business areas into 10 blocks, and promotes strategies tailored to the characteristics of each block.

### Major Collaborations with Local Governments (since FY 2016)



## Business Strategy for Value Creation

### Initiatives to create sustainable cities

#### Participation in Yokohama City's "Social Impact Bond" model project

In August 2020, the Bank of Yokohama participated in the City of Yokohama's Social Impact Bond\* model project and supported an online consultation service to ease the anxiety of mothers during pregnancy and the postpartum period.

This model project by the City of Yokohama provided a service that allows mothers to easily consult a specialist doctor online from the time of pregnancy until four months after childbirth, when anxiety is particularly likely to be high, and verified the effect in reducing the risk of postpartum depression in mothers. The Bank of Yokohama provided the necessary funds to the online service provider and also monitored the business.



(\*) A system of public-private partnership in which the private sector's funds and know-how are used to implement projects (services) that require solutions to social issues, and the government pays project costs and compensation when results are achieved.

#### Participation in PFI Projects

##### Cooperation with the "Fujisawa City Fujigaoka 2-Chome Area Redevelopment Project"

The Bank of Yokohama participated in Fujisawa City's PFI (\*) project, the Fujisawa City Fujigaoka 2-Chome Area Redevelopment Project, and supported the project to rebuild Fujigaoka Nursery School and to consolidate public facilities around the nursery school to create a mixed-use facility by providing project funds as a regional financial institution. This project promotes the three themes of "child rearing support", "health maintenance and preventive nursing care", and "multi-generational exchange" with the aim of realizing a smart wellness town based on the Fujisawa Vision for Community, People, and Work. It undertakes events for the community, as well as operating private sector facilities such as clinics, pharmacies, and residential care facilities.



(\*) This method of public works utilizes private sector funds, management capabilities, and technical know-how to design, operate, renovate, and renew public facilities, as well as to maintain, manage, and operate them.

##### Cooperation with the "Yokohama City Kamigo Mori no Ie (Kamigo Forest House) Renovation and Management Project"

The Bank of Yokohama participated in the PFI project for 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 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.

#### Support for the Rehabilitation of Large Housing Complexes

The Bank of Yokohama is working with local governments to support the revitalization of large-scale housing complexes in order to help build communities where multiple generations can live safely and securely.

Sakurada Danchi, a large-scale housing complex located in Aoba Ward, Yokohama City, decided to reconstruct the entire complex into a new 820-unit housing complex in response to the deterioration of the buildings, the need to make the complex barrier-free, and the aging of the residents, so in August 2020 the "Sakurada Mansions Renovation Association" was formed. The Bank of Yokohama, as arranger, arranged a syndicated loan to provide reconstruction funds to the reconstruction association, and is also providing reverse mortgage loans and other support to elderly residents who wish to move back into the building.



#### Cashless Transactions Taking Root in the Community

##### "HamaPay" smartphone payment service

The Bank of Yokohama was one of the first in the financial industry to provide a smartphone-based payment service (HamaPay), with a focus on revolutionizing distribution and commercial transactions through cashless payment and on creating sustainable communities where people can live with peace of mind. In collaboration with local governments, universities, shopping malls and commercial facilities, we aim to realize a safe and secure cashless society rooted in the community.



##### Participation in Kanagawa Prefecture's "Cashless Consumption Stimulation Project"

The Bank of Yokohama was commissioned by Kanagawa Prefecture to manage its "Cashless Consumption Stimulation Project" as the representative organization of the joint venture. In addition to supporting businesses in the prefecture that have experienced a decline in sales due to the coronavirus pandemic, as a settlement provider we are promoting cashless settlements that are in line with new lifestyles.



## Initiatives to create jobs in the region

**Support for Commercialization through Industry-University Collaboration**  
New Technology Online Matching Meetings

The Bank of Yokohama supports the commercialization of new technologies at the R&D stage by linking researchers and businesses through industry-academia collaboration initiatives.

At the "New Technology Online Matching Meeting", held in conjunction with Chiba Bank, with which we have a business alliance, researchers from all nine universities and technical colleges in Kanagawa and Chiba prefectures delivered video presentations on new technologies and held individual consultations with each company online.

Appointment System for Coordinators of Industry-Academia-Government-Finance Cooperation

The Bank of Yokohama has been appointed by Yokohama National University, with which it has a comprehensive cooperation agreement, as the "Yokohama National University Industry-Academia-Government-Finance Collaboration Coordinator."

The coordinators provide academic and technical guidance, consultation and acceptance of joint research, etc., provide support for matching the seeds of technology, and introduce projects in which patents are released free of charge, so the Bank of Yokohama acts as a bridge for proposals to the Bank's business partners.

### Support for cultivation of industry

Support for venture businesses through subsidy programs

The Bank of Yokohama promotes the commercialization of seeds held by researchers aiming to start their own businesses and venture companies that have just begun their operations by contributing to the research and development grant program of the Hamagin Foundation for Industrial and Cultural Advancement. In FY2020, a total of 12 million yen in subsidies was provided to four companies.

## Supporting Student Entrepreneurship

The Bank of Yokohama, together with Chiba Bank, with which it has a business alliance, co-hosted a business idea contest for students, inviting a wide range of business ideas and plans from students living or studying in the two banks' business areas, with the aim of fostering entrepreneurship among students, who will become future leaders of the local economy. In FY2020, a total of 700,000 yen in supplementary prizes was awarded to five groups selected through a selection committee.

We have also concluded cooperative agreements with the Keihin Electric Express Railway Co., Ltd., and NTT DoCoMo, Inc., to revitalize the local economy and are working to support industrial development and marine leisure.

Based on the spread of telework, satellite office work, and work vacations (workations), we are also encouraging migration and settlement from outside Kanagawa Prefecture to the prefecture. In online seminars on migration and dual-residence held with Chiba Bank, with which we have a business alliance, panel discussions were held on themes such as "migration", "dual-residence" and "work vacations", inviting migrants to Miura City in Kanagawa Prefecture and Minamiboso City in Chiba Prefecture.

Support for the development of women entrepreneurs

The Bank of Yokohama held an online "Women's Entrepreneurship Development Support Seminar" mainly for women who aspire to start their own businesses. Women entrepreneurs with ties to Kanagawa gave lectures based on their own entrepreneurial experiences and held a panel discussion on the theme of "Initiatives for SDGs." The Bank provides ongoing support to seminar participants in their activities to start their own businesses by encouraging them to participate in business contests and seminars for business start-ups organized by the Bank.

The Bank of Yokohama has launched an initiative to support the product development and sales of its business partners through an investment in the "New Product Development Support Project Anonymous Partnership" with TV Tokyo Communications Corporation (TXCOM) as the operator. By crossing well-known intellectual property (IP), such as characters and animation, with high-quality products of local companies, we contribute to strengthening the competitiveness of those products and to expanding the recognition of those companies and products utilizing the IP and we support the sustainable growth of local companies. We will also consider launching a regional trading company business in the medium to long term.



## Promotion of Financial Digitization (DX)

We aim to diversify our services using digital technology by supplementing the needs for "things, people, and experiences" that are beyond financial needs, and by building a "regional ecosystem" to communicate with customers through connections "outside" of finance, including cashless and settlement services.

### Overview of Digital Strategy

To achieve "digital transformation" that can respond to the growth of the Internet economy by utilizing digital technologies such as data collaboration platforms, we will move forward to reform traditional business operations (digital transformation of business operations) and to take on the challenge of new business domains (digital transformation of business models) in order to transform ourselves into a more convenient bank.



## Digital Transformation of Operations

### Business process improvement

Based on the "operational reforms using digital technology" set forth in the medium-term management plan, we are promoting fundamental reforms in branch administration (branch operation reforms). As a result, branches will be transformed into "places where customers can consult", while at the same time we will reduce costs by improving operational efficiency through data linkage and operations without handling cash.

### Completion of introduction of the "AGENT" next-generation sales branch tablet terminal to all branches

#### Turning branches into a place for consultation

The Bank of Yokohama has been introducing AGENT and completed the roll out to all branches in December 2020. By enabling customers to complete various transactions, such as opening a savings account or changing the items they have registered, using tablet terminals installed in the lobby, we have made each procedure paperless, shortened the waiting time for customers, and made the process stress-free. In October 2020, we added transactions such as bankcard applications and inheritance reception. By progressively expanding the range of transactions in the future, we will make it possible for customers to complete all transactions on their own using tablet terminals, turning the counters into a "place for consultation" for asset management, inheritance, etc.

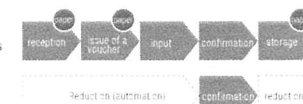


## Business Strategy for Value Creation

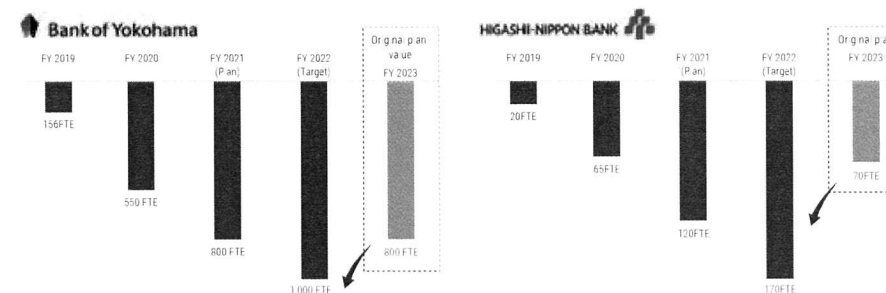
### Improved operational efficiency through data linkage and operations without handling cash

Data entered by customers on the AGENT in-store terminal is automatically linked to the business system through API integration. As a result, it is possible to reduce the processing time for operations and customer service that was formerly performed manually.

In addition, for procedures involving cash we are progressively installing "Quick Counter ATMs" at all branch counters, which allow customers to make their own deposits. Also, since April 2021, we have begun taking the processing of a wide variety of low-volume administrative work at all of our branches and consolidating it into the Business Support Office at the head office, and we are making steady progress in reducing workloads by promoting various measures to improve operational efficiency.



### Reduction in work (FTE)



### Improvement of business value added

The Marketing Strategy Office, which was established within the Digital Strategy Department, is proactively involved in all promotional plans that come into contact with customers, and the marketing department takes the lead in promoting sales measures. We are also promoting initiatives that leverage the added value of data through finely-tuned communication based on analysis of customer behavioral data, such as using cutting-edge machine learning technology, to approach new customers with latent needs, and we are steadily achieving results.

### Behavioral data analysis as a starting point for communication

#### Tsumitate-NISA

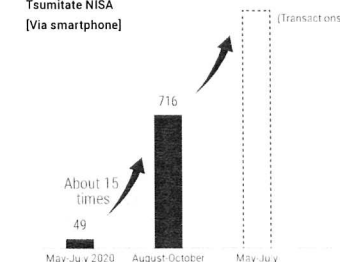
In addition to promoting Tsumitate-NISA to clients who participated in asset formation seminars, we contribute to improving the performance of Tsumitate NISA through communication by flexibly reviewing the content of the promotion based on client responses.

- 1 Modification to the website as the customer sees it
- 2 Review promotion content flexibly including customer response
- 3 Follow-up on asset building from motivation to execution

Follow-up with seminar participants and other customers with high interest in asset formation through non-face-to-face channels



#### Number of applications for Tsumitate NISA [Via smartphone]

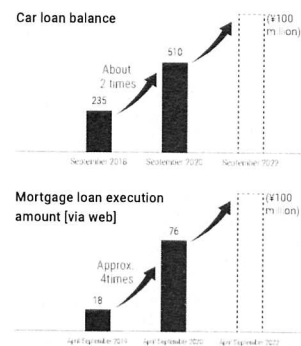
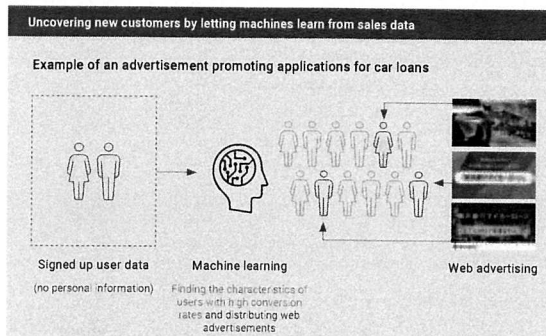


## Promotion of Financial Digitization (DX)

### Communication using state-of-the-art machine learning technology

#### Car loans and housing loans

By proactively deploying digital marketing using mega-platformer cutting-edge machine learning technology, we are helping to improve the performance of car loans and home loans.

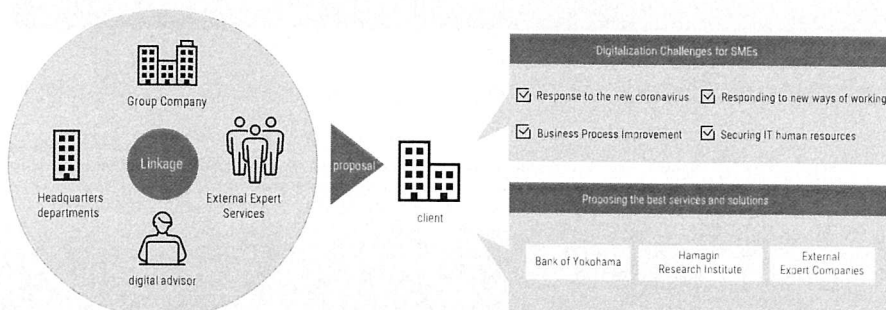


## Digital Transformation of Business Models

### Creation of new businesses and innovation

#### Digitization support

The Bank of Yokohama has newly assigned a "Digital Advisor" within the Digital Strategy Department to propose optimal solutions to companies. The Digital Advisor will visit companies directly in collaboration with branch offices to identify digitization needs and provide solutions. In collaboration with the Bank of Yokohama Group's think tank, the Hamagin Research Institute, and external specialist companies, we help our clients create new businesses and innovations by providing a wide range of consulting services, including business process improvement, support for the introduction of telework, data aggregation and analysis for the purpose of sales expansion, and introductions to IT personnel.



## Business Strategy for Value Creation

### Introduction of online management support platform

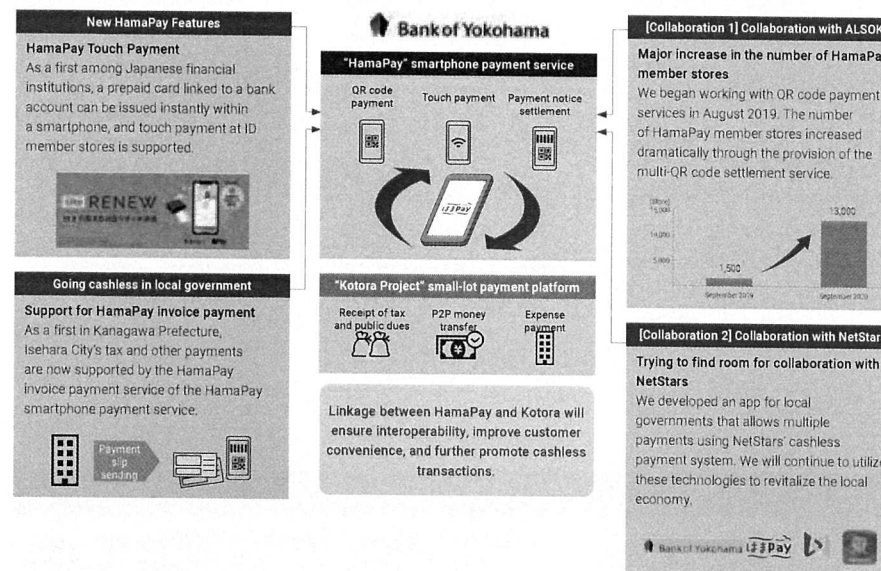
In June 2020, the Bank of Yokohama launched the Bank of Yokohama Big Advance, an online management support platform that supports the expansion of sales channels via the Internet in an environment where non-face-to-face communication is required as a measure against infectious diseases. Higashi-Nippon Bank also offers the "Higashi Nippon Big Advance", and the Group is working together to support the expansion of customer transactions.



### Innovation in customer experience

#### Cashless Payment Business

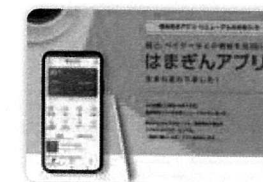
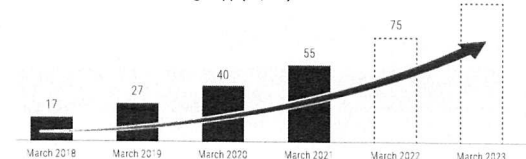
Starting with the HamaPay smartphone settlement service, we will add value by adding functions to various cashless transactions and settlement services, and by collaborating with other companies, thereby improving customer convenience and promoting a cashless society.



### Hamagin App

Against the backdrop of the growing cashless society, mobile apps have grown to become the most important channel, used by more than 500,000 people. In December 2020, the Hamagin App was renewed, and in addition to the existing balance inquiry function, many functions were added, such as transfers and pay-easy, making the app more convenient for customers to use. We will continue to evolve it into an "app that is close to customers' lives", that is convenient and reliable anytime, anywhere with a smartphone, without having to go to a bank or ATM.

#### Number of users of the Hamagin app (10,000)



## Measures against global warming and climate change

(Addressing TCFD recommendations)

Concordia Financial Group believes that addressing global warming and climate change is an important priority and has endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)\* in December 2019. The Group recognizes the importance of disclosing information on climate change and will enhance the disclosure of information on climate change based on the disclosure framework of the TCFD recommendations.

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

### Status of response to TCFD recommendations

1. Governance	<ul style="list-style-type: none"> <li>Through the SDGs Committee, which is chaired by the President, we formulate policies for addressing climate change, centrally managing progress and overseeing the status of initiatives at meetings of the Board of Directors.</li> </ul>	P50
2. Strategy	<ul style="list-style-type: none"> <li>Transition risk and physical risk have been identified respectively, and physical risk has been addressed first in scenario analysis.</li> <li>The ratio of carbon-related assets to total loans is limited to 0.6%. (*1)</li> <li>We will strengthen the creation of business opportunities by providing finance to help customers improve their ability to adapt to climate change and solutions to support their transition to a decarbonized society.</li> </ul>	P50, 51
3. Risk management	<ul style="list-style-type: none"> <li>Recognizing climate change risk as a top risk, we are working to build a comprehensive risk management system.</li> <li>We have developed policies for sectors that affect climate change and are reducing or avoiding environmental and social impacts through monitoring.</li> </ul>	P52
4. Indicators and Targets	<ul style="list-style-type: none"> <li>We have established the following indicators and targets as long-term KPIs.</li> <li>1. Sustainable finance (green finance) target               <ul style="list-style-type: none"> <li>By FY2030</li> <li>Sustainable Finance - 2 trillion yen</li> <li>Of which, green finance - 1 trillion yen (*2)</li> </ul> </li> <li>2. CO<sub>2</sub> emission reduction and renewable energy related targets               <ul style="list-style-type: none"> <li>(1) By FY2030                   <ul style="list-style-type: none"> <li>① CO<sub>2</sub> emission reduction target - 50% reduction (compared with FY2013)</li> <li>② Renewable energy electricity usage percentage - 60%</li> </ul> </li> <li>(2) By FY2050                   <ul style="list-style-type: none"> <li>① Carbon neutral (*3)</li> <li>② Renewable energy power usage percentage - 100%</li> </ul> </li> </ul> </li> </ul>	P53, 54

(\*1) Bank of Yokohama and Higashi-Nippon Bank loans as of March 31, 2021. From this fiscal year, overseas loan assets and contracted unrealized assets are included.

(\*2) Cumulative amount of the Group's investments and loans executed from FY2019 to FY2030 used to finance environmental and social topics and that support or promote initiatives for the SDGs (Green finance: investments and loans that are used to finance environmental areas.)

(\*3) The amount of CO<sub>2</sub> emissions minus the amount absorbed and the amount emitted is zero (neutral).

## Business Strategy for Value Creation

### 1. Governance

We have established a Group SDGs Policy. An SDGs Committee chaired by the President holds concentrated responsibility for formulating and managing the progress of policies related to environmental and social initiatives, including climate change.

The SDGs Committee's deliberations are reported to and discussed by the Executive Committee and the Board of Directors, and the Board of Directors oversees the Company's climate change initiatives.

#### Matters reported and discussed at Board of Directors meetings (FY2020)

- |   |  |
|---|--|
| <b>1. Development of long-term KPIs</b><br>Amount of sustainable and green finance executed, CO <sub>2</sub> emission reduction targets   | <b>3. Managing climate change risk as a top risk</b><br><b>4. Bank of Yokohama Head Office building conversion to renewable energy</b> |
| <b>2. Status of the Group's SDGs initiatives</b><br>Strengthening of SDGs initiative structure, and for TCFD disclosure, carbon-related assets status and scenario analysis consideration |  |

### 2. Strategy

We are working to address global warming and climate change as a priority environmental and social issue from the perspectives of both risk and opportunity.

#### Risk

##### (1) Transition risk

Transition risks include the risk of financial deterioration of business partners due to stricter regulations on greenhouse gas emissions or the introduction of a carbon tax, the risk of business partners' businesses (particularly fossil fuels and electric power) becoming stranded assets due to technological advances associated with the transition to a low-carbon society, and the risk of damage to brand value due to insufficient global warming countermeasures or inability to respond to changes in consumer preferences.

##### Anticipated main impact on the Group

There is a possibility that credit-related expenses will increase due to deterioration in the financial condition of our business partners, the turning of their businesses into stranded assets, damage to their brand value, and other factors. In addition, our brand value may be damaged due to rumors about our global warming countermeasures and investments in fossil fuel-related industries.

##### (2) Physical risk

These include acute natural disasters such as flooding, which can be exacerbated by abnormal weather, and the risk of damage to buildings and business interruption due to chronic climate change, such as rainfall and changes in weather patterns.

##### Anticipated main impact on the Group

The Company's head office and branches may be damaged by natural disasters, which may result in losses. In addition, credit-related expenses may increase as a result of financial deterioration, such as damage to collateral or a decrease in sales due to damage to customers' company buildings or factories caused by flooding.

##### (3) Scenario analysis

With regard to physical risk, we are in the process of establishing a system for estimating the amount of increase in credit-related expenses for business loans and housing loans due to financial deterioration caused by damage to collateral properties or business interruption of customers in the event of a flood. Specifically, we estimate the cumulative impact until 2050, taking into account the increase in credit-related costs in the event of inundation indicated by the hazard maps, and the probability of such inundation occurring under the IPCC RCP (Representative Concentration Pathway) scenarios ("RCP2.6": 2°C scenario, "RCP8.5": 4°C scenario).

We will study the estimation method for the transition risk after identifying the target industries.

##### (4) Carbon related assets

The value of carbon-related assets (electricity, energy, etc., but excluding loans for renewable energy, etc.) as a percentage of total loans is limited to 0.6%.

\* From this fiscal year, overseas loan assets and contracted unrealized assets are included.



## Measures against global warming and climate change

### Opportunities

We have set new long-term KPIs for sustainable finance and green finance. In addition, we launched an investment trust targeting publicly traded companies that focus on SDGs management for corporate and individual customers with high sustainability orientation.

By proactively engaging in dialogue with customers in order to improve their ability to adapt to climate change and transition to a decarbonized society, we will provide green finance for renewable energy projects and solutions to support customers' transition to a decarbonized society, thereby expanding business opportunities. We will also strengthen our efforts to address the SDGs, including registration and certification systems, in collaboration with local governments.

### Sustainable Finance Lineup

Category	Products	Customers' needs	Financial institutions
Sustainable finance	SDGs Friends Loan	Incorporate the SDGs into their business	Bank of Yokohama
	<Hamagin> Private placement of SDGs medical and welfare support bonds	Making a donation to an SDGs-related organization	Bank of Yokohama
	<Hamagin> Loan with a special clause for waiver of principal in case of earthquake	Strengthen BCP as a countermeasure against earthquakes	Bank of Yokohama
	Donation-based SDGs promotion loans	Contributing to the achievement of the SDGs by making donations to local governments or other organizations that contribute to the promotion of the SDGs	Higashi Nippon Bank
	Higashi-Nippon Bank Regional Enterprise Revitalization Fund	Working to revitalize the local economy	Higashi Nippon Bank
Green finance	SDGs Growth Fund Loan - "Kagayaki"	Using the Bank of Japan system to tackle growth areas	Bank of Yokohama
	Foreign Currency Growth Sector Support Strategy Fund ~ Foreign Currency "Kagayaki"	Using the Bank of Japan system to tackle growth areas	Bank of Yokohama
	SDGs sustainability linked loans	Promoting efforts to achieve the SDGs goals in a comprehensive manner to the outside world	Bank of Yokohama
	Fund for solar power generation business and energy service company business	Working on solar power generation business and energy service company business using the Bank of Japan system	Bank of Yokohama
	SDGs green loans/social loans	Limiting the use of funds to environmental improvement only, and appealing to the outside	Bank of Yokohama
	<Hamagin> ESG interest subsidy loan	Using the Ministry of the Environment interest subsidy for capital investment having CO <sub>2</sub> reduction effect	Bank of Yokohama
	SDGs Eco-Loan (with interest subsidy)	Using the Ministry of the Environment interest subsidy for capital investment having CO <sub>2</sub> reduction effect	Higashi Nippon Bank

## Business Strategy for Value Creation

### 3. Risk management

With regard to climate change risk (transition risk and physical risk), we first recognize physical risk as the top risk (occurrence of a natural catastrophe), taking into account the degree of impact and probability of occurrence, and are working to build a system for managing it within the framework of comprehensive risk management. (See Page 68.)

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.

We have established a policy (sector policy) for investments and loans where the use of funds is likely to have a negative impact on the environment and society, and are working to reduce or avoid environmental and social impacts. Since FY2020 when the sector policy was established, we have not made any new investments or loans that fall under the sector policy.

#### Our Sector Policy

Sector	Policy on Initiatives	FY2020 Monitoring Details
1. Coal-fired power generation business	We will not, in principle, engage in new investments 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.	There are no new investments or loans for coal-fired power generation. The balance of existing investments and loans is scheduled to be reduced to zero in FY2037.
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.	There are no investments or loans to businesses related to the manufacture of cluster bombs.
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.	There are no investments or loans for palm oil plantation development projects.
4. Forest harvesting 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.	There are no investments or loans for large-scale forest harvesting projects.

(\*1) Roundtable on Sustainable Palm Oil (RSPO): An organization that develops globally trusted certification standards to promote sustainable palm oil production and use.

(\*2) Forest Stewardship Council (FSC): 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) Programme for the Endorsement of Forest Certification (PEFC): An international umbrella organization that promotes examination of forest certification on systems that have been individually developed in each country based on the intergovernmental "Process for Sustainable Forest Management", which covers 95% of the world's forests, and that promotes mutual recognition of these systems.

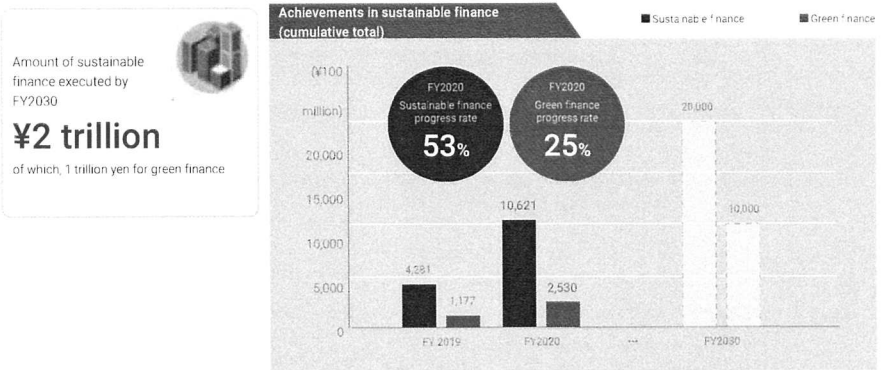
Measures against global warming and climate change

4. Indicators and Targets

We have set long-term goals related to global warming and climate change, including sustainable and green finance and CO<sub>2</sub> emission reduction targets.

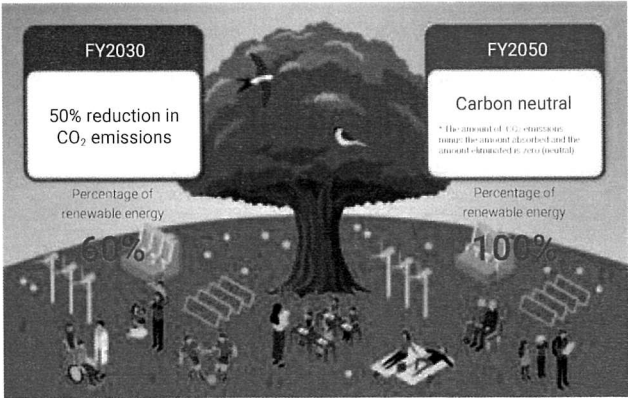
Sustainable Finance and Green Finance

We have set a target of 2 trillion yen in sustainable finance by FY2030, including 1 trillion yen in green finance. The actual results by FY2020 are 1.0 trillion yen in sustainable finance, of which 0.2 trillion yen is green finance.



Reduction in CO<sub>2</sub> emissions

In May 2021, we set a target to become carbon neutral by FY2050, and to reduce CO<sub>2</sub> emissions by 50% from FY2013 levels by FY2030. We are also promoting the use of renewable energy sources for our own electrical power, aiming for 60% renewable energy by FY2030 and 100% renewable energy by FY2050.

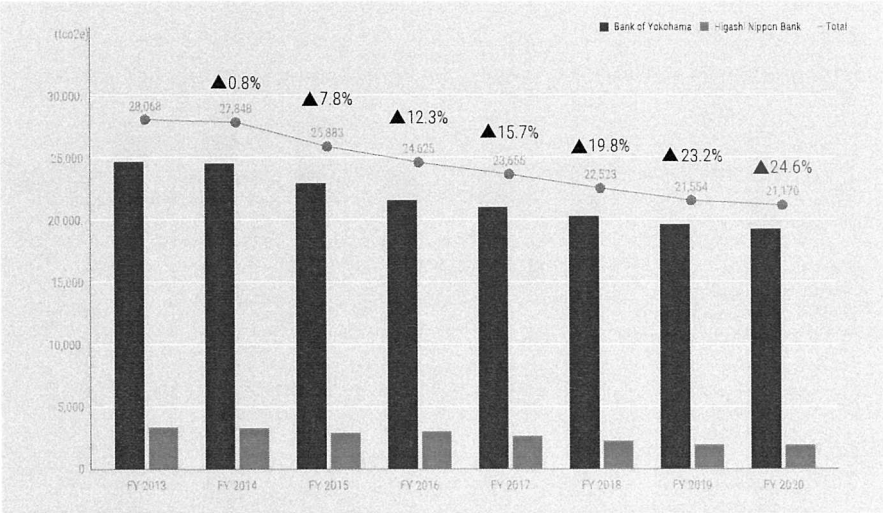


Business Strategy for Value Creation

Conversion of Bank of Yokohama Head Office Building Electricity to Renewable Energy

As a concrete measure to reduce CO<sub>2</sub> emissions through the use of renewable energy, in April 2021 we introduced Aqua de Power Kanagawa, which uses renewable energy generated at the Kanagawa Prefectural Hydroelectric Power Plant, and switched to renewable energy for the electricity used at the Bank of Yokohama Head Office Building. The introduction of this system will reduce annual CO<sub>2</sub> emissions by 2,451 tons (equivalent to approximately 170,000 cedar trees).

Achievements in Reducing CO<sub>2</sub> Emissions



(Reference) Main environment-related data (total of two banks)

Item	Unit	FY 2018	FY 2019	FY 2020
Greenhouse gas (GHG) Scope 1 (direct emissions) (*1)	tCO2e	958	973	901
Greenhouse gases (GHG) Scope 2 (indirect emissions)	tCO2e	21,564	20,581	20,268
Greenhouse Gas (GHG) Scope 3 (Business Travel)	tCO2e	807	781	819
Greenhouse Gas (GHG) Scope 3 (Commuting)	tCO2e	1,610	1,562	1,466
Greenhouse Gas (GHG) Scope 3 (Leased Assets Upstream)	tCO2e	825	742	590
Total greenhouse gas (GHG) emissions (Scopes 1, 2)	tCO2e	22,523	21,554	21,170
Total greenhouse gas (GHG) emissions (Scopes 1, 2, 3)	tCO2e	25,766	24,641	24,047
Total Amount of energy used - Converted to petroleum	KL	12,277	12,264	12,035
Total amount of energy used	GJ	475,859	475,332	466,430
Amount of electricity used	1000KWh	42,705	42,651	41,772

(\*1) Since FY2020, Higashi-Nippon Bank calculates gas usage figures for all branches (calculated by dividing the gas cost for all branches by the average unit price of gas nationwide). This has led to an increase in the numbers for FY2019 and later years.

## Workplace Reform and Promotion of Diversity

Concordia Financial Group is striving to transform itself into a highly productive organization where diverse human resources can maximize their capabilities, and to foster an organizational culture that encourages employees to take on new challenges and grow.

## Business Strategy for Value Creation

Based on the belief that improving the job satisfaction and engagement of each and every employee is essential for us to become a strong organization that can achieve sustainable growth, we are promoting initiatives to develop human resources, including personnel systems and human resource development that encourage employees to take on new challenges and grow, to create an organization in which human rights are respected and diverse human resources can play an active role, and to create a workplace in which employees can work with peace of mind.



## Personnel development

### Personnel system

#### Promotion of Active Participation Across All Generations

In order to enhance the job satisfaction of each and every employee and achieve sustainable growth for the Group, the Bank of Yokohama and Higashi-Nippon Bank are implementing the "Hamagin Full Participation Project" and the "Higashi-Nippon Bank Full Participation Project", respectively, to foster a sense of unity across all generations within the Group and promote fair and proper treatment regardless of seniority or 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.

#### New personnel system

In January 2021, we reviewed our personnel system with the aim of creating a system that encourages each employee to take on challenges and boost their growth, reviewing the system so that motivated employees can play an active role regardless of their generation, and encouraging diverse human resources to play an even more active role through initiatives aimed at realizing diverse career paths. We will raise each individual's motivation to take on challenges and grow and encourage the activities of diverse human resources by varying the treatment to a greater extent than before in accordance with the weight of work responsibilities, such as the difficulty and scope of responsibilities and roles, and the contribution to business results.

### Training and development

#### Effective Human Resource Development and Staff Deployment

The Bank of Yokohama introduced a talent management system in January 2021 in order to develop human resource strategies linked to management and sales strategies and to implement strategic human resource management. By using this system, we will unify the management of information regarding each employee's skills, knowledge, aptitude, and career design, which has tended to be fragmented in the past, in order to develop and allocate human resources more effectively.

#### Developing human resources to strengthen problem-solving skills

In order to support employees' courage and motivation to take on new roles, we provide career change training for employees who wish to change their careers, such as from over-the-counter services to retail sales. In FY2020, 36 new trainees changed careers after this training and were placed in new workplaces, expanding their fields of activity. In addition, we provide a variety of skill improvement training programs to strengthen our problem-solving capabilities for the advancement of solution sales. There is a system of switching courses between general staff and customer service staff, in order to meet the career vision of each individual.

## Business Strategy for Value Creation

### Next Generation Leader Development

In order to develop human resources for management positions and top management prospects, we conduct training with external experts and implement next generation leader development programs on themes such as organizational management, leadership, and strategic planning skills.

### Training by job classification

The Bank of Yokohama provides career design training as well as a variety of other training programs based on job function and rank in order to give employees the opportunity to think about their future career development. In March 2021, we opened the Hamagin Learning Center, a training facility for bank employees, in the same building as the Kawasaki Branch of the Bank of Yokohama. In addition to the installation of web conferencing systems in all training rooms, the cafeteria and lodging spaces are used to enhance the effectiveness of training by deepening interaction among bank employees. We are also working to raise the level of human resources throughout the Group through joint use with Higashi-Nippon Bank. Higashi-Nippon Bank conducts training by course and rank to strengthen sales skills and management capabilities, and is also enhancing customer protection and compliance training.



Hamagin Learning Center

### Career Consultation Desk

We have established a Career Consultation Desk to promote and support the autonomous career development of our employees. We provide consultation on career development and career paths for employees.

## Opportunities in specialized areas

### Professional Human Resources System

The Bank of Yokohama has been operating a Professional Human Resources System with a high level of expertise since FY2019. 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 also actively recruiting mid-career professionals from outside the company. In FY2020, we hired 13 people with a high level of expertise in the digital and ICT fields.

#### 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 on their own initiative and through continuous self-improvement, who serve as a role model for employees, and who work to guide and train their successors

#### Mid-career specialist staff recruiting results



#### Main hiring fields

	FY2019	FY2020
Digitalization	1 person	4 persons
ICT	2 persons	3 persons
International & markets	4 persons	-
Investment banking	3 persons	-
Corporate and M&A	-	2 persons
Audit and risk management	2 persons	1 person

### Strengthening recruitment of newly graduated specialists

The Bank of Yokohama has newly established the Digital ICT Course and the Data Science Course, which will enable employees to start their careers in the Digital Strategy Division and the ICT Promotion Division of the Head Office, rather than being limited to assignments at branches, so that they can make the most of their expertise in digital and IT technologies from FY2021 (joining the Bank in FY2022).

### Open recruitment system (dispatch to domestic and foreign companies, overseas MBA acquisition)

In order to motivate employees to develop themselves and provide them with opportunities for proactive career development, we have established an open recruitment system that allows applications from employees of all career stages, from young employees to managers. There are two types of open recruitment: Head Office Trainee and External Dispatch. Head Office Trainee is mainly for departments such as the Market Sales Department, Loan Department, Digital Strategy Department, and Sales Strategy Department. "External Dispatch" destinations include Group companies, financial institutions, government organizations, central government organizations, etc. We also provide support for staff to study abroad to obtain an MBA.

### TOPIC Employee Idea Contest

As part of the Bank of Yokohama's 100th anniversary celebrations, the Bank of Yokohama held the "Hamagin Idea Contest 2020" in order to solicit ideas from employees on new business themes for the next 100 years that transcend the boundaries of banking and to help employees hone their planning and proposal skills and improve their individual skills.

This contest received applications from 115 employees, and four teams made presentations in front of the executives at the final selection round held in March 2021.



Presentation at the Final Selection Round

## Workplace Reform and Promotion of Diversity

### Diversity & Inclusion - An organization where diverse human resources can thrive

Concordia Financial Group has established the Group Human Rights Policy and is promoting initiatives to respect the fundamental human rights of customers, employees, and all other stakeholders.

#### Group Human Rights Policy

We at 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.

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. Elimination of discrimination  
We will not discriminate or violate human rights in any of our corporate activities on the basis of race, ethnicity, religion, nationality, origin, social status, beliefs, age, disability, physical characteristics, gender, sexual orientation, gender identity, or any other such basis.
3. Fostering a 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 comfortable 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. Implementation of fair recruitment  
We hire employees through a rigorous and fair selection process based solely on their ability and aptitude.
6. Implementation of human rights awareness training  
We engage in a wide range of human rights awareness-raising activities, including anti-discrimination activities, 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.  
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.

In addition, as an initiative based on the Group Human Rights Policy, we conduct educational training for employees on unconscious bias.

### Supporting Diverse Human Resources in Their Work

#### Support for Women in the Workplace

In order to further promote the activities of women employees and to support their career development and continued employment, we are increasing opportunities for employees with time constraints and creating an environment that allows them to work flexibly.

	FY2019	FY2020
Percentage of female employees	44.4%	44.6%
Percentage of new female employees	43.1%	44.0%
Proportion of women executives	31.4%	32.6%
Percentage of women administrators	11.3%	12.6%



Obtained the highest "Eruboshi" rank for companies superior at empowering women in the workplace (Bank of Yokohama)

▶ (Reference Material a) P38 ESG-related data

#### Hamagin Business Challenged

To support the self-reliance of people with disabilities and contribute to the development of local communities through the realization of an inclusive society, in 2019 we launched Hamagin Business Challenged, a subsidiary of the Bank of Yokohama, to employ people with disabilities. In April 2020, the Company was certified as a special subsidiary under the Act on Employment Promotion, etc. of Persons with Disabilities, and in May 2021 it was certified as a special affiliate of a special subsidiary under the same act. (Hamagin Research Institute, Ltd., Hamagin Finance Corporation, and Hamagin TT Securities Co. were added to the scope of special subsidiaries.)

	FY 2019	FY2020
Number of employees	4 persons	15 persons
Proportion of employees with disabilities	2.27%	2.35%

#### Promoting understanding of sexual minorities (LGBTQ)

In order to promote understanding of sexual minorities (LGBTQ), we have conducted e-learning training and study sessions for head office officers.

## Business Strategy for Value Creation

### A safe, secure place to work

We are working to expand our systems so that employees can work flexibly and efficiently according to their lifestyles and life stages.

#### Efficient Work Styles

##### Use of flextime and staggered work hours

In order to realize a flexible and efficient work style, we have introduced a flextime system and a staggered workday system that allows employees to choose their own starting and ending times according to their own lives and work situations, without being constrained by the concept of "regular hours." From 2020, we have abolished core hours in the flextime system in order to encourage more diverse work styles.

##### Introduction of a Work Shift Interval System

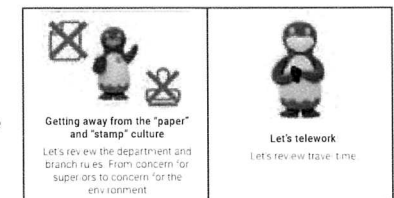
We provide an 11-hour rest period (work hour interval) between the end of one workday and the start of the next workday to help employees refresh their minds and bodies, maintain their health, and achieve a good work-life balance.

##### Telework System and Satellite Offices

We have introduced a telework system for all employees, and are accelerating the digitization and streamlining of work styles by improving and expanding our infrastructure to allow employees to work flexibly in line with their lifestyles, regardless of time or location.

The Bank of Yokohama formulated the "Hamagin Style" as an initiative to improve productivity and as a countermeasure against infectious diseases, and added mobile work to the existing telework system (telecommuting and satellite office work). In December 2020 we established "Hamasate" satellite offices at four locations in the prefecture.

#### Hamagin Style ~ Be a SMART banker



### A safe, secure place to work

#### Workplace vaccination for novel coronavirus and introduction of vaccine leave

In order to ensure the health of our employees and provide our customers with peace of mind when using the bank, we have been providing vaccinations for those who wish to receive them since June 2021. In addition, we introduced vaccine leave that can be taken when employees are vaccinated against the novel coronavirus or when they accompany family members being vaccinated.

#### Support for balancing work with childcare and nursing care

We have established systems (childcare leave, nursing care leave, etc.) that allow all employees, regardless of gender, to participate in childcare and nursing care and to balance work and family life. In 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.

The Bank of Yokohama	FY2019	FY2020
Percentage of male childcare leave takers	90.3%	84.8%
Percentage of female childcare leave takers	101.4%	98.5%
Proportion of employees taking childcare leave (male and female)	96.7%	92.7%



Obtained "Platinum Kurumin" certification as a company that provides a high level of support for employee child rearing (Bank of Yokohama)

#### Health management

The Yokohama Bank 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 our head office, individual interviews with industrial physicians for those working long hours, and complete prohibition of smoking in offices. We have been recognized as an "Excellent Health Management Company - White 500" in the category of large scale corporations in accordance with the "Superior Corporate Health Management Accreditation System" established by the Ministry of Economy, Trade and Industry (METI) and the Japan Health Conference (Nippon Kenko Kaigi).



#### Asset formation support

In order to support systematic asset building by employees and foster in them a sense of participation in management, we have introduced an employee stock ownership system and provide incentives based on the amount accumulated. In October 2020, as part of the Bank of Yokohama's 100th anniversary celebrations, we increased the amount of incentive grants for the Employee Stock Ownership Plan and raised the maximum amount of contributions eligible for incentive grants.



## Corporate Governance

## Basic Concepts

The Company has a Corporate Governance Basic Policy that establishes policies and frameworks for achieving effective corporate governance with the aim of promoting sustainable growth of the Group and improving corporate value over the medium to long term. We constantly review our philosophy of corporate governance and work to improve it.

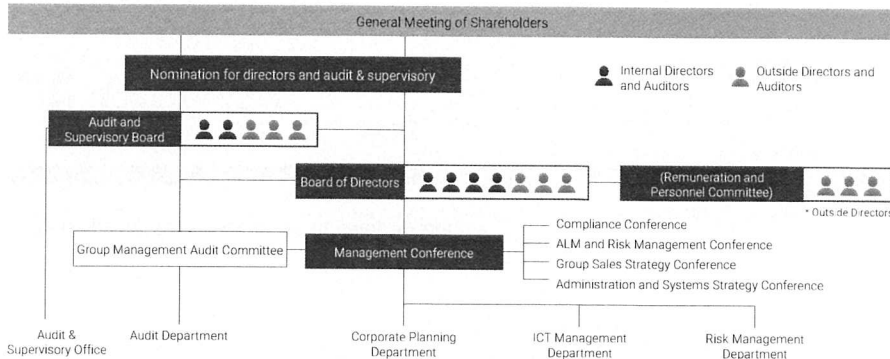
Furthermore, based on our Management Philosophy, we are implementing management that contributes to the value creation of various stakeholders such as shareholders, customers, employees, and local communities, ensuring the fairness, transparency, and speed of decision-making, and building a corporate governance system appropriate for a regional financial group.

## \* Corporate Governance Basic Policy

Refer to our website: [https://www.concordia-fg.jp/common/pdf/cq\\_kihon.pdf](https://www.concordia-fg.jp/common/pdf/cq_kihon.pdf)

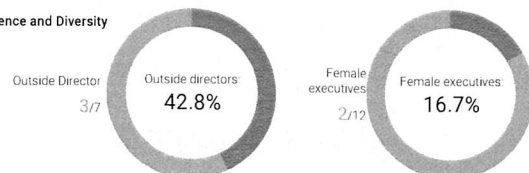
## Basic Concepts

The Company has an Audit and Supervisory Board, with the Board of Directors, auditors, and Audit and Supervisory Board responsible for management supervision. Auditors, including independent outside auditors, audit the legality and appropriateness of the directors' execution of their duties by attending meetings of the Board of Directors and reviewing important documents, thereby fulfilling their management auditing function. In addition, independent outside directors supervise management from an independent standpoint and provide opinions and proposals to ensure the appropriateness of decision-making. The Company has adopted the current corporate governance system because it believes that these systems sufficiently fulfill the auditing and supervisory functions.



### Composition of the Board of Directors and the Audit and Supervisory Board

In order to ensure that the Board of Directors functions most effectively and efficiently, and from the perspective of revitalizing the Board of Directors, the Articles of Incorporation stipulate that the number of directors be limited to 10. The Board of Directors is composed of a diverse range of directors with different backgrounds in expertise and experience etc. to ensure that the Board of Directors as a whole has a well-balanced mix of knowledge, experience, and ability, combining internal directors familiar with the Group's operations with multiple external directors having a wealth of experience and knowledge outside the Company. As of June 22, 2021, of the seven directors (six men and one woman), three are independent outside directors. To ensure the effectiveness of audits, the Articles of Incorporation stipulate a maximum of five auditors, with at least half that number being outside auditors. As of June 22, 2021, of the five auditors (four men and one woman), three are independent outside auditors.



## Efforts to Improve Governance

FY2016	<ul style="list-style-type: none"> <li>Established the Compensation Committee (currently the Compensation and Personnel Committee) as an internal committee of the Board of Directors.</li> <li>Began evaluating the effectiveness of the Board of Directors.</li> </ul>	FY2018	<ul style="list-style-type: none"> <li>Began evaluation of the effectiveness of the Board of Directors using an external evaluation organization.</li> <li>Appointed female outside directors.</li> </ul>
FY2017	Established the Basic Corporate Governance Policy	FY2020	The President of the Bank of Yokohama serves concurrently as the President of the Company. The Bank of Yokohama has adopted improved governance across the group.

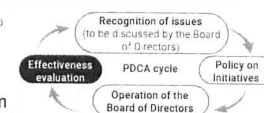
## Board of Directors

The Board of Directors defines the scope of matters to be resolved by the Board of Directors in accordance with the rules of the Board of Directors, clarifies the scope of delegation to the Management Conference and management group, makes important decisions on policy associated with risk compliance, as well as providing management oversight for more effective management. In addition, themes that focus on important management policies are selected as annual themes for discussion.

Points Discussed at the Board of Directors Meeting (FY2020)			
<b>Management plan</b> <ul style="list-style-type: none"> <li>Group management policy etc.</li> <li>Group capital plan</li> <li>Overall Group budget</li> <li>Group personnel plan and recruitment plan</li> </ul>	<b>FY2020</b>	April: Current status and future direction of Strategic Investment and Financing Utilization May: Progress of the Chiba-Yokohama Partnership July: Status of efforts to support improvement of management August: Publication of the 2020 Integrated Report September: Status of branch operation reforms and center reforms October: Achievements and the future of business process digitalization initiatives November: Sustainability initiatives/marketing management initiatives December: Personnel strategy issues and future initiatives	
<b>Items related to corporate governance</b> <ul style="list-style-type: none"> <li>Risk appetite statement</li> <li>Evaluation of effectiveness of Board of Directors meetings</li> </ul>		December: Follow-up to the Medium-Term Management Plan/Regional Development and SDGs January: Status of cybersecurity measures/status of internal control business initiatives February: Enhancement of sales	
<b>Risk and compliance matters</b> <ul style="list-style-type: none"> <li>Internal audits and compliance programs</li> <li>Risk management policy</li> <li>Response to COVID-19</li> </ul>	<b>FY2021</b>		

### Evaluation of effectiveness of Board of Directors

The Company evaluates the effectiveness of the Board of Directors meetings as a whole annually, and works to improve the functioning of the Board of Directors meetings by considering and implementing improvements to address identified issues.



## Summary of the Results of the FY2020 Board of Directors Effectiveness Evaluation

Based on the results of the FY2019 effectiveness evaluation, the Board of Directors operated with an awareness of strengthening supervision and monitoring of the status of responses to important management issues, confirmed the progress of the medium-term management plan, and deliberated on the recognition of business execution issues by division and initiatives to resolve them. Furthermore, deliberations of the Board of Directors have been revitalized by continuing to enhance the advance briefings on agenda items and provision of information to outside directors as implemented since the previous fiscal year.

We evaluated that the effectiveness of the Board of Directors has progressed steadily through efforts to improve the issues recognized in FY2019.

Recognition of issues and policy for FY2021	
1.	Enhance discussions on medium to long-term strategies with an awareness of sustainable growth and enhancement of corporate value in response to changes in the environment
2.	Enhance the operational framework and improve effectiveness of internal control to strengthen group cooperation

## Evaluation method

As described below, in the FY2020 effectiveness evaluation, we conducted a self-evaluation by utilizing a third party perspective, questionnaires, and interviews, and by discussing issues and future efforts for the effectiveness of Board of Directors meetings.

1. We implemented a third-party questionnaire for each director and auditor on the Board of Directors in order to ensure objectivity and anonymity.
2. In addition to responses to the questionnaire, we conducted individual interviews with each director and auditor in order to gain a more specific understanding.
3. At the regular Board of Directors meeting in May 2021, we will discuss issues related to ensuring the effectiveness of the Board of Directors and future efforts, and conduct a self-evaluation.

**Major Evaluation Items**  
Composition, operation,  
and discussions of Board  
of Directors, support  
system for directors and  
auditors, etc.

## Considerations for the Appointment of Directors and Auditors

### Director

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.

### 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 for appointment
 Outside Director Mitsuaki Akiyoshi	He served as Executive Vice President and CEO of the Consumer Lifestyle Industry Group at the Marubeni Corporation, and currently serves as Representative Director and President of Mizuho Marubeni Leasing Co., Ltd. Thus, he has a wealth of experience and extensive knowledge as a corporate manager. Based on this experience and knowledge, from his position as an independent outside director, he has provided useful opinions and suggestions about the management of the Group from an objective, professional perspective. In light of the above, he has been appointed as an outside director in the expectation that he will continue to provide timely and appropriate opinions and proposals to directors and management from the perspective of promoting the sustainable growth of the Group and increasing corporate value over the medium to long-term.
 Outside Director Yoshinobu Yamada	As an analyst, he has abundant experience and advanced expertise mainly in analysis in the financial field, and also has a wide range of knowledge as a financial expert through having held important positions at a securities company. Based on his knowledge and experience, and as an independent outside director, he has provided useful opinions and suggestions about the management of the Group from an objective, professional perspective. In light of the above, he has been appointed as an outside director in the expectation that he will continue to provide timely and appropriate opinions and proposals to directors and management from the perspective of promoting the sustainable growth of the Group and increasing corporate value over the medium to long-term.
 Outside Director Mamiko Yoda	She has a high level of expertise and a wide range of knowledge, including many years of experience in rating and research operations concerning business companies etc. at Standard & Poor's International LLC, and currently teaches at Sagami Women's University and its graduate school as a specialist in business administration. Based on this experience and knowledge, as an independent outside director, she has provided useful opinions and suggestions about the management of the Group from an objective, professional perspective. In light of the above, she has been appointed as an outside director in the expectation that she will continue to provide timely and appropriate opinions and proposals to directors and management from the perspective of promoting the sustainable growth of the Group and increasing corporate value over the medium to long-term.
 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, Ltd. Accordingly, he possesses substantial experience and broad insight as a bank and corporate executive. He is judged to be capable of forming and expressing audit opinions in a timely and appropriate manner from a neutral and independent position, and we have therefore appointed him as an Outside Auditor.
 Outside Auditor Seichi Fusamura	He has a wealth of experience and a wide range of knowledge as a legal expert, including holding senior positions in the legal profession. He is judged to be capable of forming and expressing audit opinions in a timely and appropriate manner from a neutral and independent position, and we have therefore appointed him as an Outside Auditor.
 Outside Auditor Mayumi Noguchi	She has served as the head of a certified public accountant firm for many years and has experience in auditing at an auditing firm. She has a wealth of experience and a wide range of knowledge as a specialist in finance and accounting, and we have judged that she is capable of forming and expressing audit opinions in a timely and appropriate manner from a neutral and independent standpoint, and have therefore appointed her as an outside auditor.

\* For more details on reasons for appointment of directors and audit & supervisory personnel, refer to the Reference Material for the General Meeting of Shareholders in the Notice of the 4th General Meeting of Shareholders posted on the Company's website (<https://www.concord.co.jp/shareholder/stock/meeting/index.html>).

## Succession Plan

In order to promote sustainable growth and improve corporate value over the medium to long-term, the Group has formulated a succession plan for top management of this company and its major subsidiaries, the Bank of Yokohama, and Higashi Nippon Bank. By implementing training programs according to the abilities, qualities, and experience of candidates, we systematically train personnel to lead future management.

The status of the formulation and operation of the plan is regularly reported to the Compensation and Personnel Committee, which is composed solely of outside directors. In addition to receiving reports, the outside directors strive to improve the effectiveness of the Succession Plan by gaining a multifaceted understanding of the candidates through various meetings, interviews and discussions, and by providing advice and recommendations to the candidates based on their extensive knowledge and experience.

## Support for 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.

### Discussions between outside directors and investors/analysts

At the IR Day held in December 2020, outside directors had an opportunity to meet with investors and analysts in order to have direct contact with and understand the voice of the market.

### Visit to Bank of Yokohama and Higashi-Nippon Bank branches

In September and November 2020, we visited several branches of the Bank of Yokohama and Higashi-Nippon Bank in order to deepen our understanding of the operations and business sites of our subsidiary banks. At sales branches, we observed business operations and held interviews and discussions with regional head office and branch managers.

FY2020 Results	Contents
Advance briefings on Board of Directors meetings	Advance briefings on the meeting agenda
Inspection of group company sales branches	Visits to sales branches and meetings with branch managers of the Bank of Yokohama and Higashi-Nippon Bank
Meetings to exchange ideas with auditing firm	Exchange of opinions with financial auditors
Exchange of opinions with Audit Department	Briefings and reports from the Audit Department
Exchange of opinions with auditors	Exchange of opinions with auditors
Exchange of opinions with internal directors	Exchange of opinions with internal directors
Study Groups	Study sessions by external experts



## Audit and 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.

## Corporate Governance

### Remuneration and Personnel Committee

In order to promote sustainable growth and improve corporate value over the medium to long-term, the Group has formulated a succession plan for top management of this company and its major subsidiaries, the Bank of Yokohama, and Higashi-Nippon Bank. By implementing training programs according to the abilities, qualities, and experience of candidates, we systematically train personnel to lead future management.

#### Major Deliberations and Reports for FY 2020

##### Matters related to personnel

- Group executive personnel
- Succession plan

##### Matters related to remuneration

- Verification of the Executive Compensation Table based on executive compensation data by an external research organization
- Group and subsidiary bank Executive Compensation Table
- Policy on determining details of remuneration for individual directors
- Policy on and evaluation etc. of short-term performance-linked remuneration

#### Members of Remuneration and Personnel Committee

Name	Job title	Number of meetings attended/ held in FY2020 (excluding written discussions)
Chairman: Mitsuru Akayoshi	Outside Director	10 meetings/10 meetings
Committee Member: Yoshinobu Yamada	Outside Director	8 meetings/8 meetings (since appointment as a director)
Committee Member: Mami Yoda	Outside Director	8 meetings/8 meetings (since appointment as a director)

### Executive Compensation System

#### 1. Directors

The Company has adopted by resolution of the Board of Directors a policy (the Policy) concerning decisions on the details of individual remuneration etc. for directors. The outline of the document is as follows. The decision on this policy was made after deliberation by the Remuneration and Personnel Committee, which is comprised solely of outside directors.

##### (1) Basic Policy

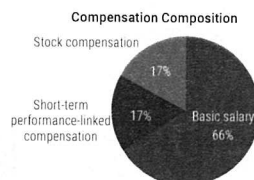
- The remuneration system for directors functions as an appropriate incentive to promote the sustainable growth of the Group and increase its corporate value over the medium to long-term.
- The remuneration system should contribute to the enhancement of corporate value and shareholder value, not only in the short term but also in the medium and long-term, while restraining excessive risk-taking.
- Remuneration composition, remuneration composition proportions, and remuneration levels are determined through periodic comparisons and verification based on data on executive remuneration from external research organizations and objective survey data, using as benchmarks a group of companies with similar performance and business conditions to those of the Company.

##### (2) Remuneration composition and details

Directors (excluding outside directors)

##### A. Remuneration composition

- The system consists of 'basic remuneration', 'short-term performance-linked remuneration' and 'stock-based remuneration'.
- The amount of basic remuneration, short-term performance-linked remuneration and stock-based remuneration is determined by position. The composition of each remuneration is 66% for basic remuneration, 17% for short-term performance-linked remuneration and 17% for stock-based remuneration (if short-term performance-linked remuneration and stock-based remuneration are paid in standard amounts).



##### B. Details of each remuneration etc.

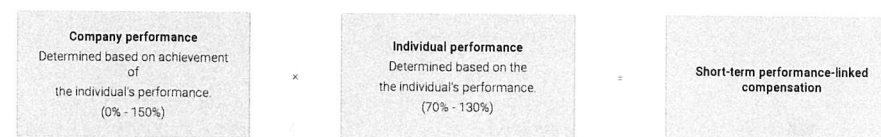
###### (a) Basic remuneration

- Basic remuneration is paid monthly based on role and responsibilities.

###### (b) Short-term performance-linked compensation

- Short-term performance-linked remuneration is an annual payment based on the Company's performance for the fiscal year and the individual's evaluation based on business results.
- The benchmarks for evaluating the Company's performance are the combined net business profit of the Bank of Yokohama, Ltd., and Higashi-Nippon Bank, Ltd., which indicates the profitability of the Company's core business, and net income attributable to shareholders of the parent company, which is the final management performance. The standard amount for each role varies between 0% and 150% where the standard amount for each role is 100.
- Individual business results mean the degree of achievement of the goals set at the beginning of the term. (About five items are set for each individual based on the department in charge, such as achievement of budget of department in charge, development status of each measure, establishment of risk management system, etc.) If the standard amount for each position is set at 100, the amount of payment will fluctuate between 70% and 130% depending on the result of the individual's evaluation. Note that the final evaluation of the Company's performance and the performance of officers based on their work performance is subject to deliberation by the Compensation and Personnel Committee.

## Management Base Supporting Value Creation



##### (c) Stock-based compensation

- Stock-based remuneration is the granting and payment (hereinafter 'the granting etc.') of Company shares and an amount equivalent to the conversion and disposal of the Company's shares (hereinafter referred to as 'the Company's shares etc.') using a trust. Two types of trusts (Trust I and Trust II) have been established as follows.

##### 1) Trust I

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

##### 2) Trust II

- Company shares etc. will be granted 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 between 75% and 200% depending on the degree of achievement) reflecting the level of attainment of the Medium-Term Management Plan performance targets.
- The indicators for evaluating the degree of achievement of the performance targets of the Medium-Term Management Plan are the following four items, being the target indicators in the current Medium-Term Management Plan (FY2019 - 2021), in order to increase incentives for achieving the targets of the Plan. The final performance-linked coefficient is determined after deliberation by the Compensation and Personnel Committee, taking into account non-financial indicators and qualitative matters.

##### Target indicators

- Gross business profit RORA (consolidated)
- OHR (consolidated)
- ROE (consolidated)
- Common equity Tier 1 ratio (consolidated)

Compensation composition	Compensation type	Payment method		Payment criteria
66%	Basic salary	Paid monthly		Payable according to the position
17%	Short-term performance-linked remuneration	Paid annually		The standard amount for each position is paid in an amount that reflects the company's performance for the fiscal year and an evaluation based on the individual director's business performance
17%	Stock compensation	<Trust I>	Upon retirement as an officer Company shares etc. granted etc.	Paid according to the standard amount for each position
		Trust II	At the end of the Medium-Term Management Plan Company shares etc. granted etc.	Payable in an amount that reflects the performance-linked coefficient in accordance with the degree of attainment of the Medium-Term Management Plan performance targets in addition to the standard amount for each position.

##### Outside Directors

##### A. Remuneration composition

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

##### B. Details of each remuneration etc.

- Basic remuneration is paid monthly based on role and responsibilities.

#### 2. Auditors

The details of remuneration etc. for auditors are determined through discussions with the auditors.

##### A. Remuneration composition

- For the sake of ensuring the neutrality and independence of auditing and supervision, remuneration is not linked to performance, but is only the basic remuneration.

##### B. Details of each remuneration etc.

- Basic remuneration is paid monthly based on role and responsibilities.

▶ Reference, P123 - Disclosure items regarding remuneration etc.

## Board of Directors

### Director



Year appointed: 1988  
Short CV: Joined the Bank of Yokohama, Ltd.  
2011 Executive Officer and General Manager of Corporate Planning Department of the above  
2012 Director, Executive Officer, and General Manager of Corporate Planning Department of the above  
2014 Director and Managing Executive Officer of the above  
2015 Representative Director and Managing Executive Officer of the above  
2016 Representative Director of the company  
2018 Representative Director and President of the Bank of Yokohama, Ltd. [Current post](#)  
2020 President and Representative Director of the Company [Current post](#)

**Yasuyoshi Oya** President and Representative Director (and Representative Director and President of Yokohama)



Year appointed: 1993  
Short CV: Joined the Bank of Yokohama, Ltd.  
2012 Executive Officer and General Manager of Loans Department of the above  
2014 Executive Officer and General Manager of Human Resources Department of the above  
2016 Director and Executive Officer of the above  
2017 Director and Managing Executive Officer of the above  
2018 Representative Director and Managing Executive Officer of the above  
2019 Managing Executive Officer of the Company Higashi-Nippon Bank, Ltd.  
2020 Representative Director and President, Director of the Company [Current post](#)

**Yoshiyuki Oishi** Director (and Representative Director and President of Higashi-Nippon Bank)



Year appointed: 2005  
Short CV: Managing Director, Standard & Poor's International, LLC  
2017 Associate Professor, Department of English Language and Culture Communication, Faculty of Arts and Sciences, Sagami Women's University [Current post](#)  
2020 Associate Professor, Graduate School of Social Entrepreneurship, Sagami Women's University [Current post](#)  
Director of the Company [Current post](#)

**Mami Yoda** Director [Current post](#)



Year appointed: 1988  
Short CV: Joined the Bank of Yokohama, Ltd.  
2016 Executive Officer and General Manager of Risk Management Department of the above  
2017 Executive Officer and Deputy General Manager of Sales Head Office of the above  
2018 Executive Officer and General Manager of Risk Management Department of the Company  
2019 Managing Auditor of the above [Current post](#)

**Kazuhiro Maehara** Managing Auditor



Year appointed: 1988  
Short CV: Joined the Bank of Yokohama, Ltd.  
2015 Executive Officer and General Manager of Corporate Planning Department of the above  
2017 Executive Officer and General Manager of Corporate Planning Department of the above  
2018 Director and Executive Officer of the above  
2019 Managing Executive Officer of the Company  
2020 Director and Managing Executive Officer of the Bank of Yokohama, Ltd. [Current post](#)  
Executive Officer of the above [Current post](#)  
Director of the company [Current post](#)

**Tadashi Komine** Director (and Representative Director and Managing Executive Officer of the Bank of Yokohama)



Year appointed: 1988  
Short CV: Joined the Bank of Yokohama, Ltd.  
2016 Executive Officer, General Manager of Yokosuka Branch and General Manager of Yokosuka Block Sales Head Office of the above  
2018 Executive Officer and Deputy General Manager of Sales Head Office of the above  
2019 Director, Executive Officer and General Manager of Sales Division of the above  
2020 Director of the company [Current post](#)  
2021 Director and Managing Executive Officer, the Bank of Yokohama, Ltd. [Current post](#)

**Yoshiaki Suzuki** Director (and Director and Managing Executive Officer of the Bank of Yokohama)



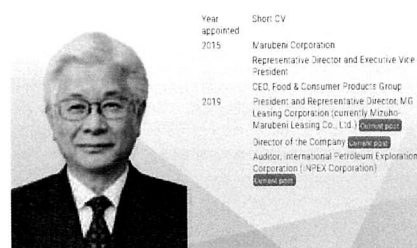
Year appointed: 1985  
Short CV: Joined the Bank of Yokohama, Ltd.  
2013 Executive Officer and General Manager of Corporate Planning Department of the above  
2015 Executive Officer, General Manager of Sagami Branch and General Manager of Block Sales Head Office for the above  
2017 Executive Officer and General Manager of Loans Department of the above  
2018 Managing Auditor of the above [Current post](#)  
Auditor, Saitama Co. [Current post](#)  
Auditor of the Company [Current post](#)

**Mitsuhiro Hara** Auditor (and Managing Auditor, the Bank of Yokohama)



Year appointed: 2001  
Short CV: General Manager, International Business Department, the Bank of Tokyo-Mitsubishi, Ltd.  
2003 Representative Director, Executive Vice President and Chief Financial Officer, Mitsubishi Motors Corporation  
2010 Representative Director, Chairman and President, Metropolitan Expressway Company, Limited  
2015 Auditor, Higashi-Nippon Bank, Ltd.  
2016 Auditor of the Company [Current post](#)  
2020 Director, KANCL Corporation [Current post](#)  
2021 President of "Art Life Village" (public incorporated association) [Current post](#)  
Director, Kashi Road Co. [Current post](#)

**Keiichi Hashimoto** Audit & Supervisory [Current post](#)



Year appointed: 2015  
Short CV: Marubeni Corporation  
Representative Director and Executive Vice President  
CEO, Food & Consumer Products Group  
President and Representative Director, M/G Leasing Corporation (currently Mizuhō Marubeni Leasing Co., Ltd.) [Current post](#)  
Director of the Company [Current post](#)  
Auditor, International Petroleum Exploration Corporation (IPEC Corporation) [Current post](#)

**Mitsuru Akiyoshi** Director [Current post](#)



Year appointed: 1995  
Short CV: Managing Director, Merrill Lynch Japan Securities Co.  
2008 Representative Partner, Citicor Advisors  
2009 Managing Director, Deutsche Securities Inc.  
2016 Senior Advisor, PwC Advisory LLC  
2020 Director of the Company [Current post](#)

**Yoshinobu Yamada** Director [Current post](#)



Year appointed: 2009  
Short CV: Sendai High Court, Chief Justice  
Wagaya High Court, Chief Justice  
2011 Registered lawyer  
Auditor of Nippon Paper Industries Co.  
2013 Chairman of Public Safety Examination Committee  
2016 Auditor, the Bank of Yokohama, Ltd.  
2020 Auditor of the Company [Current post](#)  
Director, Nippon Kayaku Co. [Current post](#)

**Seiichi Fusamura** Audit & Supervisory [Current post](#)



Year appointed: 1998  
Short CV: Joined Anshu Audit Corporation (currently KPMG A2SA LLC)  
2008 Director, Nogeichi Certified Public Accountant Office [Current post](#)  
2015 Auditor, National Archives of Japan  
Independent Administrative Institution  
2018 Director, Federal Consulate of Japan, Ltd. [Current post](#)  
2021 Auditor of the Company [Current post](#)

**Mayumi Noguchi** Audit & Supervisory [Current post](#)

### Executive Officer

Keigo Makino (concurrent positions of Director and Executive Officer of the Bank of Yokohama)  
Yutaka Awano (concurrent positions of Director and Executive Officer of the Bank of Yokohama)  
Yutaro Koshihara (concurrent positions of Director and 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)  
Mitsuyoshi Tanaka (concurrent position Director of Higashi-Nippon Bank)

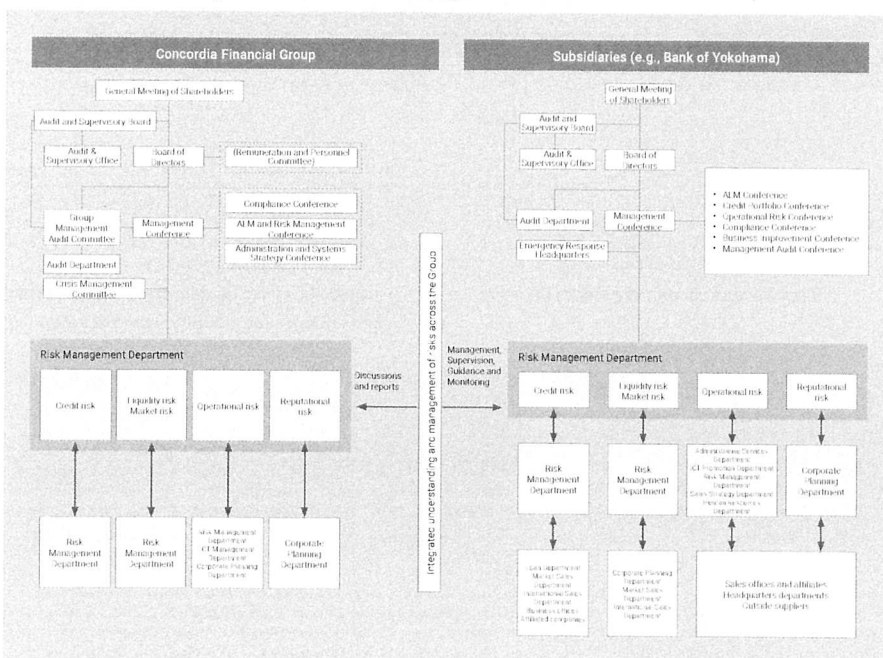


## Basic Concepts

In order to foster and spread a risk culture, the Group conducts risk management based on the following basic policies

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

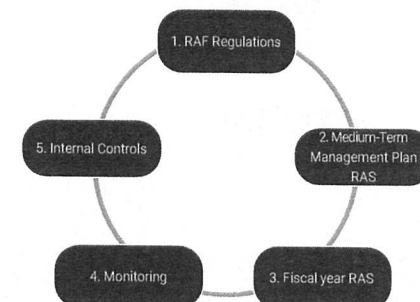
In Concordia Financial Group, the subsidiaries (the Bank of Yokohama and Higashi-Nippon Bank) manage risk by setting up risk management and control departments for each type of risk, while the holding company manages the risks of the Group as a whole in an integrated manner. Specifically, the subsidiaries 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 A.I.M and Risk Management Committee (Management Conference) monitors, discusses, and decides on various types of risks and risks for the entire Group.



## Risk Appetite Framework

## 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 Top Risk Management

- In order to manage 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 KRIs to understand the signs and prepare to respond flexibly in the event that risks do materialize.

### Overview of Risk Appetite Framework (RAF) Management System

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 losses caused by cyberattacks - Natural disasters - Sanctions due to inadequate anti-money laundering measures - Significant deterioration in business conditions and bankruptcies of certain large clients - Spread of the novel coronavirus, 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.

## 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, or spread of infectious diseases 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.

In response to the novel coronavirus, we are working to thoroughly prevent infection by installing alcohol, acrylic panels and other countermeasure equipment in stores and asking customers to maintain social distance. Employees strive to avoid 'dense' workplaces through telework and staggered work schedules, in addition to taking basic infection prevention measures. We have also introduced split operations for key operations at the head office to ensure that we have the personnel necessary to continue operations.

The Group will work to prevent the spread of COVID-19, placing the highest priority on the health and safety of its customers and related parties, and will strive to maintain and continue its financial functions as a financial infrastructure essential to the maintenance of social functions.

## Integrated Risk Management

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

### II. Integrated Risk Management Framework

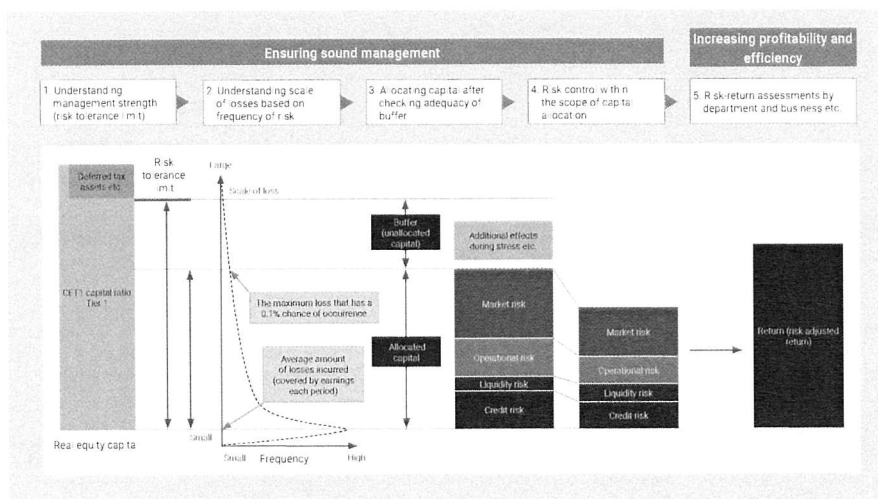
#### Ensuring soundness through capital allocation

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 equity Tier 1 less deferred tax asset equivalents etc.) When allocating capital, we check the sufficiency of the buffer (unallocated capital) to ensure that our real equity capital is not exceeded in times of stress.

#### Ensuring soundness through stress testing

In order to assess the adequacy of the buffer (unallocated capital) and to confirm the appropriateness of risk-taking, the Group conducts stress tests in which stress scenarios are established and the amount of loss and risk in the event of 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

Concordia Financial Group has positioned cyberattacks as one of the top risks in protecting the property of its customers and ensuring the stable operation of the financial system as part of the nation's important infrastructure, and is therefore under management leadership. We continuously monitor and strive to understand the signs, and prepare a response in the event of cyber risks appearing.

### I. Cybersecurity Governance

Concordia Financial Group has established cybersecurity measures based on the Cybersecurity Framework set forth by the US National Institute of Standards and Technology (NIST), which is an international standard guideline, and is formulating strategies, building organizational structures, and promoting initiatives to strengthen security.

In addition to the assessment, we conduct the Threat Led Penetration Test (TLPT), in which white hackers actually penetrate internal systems to assess vulnerabilities, to identify issues, and to strengthen countermeasures.

As an organizational structure, we have established the Cybersecurity Response Group, a specialized cybersecurity organization within the ICT Management Department, which reports to the Board of Directors and the Management Conference on threats and regulatory trends, security measures taken in light of these trends, and the current status, as appropriate, in order to make appropriate management decisions.

In addition, because cybersecurity operations require specialized knowledge and skills, we have hired several experts in mid-career to strengthen security measures for the entire Group.

### II. Incident Response System

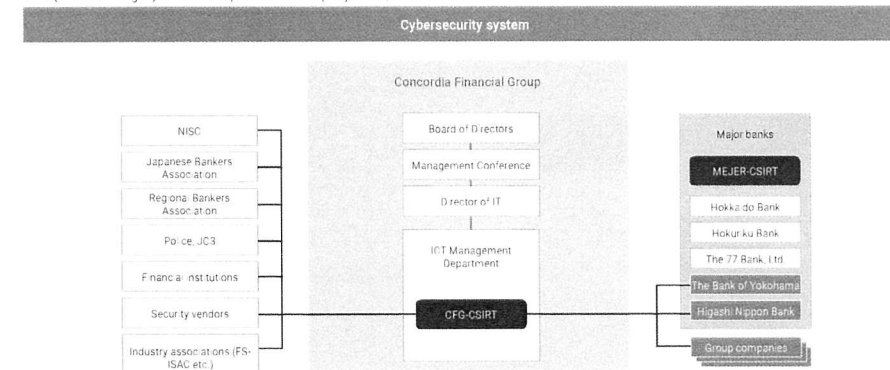
In order to respond to the evolving threat of cyber attacks, we have formed the Concordia Financial Group CSIRT, which consists of CSIRT members from each Group company. In addition to collecting and disseminating threat information on a daily basis, and investigating and responding to attacks when they are detected, we prepare for emergencies by regularly participating in drills organized by the Cabinet Cybersecurity Center (NISC), the Financial Services Agency (FSA), and the Financial ISAC in order to verify cooperation with government agencies, industry organizations, and Group companies.

In addition, we have formed the MFJ-AR CSIRT with regional financial institutions and NTT DATA, which operates the MFJ-AR core system, to regularly exchange information, confirm systems, and conduct joint training.

### III. Education and Training for Group Executives, Employees, and Customers

Concordia Financial Group believes that in addition to technical responses to cyberattacks, it is essential to improve cybersecurity literacy of all Group executives and employees, and conducts training and e-mail drills for all Group executives and employees on a regular basis. We invite external experts to conduct study sessions for management and encourage CSIRT members to participate in external specialized training and acquire specialized qualifications.

In addition, in response to the recent increase in the number of fraudulent remittances through phishing and other means, in order to alert customers when a phishing site is detected, we have posted information on our website about fraudulent remittance methods, examples of suspicious e-mails and SMS (short messages) that have exploited our company name, and information.



## Compliance Initiatives

### Basic Concepts

Concordia Financial Group recognizes compliance as 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>

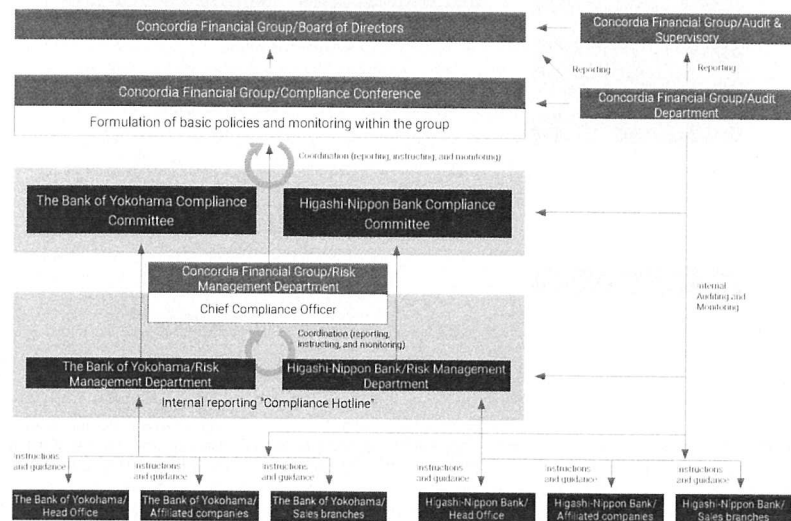
### Compliance System

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. In our FY2020 compliance program, we are focusing on

initiatives such as maintaining a thorough awareness of compliance and a sensible sales attitude, practicing customer-oriented services, managing information rigorously, combating money laundering and the financing of terrorism, and taking appropriate action against antisocial elements and financial crime.

Furthermore, 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.



### Whistleblower system

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. The Company has also established internal and external contact points.

In addition, in FY2020, the Company was registered as a certified whistleblower (Self-Conformity Declaration Registration System) under the jurisdiction of the Consumer Affairs Agency.



## Management Base Supporting Value Creation

### 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.

### Elimination of Anti-Social Elements

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

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

(\*) Basic Policy Against Antisocial Elements: <https://www.concordia-fg.jp/antisocial/index.html>

### Initiatives to Strengthen Customer Protection and Customer Information Management Systems

Concordia Financial Group considers customer protection to be one of the most crucial areas of management. We stand in the customer's perspective and strictly 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 Concordia Financial Group's efforts to protect personal information, we not only have our policy on the handling of personal information available on our website, 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.

### Anti-Bribery and Corruption Initiatives

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.

## Internal audit system

### Role of Internal Auditing

The Audit Department (the Group's internal audit department), verifies and evaluates the effectiveness and appropriateness of internal management systems and internal controls, including compliance and risk management, from a standpoint independent of the executive divisions, with the aim of ensuring the sound and appropriate operation of business and contributing to the achievement of management goals, and makes recommendations for correcting and improving issue points.

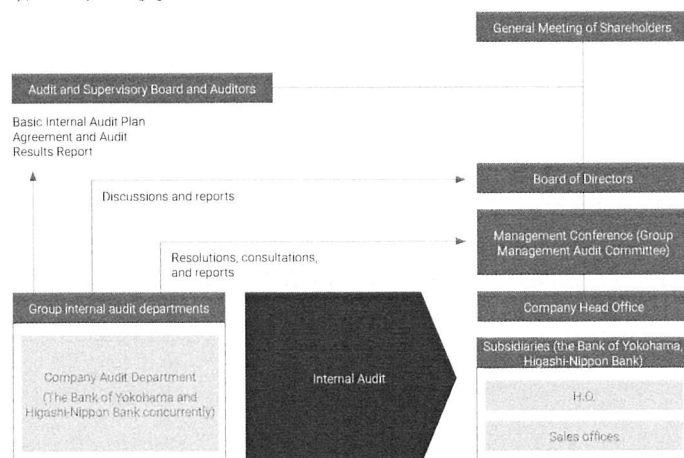
### Group Internal Audit System

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

The members of the Audit Department of the Company are generally assigned concurrently to the Audit Departments of the Bank of Yokohama and Higashi-Nippon Bank. This establishes a system for efficient and effective internal audits on a group-wide basis and conducts consistent internal audits, thus strengthening the internal audit function.

The Company's Audit Department consolidates internal audits of each department and consolidated subsidiary based on the basic internal audit plan formulated each fiscal year, and reports the results of the internal audits and the status of the executive departments' responses to issues to the Group Management Audit Committee, the Board of Directors and the Audit and Supervisory Board.

In addition, in order to conduct more effective internal audits, we collaborate with auditors, accounting auditors, and departments in charge of internal control functions by periodically exchanging information.



### Efforts to Improve Internal Auditing Performance and Efficiency

The Company Auditing Department assesses the risks inherent in the departments and operations to be audited (risk assessment) and determines the scope, frequency, and depth of internal audits accordingly, in order to allocate limited audit resources effectively and efficiently and to conduct risk-based audits.

Furthermore, in order to maintain and improve audit quality, in addition to securing diverse specialized personnel, we work to enhance internal audit resources for the entire group, such as by formulating a training plan for auditing staff and by systematically working on development of personnel.

## Customer-Focused Business Operation

## Management Base Supporting Value Creation

Concordia Financial Group has formulated and announced its Fiduciary Duty Statement as part of its commitment to customer-oriented business operations. The Bank of Yokohama and Higashi-Nippon Bank have adopted a policy based on this declaration, and are working on proposals for customer-oriented asset management.

To view our Fiduciary Duty Statement, visit our website: <https://www.concordia-fg.jp/company/fd/index.html>

### Initiatives for FY2020

We have prepared "Four Promises and Two Approaches", an informational document summarizing our customer-oriented asset management proposals in an easy-to-understand manner, and we actively use it when selling products and following up with customers.

#### The four promises ... For customers considering investment trusts

- Promise 1 - We will propose asset formation and management that is close to the customer.**
- Promise 2 - We will provide the best investment products**
- Promise 3 - We will give customers information and highly satisfactory services.**
- Promise 4 - We will do our work as finance professionals**

#### Two thoughts ... For customers holding investment trusts

- Thought 1 - Invest slowly and carefully from a long-term perspective, rather than trying to guess the market.**
- Thought 2 - When in doubt, take the two "return to basics".**

### Initiatives to Support Customer Asset Formation and Management (the Bank of Yokohama)

By adopting a goal-based approach, we share investment objectives with our clients and provide support for asset formation and management in line with client needs.

#### What is a goal-based approach?

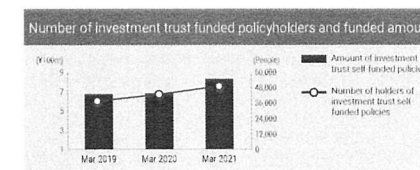
- This is a method of considering asset formation in accordance with the future goals of each individual customer, and is based on the concept of setting an ultimate goal and working backwards from there to determine investment policy.
- Based on various life events such as leisure and other entertainment expenses, wedding funds, education funds, housing funds, and retirement funds, we calculate how much money will be needed in how many years and decide how to approach the goal.
- There is no one-size-fits-all approach to goals. We listen carefully to our clients' ideas, make the most appropriate proposals, and work with them to realize their goals.

### Investment Product Transactions (Bank of Yokohama and Hamagin TT Securities)

The number of holders of investment-type products is increasing, albeit moderately, due to an increase in the number of customers who have started asset formation and management. In addition, the balance of assets in our custody has increased due to market factors. Furthermore, as the number of customers making new funded investments centered on Tsumitate NISA is increasing, the number of investment trust funded policies, and the amounts of funded policies, are continuing their increase of the previous year.



(Note 1) Investment-type product balance (Banks): Investment trusts and savings-type insurance investment-type product balance (Securities): Total assets under custody



(Note 2) Total amount of investment trusts accumulated through monthly savings

### Establishing a system that prioritizes customer satisfaction (the Bank of Yokohama, Hamagin TT Securities)

The Bank of Yokohama and Hamagin TT Securities, a Bank of Yokohama Group company, received an S rating and an A+ rating, respectively, in June 2021 in the R&I Customer-Focused Investment Trust Distributor Evaluation published by Rating and Investment Information, Inc. (R&I). For more information on R&I's assessment, visit our website: [https://www.boj.co.jp/shared/pdf/boy/RandI\\_hyouka.pdf](https://www.boj.co.jp/shared/pdf/boy/RandI_hyouka.pdf)





## Communication with Stakeholders

Concordia Financial Group communicates appropriately with all stakeholders, including customers, shareholders, local communities, and employees, in order to strengthen information disclosure. We also listen sincerely to the opinions and requests we receive and use them to improve our management.

The Group strives to robustly disclose management information on its operations so that customers, shareholders, local communities and other stakeholders are able to 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 conducting business in a manner inspiring trust from our stakeholders. We disclose information in accordance with the appropriate procedures outlined in our disclosure policy. For more information, visit our website: <https://www.concordia-fg.jp/company/disc/index.html>

<b>Customers</b>	Customers' Voice Card Sales branches and homepage
<b>Shareholders and investors</b>	General meeting of shareholders and investor briefings
<b>Employees</b>	Exchange of opinions with management Employee engagement survey
<b>Community and environment</b>	Support for various initiatives Participation in community activities

## Communication with customers

The Bank of Yokohama actively seeks to improve business operations by collecting and analyzing customer feedback through branch teller windows, call centers, our website, and customer feedback cards.

### We Have Put Customer Feedback into Action

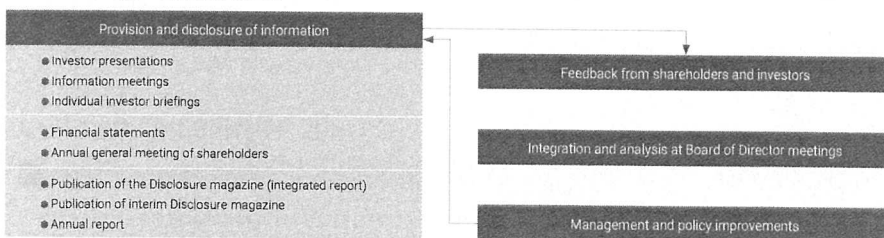
- Enhanced mobile app services
- ATM-based cash card magnetic defect repair service
- Zero fees
- Real-time congestion status/calendar of expected congestion at teller counters
- Making reservations via the Internet (some branches)



## Communication with shareholders and investors

We will strive to disclose information in a manner that is easy to understand so that shareholders and investors can understand the Group's operations and financial conditions and make appropriate judgments about the soundness of its management. In addition, the Company places importance on opportunities for dialogue with shareholders and institutional investors. We have established a policy for initiatives to promote constructive dialogue and strive for proactive communication.

In FY2020, we held a briefing for institutional investors after announcing financial results (full-year and interim results). The videos of the briefing are available on our website. In order to prevent the spread of COVID-19, we will further improve the provision of information while utilizing online and telephone conferences. We also report and share the opinions of shareholders and investors that we obtain through these dialogues with the Board of Directors and management in a timely manner.



## Management Base Supporting Value Creation

### 2021 Results

May 20	Held information meeting
May 12	Announced the financial results for the fiscal year ending March, 2021
February 19	Held online briefing for individual investors
February 3	Announced the financial results for the third quarter of the fiscal year ending March 2021

### 2020 results

December 14	Held Concordia Financial Group IR Day
November 16	Held information meeting

November 11	Announced the financial results for the second quarter of the fiscal year ending March 2021
August 5	Announced the financial results for the first quarter of the fiscal year ending March 2021
May 19	Held information meeting
May 14	Announcement of financial results for the fiscal year ending March 2020
February 17	Held a company information session for individual investors (SMBC Nikko Investment IR Forum in Kanagawa)
February 5	Announced the financial results for the third quarter of the fiscal year ending March 2020
January 14	Held online briefing for individual investors

## Communication with Employees

In order to share the vision of management and employees, we conduct a variety of initiatives with management including roundtable discussions. In October 2020, the Bank of Yokohama held an online employee event to celebrate its 100th anniversary. The event was designed for employees' families as well, and to enhance a sense of unity and togetherness among employees as we look toward the next 100 years.

We are also promoting various initiatives to increase engagement, such as incorporating employee feedback into management by conducting regular employee engagement surveys and reporting the results to the Board of Directors.



## Communication with local communities and the environment

### Support for establishment of Yokohama Children's Hospice - Sea and Sky Home

In commemoration of its 100th anniversary in December 2020, the Bank of Yokohama handled a private placement bond to support the activities of the Children's Hospice. The Children's Hospice is a facility that provides children who have life-threatening illnesses or disabilities and their families with opportunities to play and learn in a safe, secure, and comfortable environment supervised by specialists in a variety of fields, with the aim of improving their quality of life. The Bank of Yokohama will donate an amount equivalent to 0.2% of the issue amount to the Yokohama Children's Hospice Project when this private placement bond is issued by customers. The project is preparing for the opening of the Children's Hospice in the fall of 2021, and this donation will be used for the operating expenses of the facility. The Bank of Yokohama is supporting their activities by donating 10 million yen as part of the funds to establish a children's hospice facility.



横浜こどもホスピス

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### 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).



## Consolidated Financial Statements

### Concordia Financial Group

#### Consolidated Balance Sheet

Concordia Financial Group, Ltd. and Consolidated Subsidiaries  
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
<b>ASSETS:</b>			
Cash and due from banks (Notes 3, 12, and 27)	¥ 4,173,809	¥ 2,635,524	\$37,696,981
Call loans and bills bought (Note 27)	60,777	187,230	548,931
Monetary claims bought (Note 5)	29,888	36,568	269,950
Trading assets (Note 4)	4,198	4,493	37,919
Securities (Notes 5, 12, and 27)	2,998,468	2,442,074	27,081,540
Loans and bills discounted (Notes 6, 12, and 27)	13,719,737	13,068,308	123,913,815
Foreign exchanges (Notes 6 and 7)	28,723	17,462	259,429
Lease receivables and investment assets (Note 26)	71,768	69,011	648,196
Other assets (Notes 8 and 12)	281,409	233,366	2,541,634
Property, plant and equipment (Note 9)	166,802	167,483	1,506,526
Intangible assets (Note 10)	17,703	18,444	159,895
Net defined benefit asset (Note 17)	45,736	32,111	413,079
Deferred tax assets (Note 25)	11,629	25,364	105,038
Customers' liabilities for acceptances and guarantees (Note 11)	42,878	52,664	387,269
Allowance for loan losses	(76,134)	(62,172)	(687,628)
<b>TOTAL</b>	<b>¥21,577,398</b>	<b>¥18,927,937</b>	<b>\$194,882,574</b>
<b>LIABILITIES:</b>			
Deposits (Notes 12, 13, and 27)	¥18,015,297	¥16,233,671	\$162,710,417
Negotiable certificates of deposit (Note 27)	182,720	272,120	1,650,289
Call money and bills sold (Note 27)	174,786	326,541	1,578,637
Payables under repurchase agreements (Note 12)	2,441	12,969	22,050
Payables under securities lending transactions (Notes 12 and 27)	155,394	204,018	1,403,495
Trading liabilities (Note 4)	57	87	523
Borrowed money (Notes 12, 14, and 27)	1,430,757	416,720	12,922,307
Foreign exchanges (Note 7)	197	249	1,781
Bonds payable (Note 15)	100,000	80,000	903,179
Due to trust account	15,931	4,825	143,894
Other liabilities (Note 16)	271,876	194,035	2,455,530
Provision for bonuses	4,808	4,131	43,430
Provision for directors' bonuses	29	51	263
Provision for share-based compensation	323	238	2,921
Net defined benefit liability (Note 17)	536	1,409	4,850
Provision for reimbursement of deposits	1,390	1,856	12,562
Provision for contingent losses	2,185	1,796	19,737
Reserves under special laws	25	18	226
Deferred tax liabilities (Note 25)	256	133	2,320
Deferred tax liabilities for land revaluation	16,402	16,424	148,146
Acceptances and guarantees (Note 11)	42,878	52,664	387,269
<b>Total liabilities</b>	<b>20,418,298</b>	<b>17,823,964</b>	<b>184,413,826</b>
<b>EQUITY (Notes 18 and 19):</b>			
Capital stock – common stock – authorized, 3,000,000 thousand shares in 2021 and 2020;			
issued, 1,209,616 thousand shares in 2021 and 2020	150,078	150,078	1,355,478
Capital surplus	247,363	247,362	2,234,133
Subscription rights to shares	51	62	463
Retained earnings	675,707	669,897	6,102,852
Treasury shares – common stock – at cost, 3,148 thousand shares in 2021 and 3,325 thousand shares in 2020	(1,342)	(1,416)	(12,127)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	44,661	5,128	403,371
Deferred gains or losses on hedges	(1,319)	(2,637)	(11,921)
Revaluation reserve for land	36,661	36,686	331,120
Foreign currency translation adjustment	(416)	225	(3,761)
Remeasurements of defined benefit plans	1,760	(6,773)	15,904
<b>Total</b>	<b>1,153,205</b>	<b>1,098,612</b>	<b>10,415,512</b>
<b>Noncontrolling interests</b>	<b>5,894</b>	<b>5,360</b>	<b>53,236</b>
<b>Total equity</b>	<b>1,159,099</b>	<b>1,103,972</b>	<b>10,468,748</b>
<b>TOTAL</b>	<b>¥21,577,398</b>	<b>¥18,927,937</b>	<b>\$194,882,574</b>

See notes to consolidated financial statements.

#### Consolidated Statement of Income

Concordia Financial Group, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
<b>INCOME:</b>			
Interest income:			
Interest on loans and bills discounted	¥139,171	¥140,965	\$ 1,256,967
Interest and dividends on securities	20,945	22,253	189,173
Interest on call loans and bills bought	564	4,010	5,103
Interest on due from banks	2,543	2,776	22,974
Other interest income	1,486	2,742	13,421
Trust fees	245	99	2,218
Fees and commissions	66,706	63,499	602,477
Trading income	2,782	2,156	25,129
Other operating income (Note 21)	44,723	45,880	403,937
Other income (Note 22)	12,664	21,955	114,388
<b>Total income</b>	<b>291,834</b>	<b>306,339</b>	<b>2,635,787</b>
<b>EXPENSES:</b>			
Interest expenses:			
Interest on deposits	2,466	7,948	22,279
Interest on negotiable certificates of deposit	26	25	236
Interest on call money and bills sold	503	2,207	4,551
Interest on payables under repurchase agreements	53	448	479
Interest on payables under securities lending transactions	193	1,334	1,746
Interest on borrowed money	964	2,105	8,712
Interest on bonds payable	428	301	3,872
Other interest expenses	1,518	2,645	13,712
Fees and commissions	14,942	14,545	134,958
Trading expenses			8
Other operating expenses (Note 23)	56,139	36,943	507,041
General and administrative expenses	136,888	134,818	1,236,347
Provision of allowance for loan losses	26,003	16,419	234,855
Other expenses (Note 24)	15,389	17,954	138,995
<b>Total expenses</b>	<b>255,518</b>	<b>237,697</b>	<b>2,307,791</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>36,315</b>	<b>68,641</b>	<b>327,996</b>
<b>INCOME TAXES (Note 25):</b>			
Current	14,034	25,345	126,756
Deferred	(3,730)	(3,511)	(33,694)
<b>Total income taxes</b>	<b>10,303</b>	<b>21,834</b>	<b>93,062</b>
<b>NET INCOME</b>	<b>26,011</b>	<b>46,807</b>	<b>234,934</b>
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>(685)</b>	<b>(271)</b>	<b>(6,188)</b>
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>¥ 25,326</b>	<b>¥ 46,536</b>	<b>\$ 228,746</b>
	Yen		U.S. Dollars
<b>PER SHARE INFORMATION (Notes 2.x and 20):</b>			
Basic net income per share	¥20.99	¥38.38	\$0.19
Diluted net income per share	20.99	38.37	0.19
Dividend on common stock	17.00	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, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
<b>NET INCOME</b>	<b>¥26,011</b>	<b>¥ 46,807</b>	<b>\$234,934</b>
<b>OTHER COMPREHENSIVE INCOME</b> (Note 29):			
Valuation difference on available-for-sale securities	39,532	(67,779)	357,049
Deferred gains or losses on hedges	1,317	69	11,903
Remeasurements of defined benefit plans	8,537	(3,526)	77,110
Share of other comprehensive income of entities accounted for using equity method	(645)	216	(5,830)
Total other comprehensive income	48,742	(71,019)	440,232
<b>COMPREHENSIVE INCOME</b>	<b>¥74,754</b>	<b>¥ (24,211)</b>	<b>\$675,166</b>
Comprehensive income attributable to owners of the parent	¥74,069	¥ (24,483)	\$668,978
Comprehensive income attributable to noncontrolling interests	685	271	6,188

See notes to consolidated financial statements.

## • • • Consolidated Statement of Changes in Equity

Concordia Financial Group, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

	Thousands	Number of Shares of Common Stock Outstanding	Millions of Yen												
			Capital Stock	Capital Surplus	Subscrip- tion 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	Remeasure- ments of Defined Benefit Plans	Noncontrolling Interests	Total Equity	
<b>BALANCE, APRIL 1, 2019</b>		1,232,414	¥150,078	¥261,794	¥169	¥44,634	¥ (6,879)	¥2,907	¥2,707	¥36,799	¥13,737	¥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						(21,366)						(21,366)		(21,366)	
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	(13,536)	(71,241)	(71)	(70,969)	
<b>BALANCE, MARCH 31, 2020</b>		1,206,290	¥150,078	¥247,362	¥ 62	¥669,699	¥ (1,416)	¥ 5,128	¥2,637	¥36,686	¥225	¥6,773	¥5,369	¥1,061,972	
Cumulative effects due to revision of accounting standards for foreign affiliates						(197)						(197)		(197)	
<b>Restated BALANCE, MARCH 31, 2020</b>		1,206,290	¥150,078	¥247,362	¥ 62	¥669,699	¥ (1,416)	¥ 5,128	¥2,637	¥36,686	¥225	¥6,773	¥5,369	¥1,061,775	
Net income attributable to owners of the parent						25,376						25,376		25,376	
Cash dividends, ¥16.0 per share for common stock						(19,342)						(19,342)		(19,342)	
Purchases of treasury shares	(3)						(1)					(1)		(1)	
Disposals of treasury shares	179						75					76		76	
Retirements of treasury shares															
Change in shareholders' interest of parent due to transactions with non-controlling interests															
Reversal of revaluation reserve for land						24						24		24	
Net change in the year					(19)		39,532	1,317	(24)	(642)	8,534	48,707	534	49,241	
<b>BALANCE, MARCH 31, 2021</b>		1,206,467	¥150,078	¥247,363	¥ 51	¥675,787	¥ (1,342)	¥44,661	¥1,319	¥36,661	¥ (416)	¥ 1,260	¥1,161,205	¥5,894	¥1,169,099

	Thousands of U.S. Dollars (Note 1)													
	Accumulated Other Comprehensive Income													
	Capital Stock	Capital Surplus	Subscrip- tion 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	Remeasure- ments of Defined Benefit Plans	Total	Noncontrolling Interests	Total Equity	
<b>BALANCE, MARCH 31, 2020</b>	\$1,355,478	\$2,234,125	\$562	\$6,695,171	\$ (12,795)	\$ 46,322	\$ (2,824)	\$331,341	\$2,018	\$ (61,176)	\$ 9,922,442	\$48,410	\$ 9,970,852	
Cumulative effects due to revision of accounting standards for foreign affiliates				(1,785)							(1,785)		(1,785)	
<b>Restated BALANCE, MARCH 31, 2020</b>	\$1,355,478	\$2,234,125	\$562	\$6,648,586	\$ (12,795)	\$ 46,322	\$ (2,824)	\$331,341	\$2,018	\$ (61,176)	\$ 9,920,657	\$48,410	\$ 9,969,067	
Net income attributable to owners of the parent				228,746							228,746		228,746	
Cash dividends, \$0.14 per share for common stock				(174,701)							(174,701)		(174,701)	
Purchases of treasury shares					(12)						(12)		(12)	
Disposals of treasury shares			7		680						687		687	
Retirements of treasury shares														
Change in shareholders' interest of parent due to transactions with non-controlling interests			1								1		1	
Reversal of revaluation reserve for land				221							221		221	
Net change in the year				(99)		357,049	11,903	(221)	(5,799)	77,080	438,915	4,826	444,739	
<b>BALANCE, MARCH 31, 2021</b>	\$1,355,478	\$2,234,133	\$563	\$6,102,852	\$ (12,121)	\$403,371	\$ (11,921)	\$331,120	\$ (3,761)	\$ (15,904)	\$10,415,512	\$53,236	\$10,468,748	

See notes to consolidated financial statements.

## ••• Consolidated Statement of Cash Flows

Concordia Financial Group, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 36,315	¥ 68,641	\$ 327,996
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation	13,513	13,041	122,047
Impairment loss	1,872	501	16,910
Amortization of goodwill		14	
Share of (profit) loss of entities accounted for using equity method	112	251	1,018
Increase (decrease) in allowance for loan losses	13,961	8,754	126,095
Increase (decrease) in provision for bonuses	676	(333)	6,114
Increase (decrease) in provision for directors' bonuses	(22)	(43)	(200)
Increase (decrease) in net defined benefit asset	84	(34)	768
Increase (decrease) in net defined benefit liability	(3,443)	(2,313)	(31,099)
Increase (decrease) in provision for reimbursement of deposits	1,448	(435)	13,083
Increase (decrease) in provision for contingent losses	(465)	(418)	(4,206)
Interest income	388	541	3,508
Interest expense	(164,711)	(172,748)	(1,487,639)
Loss (gain) related to securities	6,154	17,016	55,587
Foreign exchange losses (gains)	10,266	(19,732)	92,729
Loss (gain) on disposals of non-current assets	(6,235)	4,947	(56,318)
Net decrease (increase) in trading assets	3,210	2,210	29,000
Net increase (decrease) in trading liabilities	295	749	2,669
Net decrease (increase) in loans and bills discounted	(29)	(26)	(266)
Net increase (decrease) in deposits	(651,428)	(406,233)	(5,883,571)
Net increase (decrease) in negotiable certificates of deposit	1,781,625	288,248	16,091,270
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(89,400)	37,486	(807,442)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	1,014,036	(72,909)	9,158,570
Net decrease (increase) in call loans and others	20,751	(46,902)	187,425
Net increase (decrease) in call money and others	132,899	77,139	1,200,318
Net increase (decrease) in payables under securities lending transactions	(162,282)	(170,579)	(1,465,705)
Net decrease (increase) in foreign exchanges – assets	(48,623)	(103,052)	(439,159)
Net increase (decrease) in foreign exchanges – liabilities	(11,261)	174	(101,715)
Net decrease (increase) in lease receivables and investment assets	(52)	(157)	(475)
Net decrease (increase) in due to trust account	(3,239)	(818)	(29,263)
Interest and dividends received	11,106	4,825	100,315
Interest paid	167,355	180,538	1,511,523
Other, net	(7,578)	(18,263)	(68,443)
Subtotal	(5,134)	35,696	(46,372)
Income tax paid	2,062,167	(274,222)	18,625,072
Net cash provided by (used in) operating activities	(23,058)	(20,371)	(208,263)
	¥ 2,039,109	¥ (294,594)	\$ 18,416,809
<b>INVESTING ACTIVITIES:</b>			
Purchases of securities	(2,520,421)	(1,446,081)	(22,763,924)
Proceeds from sales of securities	1,413,238	517,397	12,764,080
Proceeds from redemption of securities	643,654	872,538	5,813,350
Purchases of property, plant and equipment	(10,096)	(9,579)	(91,187)
Proceeds from sales of property, plant and equipment	183	462	1,656
Purchases of intangible assets	(5,405)	(7,694)	(48,825)
Proceeds from sales of intangible assets	112	(987)	1,016
Other, net	(1,852)		(16,727)
Net cash provided by (used in) investing activities	(480,586)	(73,943)	(4,340,561)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issuance of subordinated bonds and bonds with subscription rights to shares	20,000	20,000	180,636
Purchases of treasury shares	(1)	(10,751)	(12)
Proceeds from sales of treasury shares			
Cash dividends paid	(19,342)	(21,386)	(174,701)
Cash dividends paid to non-controlling interests	(134)		(1,211)
Purchase of common shares from non-controlling interests	(16)		(150)
Net cash provided by (used in) financing activities	505	(12,137)	4,562
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	<b>9</b>	<b>(7)</b>	<b>85</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,559,036</b>	<b>(380,683)</b>	<b>14,080,895</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,515,201</b>	<b>2,895,885</b>	<b>22,716,778</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)</b>	<b>¥ 4,074,238</b>	<b>¥ 2,515,201</b>	<b>\$ 36,797,673</b>

See notes to consolidated financial statements.

## ••• Notes to Consolidated Financial Statements

Concordia Financial Group, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

### 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 ¥110.72 to U.S. \$1, the rate of exchange at March 31, 2021. 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, 2021 and 2020 were 12 and 13, respectively.

Hamagin Mortgage Service Co., Ltd. was excluded from the scope of consolidation as the liquidation was completed during the year ended March 31, 2021.

The number of associates accounted for by the equity method as of March 31, 2021 and 2020 was four.

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

The balance sheet dates of the consolidated subsidiaries are the same as the balance sheet date of the Company.

The consolidated financial statements do not include the accounts of five subsidiaries in 2021, and four subsidiaries in 2020, 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 ¥34,883 million (\$ 315,057 thousand) and ¥36,241 million as of March 31, 2021 and 2020, 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, 2021 and 2020, the deducted amounts were ¥ 29,403 million (\$265,571 thousand) and ¥36,874 million, respectively.

Other consolidated subsidiaries maintain allowances for possible loan losses that are provided as deemed necessary to cover expected losses based on their own experience.

j. **Provision for Bonuses** — Provision for bonuses is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

k. **Provision for Directors’ Bonuses** — Provision for directors’ bonuses is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

l. **Provision for Share-Based Compensation** — Provision for share-based compensation is provided in the amount of the estimated payment based on the stock compensation system for directors, etc. of the Company and major consolidated subsidiaries that are attributable to each fiscal year.

m. **Provision for Reimbursement of Deposits** — Provision for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

n. **Provision for Contingent Losses** — Provision for contingent losses is provided for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

o. **Reserve under Special Laws** — Reserve under special laws is provided for contingent liabilities from brokering of security transactions in accordance with Section 1 of Article 46-5 of the Japanese Financial Instruments and Exchange Act.

p. **Retirement and Pension Plans** — Major consolidated subsidiaries have contributory funded defined benefit pension plans, lump-sum payment plans, and defined contribution pension plans for employees. Other consolidated subsidiaries have lump-sum payment plans, and some of these subsidiaries have defined contribution pension plans.

Major consolidated subsidiaries accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 to 15 years within the average remaining service period. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

q. **Stock Options** — Compensation expenses for employee stock options are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (“ASBJ”) Statement No. 8, “Accounting Standard for Stock Options”. Stock options granted to nonemployees are accounted for based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as subscription rights to shares as a separate component of equity until exercised.

r. **Leases** — Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

Lease revenue and lease costs are recognized over the lease period.

s. **Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. **Translation of Foreign Currencies** — Assets and liabilities denominated in foreign currencies and accounts of overseas branches held by the Group are translated at exchange rates prevailing as of the balance sheet date.

- u. **Derivatives and Hedging Activities** — Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the statement of income or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

Consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24 for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole. Under these rules, the effectiveness of a fair value hedge is assessed by an identified group of hedge deposits, loans, and similar instruments and by a corresponding group of hedging instruments, such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

Consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25 for currency swaps and funding swaps used for the purpose of currency exchange.

- v. **Cash and Cash Equivalents** — For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

- w. **Cash Dividends** — Cash dividends charged to retained earnings are dividends paid during the year and represent year-end dividends for the preceding year and interim dividends for the current fiscal year.

- x. **Per Share Information** — Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

- y. **Significant Accounting Estimates** — Items for which amounts are recorded in the consolidated financial statements for the current fiscal year based on accounting estimates that may have a significant effect on the consolidated financial statements for the next fiscal year are as follows:

Allowance for loan losses: ¥ 76,134 million (\$687,628 thousand).

The Group calculates the amount of allowance for loan losses as described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses," and uses the following key assumptions in recognizing the amount.

- Future prospects of borrowers in determining the borrower classification based on their status and business improvement plans,
- Estimation of disposable amounts of real estate collaterals in the future based on the past results,
- Prospects for the collection of principal and interest of receivables based on the current performance under the cash flow estimation method, and
- Future prospects based on long-term historical results and trends to be taken into account in making necessary adjustments to the loss rate based on the historical average in calculating the expected credit losses.

These assumptions may be affected by changes in uncertain economic conditions in the future. If there is a material difference between the assumptions and the actual results, the balance of allowance for loan losses and the amount of provision for loan losses for the next fiscal year may be significantly affected.

The Group assumes that the infection of Novel Coronavirus Infectious Disease would gradually ease toward the end of the next fiscal year. Although the Group expects credit losses from some debtors due to deterioration of business performance and cash flows resulting from the continuing impact of stagnation of economic activities, the Group collects latest detailed information as much as possible and determines the debtor classification based on the future prospects to calculate the allowance for loan losses. In addition, for some debtors whose business activities have been significantly affected by Novel Coronavirus Infectious Disease, the Group has calculated the amount of expected credit losses with additional necessary adjustments considering the uncertainty of future prospects and credit risk. The assumption of the impact of Novel Coronavirus Infectious Disease is uncertain, and actual credit losses may exceed the expected credit losses if the deterioration of debtors' business performance exceeds the assumption based on the latest available information due to sluggish consumer spending and stagnation of production activities.

#### z. **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.

#### aa. **Changes in presentation of financial statements**

(Application of the Accounting Standard for Disclosure of Accounting Estimates)

The Group has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31) to the consolidated financial statements as of the end of the current fiscal year and disclosed significant accounting estimates in the notes to the consolidated financial statements.

However, the Group has not disclosed the details pertaining to the previous fiscal year in accordance with the transitional treatment stipulated in the proviso to Paragraph 11 of the Accounting Standard.

#### ab. **Additional Information**

(Stock compensation system that utilizes trusts)

##### (1) Outline of Transactions

The Company introduced a stock compensation system that utilizes trusts (the "System") for the purpose of sharing interests with its shareholders, and boosting the motivation to promote the sustainable growth of the Company group as a whole and to enhance corporate value over the medium to long term.

The System applies to the directors (excluding outside directors and non-executive directors) and the executive officers of the Company and major consolidated subsidiaries. In the System, the Company entrusts the trust bank with cash to the extent approved by resolution at the general meeting of shareholders of the Company, combined with the cash contributed by the subsidiaries to the extent approved by resolution at the general meeting of shareholders of the subsidiaries, and creates the trust in which the beneficiaries are directors, etc. who satisfy the beneficiary requirements. The trust acquires shares of the Company from the stock market by using the cash entrusted as the source of financing.

During the trust period, beneficiaries receive: a certain number of points that are awarded in accordance with the respective stock-granting rules of each company; shares of the Company that are granted in the number accounting for a certain ratio of the number of such points; and cash in the amount equivalent to the conversion value of shares of the Company corresponding to the number of remaining points after the conversion of the shares in accordance with the provisions of the trust agreement.

Under the System, two types of trusts are created. One type is the trust which executes the granting or payment (the "Granting, etc.") of shares of the Company and cash in the amount equivalent to the conversion value of the Company shares (the "Shares of the Company, etc.") after the retirement of directors, etc. according to their respective job positions, and the other type is the trust which executes the Granting, etc. of the Shares of the Company, etc. after the end of the medium-term management plan period according to the extent to which performance targets of the medium-term management plan have been fulfilled.

##### (2) Shares of the Company Residing in the Trust

Shares of the Company residing in the trust are recognized as treasury shares in equity at the carrying amounts in the trust. The carrying amounts of such treasury shares as of March 31, 2021 and 2020, were ¥1,042 million (\$9,415 thousand) for 2,469 thousand shares and ¥1,107 million for 2,626 thousand shares, respectively.

(Application of the Consolidated Tax Payment System)

The Company and some consolidated subsidiaries have obtained approval from the Commissioner of the National Tax Agency for the application of the consolidated tax payment system from the fiscal year ending March 31, 2022. Accordingly, in the

current fiscal year, the Group has adopted the accounting treatments based on the consolidated tax payment system in accordance with the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ Practical Issues Task Force No. 5) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ Practical Issues Task Force No. 7).

(Adoption of the Tax Effect Accounting in Transition from the Consolidated Tax Payment System to the Group Tax Sharing System)

With respect to items in transition to the group tax sharing system established in the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and those for which the non-consolidated tax payment system has been reviewed in line with the transition to the group tax sharing system, The Company and some consolidated subsidiaries have not applied Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28) in accordance with Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Sharing System" (ASBJ Practical Issues Task Force No. 39) and recorded the amount of deferred tax assets and liabilities based on the provisions of the tax laws prior to the revision.

### 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, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and due from banks	¥4,173,809	¥2,635,524	\$37,696,981
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(99,571)	(120,323)	(899,308)
Cash and cash equivalents	¥4,074,238	¥2,515,201	\$36,797,673

### 4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Trading assets:			
Trading securities	¥3,967	¥4,202	\$35,836
Trading-related financial derivatives	230	291	2,083
Total	¥4,198	¥4,493	\$37,919
Trading liabilities — trading-related financial derivatives	¥ 57	¥ 87	\$ 523

### 5. SECURITIES

Securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Japanese national government bonds	¥ 565,078	¥ 340,027	\$ 5,103,672
Japanese local government bonds	500,836	370,485	4,523,453
Japanese corporate bonds	630,639	663,649	5,695,806
Japanese corporate stocks	175,653	154,825	1,586,466
Other securities	1,126,259	913,086	10,172,143
Total	¥2,998,468	¥2,442,074	\$27,081,540

The carrying amounts and aggregate fair value of securities and monetary claims bought as of March 31, 2021 and 2020, were as follows:

	Millions of Yen			
March 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 89,283	¥77,956	¥ 1,575	¥ 165,664
Debt securities	1,354,436	3,505	6,992	1,350,949
Other securities	1,115,235	18,652	29,430	1,104,458
Held-to-maturity	345,605	1,437	647	346,395

	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

	Thousands of U.S. Dollars			
March 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 806,391	\$704,090	\$ 14,231	\$ 1,496,250
Debt securities	12,232,988	31,665	63,157	12,201,496
Other securities	10,072,574	168,469	265,807	9,975,236
Held-to-maturity	3,121,436	12,980	5,847	3,128,569

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 ¥39,381 million (\$ 355,685 thousand) and ¥32,361 million as of March 31, 2021 and 2020, respectively. And "Other securities" includes monetary claims bought whose fair value can be reliably determined, of ¥7,591 million (\$ 68,562 thousand) and ¥13,436 million as of March 31, 2021 and 2020, respectively.

Information on available-for-sale securities and held-to-maturity securities which were sold during the years ended March 31, 2021 and 2020, was as follows:

	Millions of Yen		
March 31, 2021	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 10,596	¥ 6,799	
Debt securities	1,159,163	1,642	¥ 709
Other securities	268,788	4,982	5,059
Total	¥1,438,548	¥13,424	¥5,768

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2020			
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
	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2021			
Available-for-sale:			
Equity securities	\$ 95,704	\$ 61,407	
Debt securities	10,469,324	14,839	\$ 6,407
Other securities	2,427,643	44,999	45,692
Total	\$12,992,671	\$121,245	\$52,099

Impairment losses on securities whose fair value can be reliably determined, other than trading securities, for the year ended March 31, 2021, was ¥206 million (\$1,861 thousand), which consisted of ¥2 million (\$19 thousand) for equity securities and ¥203 million (\$1,842 thousand) for debt securities.

Impairment losses on securities whose fair value can be reliably determined, other than trading securities, for the year ended March 31, 2020, was ¥2,355 million, which consisted of ¥667 million for equity securities, ¥983 million for debt securities and ¥704 million for other securities.

Securities also include corporate stocks and investments in unconsolidated subsidiaries and affiliates, which totaled ¥10,816 million (\$97,696 thousand) and ¥11,542 million as of March 31, 2021 and 2020, respectively.

Japanese national government bonds as of March 31, 2021 and 2020, included bonds of ¥55,991 million (\$505,704 thousand) and ¥66,465 million, respectively, which were being rented to third parties without collateral under lending contracts.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2021 and 2020, was ¥76,849 million (\$694,085 thousand) and ¥74,739 million, respectively.

## 6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Bills discounted	¥ 27,258	¥ 39,231	\$ 246,194
Loans on bills	213,923	253,542	1,932,112
Loans on deeds	12,418,752	11,654,347	112,163,589
Overdrafts	1,059,803	1,121,187	9,571,920
Total	¥13,719,737	¥13,068,308	\$123,913,815

"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 ¥ 2,383 million (\$21,524 thousand) and ¥ 3,396 million as of March 31, 2021 and 2020, respectively, as well as "past due loans" totaling ¥ 202,097 million (\$1,825,298 thousand) and ¥ 178,869 million as of March 31, 2021 and 2020, 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, 2021 and 2020, were ¥ 4,036 million (\$36,455 thousand) and ¥ 3,795 million, respectively.

"Restructured loans" are loans for which BOY, The Higashi-Nippon Bank Ltd. ("HN8") 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, 2021 and 2020, were ¥ 21,818 million (\$197,060 thousand) and ¥ 13,914 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, 2021 and 2020, the amounts of unused commitments were ¥ 2,589,410 million (\$23,387,019 thousand) and ¥ 2,316,865 million, respectively. As of March 31, 2021 and 2020, the amounts of unused commitments whose remaining contract terms were within one year were ¥ 1,395,214 million (\$12,601,288 thousand) and ¥ 1,474,309 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, 2021 and 2020, 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 ¥27,538 million (\$248,721 thousand) and ¥39,437 million, respectively.

## 7. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>Assets</b>			
Foreign exchange bills bought	¥ 279	¥ 206	\$ 2,527
Foreign exchange bills receivable	1,489	1,729	13,454
Due from foreign correspondent accounts	26,954	15,526	243,448
Total	¥28,723	¥17,462	\$259,429
<b>Liabilities</b>			
Foreign exchange bills sold	¥ 1	¥ 35	\$ 12
Foreign exchange bills payable	195	214	1,769
Total	¥ 197	¥ 249	\$ 1,781

## 8. OTHER ASSETS

Other assets as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Accrued income	¥ 14,364	¥ 12,575	\$ 129,737
Derivatives other than for trading – assets	32,454	35,631	293,125
Cash collateral paid for financial instruments	38,476	50,293	347,516
Temporary advance	71,181	57,687	642,895
Installments receivable	22,396	21,410	202,281
Other	102,535	55,767	926,080
Total	¥281,409	¥233,366	\$2,541,634



## 9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Buildings, net	¥ 56,311	¥ 53,564	\$ 508,595
Land	93,138	93,331	841,209
Lease assets, net	7	58	70
Construction in progress	3,170	4,442	28,638
Other	14,173	16,085	128,014
Total	¥166,802	¥167,483	\$1,506,526

The accumulated depreciation of property, plant and equipment as of March 31, 2021 and 2020, amounted to ¥180,550 million (\$1,630,695 thousand) and ¥177,125 million, respectively.

## 10. INTANGIBLE ASSETS

Intangible assets as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Software	¥17,225	¥17,893	\$155,575
Other	478	551	4,320
Total	¥17,703	¥18,444	\$159,895

## 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, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets pledged as collateral:			
Cash and due from banks	¥ 12,593	¥ 12,593	\$ 113,745
Securities	1,230,420	861,401	11,112,900
Loans and bills discounted	1,306,943	572,023	11,804,043
Other	863	830	7,797
Relevant liabilities to above assets:			
Deposits	¥ 57,037	¥ 55,263	\$ 515,154
Payables under repurchase agreements	2,441	12,969	22,050
Payables under securities lending transactions	155,394	204,018	1,403,495
Borrowed money	1,390,360	377,952	12,557,451

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
	2021	2020	2021
Securities	¥40,364	¥41,473	\$364,564
Other assets amounting	71,036	53,036	641,587

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
	2021	2020	2021
Initial margins of futures markets	¥ 1,653	¥ 1,653	\$ 14,930
Cash collateral paid for financial instruments	38,476	50,293	347,516
Guarantee deposits on office space	8,323	8,399	75,178

## 13. DEPOSITS

Deposits as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current deposits	¥ 735,200	¥ 593,786	\$ 6,640,176
Ordinary deposits	12,725,509	11,252,842	114,934,153
Savings deposits	225,818	219,234	2,039,547
Deposits at notice	99,162	102,543	895,619
Time deposits	3,718,092	3,748,483	33,581,038
Other deposits	511,513	316,782	4,619,884
Total	¥18,015,297	¥16,233,671	\$162,710,417

## 14. BORROWED MONEY

As of March 31, 2021 and 2020, the weighted-average annual interest rate applicable to borrowed money was 0.02% and 0.44%, respectively.

Annual maturities of borrowed money as of March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥1,402,957	\$12,671,220
2023	5,113	46,180
2024	4,553	41,123
2025	2,892	26,121
2026	2,262	20,436
2027 and thereafter	12,979	117,227
Total	¥1,430,757	\$12,922,307

## 15. BONDS PAYABLE

Bonds payable as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
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	\$180,635
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	180,636
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	90,318
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	90,318
Unsecured fixed (0.37% interest until September 2024) and floating (Libor linked interest after March 2024) subordinated bonds, payable in Japanese yen, due September 2029	10,000	10,000	90,318
Unsecured fixed (0.45% interest until March 2025) and floating (Swaps mid rate linked interest after March 2025) subordinated bonds, payable in Japanese yen, due March 2030	10,000	10,000	90,318
Unsecured fixed (0.60% interest until September 2025) and floating (Swaps mid rate linked interest after September 2025) subordinated bonds, payable in Japanese yen, due September 2030	20,000		180,636
Total	¥100,000	¥80,000	\$903,179

Annual maturities of bonds payable as of March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2027 and thereafter	¥100,000	\$903,179

## 16. OTHER LIABILITIES

Other liabilities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Income taxes payable	¥ 3,650	¥ 14,298	\$ 32,971
Accrued expenses	9,026	8,814	81,529
Unearned revenue	40,306	37,240	364,042
Derivatives other than for trading – liabilities	30,864	31,349	278,762
Suspense receipts	62,094	62,823	560,826
Other	125,932	39,507	1,137,400
Total	¥271,876	¥194,035	\$2,455,530

## 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, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥99,314	¥102,512	\$896,987
Current service cost	2,426	2,636	21,919
Interest cost	573	484	5,184
Actuarial losses	2,061	(949)	18,619
Benefits paid	(5,330)	(5,462)	(48,143)
Other	86	93	781
Balance at end of year	¥99,132	¥ 99,314	\$895,347

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, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥130,016	¥135,430	\$1,174,284
Expected return on plan assets	2,741	2,764	24,758
Actuarial losses	13,250	(7,061)	119,675
Contributions from the employer	2,215	2,814	20,009
Benefits paid	(3,984)	(4,024)	(35,986)
Other	92	93	836
Balance at end of year	¥144,331	¥130,016	\$1,303,576

(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
	2021	2020	2021
Funded defined benefit obligation	¥ 98,595	¥ 98,807	\$ 890,497
Plan assets	(144,331)	(130,016)	(1,303,575)
	(45,736)	(31,209)	(413,078)
Unfunded defined benefit obligation	536	506	4,849
Net liability (asset) arising from defined benefit obligation	¥ (45,199)	¥ (30,702)	\$ (408,229)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Net defined benefit liability	¥ 536	¥ 1,409	\$ 4,850
Net defined benefit asset	(45,736)	(32,111)	(413,079)
Net liability (asset) arising from defined benefit obligation	¥(45,199)	¥(30,702)	\$ (408,229)

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, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current service cost	¥ 2,426	¥ 2,636	\$ 21,919
Interest cost	573	484	5,184
Expected return on plan assets	(2,741)	(2,764)	(24,758)
Recognized actuarial losses	1,113	1,029	10,054
Other	146	102	1,324
Net periodic benefit costs	¥ 1,519	¥ 1,488	\$ 13,723

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial losses	¥12,302	¥(5,081)	\$111,110
Total	¥12,302	¥(5,081)	\$111,110

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial losses	¥(2,555)	¥9,746	\$ (23,081)
Total	¥(2,555)	¥9,746	\$ (23,081)

(g) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2021 and 2020, consisted of the following:

	2021	2020
Domestic equity investments	31%	27%
[Of which, domestic equity investment contributed to retirement benefit trusts]	[17]	[15]
Overseas equity investments	11	9
Domestic debt investments	18	19
Overseas debt investments	30	33
Other	10	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, 2021 and 2020, were included as 23% and 21%, 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, 2021 and 2020, are set forth as follows:

	2021	2020
Discount rate	0.5-0.7%	0.5-0.6%
Expected rate of return on plan assets	2.0-2.5	2.0-2.5
Future salary growth	3.4-5.5	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, 2021 and 2020, was ¥423 million (\$3,822 thousand) and ¥423 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, 2021 and 2020.

The stock options outstanding as of March 31, 2021, are as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
4th Stock Option	6 directors of BOY and an executive officer of BOY	70,800	April 1, 2016	¥1	From April 1, 2016 to July 6, 2041
5th Stock Option	7 directors of BOY and 3 executive officers of BOY	109,500	April 1, 2016	1	From April 1, 2016 to July 5, 2042
6th Stock Option	7 directors of BOY and 7 executive officers of BOY	102,700	April 1, 2016	1	From April 1, 2016 to July 4, 2043
7th Stock Option	7 directors of BOY and 12 executive officers of BOY	118,500	April 1, 2016	1	From April 1, 2016 to July 4, 2044
8th Stock Option	7 directors of BOY and 14 executive officers of BOY	96,800	April 1, 2016	1	From April 1, 2016 to July 6, 2045
13th Stock Option	7 directors and executive officers of the Company, 19 directors and executive officers of BOY, and 6 directors of HNB	281,200	July 15, 2016	1	From July 16, 2016 to July 15, 2046

The stock option activity is as follows:

Year Ended March 31, 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									
Vested									
Exercised									
Canceled									
March 31, 2020 — outstanding									

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		
Vested		
Exercised		
Canceled		
March 31, 2020 — outstanding		

Year Ended March 31, 2021	4th Stock Option	5th Stock Option	6th Stock Option	7th Stock Option	8th Stock Option	13th Stock Option
Non-vested (shares):						
April 1, 2020 — outstanding						
Granted						
Canceled						
Vested						
March 31, 2021 — outstanding						
Vested (shares):						
April 1, 2020 — outstanding						
Vested						
Exercised						
Canceled						
March 31, 2021 — outstanding						
Exercise price						
Average stock price at exercise						
Fair value price at grant date						

## 20. PER SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2021	Net Income	Weighted-Average Shares	EPS	
Basic EPS — Net income available to common stockholders	¥25,326	1,206,409	¥20.99	\$0.19
Effect of dilutive warrants		112		
Diluted EPS — Net income for computation	¥25,326	1,206,521	¥20.99	\$0.19

Year Ended March 31, 2020

Basic EPS — Net income available to common stockholders	¥46,536	1,212,504	¥38.38
Effect of dilutive warrants		250	
Diluted EPS — Net income for computation	¥46,536	1,212,754	¥38.37

\* 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 2,526 thousand and 2,009 thousand, for the years ended March 31, 2021 and 2020, respectively.

## 21. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gain on foreign exchange transactions – net	¥ 1,594	¥ 1,996	\$ 14,398
Gain on sales and redemption of bonds and other securities	4,634	7,406	41,854
Gain on derivatives	2,242	1,040	20,250
Lease receipts	25,701	24,650	232,134
Other	10,551	10,787	95,301
Total	¥44,723	¥45,880	\$403,937



## 22. OTHER INCOME

Other income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gain on sales of stock and other securities	¥ 8,824	¥18,393	\$ 79,703
Recovery of claims previously charged-off	1,743	2,072	15,749
Gain on disposals of non-current assets	104	102	947
Other	1,991	1,387	17,989
Total	¥12,664	¥21,955	\$114,388

## 23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Losses on sales and redemption of bonds and other securities	¥23,064	¥ 3,215	\$208,316
Losses on write-downs of bonds and other securities	594	1,930	5,373
Lease costs	23,481	22,465	212,078
Other	8,998	9,331	81,274
Total	¥56,139	¥36,943	\$507,041

## 24. OTHER EXPENSES

Other expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Losses on sales of stocks and other securities		¥ 159	
Losses on write-downs of stocks and other securities	¥ 66	762	\$ 597
Loss on disposals of non-current assets	3,315	2,313	29,947
Impairment loss*	1,872	501	16,910
Direct charge-off of loans	5,596	10,414	50,545
Other	4,538	3,802	40,996
Total	¥15,389	¥17,954	\$138,995

\* HNB a consolidated subsidiary of the Company has decided to integrate, close and relocate its branches, and investment amounts for certain branches (land and buildings, etc.) are no longer expected to be recovered. As a result, impairment losses of ¥1,608 million (\$14,528 thousand) were recognized for the current fiscal year due to the reduction of the carrying amount of the branches to their recoverable amount. The recoverable amount was measured based on the net realizable value and was calculated by deducting estimated disposal costs from the appraised value based on the criteria for appraisal of real estates. The Higashi-Nippon Bank, Limited mainly groups its assets by branch, which is the smallest unit for management accounting.

## 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, 2021 and 2020.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥31,201	¥28,381	\$281,807
Net defined benefit liability	5,322	9,241	48,071
Write-downs of securities	2,455	2,611	22,178
Valuation difference on available-for-sale securities		2,796	
Other	12,844	12,685	116,011
Less valuation allowance	(5,384)	(9,144)	(48,636)
Total deferred tax assets	46,439	46,572	419,431
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	18,975	5,779	171,385
Gain on contribution of the employees' retirement benefit trust	6,243	6,243	56,389
Other	9,847	9,318	88,939
Total deferred tax liabilities	35,066	21,341	316,713
Net deferred tax assets	¥11,372	¥25,231	\$102,718

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2021 was as follows:

	2021	2020
Normal effective statutory tax rate	30.6%	
Permanently tax-exempt income, such as dividend income	(0.7)	
Local minimum taxes – per capita basis	0.5	
Charges in valuation allowance	(2.4)	
Other—net	0.4	
Actual effective tax rate	28.4%	

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2020 and the actual effective tax rate reflected in the accompanying consolidated statements of income was 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
	2021	2020	2021
Gross lease receivables	¥66,528	¥64,649	\$600,869
Unguaranteed residual values	1,665	1,665	15,039
Unearned interest income	(3,747)	(3,712)	(33,849)
Lease investment assets	¥64,445	¥62,602	\$582,059

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
2022	¥2,395	\$21,635
2023	1,856	16,769
2024	1,411	12,748
2025	913	8,251
2026	460	4,160
2027 and thereafter	450	4,066
Total	¥7,487	\$67,629

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
2022	¥19,410	\$175,312
2023	15,553	140,477
2024	13,110	118,415
2025	8,643	78,068
2026	5,085	45,928
2027 and thereafter	4,724	42,669
Total	¥66,528	\$600,869

The minimum rental commitments under noncancelable operating leases as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 575	¥ 528	\$ 5,202
Due after one year	1,366	1,671	12,338
Total	¥1,942	¥2,199	\$17,540

## 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 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 ¥57 million (\$522 thousand) and ¥24 million as of March 31, 2021 and 2020, 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 ¥242,625 million (\$2,191,345 thousand) and ¥150,598 million as of March 31, 2021 and 2020, 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

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	¥4,173,809	¥4,173,809	
(2) Call loans and bills bought	60,777	60,777	
(3) Securities:			
Held-to-maturity securities	345,605	346,395	¥789
Available-for-sale securities	2,613,481	2,613,481	
(4) Loans and bills discounted	13,719,737		
Allowance for loan losses <sup>1)</sup>	(75,327)		
Net	13,644,410	13,727,541	83,130
Total assets	¥20,838,084	¥20,922,004	¥83,920
(1) Deposits	¥18,015,297	¥18,015,800	¥ 502
(2) Negotiable certificates of deposit	182,720	182,720	
(3) Call money and bills sold	174,786	174,786	
(4) Payables under securities lending transactions	155,394	155,394	
(5) Borrowed money	1,430,757	1,430,757	
Total liabilities	¥19,958,956	¥19,959,459	¥ 502
Derivative instruments <sup>2)</sup> :			
Hedge accounting is not applied	¥ 9,718	¥ 9,718	
Hedge accounting is applied <sup>3)</sup>	(7,993)	(7,993)	
Total derivative instruments	¥ 1,725	¥ 1,725	

March 31, 2020	Millions of Yen		
	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 <sup>1)</sup>	(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 <sup>2)</sup> :			
Hedge accounting is not applied	¥ 8,572	¥ 8,572	
Hedge accounting is applied	(4,086)	(4,086)	
Total derivative instruments	¥ 4,486	¥ 4,486	

March 31, 2021	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	\$ 37,696,981	\$ 37,696,981	
(2) Call loans and bills bought	548,931	548,931	
(3) Securities:			
Held-to-maturity securities	3,121,436	3,128,569	\$ 7,133
Available-for-sale securities	23,604,420	23,604,420	
(4) Loans and bills discounted	123,913,815		
Allowance for loan losses <sup>1)</sup>	(680,341)		
Net	123,233,474	123,984,294	750,820
Total assets	\$188,205,242	\$188,963,195	\$757,953
(1) Deposits	\$162,710,417	\$162,714,958	\$ 4,541
(2) Negotiable certificates of deposit	1,650,289	1,650,289	
(3) Call money and bills sold	1,578,637	1,578,637	
(4) Payables under securities lending transactions	1,403,495	1,403,495	
(5) Borrowed money	12,922,307	12,922,307	
Total liabilities	\$180,265,145	\$180,269,686	\$ 4,541
Derivative instruments <sup>2)</sup> :			
Hedge accounting is not applied	\$ 87,778	\$ 87,778	
Hedge accounting is applied <sup>3)</sup>	(72,193)	(72,193)	
Total derivative instruments	\$ 15,585	\$ 15,585	

<sup>1)</sup> Allowances for loan losses relevant to loans and bills discounted have been deducted.

<sup>2)</sup> 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.

<sup>3)</sup> The Group has applied the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASB Practical Issues Task Force No. 40) to hedging relationships of financial instruments that reference LIBOR, such as deferred hedging through interest rate swap transactions that aim to reduce market fluctuation risk in available-for-sale securities (debt securities) and deferred hedging through currency swap transactions that aim to reduce foreign exchange fluctuation risk in monetary receivables and payables denominated in foreign currencies in accordance with the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No.25).

## 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 amounts of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Equity securities without readily available market price <sup>1)2)</sup>	¥ 9,606	¥ 7,887	\$ 86,759
Investments in partnerships <sup>3)4)</sup>	18,958	12,931	171,229
Total	¥28,564	¥20,818	\$257,988

<sup>1)</sup> 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.

<sup>2)</sup> Equity securities in affiliates are not included and totaled ¥8,037 million (\$72,594 thousand) and ¥8,997 million as of March 31, 2021 and 2020, respectively.

<sup>3)</sup> During the year ended March 31, 2021, impairment losses on equity securities without a readily available market price of ¥64 million (\$578 thousand) and on investments in partnerships of ¥6 million (\$58 thousand) were recognized. During the year ended March 31, 2020, impairment losses on equity securities without a readily available market price of ¥94 million and on investments in partnerships of ¥21 million were recognized.

<sup>4)</sup> 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.

<sup>5)</sup> Investments in unconsolidated subsidiaries and affiliates are not included, and totaled ¥2,779 million (\$25,102 thousand) and ¥2,545 million as of March 31, 2021 and 2020, respectively.



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

	Millions of Yen					
March 31, 2021	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	¥3,999,813					
Call loans and bills bought	60,777					
Securities:						
Held-to-maturity securities	97,557		¥ 12,700	¥ 5,638	¥ 229,339	¥ 375
Available-for-sale securities with contractual maturities	131,775	¥ 320,943	231,103	158,363	442,482	1,101,014
Loans and bills discounted	2,451,034	2,296,500	1,887,817	1,259,614	1,439,007	4,035,677
Total	¥6,740,957	¥2,617,443	¥2,131,621	¥1,423,616	¥2,110,829	¥5,137,067

	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

	Thousands of U.S. Dollars					
March 31, 2021	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	\$36,125,479					
Call loans and bills bought	548,931					
Securities:						
Held-to-maturity securities	881,115	\$ 114,704	\$ 50,926	\$ 2,071,349	\$ 3,387	
Available-for-sale securities with contractual maturities	1,190,167	\$ 2,898,691	2,087,280	1,430,304	3,996,408	9,944,136
Loans and bills discounted	22,137,237	20,741,515	17,050,375	11,376,575	12,996,813	36,449,401
Total	\$60,882,929	\$23,640,206	\$19,252,359	\$12,857,805	\$19,064,570	\$46,396,924

Note: As of March 31, 2021, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥204,480 million (\$1,846,822 thousand) and loans and bills discounted with no contractual maturities amounting to ¥146,670 million (\$1,324,701 thousand) are not included.  
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 and loans and bills discounted with no contractual maturities amounting to ¥152,641 million are not included.

	Millions of Yen					
March 31, 2021	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	¥17,267,748	¥496,467	¥238,984	¥ 6,402	¥5,694	
Negotiable certificates of deposit	182,720					
Call money and bills sold	174,786					
Payables under securities lending transactions	155,394					
Borrowed money	1,402,957	9,666	5,154	9,507	3,471	
Total	¥19,183,607	¥506,134	¥244,139	¥15,910	¥9,165	

	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	

	Thousands of U.S. Dollars					
March 31, 2021	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	\$155,958,708	\$4,483,995	\$2,158,457	\$ 57,830	\$51,427	
Negotiable certificates of deposit	1,650,289					
Call money and bills sold	1,578,637					
Payables under securities lending transactions	1,403,495					
Borrowed money	12,671,220	87,303	46,557	85,872	31,355	
Total	\$173,262,349	\$4,571,298	\$2,205,014	\$143,702	\$82,782	

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, 2021 and 2020

The Group's derivative contracts that were quoted on listed exchanges, outstanding as of March 31, 2021 and 2020, were as follows:

There were no bond contracts as of March, 2021.

	Millions of Yen							
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss				
March 31, 2020								
Bond contracts — Futures written	¥302		¥(3)	¥(3)				

	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
March 31, 2021								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥ 818,165	¥738,019	¥ 23,416	¥ 23,416	\$ 7,389,502	\$ 6,665,637	\$ 211,495	\$ 211,495
Receive floating and pay fixed	784,927	662,637	(13,134)	(13,134)	7,089,299	5,984,801	(118,630)	(118,630)
Receive floating and pay floating	1,056,480	890,870	(1,222)	(1,222)	9,541,908	8,046,152	(11,041)	(11,041)
Caps and others written	8,339	7,605	(6)	131	75,318	68,694	(59)	1,184
Caps and others purchased	6,021	6,021	4	4	54,384	54,384	45	45
Foreign exchange:								
Forward exchange contracts — written	90,670	22,991	(94)	(94)	818,918	207,656	(855)	(855)
Forward exchange contracts — purchased	84,833	22,681	745	745	766,200	204,856	6,735	6,735
Options written	21,428	11,316	(412)	236	193,534	102,207	(3,722)	2,136
Options purchased	22,096	11,316	421	(33)	199,573	102,207	3,810	(306)
Other								
Earthquake derivatives								
Written	2,820		(45)		25,470		(410)	
Purchased	2,820		45		25,470		410	

	Millions of Yen							
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss				
March 31, 2020								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥ 985,420	¥786,392	¥ 27,425	¥27,425				
Receive floating and pay fixed	935,403	696,648	(19,314)	(19,314)				
Receive floating and pay floating	1,083,120	875,480	548	548				
Caps and others written	11,417	11,217	(10)	174				
Caps and others purchased	9,842	9,407	5	5				
Foreign exchange:								
Currency swaps	499							
Forward exchange contracts — written	39,284	1,005	(344)	(344)				
Forward exchange contracts — purchased	37,932	979	261	261				
Options written	17,233	9,334	(413)	228				
Options purchased	17,583	9,334	417	(59)				

### Derivative Transactions to Which Hedge Accounting is Applied at March 31, 2021 and 2020

The Group's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2021 and 2020, were as follows:

	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2021							
Deferral hedge accounting:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Available-for-sale securities	¥185,000	¥185,000	¥(2,076)	\$1,670,881	\$1,670,881	\$(18,755)
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	276,386	240	(3,991)	2,496,263	2,174	(36,048)
Stock related transactions – Forward stock agreements – Sold	Available-for-sale securities	14,579	14,579	(1,925)	131,678	131,678	(17,390)
Special hedging treatment:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	70,132	70,132		633,423	633,423	

	Hedged Item	Millions of Yen					
		Contract Amount	Contract Amount Due after One Year	Fair Value			
March 31, 2020							
Deferral hedge accounting:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Available-for-sale securities	¥185,000	¥185,000	¥(9,336)			
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	112,207	125	(193)			
Stock related transactions – Forward stock agreements – Sold	Available-for-sale securities	30,200	30,200	5,443			
Special hedging treatment:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	64,743	64,638				

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, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Gains arising during the year	¥ 41,816	¥(75,678)	\$ 377,680
Reclassification adjustments to profit or loss	10,937	(17,782)	98,786
Amount before income tax effect	52,754	(93,460)	476,466
Income tax effect	(13,221)	25,681	(119,417)
Total	¥ 39,532	¥(67,779)	\$ 357,049
Deferred gains or losses on hedges:			
Gains arising during the year	¥ 509	¥ (1,567)	\$ 4,603
Reclassification adjustments to profit or loss	1,389	1,668	12,548
Amount before income tax effect	1,898	100	17,151
Income tax effect	(581)	(30)	(5,248)
Total	¥ 1,317	¥69	\$ 11,903
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ 11,188	¥ (6,111)	\$ 101,056
Reclassification adjustments to profit or loss	1,113	1,029	10,054
Amount before income tax effect	12,302	(5,081)	111,110
Income tax effect	(3,764)	1,555	(34,000)
Total	¥ 8,537	¥ (3,526)	\$ 77,110
Share of other comprehensive income of entities accounted for using equity method:			
Total	¥ (645)	¥ 216	\$ (5,830)
Total other comprehensive income	¥ 48,742	¥(71,019)	\$ 440,232

## 30. SEGMENT INFORMATION

Under the ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decisionmaker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Segment information has been omitted because the Group operates in one segment, the banking business.

## 31. RELATED PARTY TRANSACTIONS

### a. Related Party Transactions

Transactions between subsidiaries of the Company and Related Parties

Directors of the Company or major shareholders (individuals only), etc.

For the fiscal year ended March 31, 2021

Party Classification	Name of Company or Individual	Address	Capital	Type of Business	Percentage of Voting Rights Held by the Company	Relations with Related Party	Type of Transaction	Amounts of the Transactions	Account Classification	Balance at the fiscal year-end
Director or Close relative of a director	Masaru Fujino			Close relative of an auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥11 million (\$108 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 March 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
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

\* 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 12, 2021, the Board of Directors resolved the following appropriation of retained earnings:

Appropriation of Retained Earnings as of March 31, 2021

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends - common stock (¥9.00 - \$0.08 per share)	¥10,880	\$98,270



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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, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Member of  
Deloitte Touche Tohmatsu Limited

Appropriateness of Borrower Classifications in Determination of Allowance for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group determines the allowance for loan losses by classifying borrowers based on their financial position, business performance and other factors in accordance with its policy and guidelines for the self-assessment of asset quality, and calculating the allowance based on the classifications determined, as described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses." At March 31, 2021, the Group recorded an allowance for loan losses of ¥76,134 million on the consolidated balance sheet.</p> <p>In determining the allowance for loan losses, several key assumptions are involved and there is estimation uncertainty as described in Note 2, "Summary of Significant Accounting Policies, y. Significant Accounting Estimates." Among them, financial projections used in the determination of borrower classifications involve more subjective judgments by management as it is based on a comprehensive consideration of the actual conditions of the borrowers. Therefore, the Group has a system in place where, in case of borrowers meeting certain criteria for the determination of borrower classifications, the classification determined by operating divisions shall be subject to approval by the division at the head office in charge of secondary assessment so that a more prudent determination is made.</p> <p>In the determination of borrower classifications, a high degree of subjective judgment by management is involved about financial projections of borrowers in evaluating the following, among others:</p> <ul style="list-style-type: none"> <li>Financial projections of borrowers for those whose business results or financial position is currently unfavorable or unstable, but who have nevertheless been classified as "normal" due to its transient nature, including where the impact of the spread of the Novel Coronavirus Infectious Diseases (COVID-19) is expected to be temporary</li> <li>Financial projections of borrowers for those whose business results or financial position has long been, or is expected to continue to be, unfavorable or unstable even after the impact of the spread of COVID-19 settles down, but who are nevertheless not expected to fall into serious business difficulties and thus have been classified as "in need of caution"</li> </ul>	<p>We performed the following audit procedures, among others, to examine the appropriateness of the classification determination of large borrowers which involves a relatively higher degree of subjective judgment by management about financial projections of the borrowers in the determination of the allowance for loan losses:</p> <ul style="list-style-type: none"> <li>We tested the design and operating effectiveness of controls related to approval of operating divisions' determination of borrower classifications by the division at the head office in charge of secondary assessment, by making inquiries and inspecting internal approval documents and other relevant materials.</li> <li>We evaluated, through inquiry and inspection of relevant documents, the basis for management's judgment about the financial projections of borrowers for those whose business results or financial position was currently unfavorable or unstable due to its transient nature, including where the impact of the spread of COVID-19 is expected to be temporary.</li> <li>We evaluated, through inquiry and inspection of relevant documents, the basis for management's judgment about the financial projections that the borrowers, whose business results or financial position had long been, or was expected to continue to be, unfavorable or unstable even after the impact of the spread of COVID-19 settles down, were not expected to fall into serious business difficulties.</li> <li>We evaluated, through inquiry and inspection of relevant documents, the basis for management's judgment about the rationality and achievability of borrowers' business improvement plans based on measures included in such plans, for those who were facing business difficulties and had failed to make adequate progress on their business improvement plans. In addition, we evaluated, through inquiry and inspection of relevant documents, the basis for management's judgment about whether the causes of failure to make adequate progress on their business improvement plans had been analyzed and whether they had been reflected in their current business improvement plans.</li> </ul>



- Rationality and achievability of business improvement plans of borrowers who are facing business difficulties and have failed to make adequate progress on their business improvement plans, but have nevertheless been classified as "in need of caution" as their current business improvement plans are deemed rational and possess high potential for achievement

A higher degree of management's judgment is required in case of large borrowers with a relatively high degree of management's subjective judgment on financial projections as the classification determination may have a relatively larger impact on the consolidated financial statements.

Based on the above reasons, we determined the appropriateness of the classification determination of large borrowers which involves a relatively higher degree of subjective judgment by management about financial projections of the borrowers in the determination of the allowance for loan losses, to be a key audit matter.

- In inspecting relevant documents about the basis for management's judgment mentioned above, we assessed against objective evidence, such as a comparison of the latest plans with the actual results and information from external sources, and assessed management's subjective judgments critically about financial projections of borrowers to examine whether there was any irrationality in the judgments.

#### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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, 2021

## Non-Consolidated Financial Statements

Bank of Yokohama

### ••• Non-Consolidated Balance Sheet

The Bank of Yokohama, Ltd.  
March 31, 2021 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>ASSETS:</b>			
Cash and due from banks	¥ 4,048,552	¥ 2,572,291	\$36,565,684
Call loans	60,777	187,230	548,931
Monetary claims bought	24,529	30,919	221,542
Trading assets	4,198	4,493	37,919
Securities	2,641,566	2,128,272	23,858,078
Loans and bills discounted	12,132,823	11,553,236	109,581,139
Foreign exchanges	27,403	16,308	247,500
Other assets	222,029	186,552	2,005,324
Property, plant and equipment	142,333	140,220	1,285,525
Intangible assets	13,221	12,676	119,410
Prepaid pension costs	42,756	41,056	386,168
Deferred tax assets		10,800	
Customers' liabilities for acceptances and guarantees	29,607	32,958	267,405
Allowance for loan losses	(51,932)	(47,409)	(469,041)
<b>TOTAL</b>	<b>¥19,337,866</b>	<b>¥16,869,608</b>	<b>\$174,655,584</b>
<b>LIABILITIES:</b>			
Deposits	¥16,240,389	¥14,634,013	\$146,679,815
Negotiable certificates of deposit	109,320	142,620	987,355
Call money	174,786	326,541	1,578,637
Payables under repurchase agreements	2,441	12,969	22,050
Payables under securities lending transactions	155,394	199,977	1,403,495
Trading liabilities	57	87	523
Borrowed money	1,424,156	432,184	12,862,681
Foreign exchanges	299	228	2,708
Due to trust account	15,931	4,825	143,894
Other liabilities	190,452	119,821	1,720,128
Provision for bonuses	3,784	3,141	34,184
Provision for directors' bonuses	19	33	172
Provision for share-based compensation	224	156	2,028
Provision for reimbursement of deposits	1,238	1,779	11,188
Provision for contingent losses	553	814	4,999
Deferred tax liabilities	566		5,118
Deferred tax liabilities for land revaluation	16,402	16,424	148,146
Acceptances and guarantees	29,607	32,958	267,405
<b>Total liabilities</b>	<b>18,365,627</b>	<b>15,928,576</b>	<b>165,874,526</b>
<b>EQUITY:</b>			
Capital stock — common stock — authorized, 3,000,000 thousand shares in 2021 and 2020; issued, 1,204,576 thousand shares in 2021 and 2020	215,628	215,628	1,947,513
Capital surplus	177,244	177,244	1,600,834
Retained earnings:			
Legal retained earnings	38,384	38,384	346,678
Other retained earnings	467,449	460,392	4,221,903
Valuation difference on available-for-sale securities	38,190	15,334	344,932
Deferred gains or losses on hedges	(1,319)	(2,637)	(11,922)
Revaluation reserve for land	36,661	36,686	331,120
<b>Total equity</b>	<b>972,238</b>	<b>941,032</b>	<b>8,781,058</b>
<b>TOTAL</b>	<b>¥19,337,866</b>	<b>¥16,869,608</b>	<b>\$174,655,584</b>

## ••• Non-Consolidated Statement of Income

The Bank of Yokohama, Ltd.  
Year Ended March 31, 2021 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>INCOME:</b>			
Interest income:			
Interest on loans and bills discounted	¥118,628	¥120,405	\$1,071,430
Interest and dividends on securities	19,902	21,002	179,755
Interest on call loans	570	4,013	5,154
Interest on due from banks	2,466	2,768	22,274
Other interest income	1,411	2,654	12,750
Trust fees	245	99	2,219
Fees and commissions	52,268	51,119	472,074
Trading income	137	108	1,241
Other operating income	8,107	9,297	73,226
Other income	11,217	19,010	101,316
Total income	214,956	230,480	1,941,439
<b>EXPENSES:</b>			
Interest expenses:			
Interest on deposits	2,257	7,750	20,391
Interest on negotiable certificates of deposit	4	7	45
Interest on call money	504	2,208	4,556
Interest on payables under repurchase agreements	53	448	479
Interest on payables under securities lending transactions	191	1,316	1,729
Interest on borrowed money	1,312	2,317	11,852
Other interest expenses	1,516	2,645	13,695
Fees and commissions	17,296	16,085	156,220
Trading Expenses			9
Other operating expenses	23,330	3,678	210,715
General and administrative expenses	106,483	104,304	961,737
Provision of allowance for loan losses	15,158	10,170	136,907
Other expenses	4,727	8,304	42,701
Total expenses	172,837	159,237	1,561,036
<b>INCOME BEFORE INCOME TAXES</b>	<b>42,118</b>	<b>71,243</b>	<b>380,403</b>
<b>INCOME TAXES:</b>			
Current	11,028	22,825	99,603
Deferred	689	(2,094)	6,228
Total income taxes	11,717	20,730	105,831
<b>NET INCOME</b>	<b>¥ 30,400</b>	<b>¥ 50,512</b>	<b>\$ 274,572</b>

## Non-Consolidated Financial Statements

Higashi-Nippon Bank

## ••• Non-Consolidated Balance Sheet

The Higashi-Nippon Bank, Limited  
March 31, 2021 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>ASSETS:</b>			
Cash and due from banks	¥ 127,564	¥ 64,986	\$ 1,152,137
Securities	364,801	321,385	3,294,809
Loans and bills discounted	1,664,687	1,578,586	15,035,109
Foreign exchanges	1,434	1,209	12,960
Other assets	15,881	9,262	143,437
Property, plant and equipment	25,899	28,805	233,915
Intangible assets	3,999	5,246	36,118
Prepaid pension costs	1,211	886	10,939
Deferred tax assets	9,389	7,541	84,805
Customers' liabilities for acceptances and guarantees	1,675	1,539	15,137
Allowance for loan losses	(32,043)	(18,808)	(289,407)
<b>TOTAL</b>	<b>¥2,184,501</b>	<b>¥2,000,639</b>	<b>\$19,729,959</b>
<b>LIABILITIES:</b>			
Deposits	¥1,856,859	¥1,666,634	\$16,770,773
Negotiable certificates of deposit	124,400	175,000	1,123,555
Payables under securities lending transactions		4,041	
Borrowed money	80,000	37,400	722,543
Foreign exchanges	11	76	104
Other liabilities	8,497	9,954	76,744
Provision for bonuses	386	453	3,491
Provision for share-based compensation	27	22	250
Provision for reimbursement of deposits	152	77	1,374
Provision for contingent losses	1,631	982	14,739
Deferred tax liabilities for land revaluation	2,555	2,584	23,079
Acceptances and guarantees	1,675	1,539	15,137
Total liabilities	2,076,198	1,898,766	18,751,789
<b>EQUITY:</b>			
Capital stock — common stock — authorized, 388,000 thousand shares in 2021 and 2020; issued, 176,869 thousand shares in 2021 and 2020	38,300	38,300	345,918
Capital surplus	24,600	24,600	222,184
Retained earnings:			
Legal retained earnings	1,904	1,904	17,199
Other retained earnings	31,228	41,024	282,053
Valuation difference on available-for-sale securities	6,606	(9,544)	59,666
Deferred gains or losses on hedges			
Revaluation reserve for land	5,663	5,588	51,150
Total equity	108,303	101,872	978,170
<b>TOTAL</b>	<b>¥2,184,501</b>	<b>¥2,000,639</b>	<b>\$19,729,959</b>

## \*\*\* Non-Consolidated Statement of Income

The Higashi-Nippon Bank, Limited  
Year Ended March 31, 2021 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
<b>INCOME:</b>			
Interest income:			
Interest on loans and bills discounted	¥20,617	¥ 20,630	\$186,209
Interest and dividends on securities	2,754	2,891	24,879
Interest on call loans	(5)	(3)	(52)
Interest on due from banks	74	7	676
Other interest income	1	3	13
Fees and commissions	3,884	3,287	35,087
Other operating income	362	1,018	3,277
Other income	688	938	6,219
Total income	28,378	28,774	256,308
<b>EXPENSES:</b>			
Interest expenses:			
Interest on deposits	210	199	1,897
Interest on negotiable certificates of deposit	21	18	195
Interest on call money		(1)	(5)
Interest on payables under securities lending transactions	1	18	16
Other interest expenses		10	3
Fees and commissions	1,162	1,527	10,503
Other operating expenses	314	916	2,844
General and administrative expenses	21,888	22,286	197,693
Provision of allowance for loan losses	13,980	9,503	126,266
Other expenses	5,240	2,933	47,333
Total expenses	42,820	37,412	386,745
<b>INCOME BEFORE INCOME TAXES</b>	<b>(14,441)</b>	<b>(8,638)</b>	<b>(130,437)</b>
<b>INCOME TAXES:</b>			
Current	69		629
Deferred	(4,794)	(838)	(43,299)
Total income taxes	(4,724)	(838)	(42,670)
<b>NET INCOME</b>	<b>¥ (9,717)</b>	<b>¥ (7,800)</b>	<b>\$ (87,767)</b>

## Financial Highlights

Concordia Financial Group		(Consolidated)	
	Millions of Yen*		Thousands of U.S. Dollars**
Years Ended March 31	2021	2020	2021
At year-end:			
Total assets	¥21,577,398	¥18,927,937	\$194,882,574
Cash and due from banks	4,173,809	2,635,524	37,696,981
Deposits	18,015,297	16,233,671	162,710,417
Loans and bills discounted	13,719,737	13,068,308	123,913,815
Securities	2,998,468	2,442,074	27,081,540
Total equity	1,159,099	1,103,972	10,468,748
Capital stock	150,078	150,078	1,355,478
For the year:			
Total income	¥ 291,834	¥ 306,339	\$ 2,635,787
Total expenses	255,518	237,697	2,307,791
Net income attributable to owners of the parent	25,326	46,536	228,746

\* Yen amounts have been rounded down to millions of yen.

\*\* U.S. dollar amounts are translated, for reference only, at the rate of ¥110.72=\$1 effective on March 31, 2021.

Bank of Yokohama		(Non-Consolidated)	
	Millions of Yen*		Thousands of U.S. Dollars**
Years Ended March 31	2021	2020	2021
At year-end:			
Total assets	¥19,337,866	¥16,869,608	\$174,655,584
Cash and due from banks	4,048,552	2,572,291	36,565,684
Deposits	16,240,389	14,634,013	146,679,815
Loans and bills discounted	12,132,823	11,553,236	109,581,139
Securities	2,641,566	2,128,272	23,858,078
Total equity	972,238	941,032	8,781,058
Capital stock	215,628	215,628	1,947,513
For the year:			
Total income	¥ 214,956	¥ 230,480	\$ 1,941,439
Total expenses	172,837	159,237	1,561,036
Net income	30,400	50,512	274,572

\* Yen amounts have been rounded down to millions of yen.

\*\* U.S. dollar amounts are translated, for reference only, at the rate of ¥110.72=\$1 effective on March 31, 2021.

Higashi-Nippon Bank		(Non-Consolidated)	
	Millions of Yen*		Thousands of U.S. Dollars**
Years Ended March 31	2021	2020	2021
At year-end:			
Total assets	¥2,184,501	¥2,000,639	\$19,729,959
Cash and due from banks	127,564	64,986	1,152,137
Deposits	1,856,859	1,666,634	16,770,773
Loans and bills discounted	1,664,687	1,578,586	15,035,109
Securities	364,801	321,385	3,294,809
Total equity	108,303	101,872	978,170
Capital stock	38,300	38,300	345,918
For the year:			
Total income	¥ 28,378	¥ 28,774	\$ 256,308
Total expenses	42,820	37,412	386,745
Net income	(9,717)	(7,800)	(87,767)

\* Yen amounts have been rounded down to millions of yen.

\*\* U.S. dollar amounts are translated, for reference only, at the rate of ¥110.72=\$1 effective on March 31, 2021.



## Capital Ratio

### Concordia Financial Group (International standard)

	[Consolidated]	
	As of	As of
(Billions of yen)	March 31, 2021	March 31, 2020
(1) Total capital ratio (4)/(7)	13.66%	13.28%
(2) Tier 1 capital ratio (5)/(7)	12.40%	12.27%
(3) Common equity Tier 1 capital ratio (6)/(7)	12.40%	12.27%
(4) Total capital	1,188.3	1,124.3
(5) Tier 1 capital	1,078.5	1,038.3
(6) Common equity Tier 1 capital	1,078.3	1,038.1
(7) Risk-weighted assets	8,696.2	8,460.6
(8) Total required capital (7)×8%	695.7	676.8

### Bank of Yokohama (International standard)

	[Consolidated]	
	As of	As of
(Billions of yen)	March 31, 2021	March 31, 2020
(1) Total capital ratio (4)/(7)	14.02%	13.72%
(2) Tier 1 capital ratio (5)/(7)	12.68%	12.61%
(3) Common equity Tier 1 capital ratio (6)/(7)	12.67%	12.60%
(4) Total capital	1,044.6	989.4
(5) Tier 1 capital	944.5	909.2
(6) Common equity Tier 1 capital	944.3	909.1
(7) Risk-weighted assets	7,448.5	7,210.1
(8) Total required capital (7)×8%	595.8	576.8

### Higashi-Nippon Bank (Domestic standard)

	[Consolidated]	
	As of	As of
(Billions of yen)	March 31, 2021	March 31, 2020
(1) Capital adequacy ratio (2)/(3)	7.72%	7.87%
(2) Total capital	104.1	108.5
(3) Risk-weighted assets	1,347.6	1,378.5
(4) Total required capital (3)×4%	53.9	55.1

## ESG-Related Data

### Corporate Governance

#### <CONCORDIA Financial Group>

Item	Unit	FY2018	FY2019	FY2020
		CONCORDIA Financial Group		
Number of directors	Persons	7	6	7
Of which, number of outside directors	Persons	3	3	3
Auditors	Persons	5	5	5
Of which, number of outside auditors	Persons	3	3	3
Number of women directors	Persons	1	1	1
Proportion of women directors	Persons	16.7	18.2	16.7
Board of Directors average attendance rate	%	99.2	100.0	100.0

#### <BOY, HNB>

Item	Unit	FY2018			FY2019			FY2020		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Number of directors	Persons	8	8	16	8	8	16	7	6	13
Of which, outside directors	Persons	2	2	4	2	2	4	2	1	3
Number of women directors (*)	Persons	1	-	1	1	-	1	1	-	1
Board of Directors average attendance rate	%	100.0	95.4	-	99.2	100.0	-	100.0	100.0	-

\*: Including outside directors

### Diversity

Item	Unit	FY2018			FY2019			FY2020		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Number of employees	Persons	4,622	1,323	5,945	4,559	1,238	5,797	4,511	1,197	5,708
Of which, number of women employees	Persons	2,222	423	2,645	2,197	376	2,573	2,178	370	2,548
Proportion of women employees	%	48.1	32.0	44.5	48.2	30.4	44.4	48.3	30.9	44.6
Number of temporary employees and number of overseas local personnel hired	Persons	3,192	571	3,763	3,356	555	3,911	3,370	527	3,897
Average age	Years	38.3	39.1	38.5	39.7	39.9	39.7	40.0	40.1	40.0
Average number of years at the bank	Years	15.1	16.2	15.3	16.0	17.0	16.2	16.1	17.1	16.3
Of which, average years of employment for men	Years	16.9	18.5	17.3	17.6	19.2	17.9	17.5	19.4	17.9
Of which, average years of employment for women	Years	13.2	10.8	12.7	14.2	11.7	13.7	14.7	12	14.1
Average annual salary	¥1,000	7,352	7,005	7,275	7,372	6,445	7,174	7,457	6,048	7,162
Average monthly salary	¥1,000	447	453	448	456	448	454	461	456	460
Personnel hired	Persons	186	53	239	189	36	225	185	53	238
Of which, number of women personnel hired	Persons	104	31	135	83	21	104	80	24	104
Total number of new graduates hired	Persons	159	50	209	133	34	167	143	48	191
Of which, number of women personnel hired	Persons	79	29	108	53	19	72	61	23	84
Number of administrative staff	Persons	1,077	458	1,535	1,153	435	1,588	1,230	437	1,667
Of which, number of women administrative staff	Persons	131	28	159	156	24	180	183	27	210
Proportion of women administrators	%	12.2	6.1	10.4	13.5	5.5	11.3	14.9	6.2	12.6
Total number of administrators	Persons	1,958	839	2,797	2,105	812	2,917	2,344	860	3,204
Of which, number of women administrators	Persons	643	162	805	744	171	915	861	182	1,043
Proportion of women administrators	%	32.8	19.3	28.8	35.3	21.1	31.4	36.7	21.2	32.6
Percentage of employees taking childcare leave (male) *1	%	51.9	0.0	39.2	90.3	2.2	63.5	84.8	31.0	72.7
Percentage of employees taking childcare leave (female) *2	%	100.6	106.7	101.6	101.4	87.5	99.4	98.5	112.5	100.6
Percentage of employees taking childcare leave (male and female)	Persons	78.9	44.4	72.0	96.7	31.9	82.5	92.7	67.9	88.1

\*1: Percentage of male employees taking childcare leave (%) = "Number of male employees who took (started) childcare leave (in the relevant fiscal year)" / "Number of male employees whose spouse gave birth (in the relevant fiscal year)" ×100

\*2: Percentage of female employees taking childcare leave (%) = "Number of female employees who took (started) childcare leave (in the relevant fiscal year)" / "Number of female employees who gave birth (in the relevant fiscal year)" ×100

## Environment

Item	Unit	FY2018			FY2019			FY2020		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Total Amount of energy used Converted to petroleum	KL	10,815	1,462	12,277	10,928	1,336	12,264	10,735	1,300	12,035
Total amount of energy used	GJ	419,198	56,661	475,859	423,557	51,775	475,332	416,072	50,358	466,430
Greenhouse gases (GHG) Scope 1 (direct emissions)	tCO2e	793	165	958	818	155	973	789	112	901
Greenhouse gases (GHG) Scope 2 (indirect emissions)	tCO2e	19,480	2,084	21,564	18,794	1,787	20,581	18,443	1,825	20,268
Greenhouse Gas (GHG) Scope 3 (Business Travel)	tCO2e	615	192	807	600	180	781	647	172	819
Greenhouse Gas (GHG) Scope 3 (Commuting)	tCO2e	1,221	388	1,610	1,192	370	1,562	1,120	346	1,466
Greenhouse Gases (GHG) Scope 3 (Leased Assets Upstream)	tCO2e	806	19	825	722	20	742	566	23	590
Total Greenhouse Gas (GHG) Emissions (Scope 1, 2)	tCO2e	20,273	2,250	22,523	19,612	1,942	21,554	19,232	1,937	21,170
Total Greenhouse Gas (GHG) Emissions (Scope 1, 2, 3)	tCO2e	22,916	2,850	25,766	22,127	2,513	24,641	21,567	2,479	24,047
Amount of electricity used	1,000kWh	37,067	5,638	42,705	37,494	5,157	42,651	36,721	5,051	41,772
Amount of gasoline used *1	KL	347.1	70.3	417.4	311.1	67.8	378.9	244.1	57.9	302.0
Amount of paper purchased *2	t	100.5	44.4	144.9	123.8	62.4	186.2	217.8	23.8	241.6
Of amount of paper purchased, amount of environmentally friendly paper *2	t	66.3	1.1	67.4	77.8	3.9	81.7	52.5	2.9	55.4
Amount of waste generated *3	t	569.9	218.0	787.9	293.8	186.6	480.4	313.7	162.6	476.3
Of amount of waste generated, final disposal amount *3	t	65.6	13.7	79.3	36.9	14.7	51.6	35.9	37.2	73.1
Of amount of waste generated, amount recycled *3	t	504.4	204.3	708.7	256.9	121.9	378.8	277.8	125.4	403.2
Total amount of water used *4	m	69,207	5,505	74,712	68,609	4,650	73,259	68,805	3,972	72,777
Amount of cooling water inflow *5	m	14,878	0	14,878	16,170	0	16,170	15,344	0	15,344

\*1: Since FY 2020, Higashi-Nippon Japan has been compiling figures on gasoline usage for all branches (calculated by dividing the gasoline expenses for all branches by the average unit price of gasoline nationwide). This has led to an increase in the numbers for FY 2018 and beyond.

\*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	FY2018			FY2019			FY2020		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Number of cases of customers con- sulting consultation room	Cases	3,649	193	3,842	3,874	303	4,177	5,375	259	5,634
Of which, telephone consultation	Cases	2,845	129	2,974	3,060	245	3,305	4,132	189	4,321
Complaints	Cases	743	124	867	1,004	216	1,220	1,175	172	1,347
Inquiries	Cases	2,102	5	2,107	2,056	29	2,085	2,957	17	2,974
Of which, number of Voice of Customer cards received	Cases	121	21	142	108	20	128	24	20	44
Of which, number of Voices of Customer received on home page	Cases	683	43	726	706	38	744	1,219	50	1,269
Complaints	Cases	395	20	415	423	15	438	723	28	751
Wishes	Cases	253	8	261	240	6	246	451	17	468
Compliments	Cases	35	2	37	43	2	45	45	5	50
Others	Cases	0	13	13	0	15	15	0	0	0

## Community

Item	Unit	FY2018			FY2019			FY2020		
		BOY	HNB	total	BOY	HNB	total	BOY	HNB	total
Regional society activity expenses	¥1,000	68,358	326	68,684	73,735	531	74,266	56,119	233	56,352
Regional society activity expenses/ Profits after tax	%	0.11	0.02	0.11	0.15	-0.01	0.17	0.18	0.00	0.27
Number of participants in financial education *1	Persons	730	6	736	2,712	17	2,729	7,666	125	7,791

\*1: The number of participants in various financial seminars, work experience programs, and on-site classes, and the number of visitors (unique users) to the website "Hamagin Money Classroom" are counted.

## Board Members

(As of June 22, 2021)

### Concordia Financial Group

<b>Directors</b>		Outside Audit & Supervisory Board Members	
Representative Director, President	Yasuyoshi Oya		Keiichiro Hashimoto
Directors	Yoshiyuki Oishi		Seiichi Fusamura
	Tadashi Komine		Mayumi Noguchi

<b>Executive Officers</b>		<b>Executive Officers</b>	
Outside Directors	Mitsuru Akiyoshi		Keigo Makino
	Yoshinobu Yamada		Yutaka Awano
	Mami Yoda		Yutaro Koshiba
			Tatsuya Kataoka
			Toshihiko Onuki
			Mitsuyoshi Tanaka

### Supervisory Board Members

Full-time Audit & Supervisory Board Member	Kazuhiro Maehara
Audit & Supervisory Board Member	Mitsuhiro Hara

### Bank of Yokohama

<b>Directors</b>		<b>Executive Officers</b>	
Representative Director, President	Yasuyoshi Oya	Managing Executive Officers	Akira Ohki
Representative Director, Managing Executive Officer	Tadashi Komine		Yutaka Awano
Directors and Managing Executive Officer	Yoshiaki Suzuki		Yutaro Koshiba
Director and Executive Officer	Keigo Makino	Executive Officers	Yusuke Tasaka
Outside Directors	Kyoko Okumiya		Tohru Shiino
	Shigeru Ishii		Toshiya Kubota
			Akihiko Bandai
			Tomoki Arai
			Toshihiko Onuki
			Takeshi Hirama
			Michifumi Katsuta
			Hiroaki Suzuki
			Nobuo Onodera

### 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

### Higashi-Nippon Bank

<b>Directors</b>		<b>Executive Officers</b>	
Representative Director, President	Yoshiyuki Oishi	Executive Officers	Mototsugu Kishiro
Directors	Tatsuya Kataoka		Tatsuhiko Hasegawa
	Mitsuyoshi Tanaka		Akira Okuzumi
	Kazuhiro Sukegawa		Toshihiko Onuki
	Kouji Ogawa		Hidenobu Shiina
Outside Director	Masataka Ueda		Isao Tsukada
			Tomoki Arai

### Supervisory Board Members

Full-time Audit & Supervisory Board Member	Shigeo Iida
Outside Audit & Supervisory Board Members	Noriko Koike
	Yoshikazu Suzuki

## Corporate Information

### CORPORATE DATA

#### Concordia Financial Group (As of March 31, 2021)

<b>Company Name</b>	<b>Date of Establishment</b>	<b>Internet Address</b>
Concordia Financial Group, Ltd.	April 1, 2016	<a href="https://www.concordia-fg.jp/e/index.html">https://www.concordia-fg.jp/e/index.html</a>
<b>Head Office</b>	<b>Paid-in Capital</b>	
7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo (Tokyo Nihombashi Tower, 34th floor) Tel: +81 (3) 5200-8201	¥150,000 million	

#### Bank of Yokohama (As of March 31, 2021)

<b>Company Name</b>	<b>Date of Establishment</b>	<b>Number of Branches and Offices</b> (As of June 30, 2021)
The Bank of Yokohama, Ltd.	December 16, 1920	638 Domestic: 633 (202 branches, 5 sub-branches, 426 ATM locations) Overseas: 2 Branches, 3 Representative offices
<b>Head Office</b>	<b>Paid-in Capital</b>	<b>Internet Address</b>
1-1, Minatomirai 3-chome, Nishi-ku, Yokohama, Kanagawa 220-8611, Japan Tel: +81 (45) 225-1111	¥215,628 million	<a href="https://www.boj.co.jp/e/index.html">https://www.boj.co.jp/e/index.html</a>
	<b>Number of Employees</b>	
	4,511	

#### Higashi-Nippon Bank (As of March 31, 2021)

<b>Company Name</b>	<b>Date of Establishment</b>	<b>Number of Branches and Offices</b> (As of June 30, 2021)
The Higashi-Nippon Bank, Limited	April 5, 1924	Domestic: 91 (84 branches, 4 sub-branches, 3 Unmanned branch offices)
<b>Head Office</b>	<b>Paid-in Capital</b>	<b>Internet Address</b>
11-2, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8238, Japan Tel: +81 (3) 3273-6221	¥38,300 million	<a href="https://www.higashi-nipponbank.co.jp/">https://www.higashi-nipponbank.co.jp/</a>
	<b>Number of Employees</b>	
	1,197	

### INTERNATIONAL NETWORK (Bank of Yokohama)

(As of March 31, 2021)

#### Asia

**Shanghai Branch:**  
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Tomonori Okayama

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Shinichiro Kihana

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CHIEF REPRESENTATIVE  
Michitaka Tanaka

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Fax: +65 6216-1510  
GENERAL MANAGER  
Masaya Sakuyama

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Fax: +1 (212) 750-8008  
CHIEF REPRESENTATIVE  
Daisuke Kiyokawa