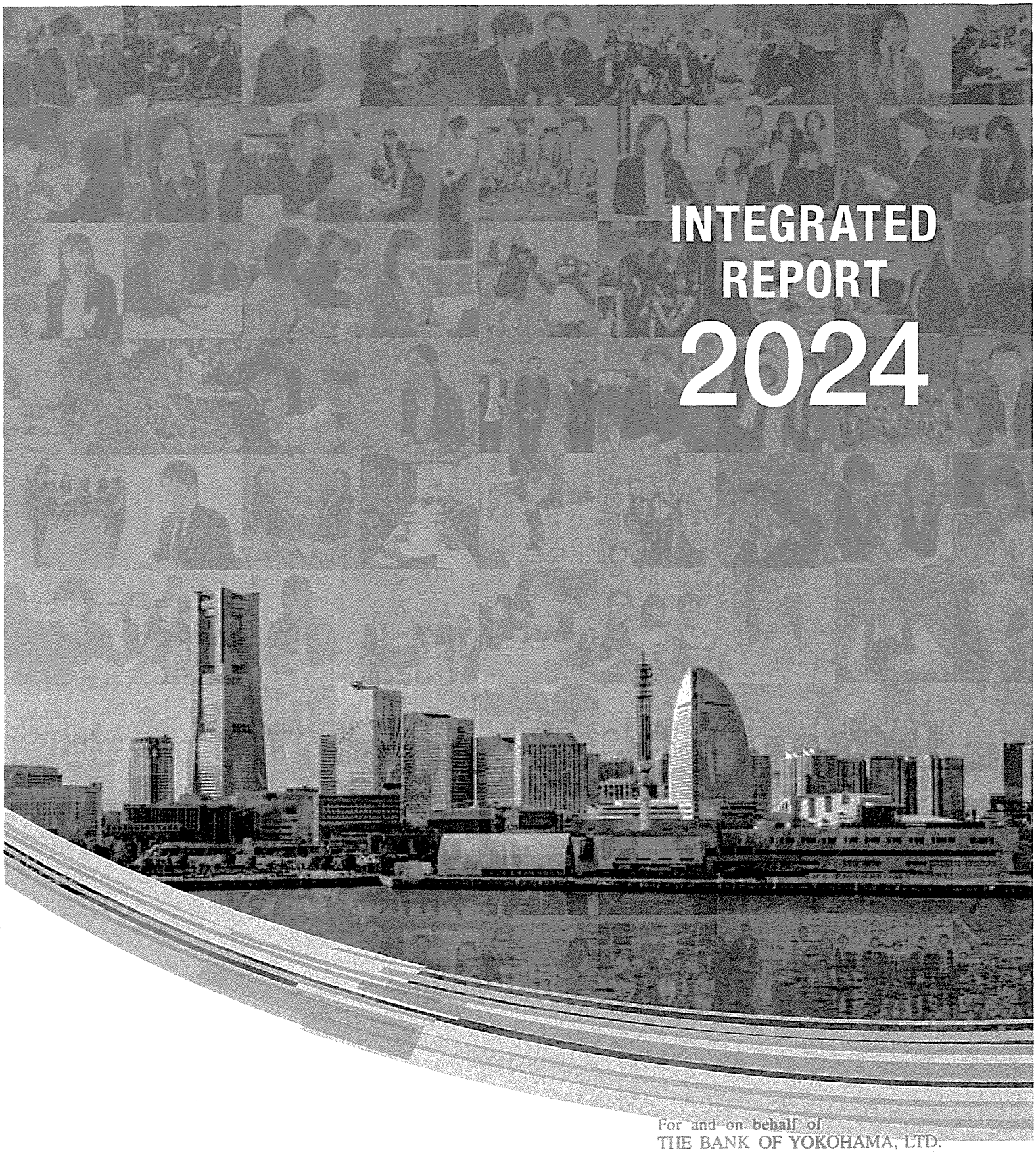


INTEGRATED REPORT 2024

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

佐藤 健介
Authorized Signature

CONCORDIA Financial Group

Bank of Yokohama | HIGASHI-NIPPON BANK | KANAGAWA BANK

Certified True Copy

Management Philosophy

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

MISSION Management Principles

MISSION

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

VISION

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

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

VALUE

"Full faith and credit" We value the maintenance and strengthening of relationships of trust with our community, customers, shareholders, and employees.

"Customer-oriented" We always act customer-first.

"Transformation and Challenge" We are always transformation minded in response to economic and social changes, and take on challenges without fear of failure.

"Pride" We always give it everything with unwavering pride.

"Our Vision"

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

Thoughts underscored in the "Our Vision"

"Rooted in the community"

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

"Selected as a partner to walk together"

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

"A solution company"

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

The ideas of management and of all employees

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

CONCORDIA
Financial Group

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

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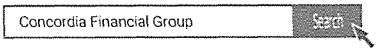
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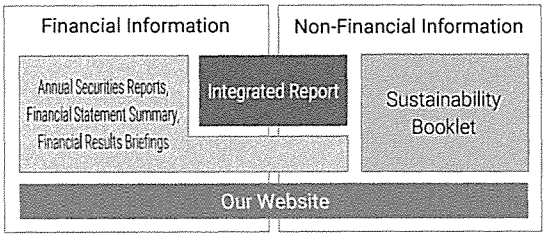
Period FY2023 (April 2023 - March 2024)
Some information from after April 2024 is also included.

Scope The Concordia Financial Group and its subsidiaries and affiliates

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



Information Disclosure Communication



Editorial Policy

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

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

Guidance for Collaborative Value Creation

Three Key Points in the Integrated Report 2024

1. Sharing our roadmap for enhancement of corporate value based on a logic tree

- We consider the integrated report to be one of the key tools for engagement with our stakeholders.
- To further deepen this dialogue, we have based the structure of this report on a logic tree, and will share with stakeholders our current position and PDCA cycle for the enhancement of our corporate value.

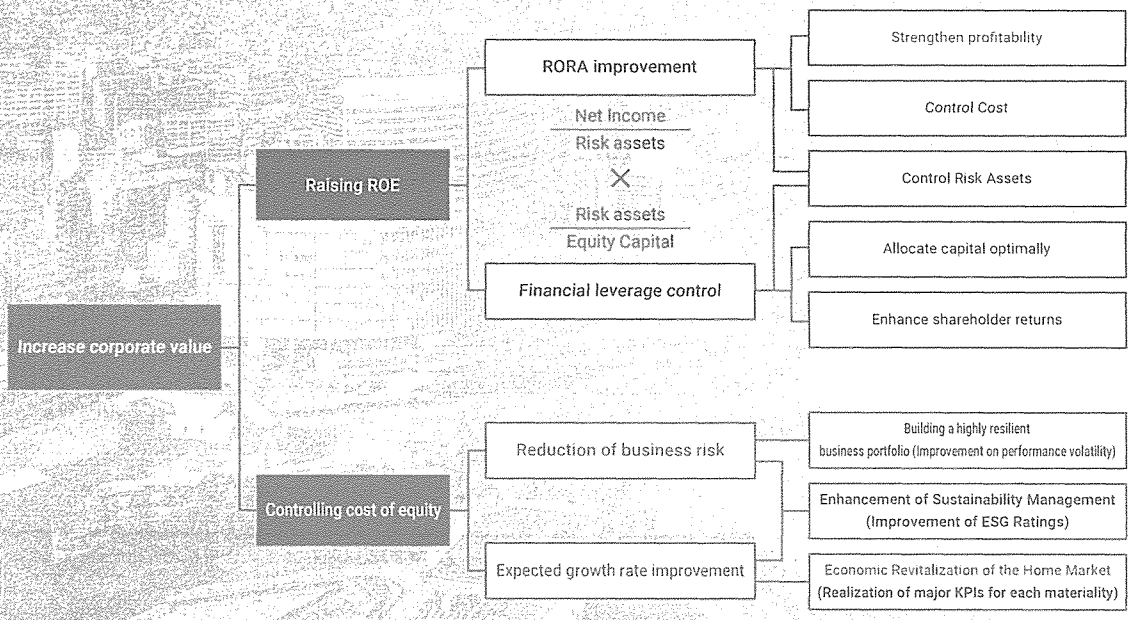
2. Progress and challenges towards becoming a solution company: roundtable discussion / human resource strategy

- The solution business in the corporate segment is one of our Group's strengths. During the discussion, personnel responsible for providing solutions spoke frankly about the progress and the challenges involved toward our vision of becoming a solution company. P.67
- It is our human resources that support our Group's solution business. Our efforts to develop human resources, build an organization, and create an environment to maximize our human capital are detailed in the human resource strategy section. P.71

3. Co-creating value by diverse human resources together with the community: thoughts behind the cover

- By recreating the local scenery using photos submitted by employees, we hope to express how the diverse human resources of our Group are working together as one to collaboratively create value with the local community and contribute to its sustainable development.

Concordia FG's logic tree for enhancing corporate value



TOP COMMITMENT

Through the co-creation of social and economic values stemming from addressing issues facing the communities and our customers, we will aim to enhance our corporate value and build our future supported by all our stakeholders.

Sharing the roadmap to corporate value enhancement with our stakeholders and making steady progress

This year marks my third year since assuming the role of President and Representative Director at Concordia Financial Group, while it is also the final year of our medium-term management plan. During this time, the Japanese economy has moved toward a virtuous cycle between wages and prices, developments in digital transformation (DX) and green transformation (GX) have promoted a paradigm shift, and the termination of the Bank of Japan's negative interest rate policy has marked the start of a so-called world with interest rates. In this sense, there have been major changes since we first formulated the medium-term management plan. Amid these changes, as a regional financial institution, we have focused on addressing the issues faced by our communities and customers, and at the same time engaged in much dialogue and discussion with each stakeholder to fulfill our most important mission: enhancing our corporate value. Following in-house deliberation on how to enhance our corporate value, one of the ways is a logic tree we disclosed in 2023 for improving our price-to-book ratio (PBR) and return on equity (ROE).

Around the same time, the Tokyo Stock Exchange made a remark on the issues concering companies with a PBR below 1. Although this happened to coincide with the disclosure of our logic tree, our efforts to prioritize capital efficiency are by no means new. For example, while we currently disclose figures related to our return on



Concordia Financial Group

President and
Representative
Director

risk assets (RORA), which is closely correlated to ROE, we have used RORA internally as a profitability management indicator since around 2011. Our focus on capital efficiency can be traced back to discussions by the Bank of Yokohama, our core Group subsidiary, with foreign investors regarding ways to improve ROE and overhead ratio (OHR).

Today, we have a system in place for determining the priorities of projects and operations based on RORA by division and other factors at each department, and we are steadily making progress in improving capital efficiency and optimizing capital allocation. Awareness of the importance of RORA is also increasing among our employees, which in turn is driving overall RORA improvements. However, rather than simply setting numerical targets, it is essential that every individual within the Group has a clear understanding of why we are aiming to improve RORA and ROE. Boosting understanding is one way in which we aim to make use of the logic tree.

What will become important moving forward is putting corporate value enhancement that is based on the logic tree into practice. Every stakeholder has different expectations for the Group, and their definitions of corporate value also vary. The logic tree serves as a common measuring stick to bridge these gaps, and I believe that we are now able to have more in-depth dialogue with our stakeholders than ever before. We will continue to steadily move forward step-by-step while sharing the roadmap to corporate value enhancement with all our stakeholders.



Continuing our own growth to shoulder the growth of local communities

I believe that ideally we would be able to discuss corporate value with all our stakeholders in a common language. This of course is a challenge, but one activity we trialed in 2023 was to host an information session for all group employees on "Initiatives for Enhancing Corporate Value". In the session, we paid special attention to providing clear and easy-to-understand explanations so that each employee could see where their duties were positioned on the logic tree.

However, ensuring that every employee recognizes exactly what to do to enhance corporate value will not happen overnight. That said, even if they are not instantly clear on the answer, I would like every employee to have a constant awareness of corporate value enhancement as they go about their day-to-day tasks. Moreover, General Managers and others in managerial positions must communicate information that is relevant to their respective workplaces to improve awareness of corporate value enhancement among employees. Fostering this mindset will ensure that both management and the wider workforce are on the same boat as we move forward.

As a financial group with regional financial institutions at our core, our role is to resolve issues our customers are facing while enhancing the value of local communities, customer households, and companies, and growing alongside our local customers.

Without growth in regional economies, the Group cannot grow. We will continue to ensure that our core initiatives contribute to regional economic growth, but in order for us to continue to shoulder this growth, it is paramount that we increase our own profits and continue to enhance our corporate value.

This year marks the final year of the current medium-term management plan that began in FY2022, and we have already begun in-house discussions regarding the next medium-term management plan. In addition to further refining our solution business, we have positioned the next plan as a key stage from which to make effective use of our capital, including strategic investments for our sustainable profit growth.

Our long-term vision of becoming "a solution company rooted in communities and selected as a partner to walk together" will remain unchanged.

Of particular importance is that we are "selected as a partner to walk together" with our customers. This reflects our desire to be a financial institution selected by customers by providing services that exceed their expectations and to maintain our pride in being a top regional bank. Rather than simply boasting the greatest amount of deposits and loans, taking pride in the fact that we are one of Japan's leading regional financial institutions will create a sense of responsibility and gravity to ensure we can provide services that exceed customers' expectations and continue to be "selected".

Issues remain despite overall positive progress with the medium-term management plan

The three basic themes of the current medium-term management plan are Growth, Change, and Sustainability. In terms of Growth, through steady efforts to deepen and expand our solution business, in FY2023 our domestic sales revenue reached a record high. We are also making advances with the development of solution sales personnel, and as such our growth initiatives are progressing smoothly. Moreover, while still a work in progress, with regards to the securities investments that were impacted by a negative spread due to rising US interest rates, we significantly improved valuation gains and losses by restructuring our portfolio.

In terms of Change, in addition to promoting consolidation and elimination of bank branches and reforming in-store operations as part of our structural reforms, in April 2023 we formulated the Group Human Resource Strategy, and have begun initiatives in line with three basic themes linked to our management strategies: developing human resources, building an organization, and creating an environment.

For Sustainability, in response to environmental issues, we are working toward decarbonization of in-house operations and supporting our customers' decarbonization efforts. At the same time, we are also focusing on enhancing the sustainability of our management by strengthening our governance.

Overall, the current medium-term management plan is progressing smoothly, but a few issues remain.

The first issue is regarding the post-merger integration (PMI) of THE KANAGAWA BANK, which became a wholly-owned subsidiary of the Bank of Yokohama following the Extraordinary General Meeting of Shareholders in June 2023. From my experience as a Director of the Higashi-Nippon Bank, which merged with the Bank of

Yokohama in 2016, I know that the benefits of business integrations do not come easily. That is, unless employees thoroughly understand the significance of the integration and are moving in the same direction, no synergy measures will produce any results.

As such, the priority for the first year of this integration was to align the vectors of the Bank of Yokohama and THE KANAGAWA BANK. I have had the opportunity to speak with all employees of THE KANAGAWA BANK, where I was able to explain the reasons behind the integration and our future course of action. In the process, I have made one request to THE KANAGAWA BANK's employees: Please do not be afraid of change. I have conveyed the importance of having a sense of crisis, that if we do not change ourselves in today's dynamic society, we will be left behind by society as a whole and will not be able to survive. As people on the same boat, I believe that the benefits of business integration will be generated when the employees of THE KANAGAWA BANK understand that our goal of corporate value enhancement is their own business and act without fear of change.

The second issue relates to the sophistication of our holding company functions. Although we are a banking group centered on the Bank of Yokohama at present, we must look at what functions to strengthen so that we can enhance our functions as a financial group. One option is to enhance our non-banking financial functions through growth investments that make effective use of capital.

In addition, by promoting the standardization of platforms and operations, we will aim for even greater management efficiency across the three banks under our control. Moreover, a strong management team is essential if we are to ensure the continuous enhancement of our corporate value. While making speedy decisions on appropriate risks to take, we will create a governance structure with sound checks and balances.

The third and final issue is the creation of an environment where each and every employee can demonstrate their full potential.

Improving productivity to enhance the effectiveness of our human resource strategy

Human resources are the basis for any business, and it is therefore important to provide an environment where employees can develop their skills and grow. This would allow employees to work with a sense of fulfillment, which in turn boosts customer satisfaction and increases our earnings.

The various measures we have implemented based on the Group Human Resource Strategy have already been effective to a certain degree, resulting in the increased number of personnel with advanced skills, expertise, and experience, in turn boosting the solution revenue per employee, but issues are still apparent. For example, even if we prepare a range of different training programs, with limited personnel at our sales branches, many employees are in two minds about leaving the workplace to take part in the programs. Moreover, although managers want to give their subordinates and junior employees time for educational purposes, many say it is difficult to free up the required time to do so. With the working population expected to continue shrinking for years, it will be increasingly difficult to acquire the sufficient number of personnel. As such, even if we work to invest in and develop human resources, unless we focus on greater efficiency and productivity and create working environments that are free of wasteful processes, we will not be able to maximize the effects of our various human resource measures.

In response, in FY2023 we promoted

operational improvements through digitalization, while at the same time taking on board employees' opinions and suggestions through the job satisfaction improvement project. Based on the themes of behavioral and cultural transformation, as part of the project, each department at the head office and management held extensive discussions and conducted fundamental reviews on how operations should be. Moreover, we held just under 200 director-led town hall meetings throughout the year, and are continuing with initiatives to address the opinions and issues raised at these meetings. We believe that improving productivity through joint efforts between the head office and frontlines in this way can help to improve the effectiveness of our personnel-related measures.



Furthermore, for us to provide a solution business that continues to exceed customers' expectations amid their diversifying challenges, we must promote collaboration among diverse human resources and create an organization that facilitates wide-ranging opinions and ideas. Not only is are the initiatives for diversity, equity, and inclusion (DEI), key to providing services that exceed expectations, it isbut they are also essential for the creation of an attractive, and fulfilling workplace and for the continuous enhancement of our corporate value.

Finally, to ensure that employees with diverse values and lifestyles can maximize their capabilities, we must create workplace environments that facilitate physical and mental health and, in turn, peace of mind, as well as develop a lively and active organizational culture.

I will continue to personally communicate with as many employees as possible to look at what we can do to continue being an attractive organization for our human resources.

Focusing on DX to ensure stable earnings in a world with interest rates

In January 2024, we switched the MEJAR accounting system for five regional banks over to a new system structure based on general-purpose products and achieved stable operation. This has enabled us to limit our system investments in non-strategic areas and allocate spare funding into mainly DX and other strategic area investments.

To date, we have moved forward with DX investments based on two key pillars: The streamlining of in-house operations and the improvement of customer services.

To streamline in-house operations, in addition to the in-branch operation reforms we have implemented up until now, in the future, we will look to make use of AI for greater operational efficiency. This will help reduce the burden on personnel and enable each and every employee to shift to high-value-added operations.

Meanwhile, DX is also a major factor in improving customer services and securing stable deposits. In the so-called world with interest rates,

the ability to increase customer deposits will be the differentiating factor between banks' earning capabilities. While one method is to temporarily increase deposits through limited-time interest rates and other measures, it is more important that we secure sticky, long-term deposits. A leading example is settlement accounts. Individual customers in particular prioritize convenience when selecting settlement accounts for everyday use. Therefore in April 2023, we launched a new smartphone app called Hamagin 365, which is currently being used by a significantly higher number of customers than any of our previous apps. We plan to continually enhance the app's functionality to make it even more convenient, and ideally, in the future, we aim to switch conventional branch-based operations over to the app, and ultimately raise its functionality to a level that enables all operations to be completed on the app.

DX-related technologies are evolving at a dizzying rate, and at the same time, customers' digital literacy is improving year on year. As such, going forward, in order to create new DX-led value, we will engage in new endeavors with an open mind and swiftness, beyond the boundaries of the streamlining of in-house operations and improvement of customer services.

How to raise awareness of sustainability

There is one story about sustainability that has left a lasting impression on me.

We currently offer financial education to promote the realization of financial wellness. At one elementary school where we hosted a financial class, we gave away a character-themed piggy bank to every student. At which point, a pupil asked, "What material is this box made from?" After replying that it was made of plastic, the pupil said, "Well I don't want it, then". Struck by this episode, we determined to change our piggy banks to those made from plant-based resin. It was an opportunity for me to realize that awareness of the importance of sustainability has grown significantly, even on the individual level.

As people take the initiative on the individual level to solve environmental and social issues, as the above anecdote shows, we are living in a time when companies that do not practice sustainability management will no longer be chosen by customers. In terms of our own sustainability initiatives, we will work to accelerate the progress of our measures.

In the so-called era of global boiling, climate change countermeasures are of the utmost importance, and climate change is something that must be addressed with urgency. Since the adoption of the Paris Agreement, countries and regions across the world are accelerating efforts to limit global warming to 1.5ºC. Against this backdrop, we have set one of our materialities (priority challenges) as Measures Against Global Warming and Climate Change, and are engaged in various initiatives aimed at the achievement of a decarbonized society.

Toward achieving the Japanese government's target of net zero by 2050, we are reinforcing our support for our customers' decarbonization measures through continued engagement with them by offering a range of solutions including visualization of GHG emissions, support for setting reduction targets and formulating reduction plans, and fundraising for transitions.

Elsewhere, response to human rights issues in society is growing in importance. At the Concordia Financial Group, we recognize that respect for human rights is one of our most important corporate responsibilities, and, as such, have formulated the Group Human Rights Policy. To play our part in achieving a sustainable society, we will work with our customers, officers, employees, and all other stakeholders to promote respect for human rights.

Enhancing corporate value supported by all stakeholders

There is a phrase I always bear in mind: emotion and reason. While the logic tree and the like are based on reason, reason alone cannot motivate people to take action. Rather, it is the emotional aspect—that is, why is this needed now and why must it be done—that encourages people to act. Without a balance between the two, a strain in management would occur.

By organizing our approach and strategies for corporate value enhancement and communicating our logic tree concept, we have created a measuring stick that serves as a common language with our stakeholders. Moving forward, it will be important to use this measuring stick as a basis for putting our ideas into practice and to work through the PDCA cycle together with our stakeholders while sharing our progress.

Of course, many issues will emerge in the process. As they do emerge, we will use reason for our management decisions, and emotion to communicate with our employees on the necessary response.

This is my role as president, and I hope to ensure that all stakeholders are on the same boat. By doing so, I aim to build a future for our company that is supported by our shareholders, regional customers, and employees.

Moving ahead, we will continue to communicate with not only our stakeholders but also many other people to gain new insights and receive advice, while working to co-create social and economic value by solving issues faced by our regions and customers, thereby further enhancing our corporate value.

I look forward to your continued support as we build the future for the Concordia Financial Group.



A Message from the Director of Finance



In addition to deepening and expansion of our solution business through further strengthening our human capital, we will pursue strategic investments that will lead to sustainable growth, thereby achieving an ROE that exceeds our cost of capital and enhancing our corporate value.

Concordia Financial Group
Representative Director **Nobuo Onodera**

A year spent striving to enhance corporate value based on the PBR logic tree

In 2023, we disclosed our initiatives to enhance corporate value in the form of a PBR logic tree. The logic tree drew more attention than we had anticipated. We knew then as management that we would have to deliver results based on it, so it was a year that kept us on our toes.

Based on the logic tree, we implemented a PDCA cycle for each item in our operations, and we have achieved actual results. In terms of improving RORA, because of the high return on capital (ROC) in the solution business, we recognize that in a "world with interest rates", it is important to allocate capital to this business and steadily increase risk assets. This approach has already started to yield results.

Specifically, RORA has steadily increased and we have also been able to improve our leverage ratio. The highly profitable structured finance exceeded the budget, thus we have revised the initial budget for our medium-term management plan for FY2024 upward, setting a planned balance of ¥670 billion.

By clearly setting out the various issues through the logic tree, we have been able to discuss current conditions, issues, and results with investors using the same criteria, which I feel has made our dialogue with investors very constructive.

Strengthening human capital is crucial for updating the regional bank business

Let me explain our initiatives based on the PBR logic tree. First, we have raised ROE by deepening and expansion of our solution business.

Within the solution business, which addresses customers' management challenges, one rapidly growing area in recent years is M&A finance, a type of structured finance. Listed companies face growing pressure to run their businesses with an awareness of the cost of capital, and in recent years, activist investors have ramped up their efforts. As a result, there has been a trend toward acquiring foreign firms or delisting them in search of sustainable growth. This has led to increased activity in M&A financing. Since we are based in the Tokyo metropolitan area, we can tap into the strength of our collaboration network with various funds and our opportunities

to communicate with listed companies. Moreover, this trend is not limited to listed companies. M&As aimed at growth are becoming more common among small and medium-sized businesses. There are also more opportunities to provide LBO loans for business succession purposes. While our business may not match the scale of the megabanks, we aim to strengthen our presence as a key player covering mid- and small-cap companies.

We will continue to work on raising ROE by strengthening our capabilities in these areas and updating our regional bank business as a community-based investment bank while keeping traditional relationship banking at our core.

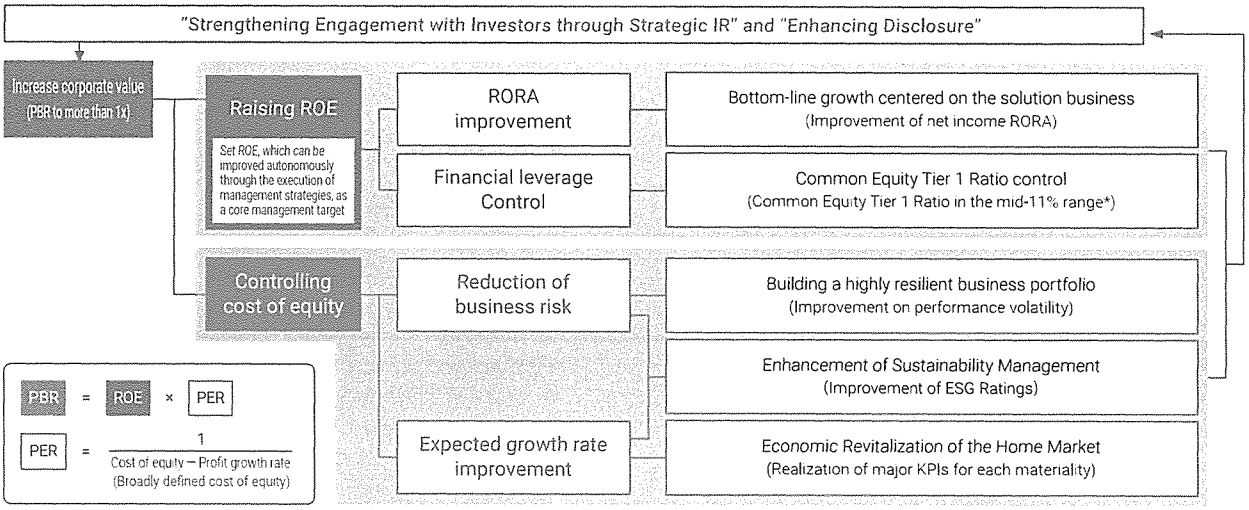
Strengthening human capital is crucial to boost revenue from the solution business. That means improving our personnel both in quality and quantity. In terms of quality, we believe that by developing sales personnel with advanced skills, we have been able to raise the bar for our sales representatives.

For example, structured finance had previously been led by the head office, but now, personnel who have been active there are returning to sales branches and proposing solutions similar to those offered at the head office, which has enabled branches to generate projects locally. In addition, by having experienced professionals with investment banking backgrounds work together at the head office with employees who have been working in our Group since graduating, we are gaining a solid foundation of knowledge and know-how related to the investment banking business.

On the other hand, in terms of quantity, the task facing us is to increase our sales resources. This hinges on the shift of administrative staff into sales staff, but our progress has been slower than initially planned. Based on the speed of decline in administrative workloads due to societal changes and changes in employees' mindsets, we will adjust our pace and continue to work toward this goal with our direction unchanged.

Improving RORA is important for raising ROE. In order to work on improving RORA based on the logic tree, starting from FY2023, we have added RORA improvement at the sales unit level as an evaluation criterion for solution sales at the Bank of Yokohama. When screening loans, we also consider how much RORA will improve before and after the execution of loan is granted, and awareness of the need to improve RORA is firmly ingrained among our sales branch employees.

PBR logic tree



* Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)

Utilizing unused capital to further raise ROE

Next, I will explain how we can effectively utilize capital to strengthen profitability. To raise ROE, it is important to expand risk assets to increase the leverage ratio and improve RORA. However, due to robust risk management, the occurrence of defaults has remained low and risk weight has also been on a downward trend. Because of this, the growth of risk assets is gradually falling within a certain range.

On the other hand, growth in the absolute amount of bottom line has brought an increase in capital. Even considering buffers for tail event risks, unused capital has grown to ¥200 billion.

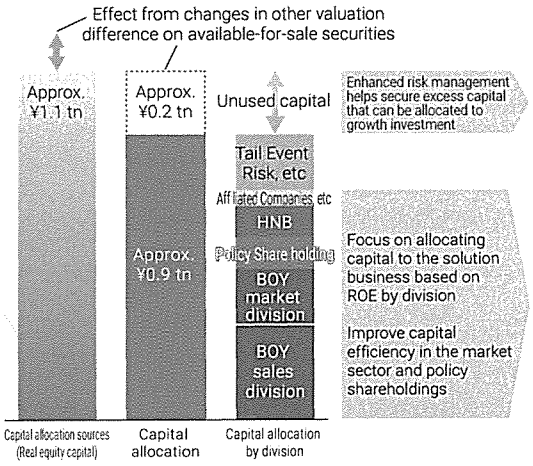
A key question is how we will use this unused capital to create the next source of revenue. We are currently working on our next medium-term management plan, which will start in the next fiscal year. This involves sorting through a host of issues, including: strategic investments that are expected to

A Message from the Director of Finance

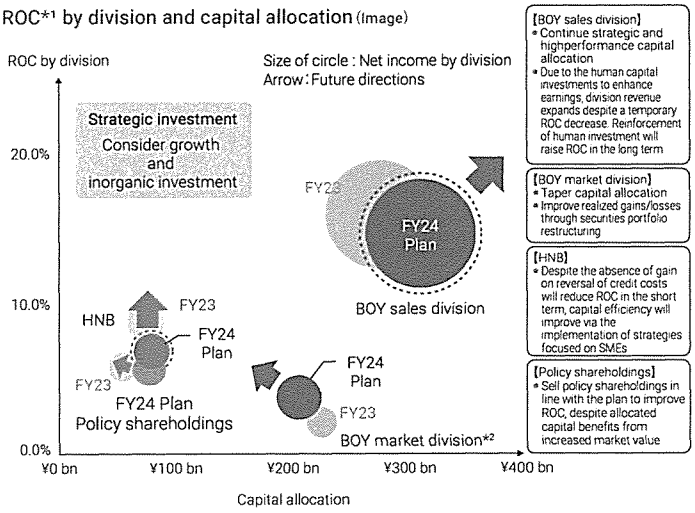
yield returns that will enhance corporate value; strengthening shareholder returns based on capital and risk asset accumulation; and optimizing capital allocation through improved risk management.

In addition, we have been reducing policy shareholdings, which we have recognized as an issue from the perspective of optimal capital allocation, and the balance has been steadily decreasing. We have now decided to further reduce book value by more than 10% by March 2029. This plan was formulated based on the book value of the shares of customers who have already agreed to sell, but a certain time frame has been set in consideration of the appropriate timing of the sale of these shares. We have set out this as a feasible and concrete plan that can be realized responsibly as management, but of course a 10% reduction is not enough. We will explore the potential for further reduction and update our reduction plan accordingly. Even if we continue to hold the shares, we will not simply hold them passively as we have in the past, but will support companies that sustain local jobs and infrastructure by engaging with customers to boost their corporate value, which we believe will lead to regional economic growth and ultimately to the core business of the Group.

Direction of capital allocation (FY2024 plan)



ROC*1 by division and capital allocation (Image)



*1 ROC (Return on Capital) : Net income/ Allocated Capital

*2 Income from securities management, income from trading with customers such as derivatives, etc.. Excluding securities held to maturity.

Restructuring the market division and improving ESG ratings to control cost of equity

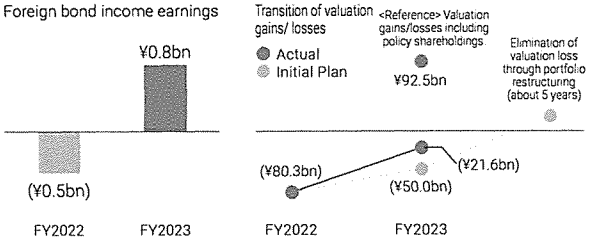
Next, I will explain the effort of our market division to improve volatility and the improvement of ESG ratings, as part of our efforts to control cost of equity aimed at achieving a return on equity (ROE) that exceeds it.

In FY2023, at the market division, we sold negative-spread foreign bonds, where borrowing costs exceeded investment yields, thereby eliminating the impact of negative spread and greatly improving securities valuation gains and losses, reducing the downside risk to future performance.

In addition, in February 2024, we held an IR Day management strategy briefing on our measures to address challenges in the market division, where earnings volatility had been high. We believe that if investors can see that our earnings will grow steadily, the cost of equity will decrease. We will raise our PBR by steadily increasing ROE while lowering our cost of equity.

In terms of the improvement of our ESG ratings, we enhanced our sustainability initiatives and disclosure in the previous fiscal year, and were able to receive an AA rating from MSCI in the ESG score, the highest rating in the domestic banking industry. We have also been selected as a constituent in all six ESG indices for domestic equities adopted by the GPIF. Maintaining these ratings will not be easy, but we will continue to work hard at it, as investors' assessments of our governance and management quality are crucial and affect our cost of capital.

Elimination of the impact of negative spread and improvement of securities valuation losses and gains



FY2023 consolidated net income above plan at ¥66.9 billion; FY2024 plan targets ¥75.0 billion

Now I will outline our achievements in FY2023, the second year of our medium-term management plan. In FY2023, consolidated net income reached ¥66.9 billion, surpassing the ¥63.0 billion we targeted in the plan. We sold foreign bonds and cut losses to minimize future downside risks by eliminating negative spread and improving securities valuation gains and losses. At the same time, our core net business profit excluding gains (losses) on bonds (excluding cancellation of investment trusts), which shows the profitability of our core business, reached a new record high since our establishment. We saw good performance exceeding expectations not only due to a special factor, the gain on negative goodwill associated with the business integration with THE KANAGAWA BANK, but also through the strength of our core business efforts. We were also able to increase our dividend by ¥4 to ¥23, which I believe shows our thanks to our shareholders in the form of strengthening returns.

The average balance of loans grew for both corporations and individuals, increasing steadily by 4% compared to the previous fiscal year. For corporations, this was due to capital investment aimed at streamlining operations amid a labor shortage, increased demand for funds including working capital to secure inventory amid rising material costs, and an uptick in M&A financing. On the other hand, for individuals, the main reason was the continued strong demand for apartment and condominium construction funds, especially for inheritance planning among high-net-worth individuals (HNWIs) mainly in Kanagawa and Tokyo.

The interest margin from domestic deposits and loans for the second half of FY2023 was 0.8 basis points higher compared to the first half. As we work to improve RORA to raise ROE, we have reviewed our asset allocation and strengthened structured finance with a high risk-return profile, which is one of the factors that helped us achieve a positive turnaround in interest margin. The lifting of the negative interest rate policy by the Bank of Japan in March 2024 will provide further momentum going forward.

Regarding interest on deposits and loans from domestic operations, among the solution sales we have been working on, our community-based investment banking business in particular proved successful, and we were able to show strong growth of ¥5.2 billion increase year on year to ¥150.3 billion.

Next, I will discuss our financial outlook for FY2024. We are forecasting consolidated net income of ¥75.0 billion, above the final-year target set when we created our medium-term management plan. We believe that by continually enhancing our solution sales, we can increase earnings from the domestic sales department, especially from interest on deposits and loans from domestic operations.

This plan is based on the budget approved in March 2024, which accounts for the impact of the lifting of the negative interest rate policy. However, since current market interest rates are higher than expected, we consider consolidated net income of ¥75.0 billion to be the minimum target.

Regarding our return policy, we will keep the dividend payout ratio at 40%. For FY2024, we forecast a dividend of ¥26 per share, up ¥3 from the previous fiscal year.

FY24 Financial Outlook

(¥bn)	FY2023 results Three Banks Combined	FY2024 Forecast Three Banks Combined	YoY Three Banks Combined
Gross operating income	205.2	**238.4**	33.2
Of which, interest on deposits and loans from domestic operations	150.3	153.8	3.5
Of which, net fees and commissions from domestic operations	43.7	41.5	(2.2)
<Reference> Market division total net gains/losses	(7.7)	19.6	27.3
Expenses (—)	125.4	**127.2**	1.8
OHR	61.1%	53.3%	(7.8pt)
Core net business profit	79.8	**111.2**	31.4
Core net business profit excluding gains (losses) on bonds and cancellation of investment trusts	109.5	**111.2**	1.7
Credit costs (—)	10.4	11.0	0.6
Gains or losses on stocks and other securities	3.3	2.3	(1.0)
Ordinary profit	71.6	103.7	32.1
Net income	49.3	**73.0**	23.7

Consolidated	FY2023 results	FY2024 Forecast	YoY
Ordinary profit	77.0	109.0	32.0
Profit attributable to owners of parent	66.9	**75.0**	8.1
ROE (Shareholders' equity base)	5.8%	**6.4%**	0.6pt

A Message from the Director of Finance

Steady progress toward target indicators in the medium-term management plan

FY2024 is the final year of our medium-term management plan. I would like to talk about our progress toward our target indicators. First, ROE (shareholders' equity base) was 5.8% in FY2023 (5.4% by TSE standards), compared to the medium-term management plan target of about 6.0%. Given our current progress, we believe we must aim for a level of about 6.4% or higher.

In FY2023, the FG consolidated OHR was 59.7%, but without cutting losses on foreign bonds, the level would have been in the lower 50% range. Growth investments have boosted our top line, and costs are being appropriately controlled, so we are on track to achieving our goal of an OHR in the lower 50% range. However, we must not let rising top-line growth lead to lax spending practices. We will thoroughly control costs in non-strategic areas and steadily invest in strategic areas for future growth.

The Common Equity Tier 1 Ratio (on a finalized and fully implemented Basel III basis) was about 11.6% in FY2023. We see the ratio as remaining in our target figure of the mid-11% range, even with changes in risk weight or special factors.

So we are on track to meet the target indicators in the medium-term management plan. This fiscal year, we will develop a strategy for the next medium-term management plan. We are looking at ways to further deepen our current efforts based on the PBR logic tree.

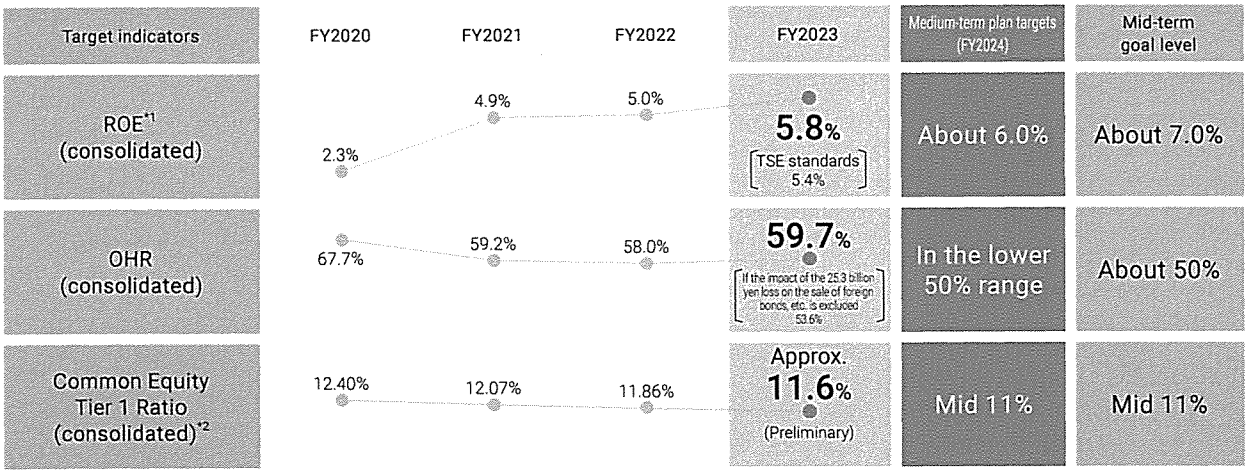
We believe that given a rise in interest rates due to the changes in the Bank of Japan's monetary policy as well as our strengthening of structured finance, we will be able to continue raising ROE. However, these effects will not last forever.

Once interest rates have stopped rising and all loan claim replacements are complete, the effect of the rising interest rates will wear off. As capital accumulation progresses, we can expect ROE to grow more slowly and eventually plateau. Moreover, in light of Japan's population decrease and aging of society, simply strengthening existing business lines may not be enough to enhance corporate value through sustainable growth. It is important to achieve sustainable growth through our own efforts and ingenuity, without relying on external environmental factors.

We must strengthen our existing business and adjacent areas while seeking strategic investment opportunities in inorganic areas, both in Japan and abroad, and link that to our future growth story. We will use excess earnings from these efforts to give back to the local community and also fund risk-taking among regional businesses. This will positively impact our core business as a regional financial institution.

In FY2023, the total return ratio was 50%. However, there is an argument that if there is unused capital, we should further increase the total return ratio. While increasing the total return ratio can temporarily boost the stock price, its impact on raising ROE is limited. By using unused capital for investments that yield returns, we raise ROE. The growth expectations lead to higher PER. That in turn leads to the enhancement of corporate value. Before strengthening shareholder returns, we should prioritize investing in growth. We believe that, in the long run, this approach will benefit shareholders. We need to emphasize this through our engagement with them.

Target Indicators of the medium-term management plan



*1 Shareholders' equity base

*2 For FY2020-2021, before the finalization of Basel III. For actual in FY2022 and the level aiming in mid-term, Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities).
Actual in FY2022 and FY2023 are estimated number.

Accelerating the sophistication of our management through engagement with stakeholders

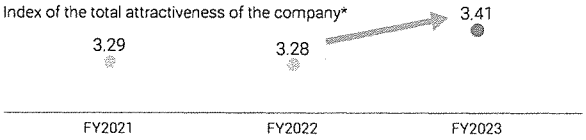
The Board of Directors has made strengthening stakeholder communication a major pillar of its efforts to enhance corporate value and improve the effectiveness of the Board. Through our IR activities, we have created many opportunities for engagement. These include hosting an IR Day, meeting individually with analysts and institutional investors, and holding briefings for individual investors. We will continue to strengthen engagement with shareholders and investors as we strive to further enhance our management.

Since 2022, we have been expanding opportunities for dialogue with employees and working to improve employee engagement. We actively held town hall meetings and information sessions for all group employees to gather and reflect employee feedback in our management. We also worked to increase staff understanding of our management strategies and human resource strategy.

In the employee attitude survey, the total attractiveness of the company rose slightly, suggesting that our efforts have had an impact. We will keep engaging with our employees to instill the feeling of having shared values and being "all in the same boat". In our hiring of new graduates, we have shared information about these efforts. This, along with better working conditions and our business recovery, has led to our reappraisal as an employer, boosting talent acquisition. In FY2023, we hired about 130 people; whereas, in FY2024, we hired about 230 people, far above the plan.

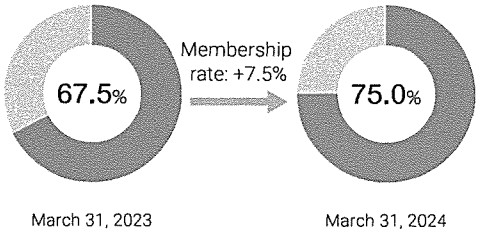
In keeping with the idea of being "all in the same boat", we promoted membership in the employee stock ownership plan. The membership rate for the Group rose from 67.5% at the end of March 2023 to 75.0% by the end of March 2024. A high enrollment rate in the employee stock ownership plan also helps to enhance corporate value. We will continue working to improve employee engagement.

Employee awareness survey



* Two banks combined (BOY and HNB)

Membership rate of employee stock ownership plan



A robust framework for actively enhancing corporate value

Reflecting on the current medium-term management plan, which began in FY2022, we have seen many changes in our environment, including major shifts in monetary policy. At the Bank of Yokohama, we have begun to see results from our solution business which we have been working on, such as community-based investment banking. The Higashi-Nippon Bank has also shifted from a phase of revitalization to a phase of growth, putting in place a framework to steadily generate profits. Now that THE KANAGAWA BANK has joined our Group, we have now established a robust framework for enhancing corporate value centered around the three banks. Over the next three years, we intend to strengthen our aggressive stance.

The Bank of Yokohama will work to strengthen its asset allocation in high-value-added finance areas, and enhance its offering of strategic solutions that deepening its involvement in customers' management strategies.

The Higashi-Nippon Bank will aim to strengthen its presence in the Tokyo metropolitan area by building an efficient business framework and offering optimal solutions as a total partner for small and medium-sized businesses in the special wards of Tokyo.

THE KANAGAWA BANK will strive to deepen relationships with customers by enhancing the ability to provide solutions through shared knowledge and know-how with the Bank of Yokohama and by strengthening risk-taking backed by the Group's capital.

We will meet and exceed customer expectations by offering solutions that foster our growth as "a solution company rooted in communities and selected as a partner to walk together". We will strive to enhance our corporate value through collaborative value creation with our stakeholders. Thank you for your continued confidence and support.



Outside Directors Roundtable Discussion

To ensure governance that contributes to the enhancement of corporate value, we will conduct in-depth discussions grounded on two-way communication, so that Concordia can demonstrate its true value as a financial group over the medium to long term.



Concordia Financial Group
Outside Director **Mami Yoda**

Concordia Financial Group
Outside Director **Mitsuru Akiyoshi**

Concordia Financial Group
Outside Director **Yoshinobu Yamada**

The aspiration at the president permeates the Group: "The power of each individual creates corporate value"

Two years have passed since the new management structure was put in place. What are your thoughts on the changes in this past year?

Akiyoshi: I see this year as a year in which the Group took concrete action toward achieving its vision. One particularly noteworthy event was the business integration with THE KANAGAWA BANK, which was aimed at deepening business relationships with customers in Kanagawa Prefecture. Another was the disclosure of the logic tree for enhancing corporate value. This disclosure has served as a measuring stick for dialogue with investors, and has also drawn more attention to the Group's management. My impression is that the members on the Management Committee have actually become younger, and that the Board of Directors has become more committed.

Yamada: An information session for all group employees on enhancement of corporate value was held, and President Kataoka's words left a strong impression on me, as he explained to them in an easy-to-understand manner, what corporate value is and why it is essential to enhance it. There was also time for a Q&A session, which deepened understanding within the company. In addition, the membership rate of the employee stock ownership plan rose from 67.5% to 75%, which I feel has raised awareness of stock price and market capitalization, and prompted each employee to start thinking about what they can do to enhance corporate value.

Yoda: At the town hall meetings between management and employees, there are now more opportunities for small-group discussions, and I feel that the requests that came up there, such as regarding the nature of training, are actually being translated into action more often than before. This shift toward two-way communication can also be seen in the discussions of the Board of Directors. For example, when we outside directors point something out, the executive team listens carefully, analyzes what we have said and takes action. The team then shares details of their actions with us, establishing a cycle that will feed into the future. It has been a year in which two-way communication, not one-sided, intensified further.

What steps do you think will be necessary going forward to raise employee understanding of the initiatives to enhance corporate value and ensure that they are implemented throughout the company?

Akiyoshi: The logic tree explanation was well received by shareholders, investors, and analysts, who said it was very easy to understand. The challenge, however, lies in putting this into practice. Value is created on the frontline, and results can only be achieved when each employee takes action in their respective positions. If understanding increases through frontline discussions, and the number of employee

shareholders rises through the employee stock ownership plan, the sense of unity between management and employees will increase. Or put another way, the increased attention from employee shareholders will create positive tension in the Board of Directors.

Yamada: I think the employee stock ownership plan is important as a means of enhancing employee engagement, as it fosters understanding that the persistent efforts of employees translate into performance for the Company, which is then reflected in the stock price. So for that reason, too, I think an information session for all group employees should be held every year. By becoming a shareholder now, when the Company's market cap is over ¥1 trillion and the stock price is holding firm, employees will feel that their efforts are directly linked to enhanced corporate value and will be able to share in the Company's success.

Yoda: I think middle management also has a key role to play in increasing employee understanding. Even if individual employees understand the importance of enhancing corporate value as the Company's overall story, it is not easy for them take the leap to link that with their day-to-day tasks and understand the meaning of their work. It is therefore vital for their superiors in managerial positions to maintain constant dialogue with them with consideration to the operations performed in their respective workplaces. I feel that if employees can regain a fresh understanding of the significance of their own work, engagement is likely to improve.

"Raising ROE" and "Controlling cost of equity" are the twin pillars of the Company's concrete strategy for the enhancement of corporate value. Is there anything you feel is an issue at the moment?

Yoda: The challenge is to develop human resources, especially securing and strengthening talent with specialized knowledge. In terms of local communities, the Company is located in the Tokyo metropolitan area, which is a highly sustainable market, but even this is not without its risks. Over the long term, the economy will become more vulnerable due to population decrease, which could lead to major changes in the industrial structure. And geographically, the area is easy for other financial institutions to enter. There are questions about whether the Company can properly share with investors the story of how it will overcome such obstacles and keep growing.

Akiyoshi: I think the most critical task is strengthening profitability. The corporate division solution business is producing results, and I am impressed with the way the Company is boosting its earnings by improving the quality of its solutions. That being said, it is still nowhere near the vision. Getting there will require more in the way of human resource development, both in qualitative and quantitative terms. And to cut the cost of equity, it will be important to reduce earnings volatility. There have been instances of high volatility in earnings from securities investment, so the Company is stepping up efforts to restructure its securities portfolio. The Board of Directors shares a sense of urgency in this regard too, realizing that either developing expert personnel or hiring people from the outside is a pressing task.

Yamada: I feel that the PDCA cycle for enhancing corporate value has started to work properly. Looking ahead, there should be discussions with and among stakeholders on how to contribute to the local community. What should the Company do to garner overwhelming support from the community? As an example, I think it is important to actively take part in projects led by prefectural or city governments. Solution sales activities to corporate and individual clients are now well established, and employee morale has also risen. Given this backdrop, I believe that deepening the relationship with the local community and revitalizing the home market economy will lead to an even greater evaluation in the marketplace.

Effective opinion exchanges through close communication

Please tell us what kind of discussions the Board of Directors is having about enhancing corporate value.

Yamada: I feel that a key characteristic of the Company's Board of Directors is the advance briefing. The heads of each department carefully explain the key points of the agenda ahead of time, and points of discussion are clarified through questions and exchanges of opinions with us, the outside directors and outside Audit & Supervisory Board members. This allows for in-depth discussions about the issues at hand at the actual Board of Directors meeting. In FY2023, there were important issues related to specific operations, such as the upgrade of core systems and the restructuring of securities portfolio, and thanks to extensive reporting and exchanges of views, we were able to have detailed discussions to explore the Company's path forward.

Akiyoshi: We hold discussions on various topics throughout the year regarding our future outlook, or what we call medium- to long-term strategies. One particularly major topic has been the review of the Group's business. While the Group possesses overwhelming strength in the banking business, it is now expected to also focus on expanding the non-banking financial service functions that customers want as a "solution company selected by communities". During this past year, we have been able to discuss with the presidents of each operating company how they can improve their functions, presence, and profitability, and I hope that those discussions will be reflected in the next medium-term management plan.

Yoda: The advance briefings of the agenda can sometimes last more than half a day, and this intense communication stimulates lively discussions. Apart from the topics the other two mentioned, the discussion on strategic investments and alliances left a lasting impression on me. Regardless of whether there is a specific item to be discussed, it is important to regularly envisage various scenarios and exercise one's mind. The fact that such discussions have become the norm makes me feel that the functions of the Board of Directors are deepening.

What efforts are you making to eliminate the information gap with the executive team?

Akiyoshi: We attend meetings of the Management Committee as observers. We do not voice our opinions there, but just

Outside Directors Roundtable Discussion

listening to what the executive team has to say adds depth to the discussions of the Board of Directors. In addition, there are numerous officer study sessions where experts are brought in to talk about leading-edge management issues such as AI and decarbonization.

Yamada: Yes, directors' study sessions are a real godsend. There are fields, like cybersecurity, where it is difficult to make judgments without hearing from specialists, and expansive topics, like the SDGs, which are timely topics that raise awareness of medium- to long-term management issues, and I believe these workshops are a great way for us outside directors to get up to speed.



Yoda: The management of the Financial Group and the Bank of Yokohama's Board of Directors has been integrated, and since FY2023 we have been able to attend the Board of Directors meeting of the Higashi-Nippon Bank, which I feel has further narrowed the information gaps within the Group. I was also impressed by the fact that I was allowed to participate alongside the executive team in a review briefing by an external institution regarding the systems upgrade. I was able to see how the executive team had a strong sense of ownership and was facing up to the challenges to ensure the success of the systems upgrade. Hearing from outside experts gave me an opportunity to reflect on the Group as a whole as well.

From the viewpoint of succession, what is needed to strengthen the governance structure?

Akiyoshi: The Compensation and Personnel Committee, which comprises outside directors, formulates the succession plan and reports its content to the Board of Directors. I think the very act of being open about who is being covered and what sort of plan is being devised constitutes effective governance. It is important to continue to share the fact that the succession plan is not one-sided, but is functioning objectively based on a consistent approach.

Yoda: At least 20 candidates are interviewed every fiscal year. It is essential to thoroughly develop executive candidates through these interviews, but at the same time, ensuring diversity is also important. I am involved in training for female managers as a lecturer, and although I am focused on their development, women are only one aspect of diversity. So we need to make sure we strengthen governance by achieving diversity in various forms.

Yamada: In terms of diversity, the Group has long had a large number of successful mid-career hires, but I feel that a cultural change is underway, with mid-career hires being made even at general manager-level positions now, for example. I believe that making further use of talent from diverse backgrounds will also help the Company adapt flexibly to changes in the environment, and will lead to stronger governance.

The business integration in June 2023 saw THE KANAGAWA BANK become a wholly owned subsidiary of the Bank of Yokohama. What do you think are the challenges that PMI (post-merger integration) entails in enhancing corporate value?

Yamada: The two brands are already clearly differentiated, as they each have their own customer base, so I think keeping them as two separate brands is the right thing to do. When it comes to a merger between banks with long histories, it is realistic to start with the most straightforward tasks. I visited the head office of THE KANAGAWA BANK and several of its sales branches and listened to their stories. I got the impression that there is not only excitement, but also, naturally, quite a bit of anxiety. There are still issues to be addressed, such as administrative and systems issues, but I think it would be best to tackle these in order, starting at those that can be resolved.

Yoda: It is true that there are some challenges that cannot be solved overnight. I think it is important for THE KANAGAWA BANK to refine its own unique strengths. My impression is that while they are anxious about becoming part of the Bank of Yokohama Group, they have high expectations for its education and training programs and digitalization initiatives. It is not that they previously had no connection with the Group whatsoever, but now that they are officially part of the Group, they should take advantage of the Bank of Yokohama's resources and take their time to move forward.



Akiyoshi: It is hugely significant that two banks, both based in Kanagawa Prefecture but with different scales of clientele, have merged. I think PMI is progressing smoothly on the sales side, with transactions in the region as a whole being deepened, for instance. As the other two have said, some issues will take time to resolve, but I feel that President Kataoka's visits to THE KANAGAWA BANK's various locations have done much to alleviate employees' anxieties and increase their expectations. As a first step, I would like to ask THE KANAGAWA BANK, now part of the Group, to put together a

system that will enable them to leverage the know-how of the Bank of Yokohama.

Developing diverse talent and becoming a Group equipped with diverse functions

FY2024 is the final year of the current medium-term management plan. Please tell us about the progress of the current plan and your expectations for the next medium-term management plan.

Yoda: I think the numerical targets in the current plan are achievable. Steady progress is also being made toward qualitative goals such as obtaining sustainability-related evaluations from external institutions. Forging a path toward becoming a "solution company" and the formulation of a clear logic tree for the enhancement of corporate value have been the successes during the period of the current plan. It is now easier to see the organic connections between the KPIs of the medium-term management plan and specific operations as the Company endeavors to raise ROE, a core management target indicator. The process is important in drawing up the next medium-term management plan, and I hope that, as with the last one, a mechanism will be established that allows employees to be involved in some way and that the process will provide opportunities to deepen discussions on the long-term vision of the Company's business.
Yamada: Although the Company is a financial group, the reality is that it is actually more like a banking group, which is an issue. The bulk of the revenue comes from banking operations, so I think that something that should be considered in the next medium-term management plan is to strengthen non-banking functions through growth investments and evolve into a financial group in both name and reality.
Akiyoshi: While I think the Group has achieved sufficient results, when I take a closer look, I also feel that some areas are subpar. Compared to the top regional banks in other regions, market share in the local customer base is not all that high. Although competition is fierce, the Group should aim for a larger share. To that end, it is important that the Group pays close attention to the quality and quantity of services it can provide to customers, and further improve them by strengthening its financial services as a whole. By achieving this successfully, I believe the Group will be able to grow further as a true top regional bank, and will also enable employees to work with pride.

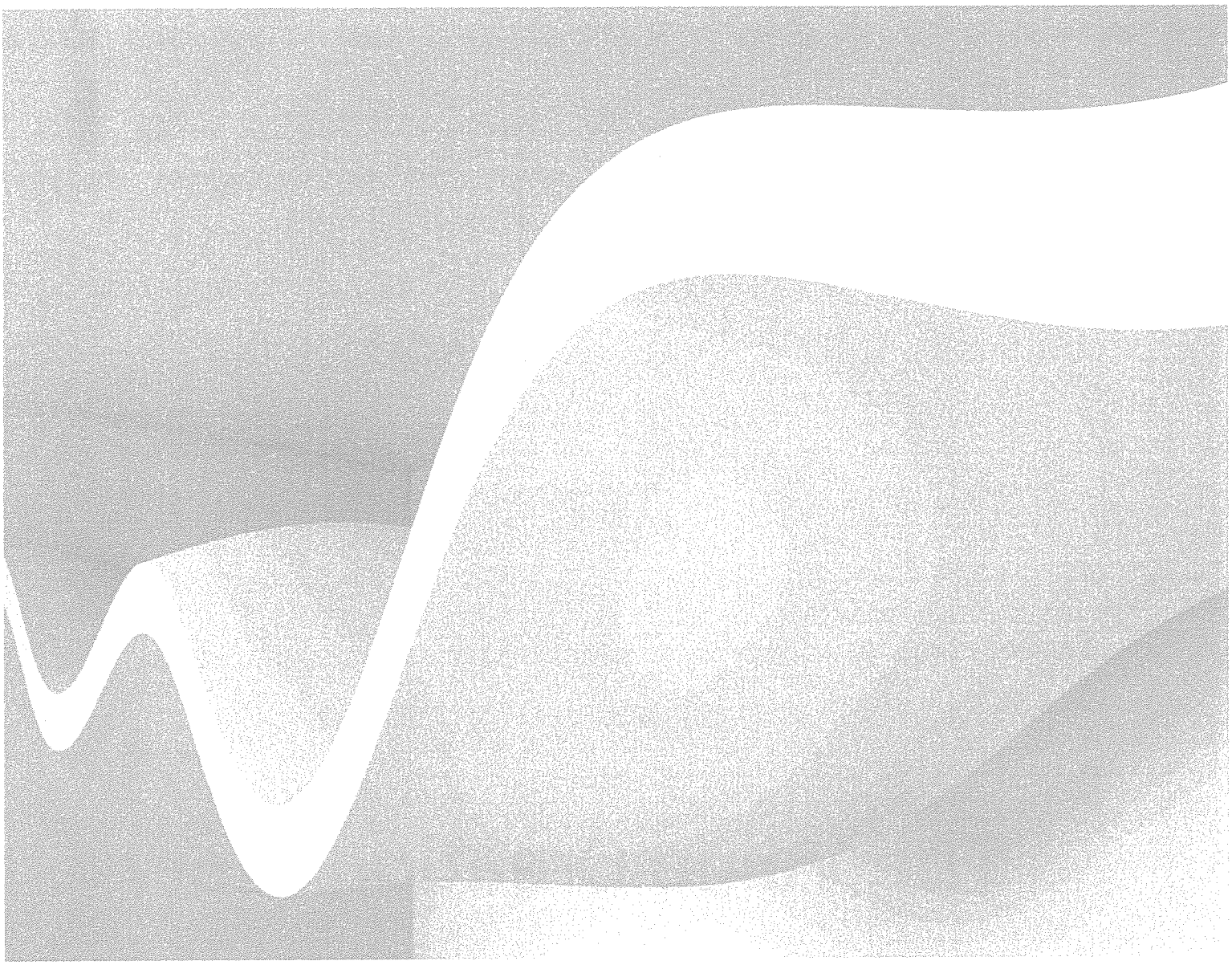
A year has passed since the formulation of the Group Human Resource Policy and the Group Human Resource Strategy. How would you rate the Company's human capital management at present?

Yamada: Though I feel there are still challenges, such as employee reskilling, with the mid-career hiring and open recruitment systems functioning well, the overall human resource strategy has been invigorated. At the same time, attention must be paid to resignations, particularly among young employees, due to increased workforce fluidity, which is not a phenomenon limited to the Company. It is important for the Company to continue to provide employees with opportunities for growth, and if each and every employee can see how their work contributes to enhancing corporate value or to the local community, I think engagement will increase and prevent the loss of human resources.
Yoda: The systems in place are becoming more and more comprehensive, so the question now is whether a structure for creating a virtuous cycle of personal growth and job satisfaction can be established. The key is operational efficiency, and it is essential to secure time, both for learning and for teaching. Personnel in managerial positions also need to grow if they are to support the growth of their team members. It is vital to raise their skill level through coaching training and other programs. I want everyone who is in charge of a team to become "people who support growth".
Akiyoshi: A human resource strategy requires a long time horizon. And financial institutions, in particular, would be nothing without people. Human resource development is essential for the Company's future growth, and I think it is imperative to raise the overall level by developing internal personnel while at the same time bringing in outside talent to trigger a "chemical reaction" between the two. In this era of labor fluidity, it is more important than ever to be an attractive organization in order to secure human resources.

Please give a message to stakeholders.

Yoda: When I look back on the past few years, I feel that the Company itself has grown through engagement with stakeholders. While continuing to expand dialogue, as an outside director, I will be endeavoring to establish a governance structure that contributes to the enhancement of corporate value.
Yamada: Over the medium to long term, I think working together with the local community to achieve "sustainable growth" is going to be important. By solving regional social issues, we can co-create value and grow step-by-step together with stakeholders. And I will be doing whatever I can to help make this trend a reality.
Akiyoshi: I think the Company's on the right track to becoming "a solution company rooted in communities and selected as a partner to walk together". I want to help create a financial group that can demonstrate a presence in the community that matches the pride of its employees, who are some of its important stakeholders, in their work as a top regional bank.





The Value Creation Story

023 The Value Creation Story

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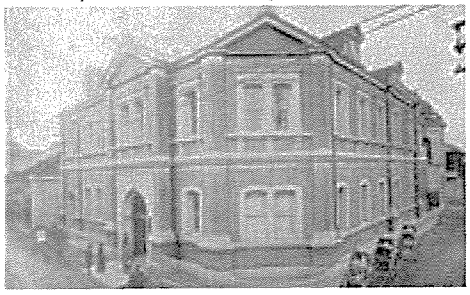
History of the Concordia Financial Group

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

1920

Bank of Yokohama

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



1945
- Relocated headquarters from a temporary post-earthquake location to 4-chome, Sumiyoshi-cho, Naka-ku, Yokohama City.

1957
- Changed name to The Bank of Yokohama, Ltd. for a new era of development in Yokohama and Kanagawa Prefecture.

1969
- Became the top regional bank with approximately ¥700 billion in deposits.

1993
- Relocated headquarters to the current Minato Mirai 21 area as part of the 70th anniversary commemorative project.

1994
- Yokohama Ekimae Housing Loan Center opened.
- Began establishing housing loan centers.

2008
- Became the first regional bank to surpass ¥10 trillion in deposits.
- Hamagin Tokai Tokyo Securities Co., Ltd. established.

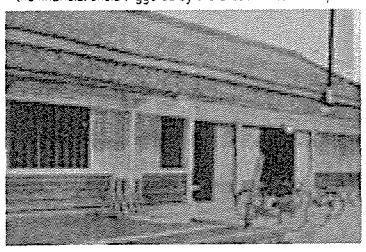
2009
- Only regional bank to open a Shanghai branch.

2014
- Sky Ocean Asset Management Co., Ltd established.

1924

HIGASHI-NIPPON BANK

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



1951
- Changed name to 'Tokiwa Mutual Bank' with the implementation of the Mutual Bank Act.

1973
- Moved to the First Section of the Tokyo Stock Exchange and changed name to the Tokiwa Mutual Bank, Ltd.

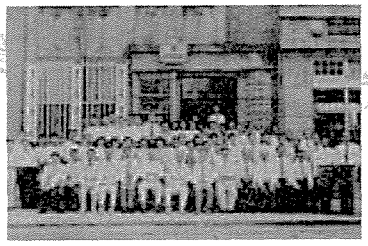
1975
- Relocated headquarters to the current site in Nihonbashi, Chuo-ku, Tokyo.

1989
- Changed name to The Higashi-Nippon Bank, Limited with the change from a mutual bank to an ordinary bank

1953

KANAGAWA BANK

- The Kanagawa Mutual Bank, Ltd. was established to support small and medium-sized businesses amid the tight financial conditions of the post-war recovery period.



1955
- Relocated headquarters to the Kanagawa Small & Medium Sized Businesses Center.

1978
- Completed the construction of the new head office, and relocated headquarters to Chojamachi, Naka-ku, Yokohama City.

1989
- Transitioned from a mutual bank to a commercial bank and changed name to THE KANAGAWA BANK, LTD.

2023
- Became a wholly owned subsidiary of The Bank of Yokohama, Ltd.



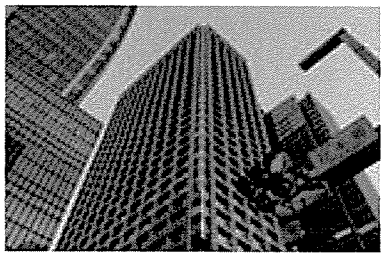
Social Events

1949 Exchange rate set at 360 yen to the dollar.
1951 Mutual Bank Act enacted
1956 The City of Yokohama designated as one of the five ordinance-designated cities of Japan.
1973 The yen shifted to a floating exchange rate system.
1973 First oil shock
1978 Yokohama Stadium opened.
1985 Plaza Accord and sharp appreciation of the yen.
1989 Yokohama Expo held and Yokohama Bay Bridge opened.
1989 Consumption tax introduced.

2016

CONCORDIA
Financial Group

- Birth of Concordia Financial Group, Ltd.
- Declaration of Fiduciary Duty adopted.
- Collaboration with Sky Ocean Asset Management Co., Ltd. started.
- Collaboration with Hamagin Tokai Tokyo Securities Co., Ltd. started.



2017
- Basic Corporate Governance Policy adopted.
- HamaPay smartphone payment service introduced.

2018
- Basic agreement on acquisition of shares of P.T. Bank Resona Perdania and mutual collaboration with Resona Bank in international business.
- Agreement with Kanagawa Prefecture on promotion of SDGs.

2019
- Acquisition of shares in StormHarbour Japan Ltd.
- Endorsement of TCFD recommendations.
- Hamagin Business Challenged Co., Ltd. launched as an initiative to employ people with disabilities.
- Signed the Chiba-Yokohama Partnership with The Chiba Bank, Ltd.
- Began using system shared with The Bank of Yokohama, Ltd.
- Formulated the Higashi-Nippon Bank Sunrise Plan.

2020
- Sector Policy adopted.
- Long-term sustainability KPIs adopted.
- Opened Singapore Branch.
- Centenary of the founding of The Bank of Yokohama, Ltd.
- Formulated the Higashi-Nippon Bank Sunrise Plan - Next 100.

2021
- Signed Tokyo-Kanagawa Solution Connect with Kiraboshi Bank,Ltd.

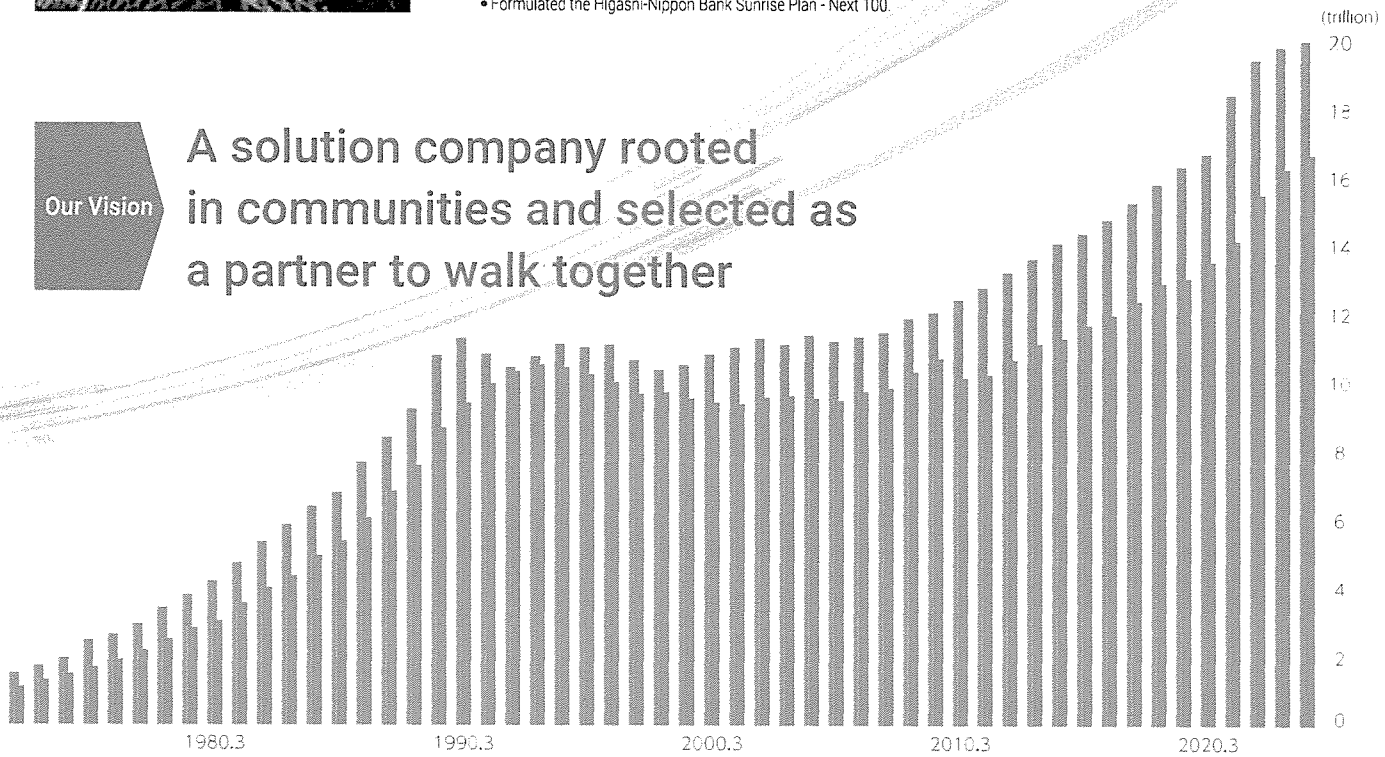
2022
- New medium-term management plan formulated, accelerating the transformation and starting a three-year period of giving concrete form to the fruits of our efforts

2023
- Business integration with THE KANAGAWA BANK, LTD.
- 70th Anniversary of THE KANAGAWA BANK, LTD.

2024
- The Higashi-Nippon Bank, Limited celebrates its 100th anniversary.

Our Vision

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



1996 Japan's financial big bang A series of mergers of financial institutions etc. follow one after another.
2005 Complete lifting of the freeze on the payoff system.
2008 Lehman Shock
2009 150th Anniversary of the opening of Yokohama Port
2011 The Great East Japan Earthquake
2013 The Bank of Japan introduced quantitative and qualitative monetary easing.
2018 Kanagawa Prefecture selected as an SDG Future City
2019 Consumption tax raised to 10%.
2020 Spread of COVID-19
2021 Tokyo Olympic and Paralympic Games
2024 The cancellation of the negative interest rate policy

Value Creation Process

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

Strengthening management capital

INPUT

Human Capital

- Number of employees: 5,529
- Number of sales personnel: Approx. 2,260
- Staff with major consulting qualifications: 475
- Number of seconded employees: 496

Intellectual Capital

- Group-wide integrated solutions
- Investment for Open Innovation: approx. ¥9.5 billion
- Efficient systems operation through regional bank collaboration
- Business integration with regional financial institutions PMI know-how

Social and Relationship Capital

- An established brand in the region
- Customer base Personal customers: about 5 million Corporate customers: about 250,000 companies
- Branch network: 220 branches in Japan (excluding branches-in-branches), 5 overseas locations

Financial Capital

- Funding from deposits: ¥20,037.1 billion
- Loan assets: ¥16,689.4 billion
- Equity capital approximately 11.6% (on a finalized and fully implemented Basel III basis)

Natural Capital

- Electricity consumption: 37,058,000kWh

ACTIVITY

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

Kanagawa/Tokyo market

P.30

- High potential market



Strengths

P.29

- Integrated group strength and advanced solution capabilities
- Diverse human resources to support our communitybased solution business
- Strong customer base
- Branch Networks

Business development



Supporting Sustainable Growth of Local Businesses
P.45



Helping People Live in the Age of Centenarians
P.50 P.108



Workplace Reform and Promotion of Diversity
P.71

Medium-term management plan P.33

Three years to accelerate transformation and materialize results

Management Base That

Corporate Governance
P.111

Risk Management Initiatives
P.121

Compliance Initiatives
P.126

Management

Recognition of external environment

- Changes in monetary policy
- Financial deregulation
- Population decrease・Aging society
- Entry into different industries
- Progress of digitalization
- Increased awareness of social and environmental issues

Contributing to solving social issues

OUTCOME

based on materialities

Promotion of Financial Digitization (DX)
P.85

Measures Against Global Warming and Climate Change –TCFD Recommendation Initiatives
P.94

Revitalize the local economy
P.105

(FY2022 - 2024)

Basic Theme:

Growth	Change	Sustainability

Supports Sustainable Growth

Internal Audit System
P.129

Customer-Focused Business Operations
P.130

Philosophy

Collaborative Value Creation with Stakeholders P.37

Social value

Development of a sustainable local community

Long-term sustainability KPIs

- Carbon-neutral by FY2030
- 500,000 participants in financial education by FY2030

Economic value

Increase corporate value

Mid-term target level

- ROE: About. 7%
- OHR: About. 50%
- Common Equity Tier 1 Ratio: Mid 11%

Customers

Employees

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



Local communities

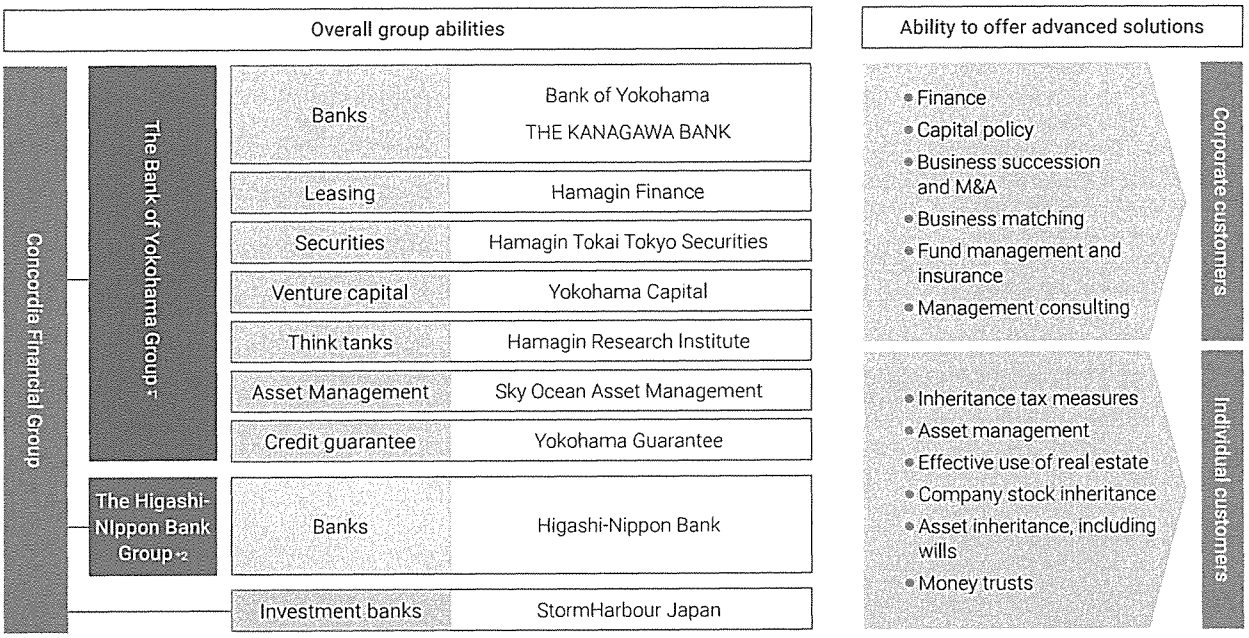
Shareholders and investors

Sources of Competitive Advantage/Cultivated Capital

Strength 1 Integrated group strength and advanced solution capabilities

Intellectual capital

The Group consists of 28 companies serving customers in banking and various other fields and businesses including securities, leasing, and think tanks. Leveraging the Group's integrated strengths, we provide not only traditional lending operations, but also highly specialized solutions such as capital policy, business succession/M&A, and inheritance measures.



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

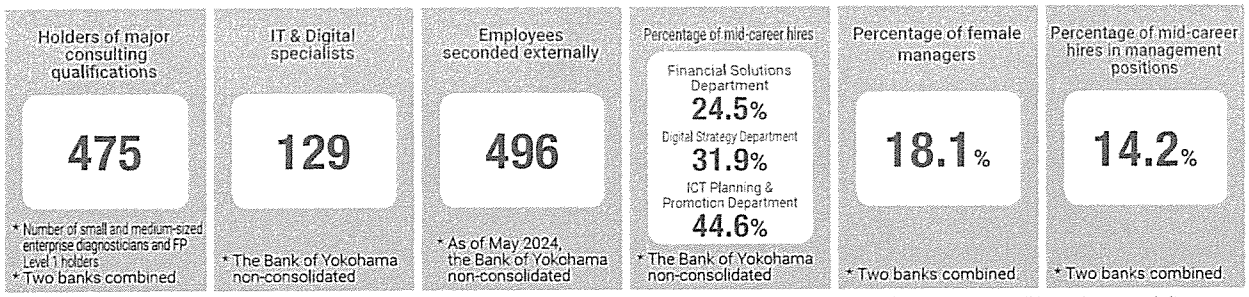
Strength 2 Diverse human resources to support our community-based solution business

Human capital

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

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

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



* Two banks combined refers to the combination of the Bank of Yokohama and the Higashi-Nippon Bank. Hereafter, similar expressions will have the same definition.

Strength 3 Strong customer base

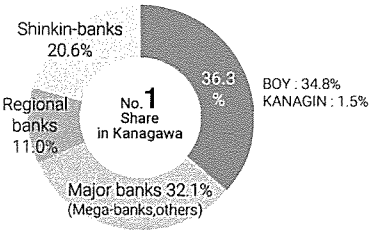
Financial Capital | Social and Relationship Capital

Corporate customers: Approx. **250,000** companies

Personal customers: Approx. **5** million

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

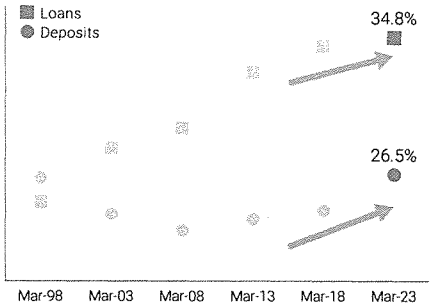
Loan balance Share in Kanagawa Prefecture*1



(Source) The Japan Financial News Co., Ltd.

*1 As of the end of March,2023. Excluding government-affiliated financial institutions, Shinkin banks, labor banks, agricultural cooperatives, and Japan Post Bank.

Market Share in Kanagawa Prefecture (Bank of Yokohama)*1



Strength 4 Branch Networks

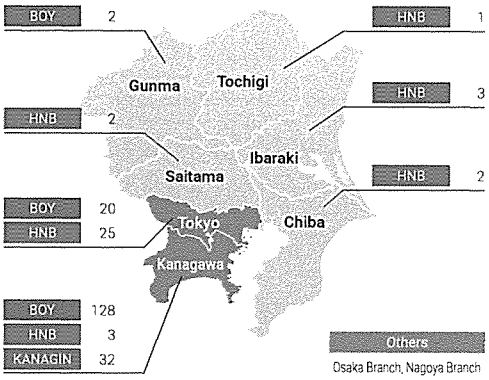
Social and Relationship Capital

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

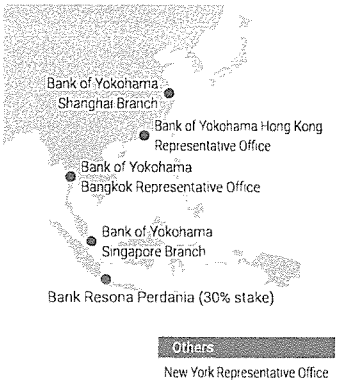
208 branches in Kanagawa and Tokyo

* The Number of Branches as of March 31, 2024. Excluding Private Banking Office of the Bank of Yokohama and corporate sales office and field office of the Higashi-Nippon Bank and branch office integrated to another branch office and local office of THE KANAGAWA BANK.

Branches (Excluding Branch in Branch)*



Overseas locations

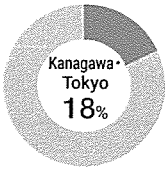


Market potential

Social and Relationship Capital

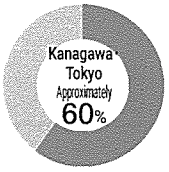
Kanagawa and Tokyo boast the largest concentration of companies and population in Japan, making them relatively advantageous markets.

18% of the country's total population is concentrated here.
Tokyo (14.08 million)
Kanagawa (9.22 million)



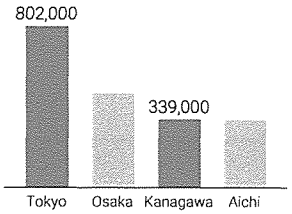
Many listed companies

Approximately 60% of listed companies are concentrated here.



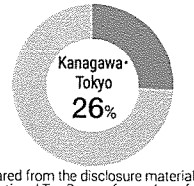
Concentration of private companies

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



Concentration of wealthy individuals*1

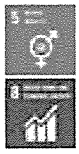
26% of persons subject to inheritance tax are concentrated here.



*1 Prepared from the disclosure materials of the National Tax Bureau for each prefecture.

* Statistics Bureau of Japan (Population Estimates, Oct., 1, 2023).
* Ministry of Internal Affairs and Communications (MIC) (Jun. 1, 2021)

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

Materialities	Opportunities and Risks		Major Initiatives	Related Goals
Supporting the Sustainable Growth of Local Businesses ▶ P.45 Corporate client strategy	Opportunities	• Increase and expansion of strategic solution needs due to increasing diversity and sophistication of corporate management issues	• Providing financial and capital strategy solutions, including LBO loans and subordinated loans • Providing rehabilitation and succession strategy solutions, including business succession consulting • Providing solutions utilizing overseas offices, such as overseas loans and overseas expansion support	
	Risk	• Decline in competitiveness due to delay in moving away from a traditional lending- centered business model • Deterioration in corporate performance due to lack of response to changes in social structure		
Helping People Live in the Age of Centenarians ▶ P.50 Individual client strategy ▶ P.108 Initiatives for financial education	Opportunities	• Increase and expansion of needs for asset formation and asset management as well as increase in financial literacy in preparation for the Age of Centenarians	• Providing solutions for every stage of life (fund wraps, trusts, insurance, etc.) • Providing tailor-made, one-stop solutions (real estate utilization, financial asset management, asset succession) • Initiatives for financial education	
	Risk	• Decline in competitiveness due to inadequate response to the increasing diversity and sophistication of customer needs resulting from changes in social structure, such as the declining birthrate and aging population		
Workplace Reform and Promotion of Diversity ▶ P.71 Human resource strategy	Opportunities	• Securing human assets, reforming organizational culture, and creating new value by promoting the active participation of diverse human assets	• Promoting Women's Activity Promotion Project • Mid-career recruitment for highly specialized human resources • Increasing job satisfaction and engagement • Implementing Maternity/Paternity Leave Reinstatement Support Program	
	Risk	• Decreased motivation of employees due to a work environment that does not respond to diversifying values and changing social structures and an outflow of human assets		
Promotion of Financial Digitization (DX) ▶ P.85 Digital Transformation (DX)	Opportunities	• Increase and expansion of non-face-to-face/ non-contact needs and needs for advanced digital solutions due to the progress of digitalization	• Expansion of non-face-to-face transactions through the Hamagin 365 smartphone application • Supporting customers' digitalization through digital consulting • Initiatives to promote cashless payment	
	Risk	• Decline in competitiveness due to delayed response to rapid digitization, entry into other industries, etc.		
Measures Against Global Warming and Climate Change ▶ P.94 Initiatives for TCFD/TNFD recommendations	Opportunities	• Increase and expansion of new financing and solution needs in the transition to a decarbonized society	• Climate change response using the framework of TCFD recommendations • Support for customers' transition to a decarbonized society (sustainable finance, support for calculating GHG emissions, etc.) • The Company's own decarbonization initiatives (e.g., switching to substantially renewable energy sources for the company's contracted electricity)	
	Risk	• Deterioration in corporate performance due to the occurrence of natural disasters, stricter climate change related regulations, etc., and loss of stakeholder trust due to insufficient response to climate change		
Revitalize the local economy ▶ P.105 Economic Revitalization of the Home Market	Opportunities	• Revitalization and sustainable growth of the local economy through industry-academia-government-finance collaboration	• Initiatives to "create sustainable towns" (for example, local decarbonization efforts) • Initiatives to "create a flow of people" in the region (for example, tourism promotion) • Initiatives to "create jobs" in the community (for example, business start-up support and collaboration with universities)	
	Risk	• Sluggish local economy due to population decline, industrial decline, etc.		

Materiality (priority issue to be solved) identification process

STEP 1

Identifying issues

We have identified over 60 issues based on the SDGs, issues related to the realization of our management philosophy, engagement with stakeholders, and various guidelines (*1).

STEP 2

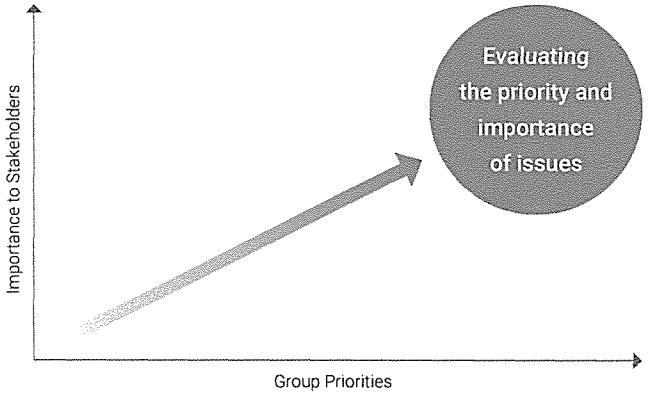
Discussion of issues

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

STEP 3

Evaluating the priority and importance of issues

In addition, we analyzed and evaluated on two axes: priorities for the Group (*2) and importance to stakeholders (*3).



(*1) GRI Standard, SASB, etc
(*2) Group priorities (evaluated from the following perspectives)
(1) Degree of contribution to problem-solving for regional companies and to regional revitalization
(2) Contribution to enhancement of the Group's corporate value
(*3) Level of importance to stakeholders (evaluated from the following perspectives)
(1) Medium- to long-term impact on stakeholders (social and economic value)
(2) Stakeholders' contribution to sustainability

STEP 4

Identification of materialities

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

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

STEP 5

PDCA Practice

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

Medium-term management plan

Since its establishment in April 2016, the Group has formulated a three-year medium-term management plan and has been working to execute In the previous medium-term management plan, we promoted the "transformation" of our business by shifting from a traditional lending-centered The current medium-term management plan positions us for a three-year period during which we will accelerate the transformation we have been and 'Sustainability,' we will synergistically promote the implementation of growth strategies, the acceleration of change, and the realization of operations aimed at solving problems in local communities and measures to upgrade governance.

2016 2017 2018

Two medium-term management plans ago

Establishment of Concordia Financial Group

Three years to expand and deepen our relationships with customers by adapting swiftly to changes in the financial environment and proactively working to enhance efficiency and invest in growth to achieve early benefits of business integration

Basic policies

1 Expanding contact points with customers and enhancing services

2 Accelerating growth through early realization of group synergies

3 Developing diverse talent with broad expertise

4 Taking the lead on regional revitalization and other local issues

2019 2020 2021

Previous medium-term management plan

Structural reforms

Three-year "transformation" into a new financial company

Basic policies

1 Deepening our core businesses

2 Improving productivity through structural reform

3 Strengthening our management base

	2016*1	2017	2018	2019	2020	2021
ROE(consolidated)*2	6.8%	6.5%	5.2%	4.3%	2.3%	4.9%
OHR(consolidated)	58.3%	56.9%	61.4%	62.4%	67.7%	59.2%
Common Equity Tier 1 Ratio (consolidated)*3	11.14%	12.47%	13.00%	12.27%	12.40%	12.07%
gross operating income	¥218.2bn	¥218.8bn	¥201.1bn	¥200.1bn	¥183.2bn	¥203.9bn
core net business profit excluding gains (losses) on bonds*4	¥106.1bn	¥82.6bn	¥73.6bn	¥72.2bn	¥75.4bn	¥89.2bn
net income(consolidated)	¥66.3bn	¥66.4bn	¥54.2bn	¥46.5bn	¥25.3bn	¥53.8bn

*1 Based on excluding negative goodwill gains. *2 Shareholders' equity base

*3 For actual in FY2022 and the level aiming in mid-term, Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities). Actual in FY2022 and FY2023 are estimated number.

*4 Excluding cancellation of investment trusts

strategies aligned to its basic policies.
business to a solution business, reducing workload and restructuring our branch network, based on our strong relationships with customers.
pursuing and realize the fruits of our efforts to transform ourselves into a 'Solution Company.' Under the three basic themes of 'Growth,' 'Change,'
results, aiming for steady profit growth, while also planning expansion of the operating base by doing such things as establishing sustainability

2022 2023 2024

Current medium-term management plan

Three years to accelerate "transformation"

pursued under the previous medium-term management plan and materialize results

Basic Theme and Priority Strategies

Growth

1 Deepening and expansion of solution business
- From the phase to establish the solution business to the phase of deepening and sophisticating it

2 Making use of strategic investment and alliances
- Strengthening and expanding business areas by making use of strategic investments and alliances

Change

3 Talent portfolio reforms and an increase in engagement
- Accelerating talent portfolio reforms and DX to focus oncustomers' convenience toward a shift to a "solution company"

4 Digital Transformation (DX)
- Using the extra investment capacity generated through the materialization of the effect of structural reforms for growth investment, and accelerating DX to focus on customers' convenience

Sustainability

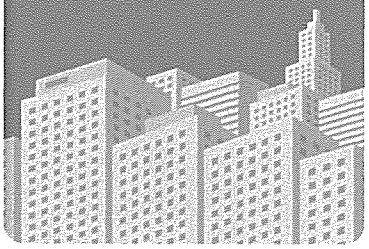
5 Contribution to sustainable regional communities
- Establishing sustainability management, and continuing to sophisticate governance to support it

6 Sophistication of governance
- Enhance dialogue with stakeholders and information disclosure to increase corporate value

2022	FY2023	FY2024 Plan
5.0%	5.8% (TSE standards 5.4%)	6.4%
58.0%	59.7% (If the impact of the 25.3 billion yen loss on the sale of foreign bonds, etc.is excluded 53.6%)	In the lower 50% range
11.86%	Approx. 11.6%	Mid 11%
¥200.4bn	¥205.2bn	¥238.4bn
¥99.4bn	¥109.5bn	¥111.2bn
¥56.1bn	¥66.9bn	¥75.0bn

Our Vision

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



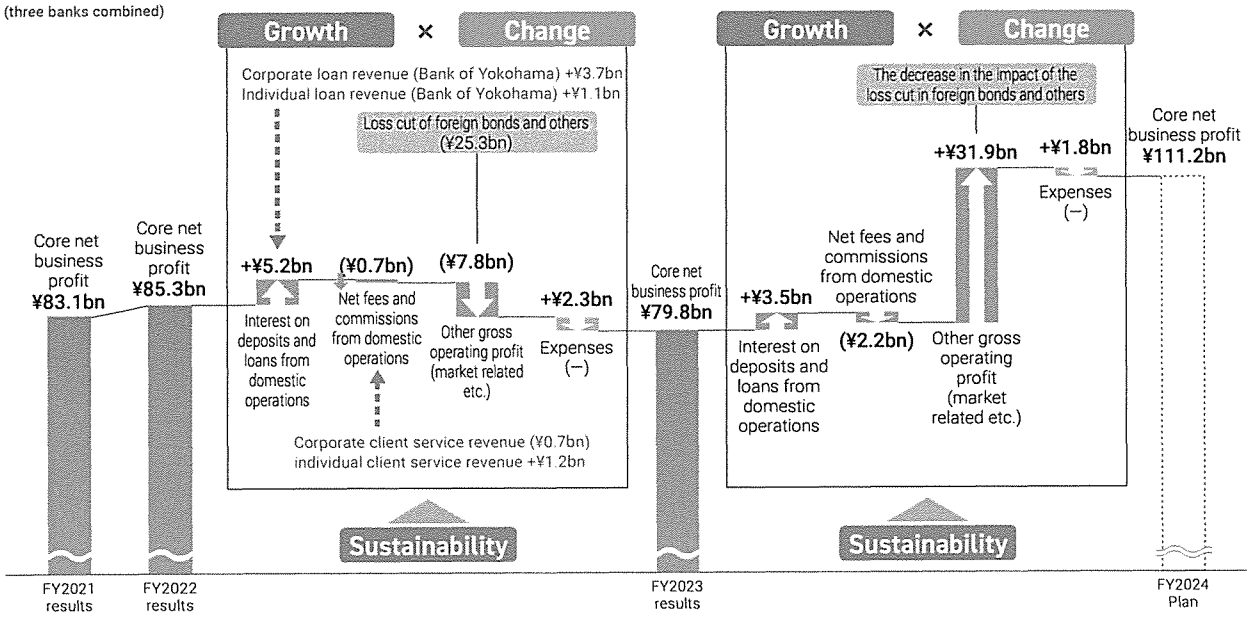
Mid-term goal level
Approx. 7.0%
Approx. 50%
Mid 11%

Medium-term management plan

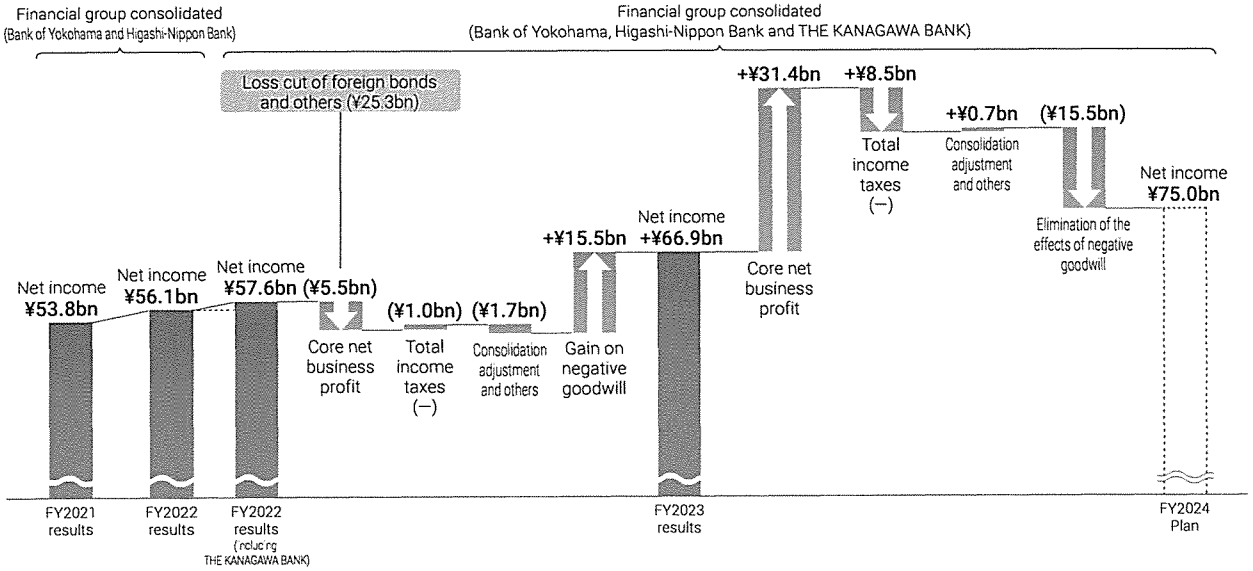
Roadmap 1 Core net business profit and consolidated net income

We will increase interest on deposits and loans and fees and commissions in the home market by deepening and expansion of solution business, and will reduce expenses by realizing the effects of the structural reforms implemented in the previous medium-term management plan, such as branch consolidation. In FY2023, we addressed the issue of negative-spread foreign bonds and cut losses on them as we restructured our securities portfolio. In FY2024, the final year of the current medium-term management plan, we aim to achieve a core net business profit of ¥111.2 billion and consolidated net income of ¥75 billion, significantly exceeding our initial targets in the plan.

Core net business profit
(three banks combined)



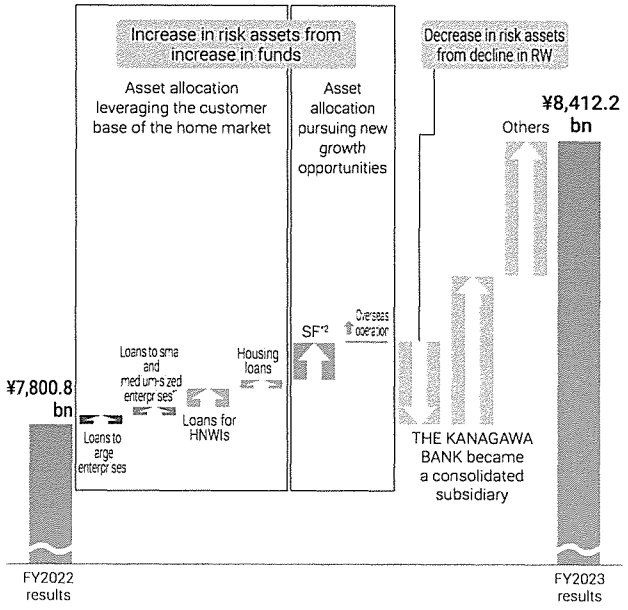
Net income (consolidated)



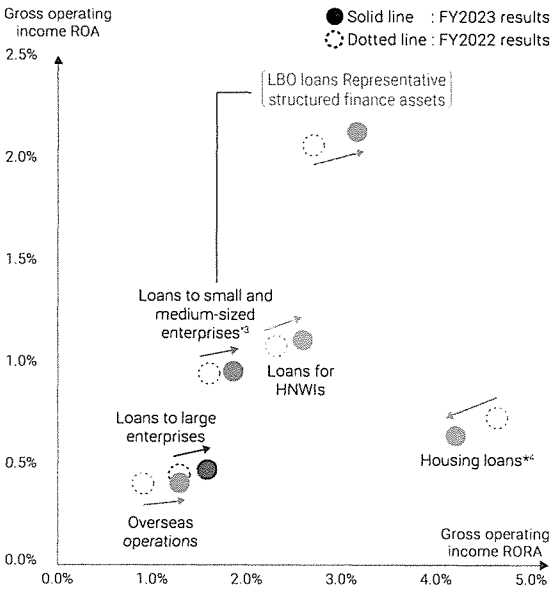
Roadmap 2 Risk assets trend

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

Changes in risk-weighted assets



RORA by asset class (Bank of Yokohama)

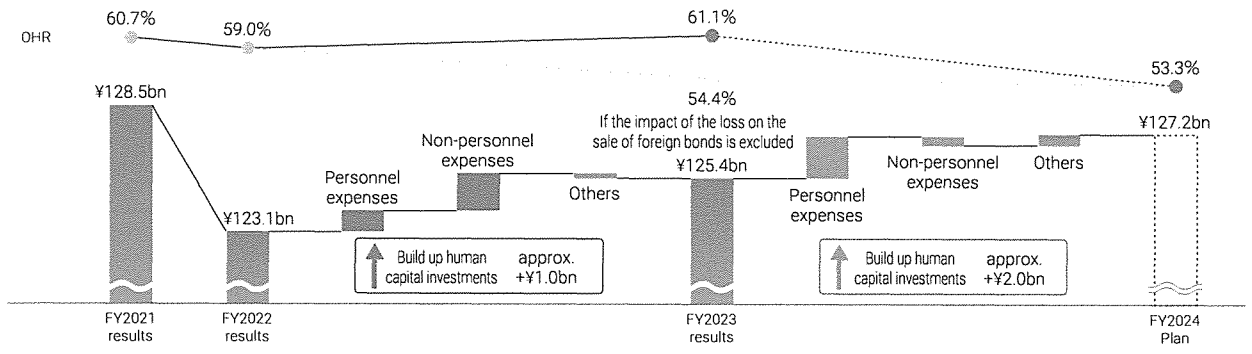


*1 Excluding structured finance and overseas investment projects
*2 Structured finance
*3 Including Structured finance and excluding overseas investment projects
*4 Excluding group credit life insurance premiums, etc

Roadmap 3 Expense trend

We will strengthen our investment in human resources that support our solution business using benefits from our structural and system reforms as funding. While making investments to increase profitability over the medium to long term, we will also control expenses to reduce OHR to the lower 50% range.

Expense trend (Three banks combined)



Collaborative Value Creation with Stakeholders

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

Management Principles	Stakeholders	Major results of collaborative value creation (FY2023)
Contributing to an abundant lifestyle together with business	Customers	■ Supporting our customers to increase their corporate value by providing solutions that deeply engage not only their financial strategies but also their group-wide management strategies. ■ Supporting customers' rich lives by providing optimal solutions for each stage of life. ■ Providing new value experiences to local customers through financial and non-financial services using digital technology. • Number of partners (Bank of Yokohama) Corporate: 2,498 companies (+627 from previous FY) Personal: 20,897 (+4,358 from previous FY) • Corporate client strategy P.45-49 • Individual client strategy P.50-52 • Initiatives in the Higashi-Nippon Bank P.63-64 • Initiatives in THE KANAGAWA BANK P.65-66 • Digital Transformation (DX) P.85-90
Contributing to sustained development	Local communities	■ Proactively working to solve regional and social issues and contributing to creating regional appeal and revitalizing local economies. ■ Accelerating our own decarbonization efforts to achieve carbon neutrality and supporting our customers' efforts to decarbonize. • Number of initiatives to solve community issues (Bank of Yokohama) 23 • Reduction rate for our own CO_2 emissions: 85.4% • Financial education participants: 170,000 • Sophistication of Sustainability Management P.92-104 • Economic Revitalization of the Home Market P.105-108
Working proudly in an appealing company Continuing to be an attractive company to work at.	Employees	■ The Group Resource Policy was established as a basic policy to maximize human capital and the Group Human Resource Strategy was formulated in conjunction with our management strategy. ■ In addition to reinforcing investment in "human capital" and strengthening human resource development, we are promoting reforms to build a highly productive organization and an organizational culture in which we are highly motivated to take on new challenges and grow. • Employee Awareness Survey (index of total attractiveness of a company) (Two banks combined) 3.41 points/5 points • Percentage of female managers 18.1% (Two banks combined) 18.1% • Human resource strategy P.71-84 • Solution Business Personnel Roundtable Discussion P.67-70
Growing sustainably and raising corporate value	Shareholders and investors	■ Steady progress toward achieving the target indicators in our medium-term management plan. ■ Achieving progressive dividends based on our shareholder returns policy and implementing purchases of treasury shares. • ROE 5.8% • OHR 59.7% • Common Equity Tier 1 Ratio: About 11.6% (finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)) • Dividend: ¥23 (payout ratio 40%, total return ratio 50%)

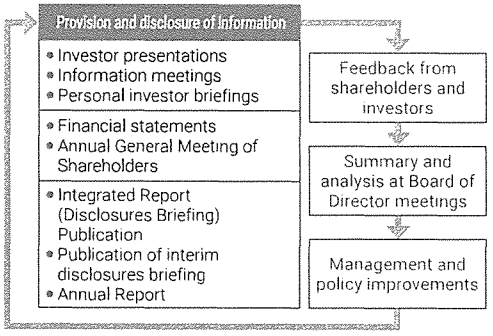
Communication with Shareholders and Investors

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

In FY2023, we increased the number of in-person roadshows for overseas institutional investors and expanded our target areas. We also increased the number of briefings for individual investors for individual investors to three.

We held an IR Day three times to explain our human resource strategy, solution business, market division, and governance, with the participation of the President and Representative Director, the directors in charge of each strategy, and outside directors.

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



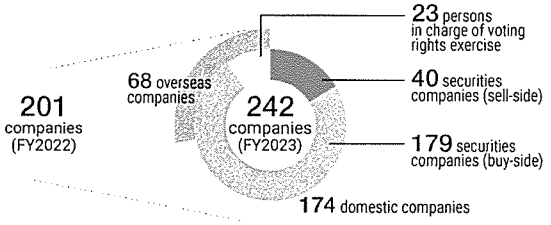
Achievements

General Meeting of Shareholders	Financial Results Briefing (for analysts and institutional investors)	IR Day (Management Strategy Briefing)	Number of individual meetings with analysts and institutional investors	Briefing for personal investors
Number of participants: approx. 221 (including online participation)	Number of times held: 4 Number of participants: approx. 310	Number of times held: 3 Number of participants: approx. 140	Total of 242 companies	Number of times held: 3 Number of participants: approx. 5,800

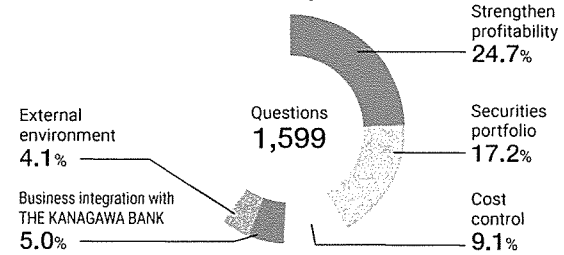
Major Respondents and Achievements in Dialogues with Investors and Shareholders

Respondent	Achievements
President and Representative Director	General meeting of shareholders, results briefing (2 times), IR Day (3 times), dialogues with shareholders (SR, 1 time), dialogue with domestic and overseas institutional investors, etc. (IR, 11 times)
Director in Charge of Corporate Planning (Finance)	General meeting of shareholders, financial results briefings (2 times), quarterly financial results briefings (2 times), IR Day (2 times), dialogue with domestic and overseas institutional investors, etc. (IR, 63 times), individual investor meetings (3 times)
Corporate Planning Department (responsible for IR)	Dialogues with domestic and overseas institutional investors, etc. (IR, 137 times), dialogues with shareholders (SR, 22 times)

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



Main themes and areas of interest in dialogues with shareholders and investors



* The total number of questions from investors interviewed between April 26, 2023, and December 5, 2023

Reponses to opinions from investors

Main opinions	Reponses
To clarify issued recognized and measures for improvement to increase ROE	Disclose PBR and ROE logic trees
Rebuilding the market division is an issue	Revised our securities investment policy and explained a new strategy at IR Day
Should disclose the plan to reduce policy shareholdings	Formulated and disclosed the plan to reduce policy shareholdings
Should clarify the timing to achieve ROE to the level that exceedd the cost of capital	Considering this issue together with the new medium-term management plan, which will start in FY2024 Recognizing as a continuous issue

External evaluation

NIKKEI Integrated Report Award

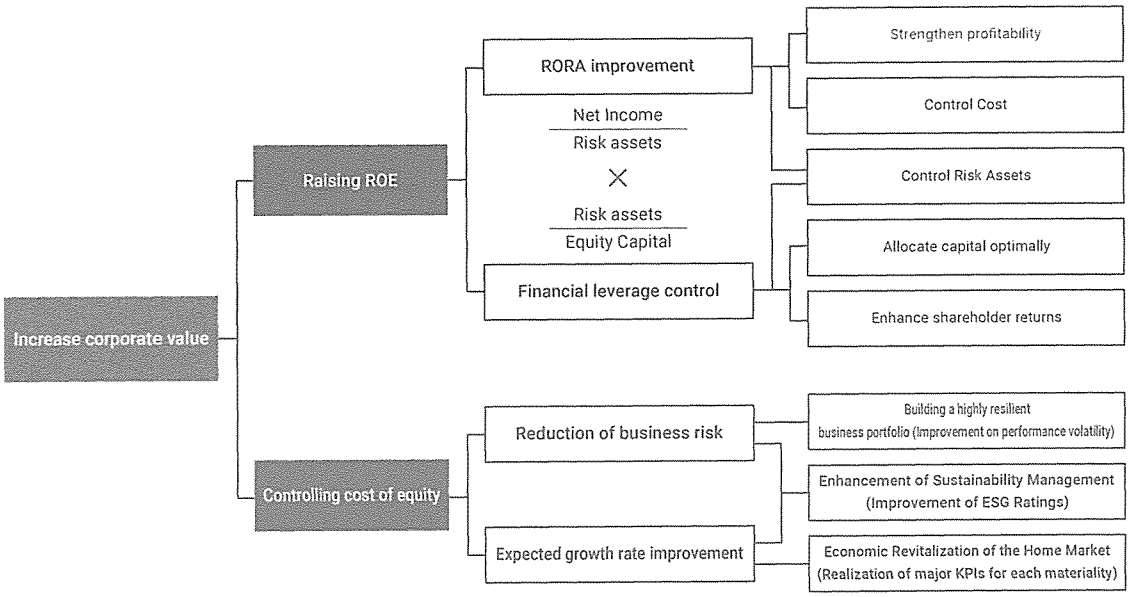
Won the Grand Prix (for the first time in the banking industry)

IR Special Award

Won the IR Special Award (for the first time among regional banks)

The Securities Analysts Association of Japan

We were selected as the Company of Remarkable Imprwwwovement in Disclosure


Increase corporate value
Raising ROE
RORA improvement
Net Income / Risk assets × Risk assets / Equity Capital
Financial leverage control
Strengthen profitability
Control Cost
Control Risk Assets
Allocate capital optimally
Enhance shareholder returns
Controlling cost of equity
Reduction of business risk
Expected growth rate improvement
Building a highly resilient business portfolio (Improvement on performance volatility)
Enhancement of Sustainability Management (Improvement of ESG Ratings)
Economic Revitalization of the Home Market (Realization of major KPIs for each materiality)

Initiatives to Enhance Corporate Value

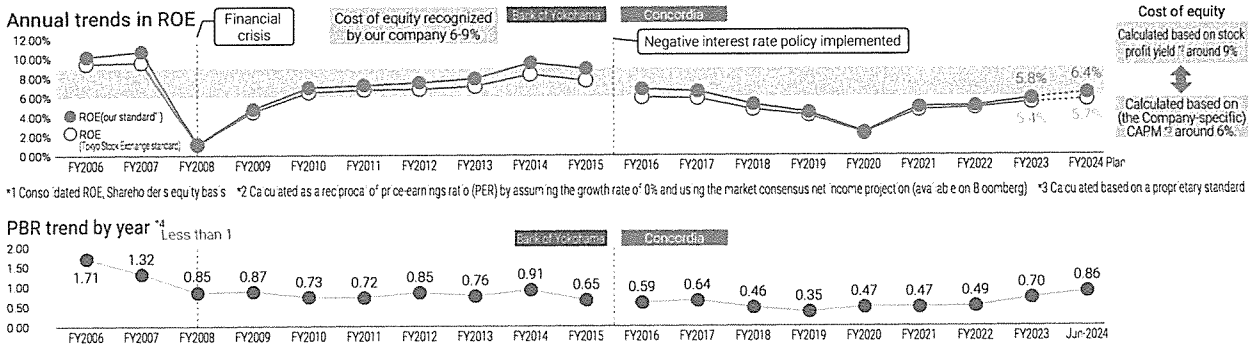
039 Initiatives to Enhance Corporate Value
- 043 Initiatives to Raise ROE
  - 043 Strengthen Profitability
  - 053 Initiatives in the Market Division
  - 056 Cost Control
  - 057 Risk Asset Control
  - 058 Optimal Capital Allocation
  - 061 Enhancement of Shareholder Returns/Our Vision
  - 062 TOPIC (Estimated impact on gross operating income of a rise in interest rate)
- 063 Special Feature 1: Initiatives in the Higashi-Nippon Bank
  Using our strengths in-person communication to become a total partner for small and medium-sized businesses
- 065 Special Feature 2: Initiatives in THE KANAGAWA BANK
  Where we stand one year on from the business integration
- 067 Special Feature 3: Solution Business Personnel Roundtable Discussion
- 071 Initiatives to Support Enhancement of Corporate Value
  - 071 Human resource strategy
  - 085 Digital Transformation (DX)
- 091 Initiatives to Control Cost of Equity
  - 091 Building a Highly Resilient Business Portfolio
  - 092 Sophistication of Sustainability Management
  - 105 Economic Revitalization of the Home Market

Initiatives to Enhance Corporate Value

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

Current situation evaluation & analysis

Our PBR fell below 1 after the Lehman Shock, and has remained at an even lower level since the introduction of negative interest rates in 2016. It is currently around 0.86 (as of June 2024). We recognize that our cost of equity is around 6.0% to 9.0% based on CAPM (our own standard) and estimates based on the stock profit yield, but our ROE for FY2023 is 5.8%, which is below the cost of equity. This is the main reason why our PBR remains at a low level. We recognize that in order to raise our PBR, it is essential to achieve ROE that exceeds the cost of equity.

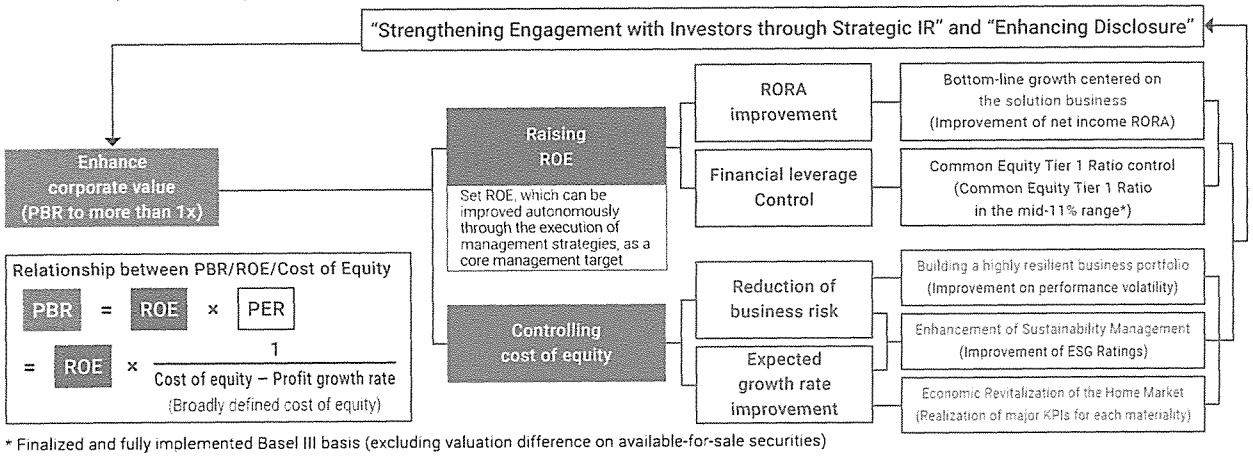


*4 Stock price at the end of each fiscal year, calculated based on net assets per share (excluding treasury shares)

PBR logic tree

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

Enhance corporate value by raising ROE and controlling the cost of equity

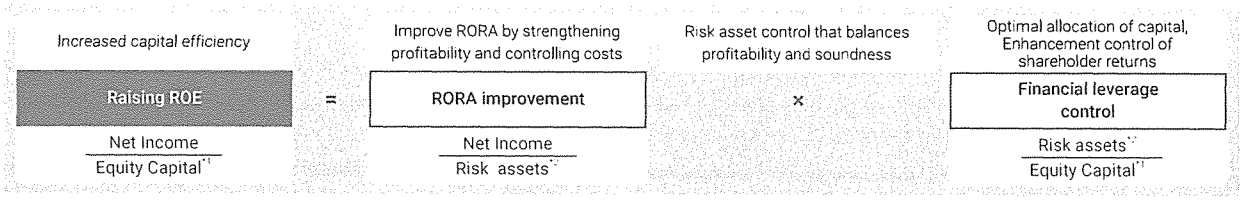


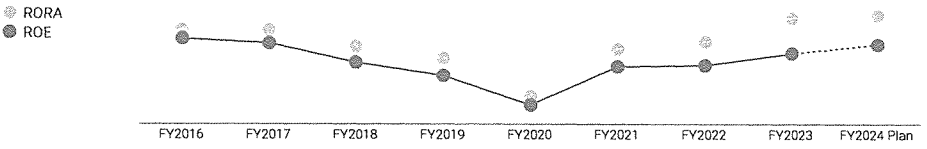
* Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)

Status of ROE and RORA

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

ROE decomposition





	FY2016*3	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 Plan
ROE (%)	6.8	6.5	5.2	4.3	2.3	4.9	5.0	5.8	6.4
RORA (%)	0.74	0.74	0.63	0.55	0.29	0.61	0.66	0.82	0.84
Financial leverage	9.1	8.8	8.2	7.9	8.0	8.1	7.5	7.1	7.5
<Reference> Financial leverage (finalized and fully implemented Basel III basis)							8.2	8.3	8.3

Increase/decrease factors for FY2023

RORA

Net income increased due to increased core net business profit mainly fueled by accumulated highly profitable assets and a growth in fees and commissions

Financial leverage

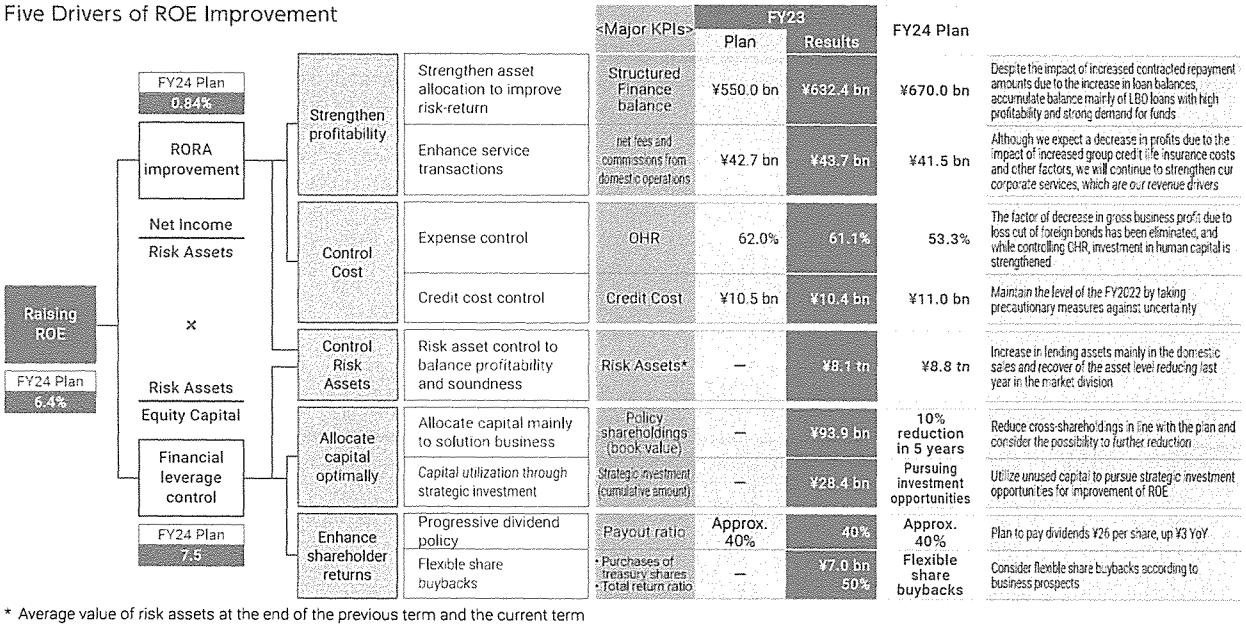
Risk assets in begging and end of FY2023 decreased due to Basel III finalization implemented in March 2022

*1 Average value of shareholders' equity at the end of the previous term and the current term
*2 Average value of risk assets at the end of the previous term and the current term
*3 Based on excluding negative goodwill gains.
Risk assets for FY16 are the average of the first quarter-end and year-end values.

ROE logic tree

The two approaches of "RORA improvement" and "financial leverage control" for ROE improvement are further embodied in the five initiatives of "strengthen profitability", "control cost", "control risk assets", "allocate capital optimally" and "enhance shareholder returns". We set KPIs for each initiative and advance them according to the PDCA cycle.

Five Drivers of ROE Improvement



<Major KPIs>	FY23 Plan	FY23 Results	FY24 Plan	
Structured Finance balance	¥550.0 bn	¥632.4 bn	¥670.0 bn	Despite the impact of increased contracted repayment amounts due to the increase in loan balances, accumulate balance mainly of LBO loans with high profitability and strong demand for funds
net fees and commissions from domestic operations	¥42.7 bn	¥43.7 bn	¥41.5 bn	Although we expect a decrease in profits due to the impact of increased group credit life insurance costs and other factors, we will continue to strengthen our corporate services, which are our revenue drivers
OHR	62.0%	61.1%	53.3%	The factor of decrease in gross business profit due to loss cut of foreign bonds has been eliminated, and while controlling OHR, investment in human capital is strengthened
Credit Cost	¥10.5 bn	¥10.4 bn	¥11.0 bn	Maintain the level of the FY2022 by taking precautionary measures against uncertainty
Risk Assets*	—	¥8.1 tn	¥8.8 tn	Increase in lending assets mainly in the domestic sales and recover of the asset level reducing last year in the market division
Policy shareholdings (book value)	—	¥93.9 bn	10% reduction in 5 years	Reduce cross-shareholdings in line with the plan and consider the possibility to further reduction
Strategic investment (cumulative amount)	—	¥28.4 bn	Pursuing investment opportunities	Utilize unused capital to pursue strategic investment opportunities for improvement of ROE
Payout ratio	Approx. 40%	40%	Approx. 40%	Plan to pay dividends ¥26 per share, up ¥3 YoY
• Purchases of treasury shares • Total return ratio	—	¥7.0 bn 50%	Flexible share buybacks	Consider flexible share buybacks according to business prospects

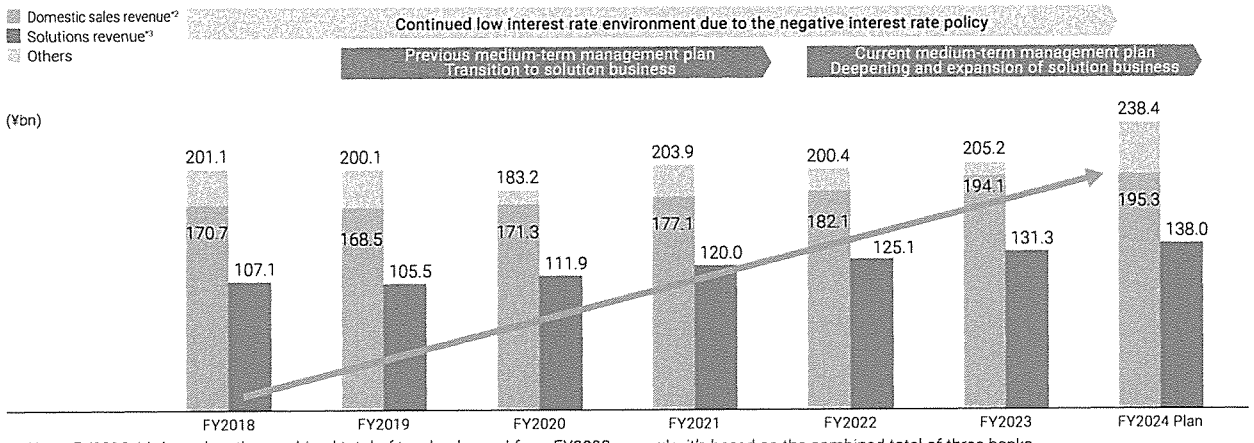
* Average value of risk assets at the end of the previous term and the current term

Initiatives to Raise ROE
~Strengthen Profitability~

Changes in topline

By pivoting to the solution business and deepening and expanding it, we achieved steady growth in solutions revenue despite the ongoing low-interest-rate environment. As a result, our domestic sales revenue, the backbone of our earnings power, reached a record high in FY2023.

Trends in gross operating income*1



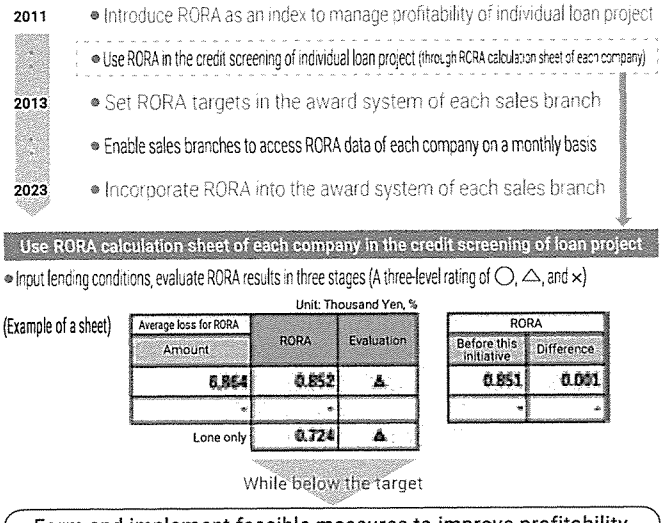
*1 Up to FY2022, it's based on the combined total of two banks, and from FY2023 onwards, it's based on the combined total of three banks
*2 interest on deposits and loans from domestic operations + net fees and commissions from domestic operations
*3 Revenue from yen-denominated loans (loans for corporations and High-Net-Worth Individual) + fee and commission revenues (total of those from corporates and individuals) + revenue from foreign-currency-denominated loans and revenue from corporate derivatives

Initiatives to Improve RORA

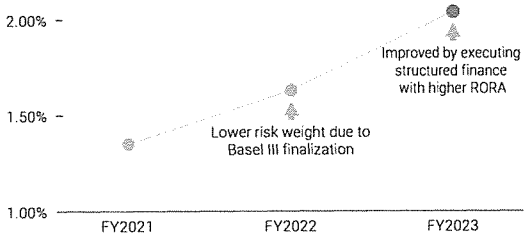
To improve risk-return, the Bank of Yokohama, our core subsidiary bank, introduced RORA as a profitability management index in 2011. RORA was used for credit screening of loan projects and branch-specific RORA was also set as an award achievement item for sales branches. These measures raised bank employees' awareness of RORA. The Higashi-Nippon Bank introduced profitability management index in FY2023, and we have been engaged in activities with an awareness of RORA improvement throughout the Group.

By carrying out activities with a focus on profitability, year after year we have improved RORA for new execution in the corporate sector and in loans to high-net-worth individuals (HNWIs).

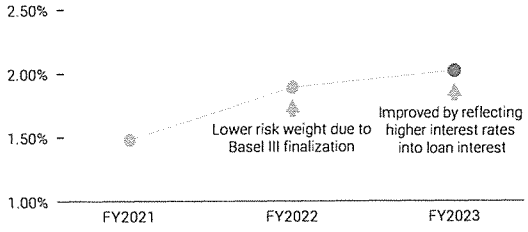
Initiatives to raise awareness of RORA (Bank of Yokohama)



RORA for new execution (corporate)*1



RORA for new execution (HNWIs)*2



*1 RORA to total amount of loan margin including domestic loans (including foreign-currency denominated), structured finance, and overseas loans(estimated number).
*2 RORA to loan margin(estimated number)

Strengthen asset allocation to improve risk-return

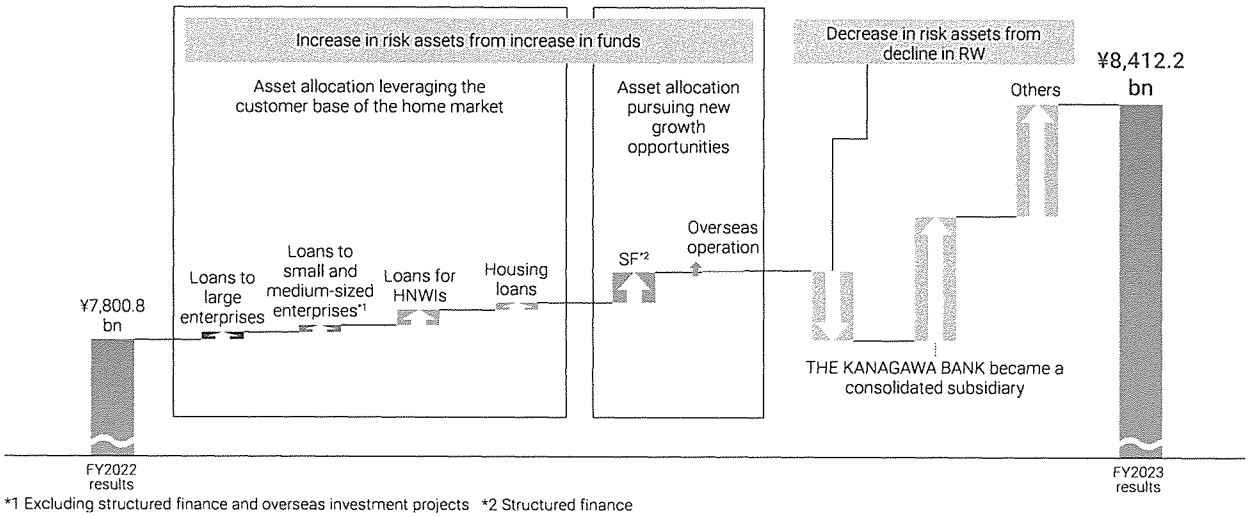
To improve risk-return, we will strengthen asset allocation with RORA in mind.

With the aim of strengthening our presence in the home market, we will proceed to aggressively allocate assets to loans for small and medium-sized enterprises (SMEs), and meaningfully strengthen risk-taking by making loans for high net worth individuals, mainly in Tokyo, Yokohama, and Kawasaki. Because housing loans are a quality asset with low risk weighting and positioned as a gateway product for personal transactions, we will work to improve ROA (Loan Yield) while steadily increasing the balance of housing loans.

In addition, we will pursue growth opportunities by boosting the allocation of assets to high value-added finance areas beyond the conventional framework, such as structured finance, including LBO loans, and to projects operating overseas, including loans to non-Japanese corporations.

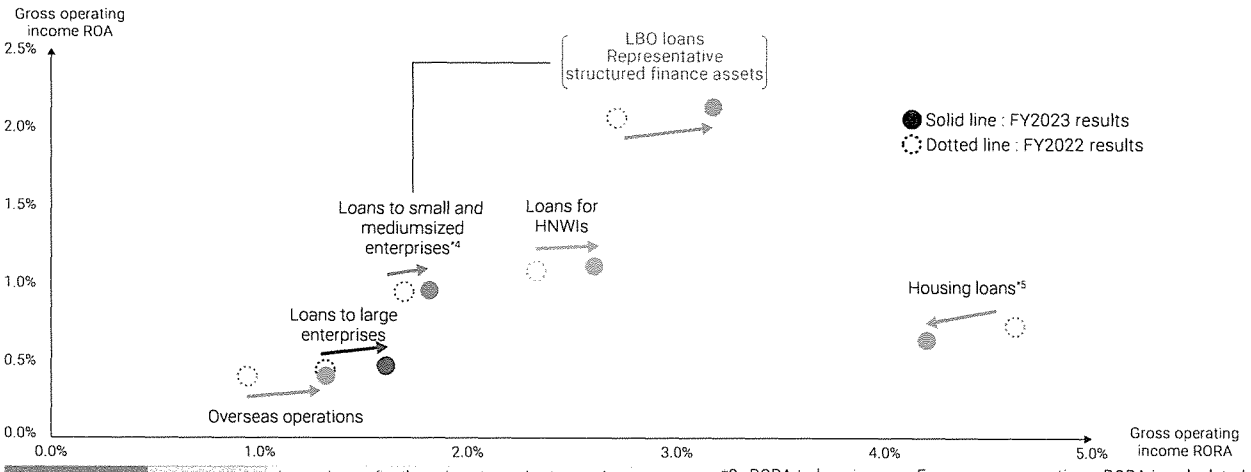
In FY2023, rising market interest rates were reflected in lending rates, and lower credit costs reduced risk weights, leading to RORA improvement, except for housing loans, where competition on interest rates was fierce.

Changes in risk-weighted assets



*1 Excluding structured finance and overseas investment projects *2 Structured finance

RORA by asset class (Bank of Yokohama)*3



Main variation factors of RORA		
	LBO Loans	Increasing profits through project selection, such as rise in our arranged deals
	Housing Loans	The yield on new executions is lower than the yield on existing claims, leading to a decline in profitability

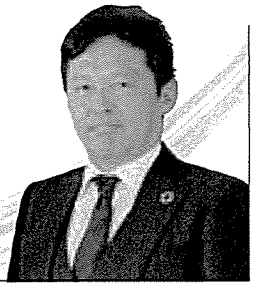
*3 RORA to loan income. For overseas operations, RORA is calculated based on interest margin.

*4 Including Structured finance and excluding overseas investment projects

*5 Excluding group credit life insurance premiums , etc

Initiatives to Raise ROE
～Strengthen Profitability～ Corporate client strategy

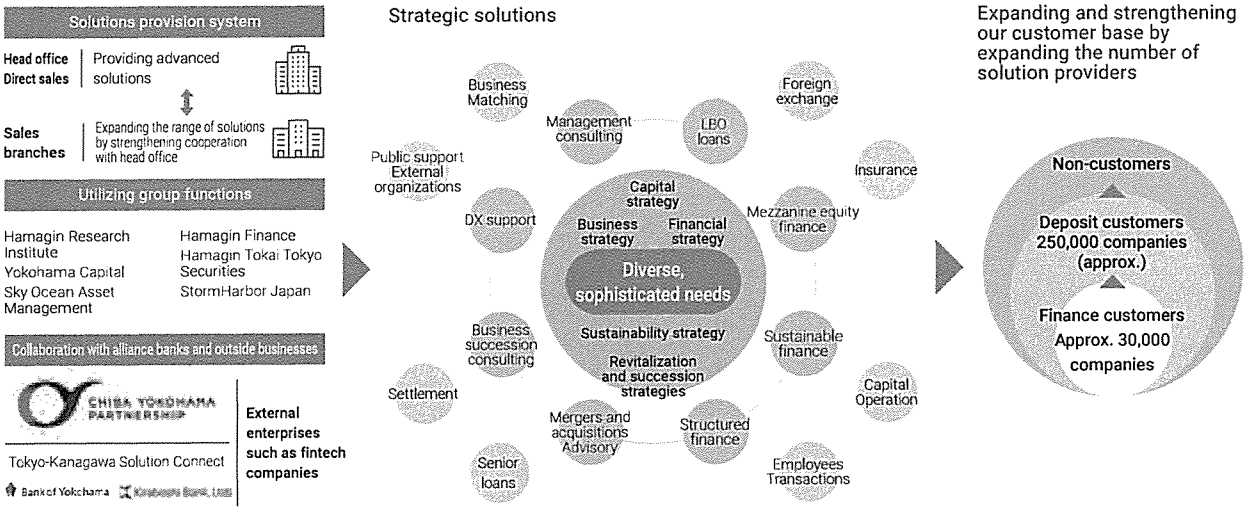
Aiming to be a solution company selected as a partner to walk together , we strive to offer high-value strategic solutions deeply involved in our customers' management strategies. We will continue to engage with our customers and develop into a solution company that is selected by them through addressing their various challenges, thereby enhancing our profitability and raising ROE.



Executive Officer
(Directors and Managing Executive Officers, General Manager of Sales Division, Bank of Yokohama) Yutaro Koshiba

Provide solutions utilizing group and alliance functions etc.

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

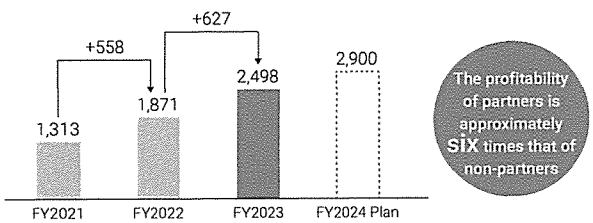


Strengthen profitability through the provision of strategic solutions

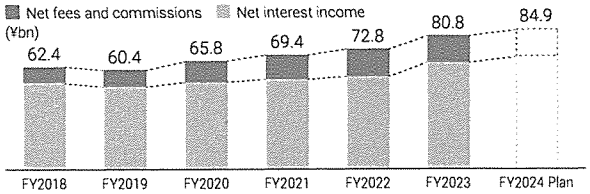
In the current medium-term management plan, we have positioned solutions that deeply engage in management strategies as "strategic solutions", and we define customers who select strategic solutions as "partners". We are expanding and strengthening our customer base in the home market by offering solutions not only to loan customers, but also to local companies, including deposit customers and companies that are not yet customers. The profitability per partner company is high, and we are working to improve our profitability through initiatives that customers can choose. Corporate division revenue is steadily increasing with the enhanced provision of high value-added strategic solutions.

Corporate client service revenue has steadily increased as we strengthened our provision of high-value strategic solutions.

Number of partners (Corporate clients we offer strategic solutions)(Bank of Yokohama)



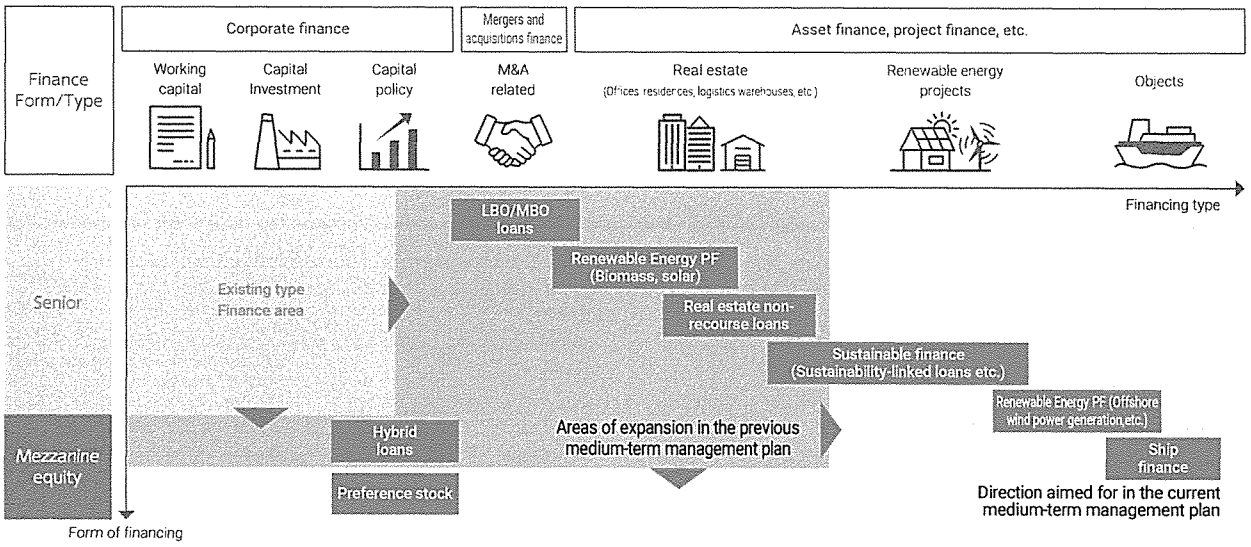
Corporate client service revenue*



* Managerial accounting basis, Excluding loans for asset management companies. Up to FY2022, it's based on the combined total of two banks, and from FY2023 onwards, it's based on the combined total of three banks.

Deepening and expanding from traditional finance areas

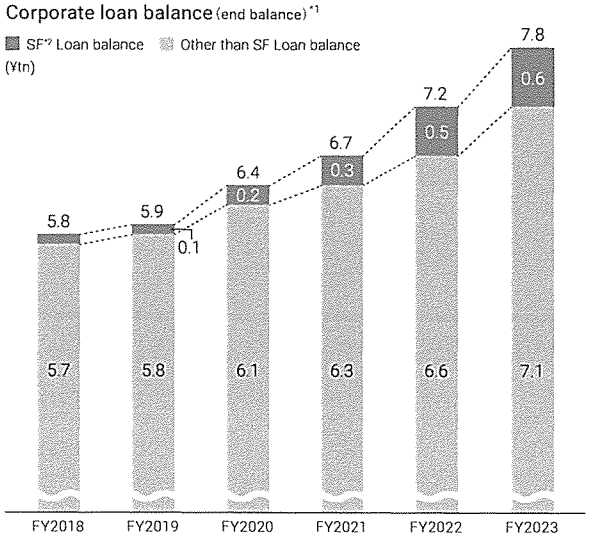
We will improve profitability by strengthening asset allocation in financing areas that go beyond conventional frameworks, such as M&A financing, and by working to provide high value-added financing.



We will further expand the finance areas broadened in the previous medium-term management plan, and strengthen our sourcing capabilities by leveraging the know-how accumulated at head office in areas such as M&A finance and project finance, returning it to and sharing it with our sales branches. This will help increase our balance of structured finance. To enhance our presence in the home market, we will build up senior loans and strengthen the allocation to high-profit assets, aiming to improve our profitability.

We will increase senior loans to strengthen our presence in the home market and allocate more to highly profitable assets, thereby enhancing our earning power.

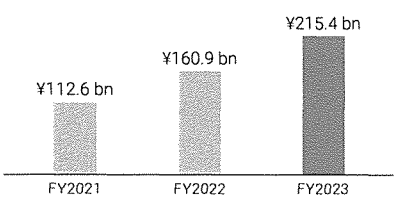
Corporate loan balance (end balance)*1



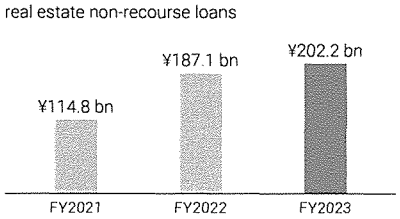
*1 Managerial accounting basis. Excluding loans for asset management companies. Up to FY2022, it's based on the combined total of two banks, and from FY2023 onwards, it's based on the combined total of three banks.
*2 Structured finance

Balance of typical structured finance assets (Bank of Yokohama)

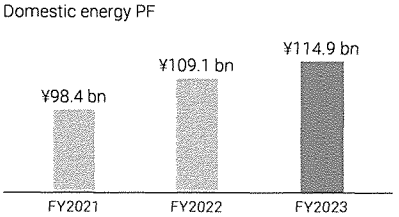
LBO loan



real estate non-recourse loans



Domestic energy PF



Initiatives to Raise ROE
～Strengthen Profitability～ Corporate client strategy

Specific examples of strategic solutions provided by the Bank of Yokohama

Capital strategy solutions for listed companies

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

By FY2023, the number of company clients listed on the stock exchange to whom we had proposed solutions climbed to about 500. As our know-how broadens, more and more needs are becoming apparent thanks to the information provided by our sales branches.

For example, we also provide strategic financial and capital solutions through hybrid loans (*1) to listed companies that face the dual challenges of raising funds to implement growth strategies and improving their financial soundness through capital reinforcement.

In FY2023, in our customers' funding aimed to foster growth investment, strengthen financial health, and maintain or enhance capital efficiency, we gauged their needs in an early stage and provided timely information through day-to-day interactions with customers at our sales branches. This enabled us to facilitate the execution of two hybrid loans arranged by the Bank of Yokohama. The balance of hybrid loans increased by ¥10 billion from the previous fiscal year, surpassing ¥160 billion.

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



Turnaround and succession strategy solutions for SMEs

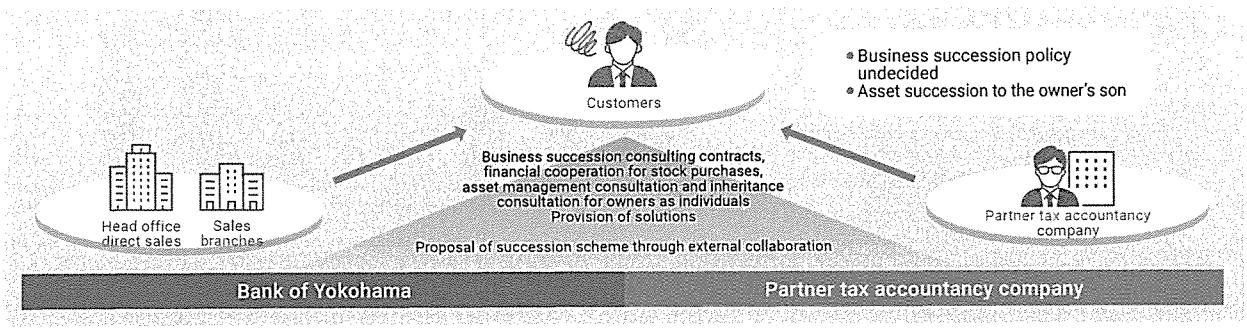
Against the backdrop of the aging of business owners and the absence of successors, which is the case for more than 60% of all business owners (*2), we are actively engaged in supporting business succession in order to support the sustainable growth of local companies. We not only have loan clients, but also a wide range of deposit-only clients, including debt-free companies.

In FY2023, for example, we worked with a customer that had not yet decided on a succession policy to help them decide between various options for business succession, including family succession, internal non-family succession, and M&A. We then supported them in transferring company shares using a holding company by collaborating with a partner tax accounting firm. We set up a holding company with the owner's son as the principal shareholder. This holding company then acquired all shares of the company, completing the transfer of ownership to the next generation. This created a structure that enabled a focus on selecting a business successor.

This has led to business succession consulting contracts, financial cooperation for stock purchases, and solution proposals such as asset management consultation and inheritance consultation for owners as individuals.

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

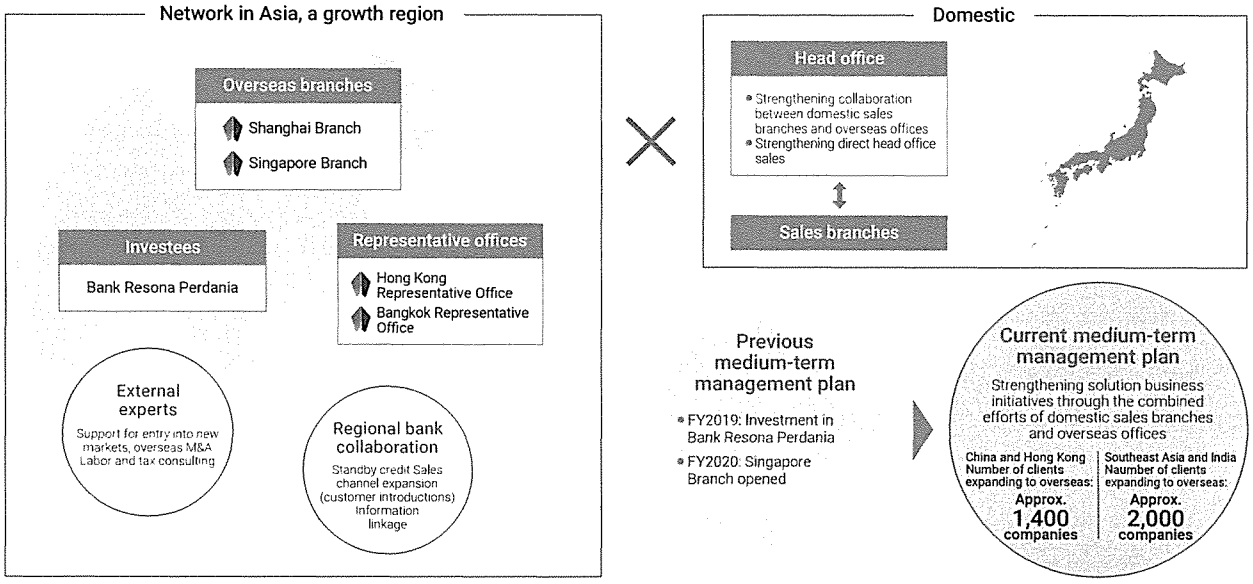
The issues customers face



Strengthen solution business by utilizing overseas bases

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

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



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

	FY2018 results	FY2021 results	FY2022 results	FY2023 results
Gross operating income from international operations	4.9	6.6	8.6	10.7
			Of which, foreign currency loan revenues	
Foreign currency loan revenues	1.3	2.5	3.9	4.3
Domestic locations	0.3	0.7	1.0	1.0
Overseas locations*1	0.5	0.7	1.0	1.2
Overseas operations projects*2	0.4	1.0	1.7	2.1

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

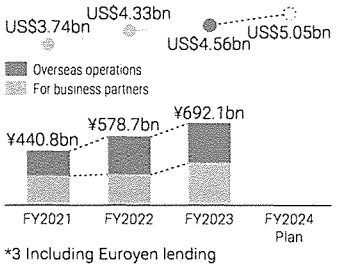
*2 Foreign currency loan proceeds from overseas operation projects at domestic offices

Initiatives

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

Foreign currency loan balance*3

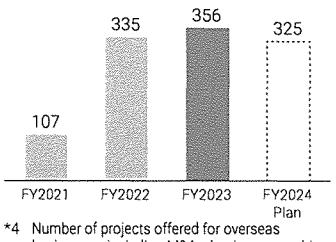
(Two banks combined)



*3 Including Euroyen lending

Number of solutions offered overseas

(BOY)*4



*4 Number of projects offered for overseas businesses, including M&As, business matching, consulting, and leasing in a single year

Initiatives to Raise ROE
～Strengthen Profitability～ Corporate client strategy

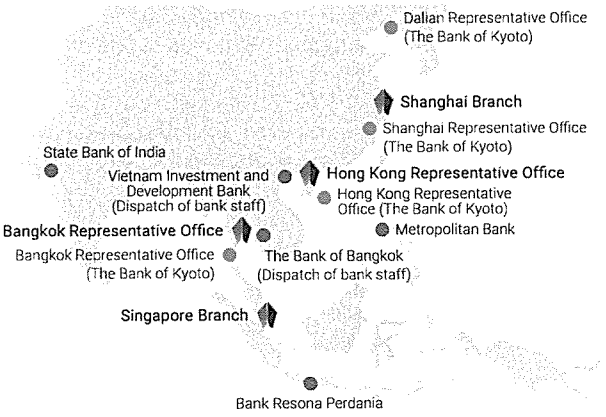
Specific examples of the Bank of Yokohama's efforts to strengthen its overseas solution business

Expansion of support system in Asia

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

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

From November to December 2023 and from February to March 2024, we held the YOKOHAMA FOOD FAIR in Hong Kong, in partnership with Tokyu Malls Development (Hong Kong) Limited. In March 2024, we also hosted the India Business Seminar & Networking Event in collaboration with ICICI Bank in India.



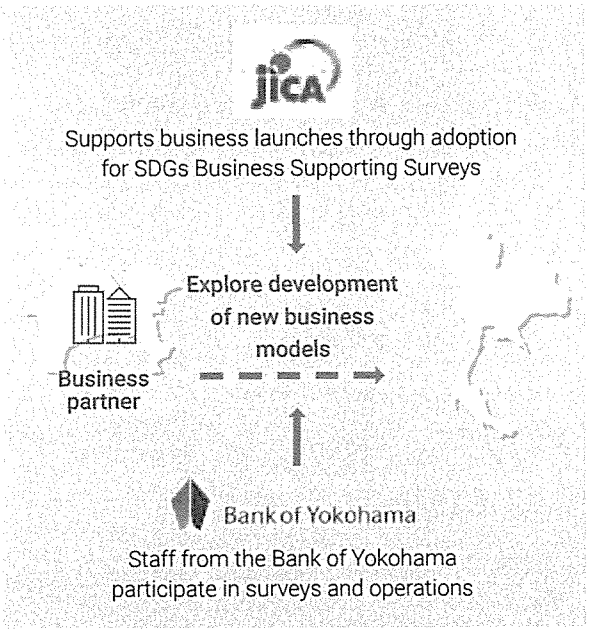
Increase in lending to overseas subsidiaries of our customers

We are enhancing lending to our customers' overseas subsidiaries through overseas branch loans, cross-border loans, and stand-by credit. Through efforts such as strengthening cooperation between head office, domestic sales branches, and overseas offices, as well as expanding our overseas network, the foreign currency loan balance increased by more than ¥100 billion to over ¥690 billion during the previous fiscal year. In addition, the Singapore Branch is making use of the concentration of shipping companies and strong demand for funds in the Singapore market and is developing loans to Vietnam, Thailand, and other neighboring countries, such as promoting ship finance for local Japanese-affiliated companies.

Borderless development of solution business

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

For example, in FY2023, the Bank of Yokohama supported clients that were exploring new business model expansion overseas in their applications for the SDGs Business Supporting Surveys of Japan International Cooperation Agency (JICA) by providing examination and research support so that the project would be adopted. In the course of carrying out this project, employees of the Bank of Yokohama were praised for their work in surveys and operations.



Initiatives to Raise ROE

~Strengthen Profitability~ Individual client strategy

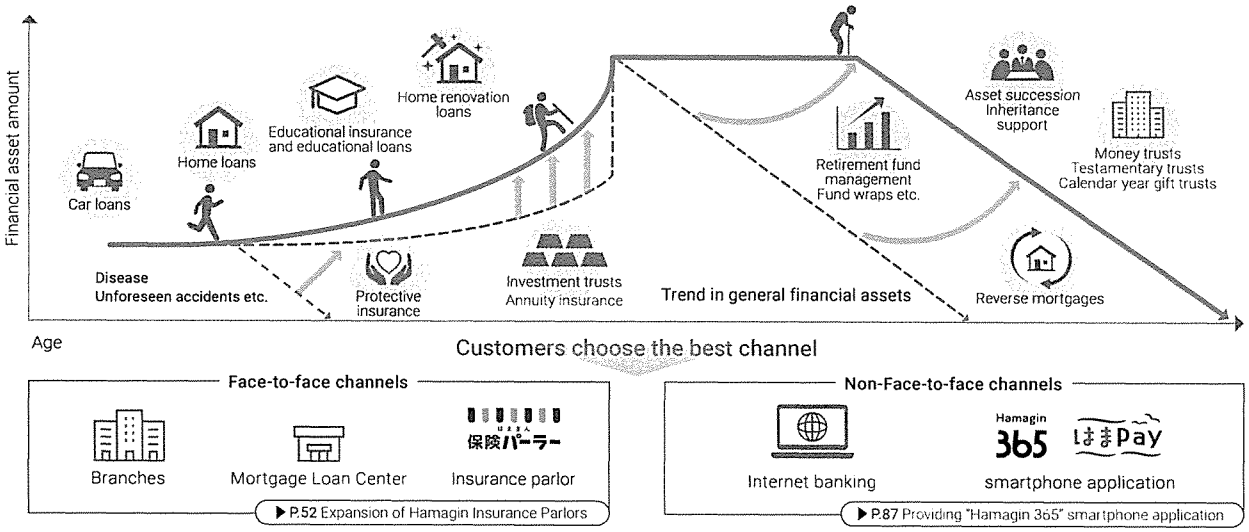
As professionals in finance with high expertise and strong sense of professional ethics, we give the highest priority to the true needs of our customers, providing solutions tailored to each life stage. In doing so, we aim to be the most trusted bank. We aim to leverage our customer base of HNWIs, which we have grown through our efforts in loans for HNWIs. By offering custom-made and one-stop solutions, we will increase the number of high-profit partners (which provide multiple solutions) and strengthen our earning power.



Director and Executive Officer, Deputy General Manager of Sales Division, Bank of Yokohama **Hiroaki Suzuki**

Providing solutions to match the life stage

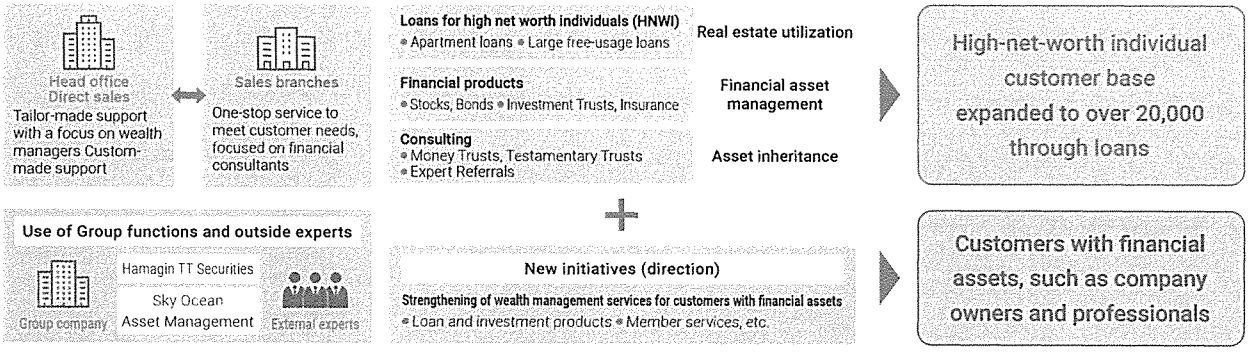
With a broad menu of financial products such as banking, securities, insurance, and trusts, we provide optimal solutions for the customer's life stage. We will also work to expand face-to-face and non-face-to-face channels, including expanding insurance parlors and developing smartphone apps.



Providing tailor-made, one-stop solutions

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

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



Initiatives to Raise ROE
～Strengthen Profitability～ Individual client strategy

Provide solutions for high net worth customers

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

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

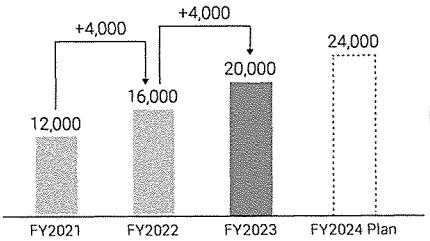
Strengthening profitability by providing multiple solutions

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

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

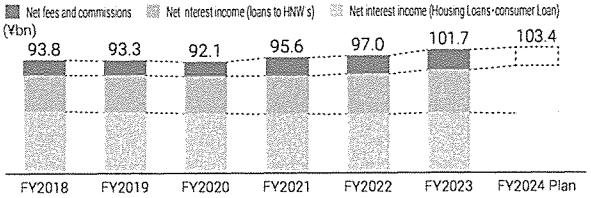
The earning power of the personal division has steadily strengthened due to loan revenue from increased balance of loans for HNWIs and higher service revenue from providing multiple solutions.

Number of partners (which provide multiple solutions) (BOY)



Profitability from partners is about 5 times higher than that from non-partners

Individual client service revenue

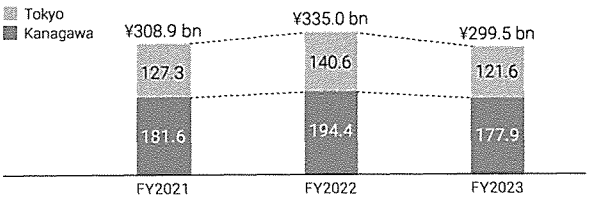


* On a management accounting basis, including loans to asset management companies. Two banks combined basis up to FY2022. Three banks combined basis on and after FY2023

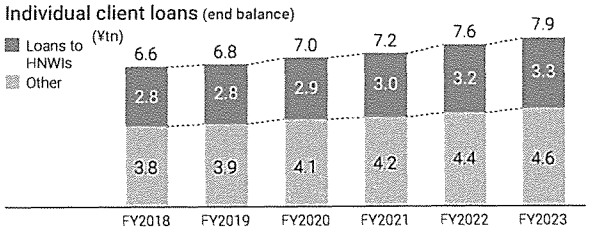
Loans to HNWIs (real estate utilization)

By allocating resources in line with market characteristics and expanding the workforce through human resource development, we have strengthened lending to high-net-worth individuals, primarily those who own real estate, and our personal loan balance has been steadily increasing.

Amount of loans to HNWIs executed (BOY)



Individual client loans (end balance)



* On a management accounting basis, including loans to asset management companies. Two banks combined basis up to FY2022. Three banks combined basis on and after FY2023

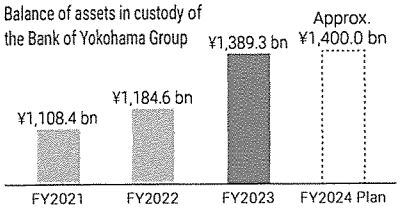
Financial products (financial asset management)

By expanding the product lineup and promoting portfolio proposals based on a goalbased approach, the transition to stock business has steadily progressed, and trust fees, including fund wrap investment advisory fees, amounted to ¥3.04 billion in FY2023.

Consulting (asset succession)

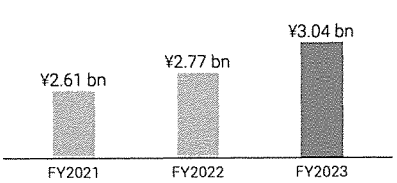
The number of consulting cases reached 7,807 in FY2023 as a result of our efforts to provide tailor-made, one-stop solutions through direct sales by head office, group functions, and the use of outside experts.

Balance of assets in custody of the Bank of Yokohama Group

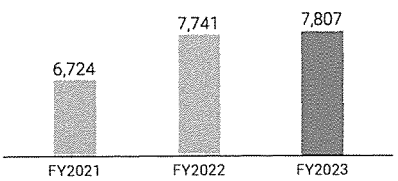


* A total of the balances of investment trusts, fund wrappers, assets in custody of Hamagin TT Securities.

Trust fees (incl, fund wrap investment advisory fees)(BOY)



Number of consulting services provided (BOY)

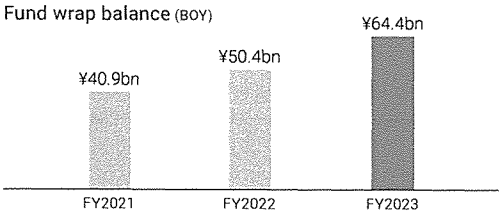


Providing solutions for asset building customers

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

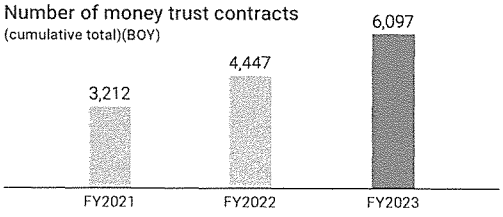
Strengthening Bank of Yokohama fund wrap function

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



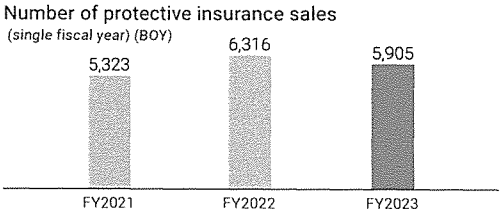
Expansion of trust functions

In October 2019, the Bank of Yokohama began handling the Hamagin Okane Trust, a money trust based on a testamentary substitute function to meet the needs of customers for the management and succession of their financial assets. The cumulative number of such contracts signed now exceeds 6,000.



Expansion of Hamagin Insurance Parlors

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





interview

Yuki Moriyama
Assistant Manager, Tamagawa Branch, Bank of Yokohama

Engaging sincerely with customers to propose the best solutions

My customers are HNWIs in the Tokyo metropolitan area. I provide them with consultation services in areas such as loans for HNWIs, fund management, and inheritance planning.

I focus on uncovering potential needs through listening closely to our customers about their assets, including real estate, and about their family structure, so that, even as interest rate environment changes and competition with other banks intensifies, they will continue to choose us as their bank.

Recognizing latent issues often takes time, but through sincere dialogue with customers, when they choose our proposals and we are able to help them, the sense of accomplishment becomes my motivation.

The bank's consulting services are extensive, and every day I strive for self-improvement to provide optimal proposals for each customer. By understanding customers' needs and offering relevant information, I aim for my proposals to be adopted as part of their life plans, thereby contributing to their asset formation and inheritance planning.

I will continue to value conversations with our customers and strive to address the needs that arise from those interactions. I will also work hard to acquire further knowledge so that I can provide the best possible proposals.

Initiatives to Raise ROE
~Initiatives in the Market Division~

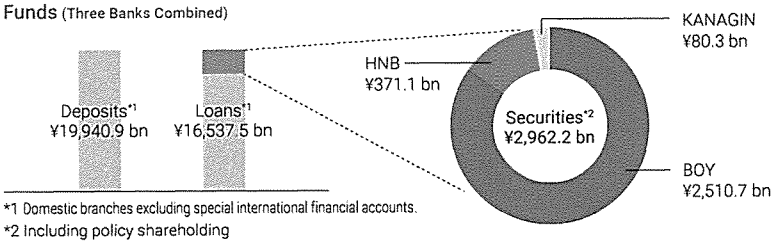
The market division has been advancing initiatives to secure stable financial income and build a portfolio with the capacity to absorb losses, taking into account the increased valuation losses caused by rapid changes in the interest rate environment to date. By controlling funds and risk amounts while monitoring changes in monetary policy and other factors, we aim to achieve a realized gains/losses rate of 1% in the market division.



Director
Strengthening Group Functions (Market and International Divisions) Tomoki Arai

Positioning of Securities Management

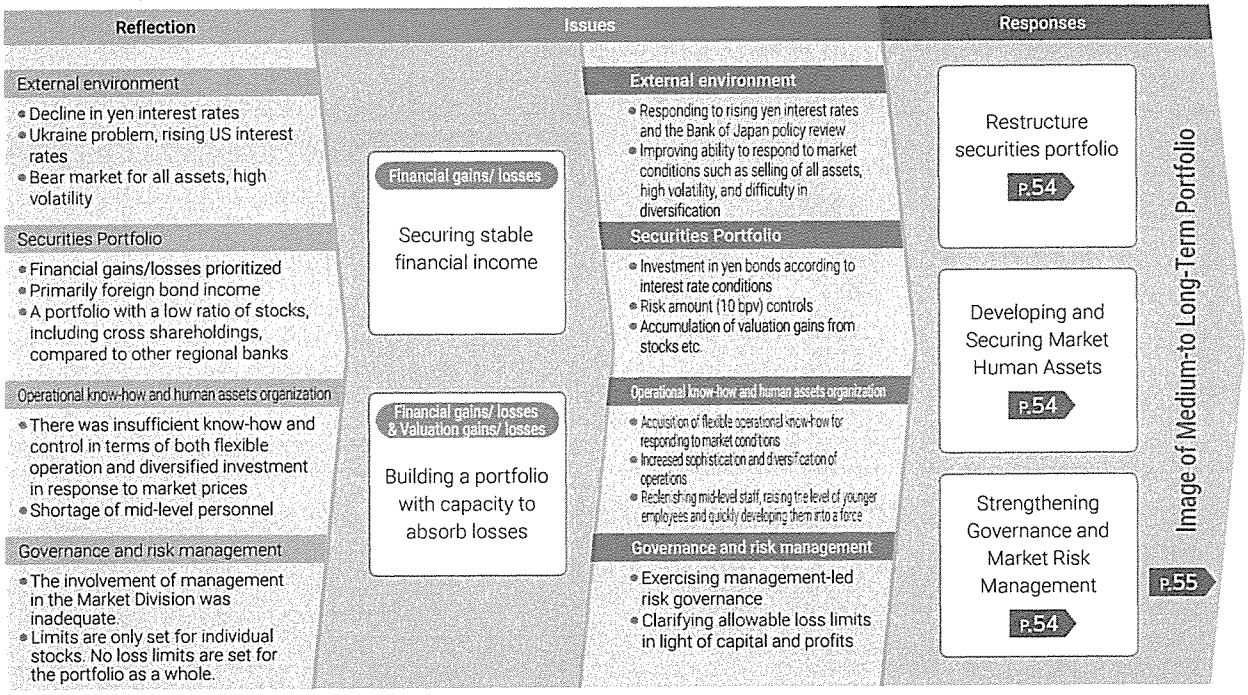
In our securities investments, the Group as a whole manages about ¥3 trillion with the aim of securing stable income as a means of managing the loan-deposit gap.



Issues and responses in the market division

Reflecting on our response to the rapid shifts in the interest rate environment to date, we are working on restructuring our securities portfolio, developing and securing market human assets, and strengthening governance and market risk management, in order to secure stable financial income and to build a portfolio with capacity to absorb losses.

Issues and Responses

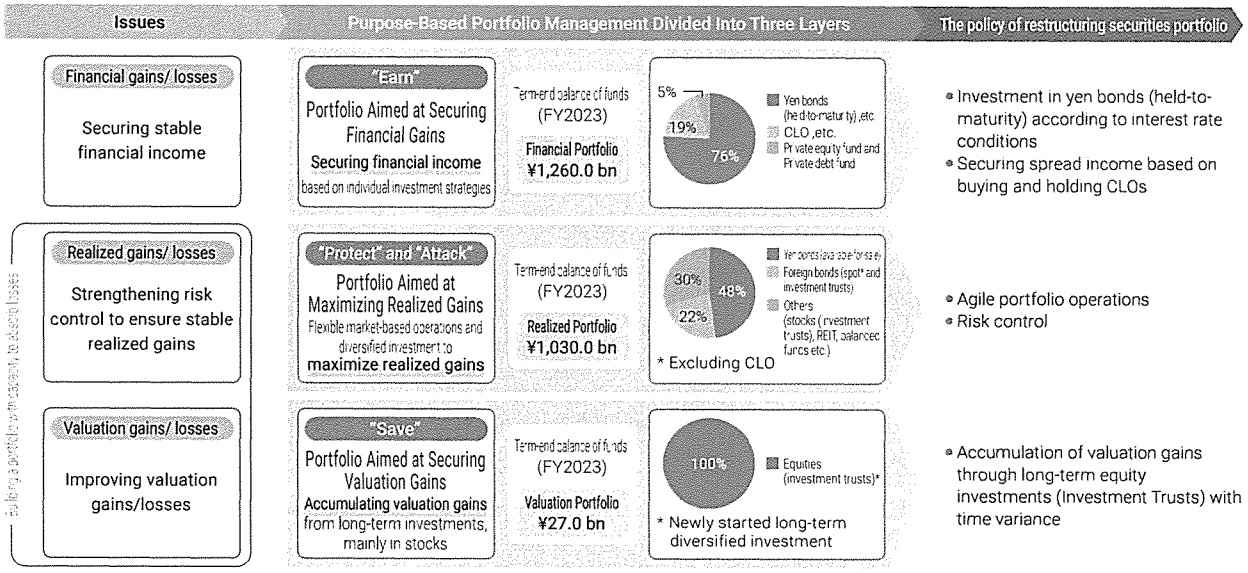


For details of reflection, issues, and responses please refer to the IR Day presentation material on February 29, 2024
(IR Day • Small Meeting • Others: https://www.concordia-fg.jp/en/shareholder/presentation/irday/index.html)

Restructure securities portfolio

In FY2023, in regard to our securities portfolio, we started a purpose-based portfolio management divided into three layers (financial portfolio, realized portfolio, and valuation portfolio).

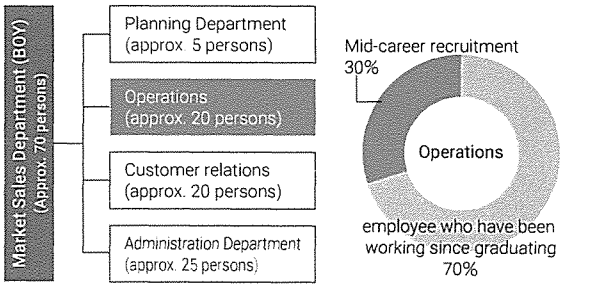
Purpose-Based Portfolio Management Divided Into Three Layers(3-Tier Management of Financial, Realized, and Valuation) (BOY)



Developing and Securing Market Human Assets and Strengthening Governance and Market Risk Management

Alongside restructuring our securities portfolio, we are strengthening our efforts to build a sustainable organizational structure and reduce volatility.

Developing and Securing Market Human Assets



Strengthening the Market Division structure	
Actively recruiting trainees	• Development of trainee nurturing program(Rotate Market Division groups)
Securing experienced personnel	• Actively recruit people with experience in investment departments at major banks etc • Secure human assets with professional skills through individualized treatment of senior staff.
Utilizing external knowledge	• Operational performance third-party evaluation and operation advice • Participation in educational programs at external financial institutions and secondment to external institutions for training

Strengthening Governance and Market Risk Management

Strengthening board member involvement in the Market Division	
Budgeting (annual)	• Decide budget at Board Meeting
NEW Discussion among inside directors (monthly)	• *From FY2022, a new venue was established* for discussion among inside directors
ALM meeting (monthly)	• Report on status of operations at Board Meeting
Individual consultation (case-by-case basis)	• Discuss medium-to long-term investment policy at Board Meeting

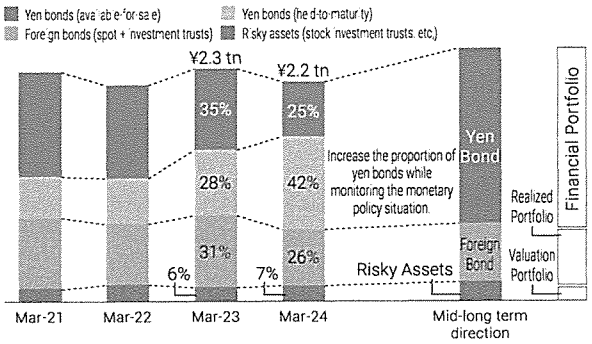
Setting new risk limits on valuation gains (losses)	
Individual issue Warning point	• Limits on the percentage of unrealized loss relative to book value for each issue • Policies about limit being exceeded discussed at ALM meeting
NEW Point to cut losses	• In the event a limit is exceeded, immediately minimize the risk and decide on the subsequent policy at a ALM meeting
NEW Tolerable loss limit	• In principle, the amount of valuation gains (losses) on marketable securities should not exceed the limit • In the event a limit is exceeded, immediately operate to keep the amount of valuation gains (losses) within the tolerable loss limit and decide on the subsequent policy at the ALM meeting

Initiatives to Raise ROE
～Initiatives in the Market Division～

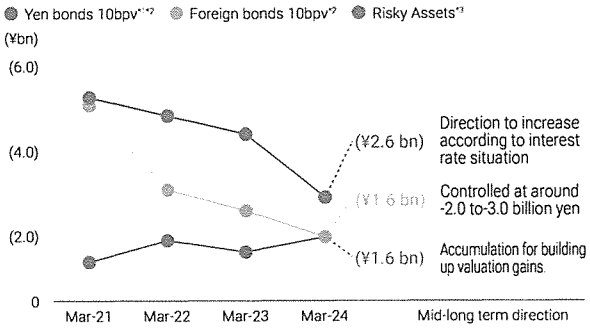
Image of Medium-to Long-Term Portfolio

Within our allocated capital, we will control funds and risk amounts overall based on the loan-deposit gap, while monitoring changes in monetary policy and other environmental factors. We plan to gradually increase yen bonds in the medium to long term, adjusting to interest rate conditions. We will control the risk amount of foreign bonds within a range of about minus ¥2 billion to minus ¥3 billion. We plan to steadily increase risky assets such as stocks with a view to accumulating valuation gains.

Composition of funds (BOY. Excluding policy shareholding)



Risk amount transition (BOY)



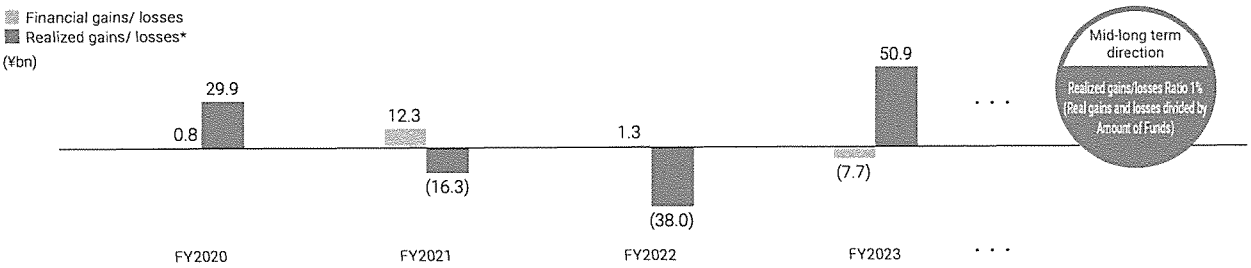
*1 Excluding held-to-maturity
*2 The decrease in market value if interest rates increase by 0.1%
*3 Decrease in market value in the event of a 1% downturn in stock and J-REIT prices

Realizing a Market Division Realized gains/losses Ratio of 1% by Securing Stable Financial Gains and by Eliminating Valuation Losses

In FY2023, we incurred a financial loss due to cutting losses on foreign bonds. However, strong stock market performance and other factors led to improvement of valuation gains/losses above the planned level. As a result, our realized gains/losses turned significantly positive.

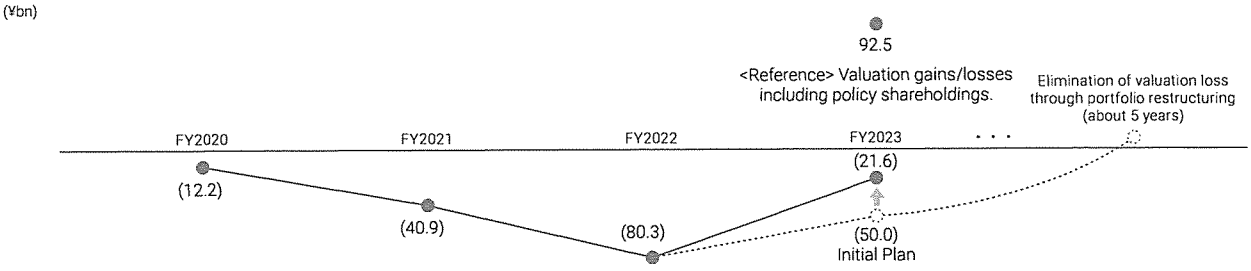
We aim to achieve a realized gains/losses rate of 1%, which is a medium- to long-term target level in the market division. To this end, we will work on securing stable financial income and swiftly addressing valuation losses.

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



* Realized gains and losses equals Financial gains and losses plus Change in Valuation gains and Losses (excluding securities held-to-maturity, excluding policy shareholdings)

Transition of valuation gains/ losses (Three banks combined. Excluding securities held-to-maturity and policy shareholdings)



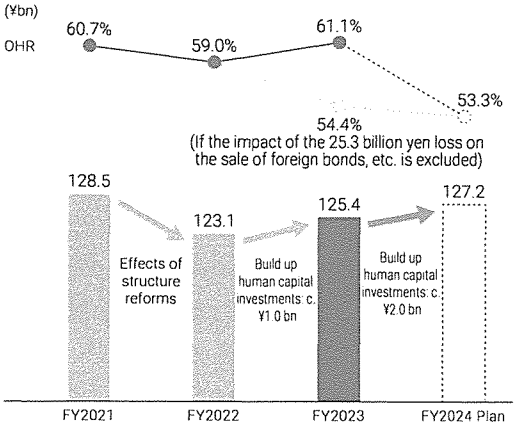
Initiatives to Raise ROE
~Cost Control~

Expense control

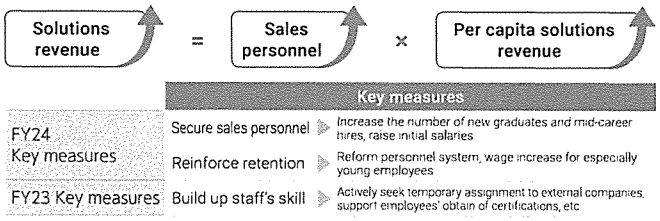
In FY2023, we strengthened our investment in human capital, resulting in an OHR of 61.1%. However, excluding the impact of cutting losses on foreign bonds, the OHR stood at 54.4%, aligning with our medium-term management plan target of the lower 50% range. In FY2024, the final year of the medium-term management plan, although we expect expenses to rise as we increase our investment in human capital, we will manage expenses through system reforms such as the opening of MEJAR to achieve an OHR in the lower 50% range.

By strengthening investment in human capital, we aim to boost our solutions revenue, a core driver of our earnings, over the medium to long term. We recognize increasing the number and proportion of sales personnel as a key challenge and will strengthen our efforts toward improvement.

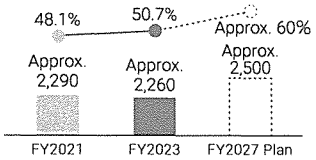
Expense plan (Three banks combined)



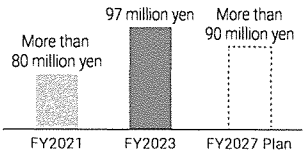
Enhance human resources investments



Number and Ratio of sales personnel*



Solution revenue per capita (per year)*



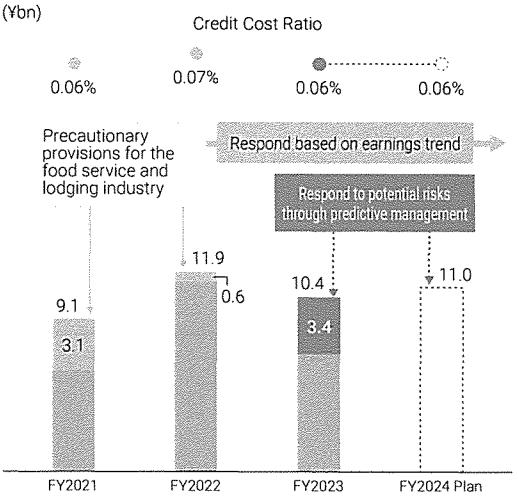
* Two banks combined (BOY and HNB)

Credit cost control

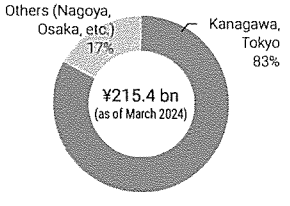
As well as taking preventive measures considering factors such as the impact of COVID-19, we manage potential risks through predictive management, thus keeping credit costs low.

For LBO loans, we are working to improve profitability by diversifying across industries as well as controlling risks, with a focus on our home markets of Kanagawa and Tokyo.

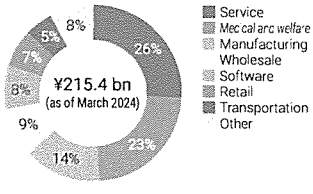
Credit cost (Three banks combined)



LBO loan portfolio

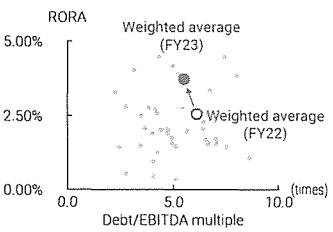


LBO loan lender's head office location



LBO loans balance by sectors

RORA & Debt/EBITDA multiple[*1]



Loan to EBITDA (weighted average) at initial lending declined from more than 6x to less than 6x, while weighted average of RORA[*2] improved to c.3.7%

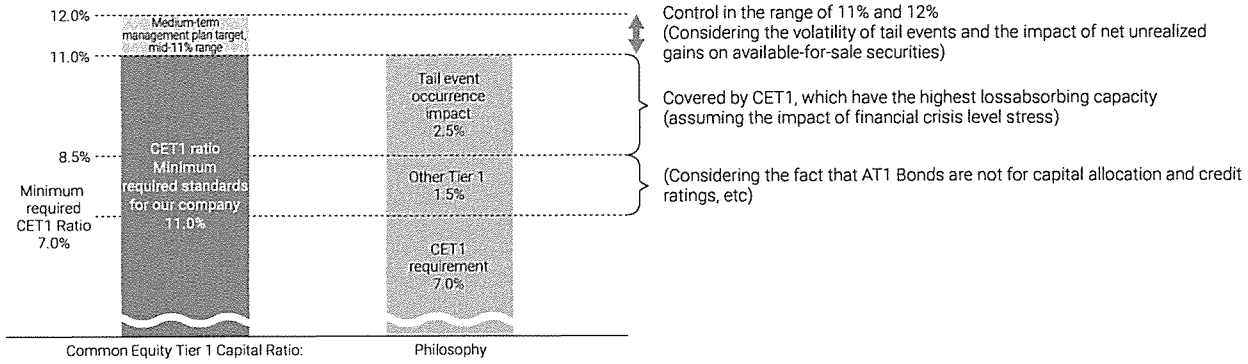
*1 Total of new loan execution from April 2021 to March 2024

*2 (Revenue (including fees and commissions) − expenses − average losses) / risk assets

Initiatives to Raise ROE
～Risk Asset Control～

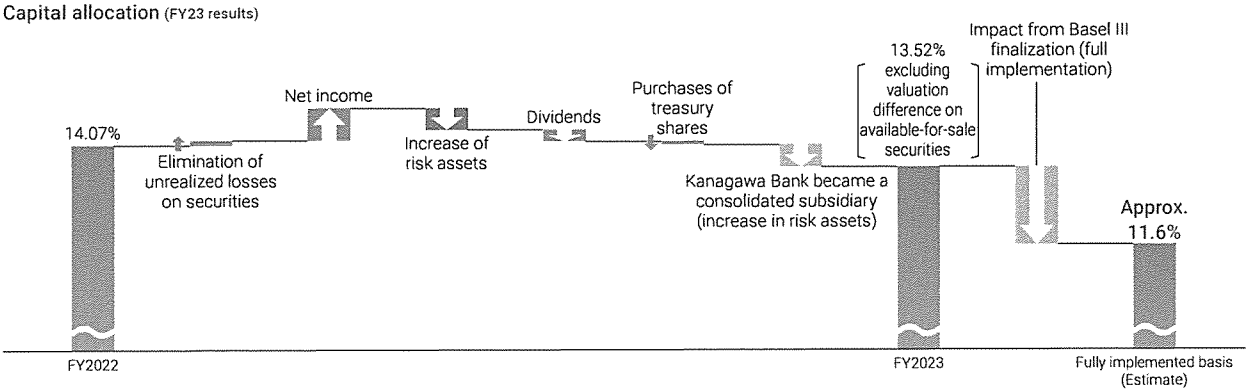
We made the CET1 capital ratio, which has high loss absorbency, one of the medium and long-term target indicators in the medium-term management plan from the viewpoint of maintaining financial soundness. We set the target indicator in the mid-11% range based on the assumption that we will control this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

Common Equity Tier 1 Capital Ratio Control

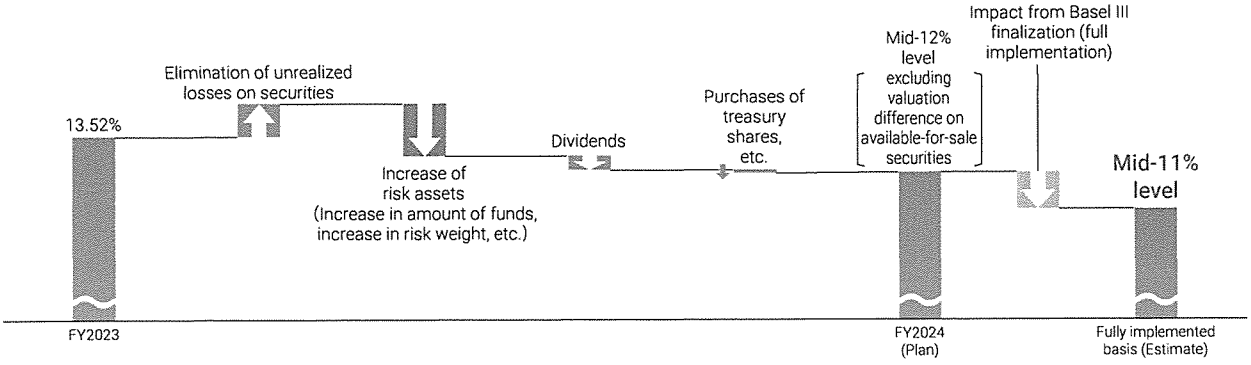


The Common Equity Tier 1 Ratio for FY2023 (on a finalized and fully implemented Basel III basis) was about 11.6%, maintaining the target level set in the medium-term management plan. In our FY2024 plan, we expect risk assets to increase due to higher funds and the phased rise in equity risk weights from the finalization of Basel III. However, we aim to stay within the target range.

Capital allocation (FY23 results)



Capital allocation (FY24 plan)



Initiatives to Raise ROE
~Optimal Capital Allocation~

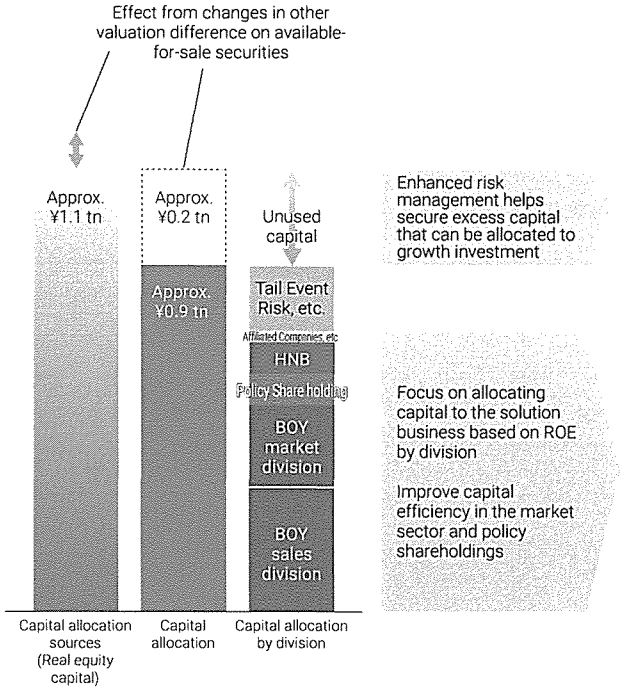
We work to maximize returns on allocated even in the event of a tail event risk of the magnitude of the Lehman shock capital by allocating capital optimally.

In allocating capital, the Company confirms the sufficiency of buffers to ensure that the Company's real equity capital will not be exceeded in the event of a Lehman shock-level stress. Capital will be allocated with particular emphasis on the Bank of Yokohama's sales divisions (solution business) based on the ROE of each division. For the Market Division, we will work to improve capital efficiency while restructuring our securities portfolio. We have a policy of reducing the balance of cross shareholding and allocated capital. In addition, we will pursue strategic investment opportunities that will strengthen our solution

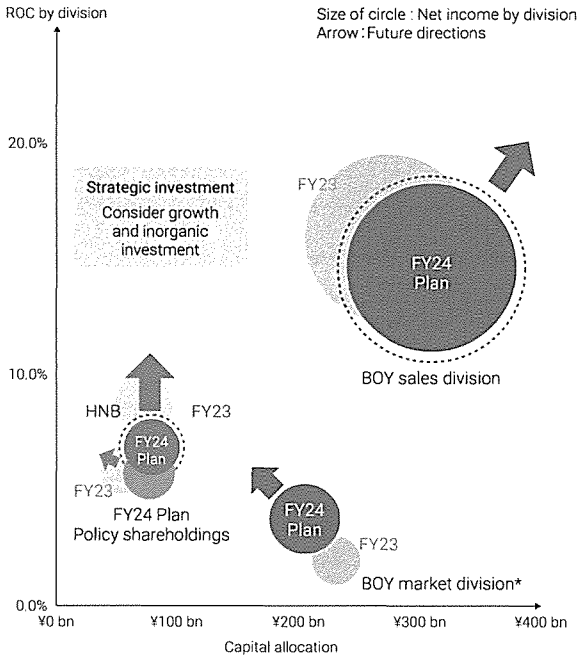
Despite fluctuations in valuation difference on available-for-sale securities, unused capital has grown to about ¥200 billion. We aim to raise the Group's overall ROE by seeking strategic investment opportunities that strengthen our solution business and enhance our capital returns, while considering our capital reserves.

* ROC (Return on Capital) : Net income/Allocated Capital

Direction of capital allocation (FY2024 plan)



ROC by division and capital allocation (Image)



* Income from securities management, income from trading with customers such as derivatives, etc.. Excluding securities held to maturity.

BOY sales division	• Continue strategic and high-performance capital allocation • Due to the human capital investments to enhance earnings, division revenue expands despite a temporary ROC decrease. • Reinforcement of human investment will raise ROC in the long term
BOY market division	• Taper capital allocation • Improve realized gains/losses through securities portfolio restructuring
HNB	• Despite the absence of gain on reversal of credit costs will reduce ROC in the short term, capital efficiency will improve via the implementation of strategies focused on SMEs
Policy shareholdings	• Sell policy shareholdings in line with the plan to improve ROC, despite allocated capital benefits from increased market value

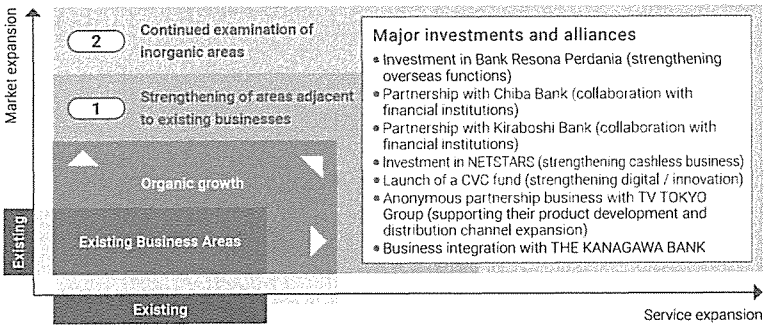
Initiatives to Raise ROE
～Optimal Capital Allocation～ Effective use of capital through strategic investments

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

We are strengthening and expanding our business areas by "making use of trategic investments and alliances" as a key strategy in the medium-term management plan. Specific directions for our efforts include strengthening areas adjacent to and having a high synergy with existing business and continuing to examine inorganic areas that focus on deregulation and growth markets, thereby achieving sustainable growth.

In the second year of the medium-term management plan, we acquired THE KANAGAWA BANK as a wholly owned subsidiary and launched a solar power generation project (details on P.102). In addition, as part of our collaboration with other banks, we worked to improve services for customers through partnerships with the Chiba Bank and the Kiraboshi Bank, with both achieving effects of collaboration exceeding our targets.

Total investment amount: Approx. ¥28.4 billion (since FY2019)





Major initiatives for FY2023

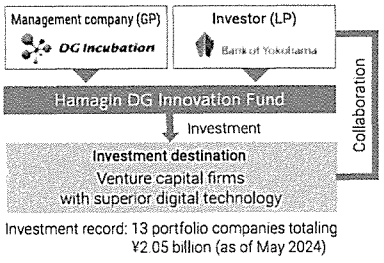
○ Business integration with Kanagawa Bank

The Bank of Yokohama has integrated its business with Kanagawa Bank, which is also primarily based in Kanagawa Prefecture. For details on this business integration , please refer to Page 65.

○ CVC Fund

We will invest in venture companies that offer services that contribute to open innovation and revitalize the local economy, thereby enhancing the Bank of Yokohama's innovation functions.

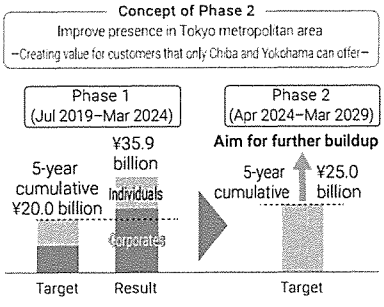
CVC fund investment case study JPUNIVERSE
Invested in January 2024
Initiatives in the metaverse business with potential for growth



Investment record: 13 portfolio companies totaling ¥2.05 billion (as of May 2024)

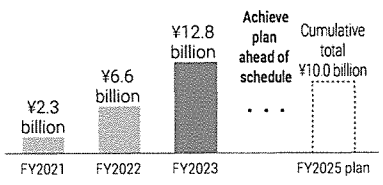
○ Chiba-Yokohama Partnership

In the Chiba-Yokohama Partnership, the Bank of Yokohama and the Chiba Bank, both of which are based in the Tokyo metropolitan area, aim to realize sustainable growth by bringing together their respective expertise and offering high-value-added services to customers. The effect of collaboration amounted to ¥35.9 billion, significantly surpassing the five-year cumulative target of ¥20.0 billion. The new plan (Phase 2) began in April 2024, targeting a cumulative effect of collaboration amounting to ¥25.0 billion over five years.



○ Tokyo-Kanagawa Solution Connect

The partnership between the Bank of Yokohama and the Kiraboshi Bank, Tokyo-Kanagawa Solution Connect, has been leveraging the expertise and strengths of both banks since August 2021 to support their customers in resolving issues and enhancing corporate value. The effect of collaboration amounted to ¥12.8 billion in the third year, surpassing the ¥10.0 billion target of the five-year plan ahead of schedule.



Initiatives to Raise ROE

～Optimal Capital Allocation～ Reduce policy shareholdings

Policy on Cross Shareholdings

The basic policy for cross shareholdings is to reduce the balance for the sake of controlling financial risk from stock price fluctuations and of efficiently using capital with an awareness of the cost of capital.

We periodically review the significance and economic rationale of our shareholdings, and if the holdings are not deemed appropriate, we sell them while considering relevant factors, including negotiations to improve profitability and market impact.

Even in cases where holdings are deemed appropriate, we may sell some of the shares in accordance with our basic policy of reducing outstanding balances, and taking into consideration the market environment, management, and financial strategies.

Furthermore, where cross shareholders demonstrate an intention to sell Company shares, the Company will take no actions to prevent those sales.

Initiatives to reduce policy shareholdings

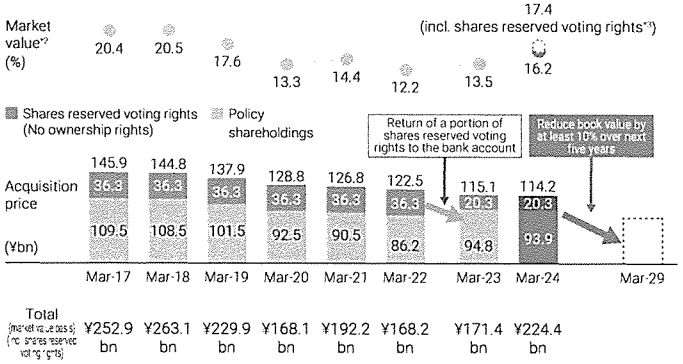
Our company aims to reduce the book value of policy-holding shares by at least 10% over the five-years to ending at the close of the fiscal year 2028, based on the book value as of March 31, 2024.

We will regularly review the possibility of further reductions.

Additionally, If the ratio of market value to consolidated net assets exceeds 20% due to the rise in stock prices, we will sell shares until the ratio is reduced to 20% or less.

*1 Results up until end of Mar-2023 do not include Kanagawa Bank. Mar-24 results include the combined total of three banks, including Kanagawa Bank.
*2 Policy shareholdings (market value) / Consolidated net assets
*3 (Policy shareholdings (market value) + shares reserved voting rights (market value)) / Consolidated net assets

Initiatives to reduce policy shareholdings*1



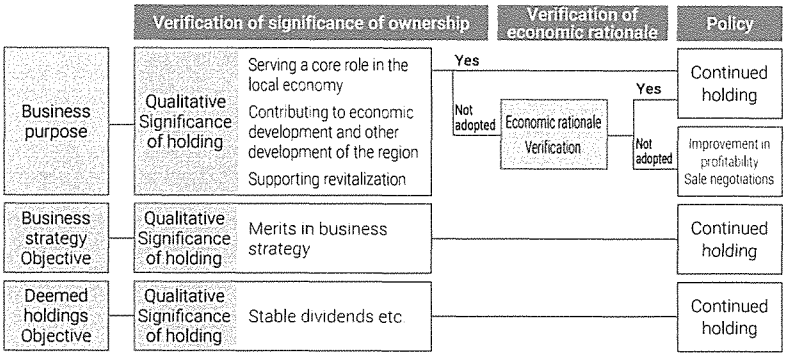
Evaluation of the significance of holdings and the economic rationale

The Board of Directors regularly verifies each company whose listed shares are held by the Company for its contributions to regional development, the strengthening of long-term and stable business relationships, and the economic rationale (risk/return commensurate with cost of capital).

In order to verify the economic rationale (risk/return), we set standard values for return on risk-weighted assets (RORA) and for return on capital employed (risk quantity base) according to the return on shareholder's equity (ROE). In addition, the Company periodically checks the progress of sale negotiations and profitability improvement efforts.

The Board of Directors verified the significance and economic rationale for holding all listed shares (approximately 150 stocks) as of the end of March 2024, and found that approximately 90% of all stocks met the holding criteria. For stocks that do not meet our holding criteria, the objective is improved profitability, but if they do not improve within a certain period of time, we consider selling. The same verification is also conducted for deemed holdings.

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



(*) RORA = profit net of costs/risk assets ,Return on capital employed = profit net of costs/ amount at risk
Profit net of costs: Credit costs and expenses associated with shareholdings and credit are deducted. Includes stock dividends, and excludes gains (losses) on sales and unrealized gains (losses). Risk asset risk: sum of credit and market risks
(*) Even for shares for which we have qualitatively confirmed the significance of holding and have decided to continue to hold, we verify the economic rationale and strive to improve profitability from the perspective of effective use of capital. In addition, while giving due consideration to market conditions and our management and financial strategies that should be taken into account, we may sell after negotiating a reduction, in accordance with our basic policy of reducing balances.
(*) We will negotiate the sale of stocks whose profitability is not expected to improve for a certain period of time
(*) This includes portions available for sale for business purposes.

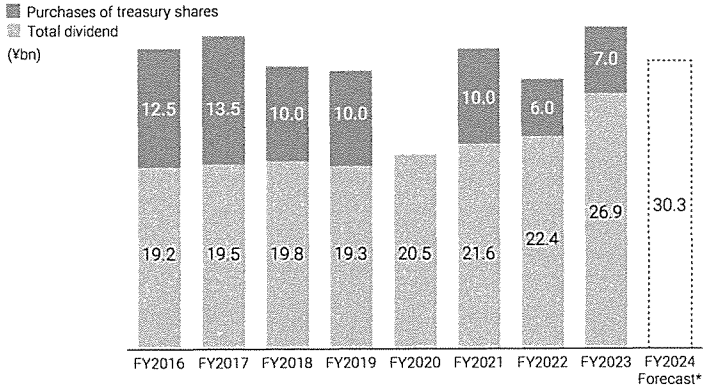
Initiatives to Raise ROE
～Enhancement of Shareholder Returns～

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

Shareholder returns policy | **Dividend** / Purchase of treasury shares

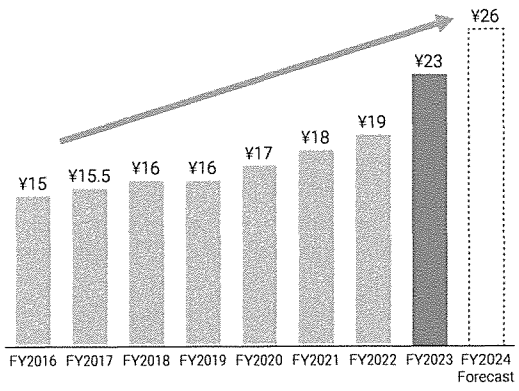
- Target the payout ratio of about 40%, with the basic principle of progressive dividends
- Conduct purchases of treasury shares flexibly and expeditiously according to market conditions and business prospects

Historical record of shareholder returns



	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Payout ratio	29%	29%	36%	41%	81%	40%	40%	40%	40%
Total return ratio	48%	50%	55%	63%	81%	58%	50%	50%	

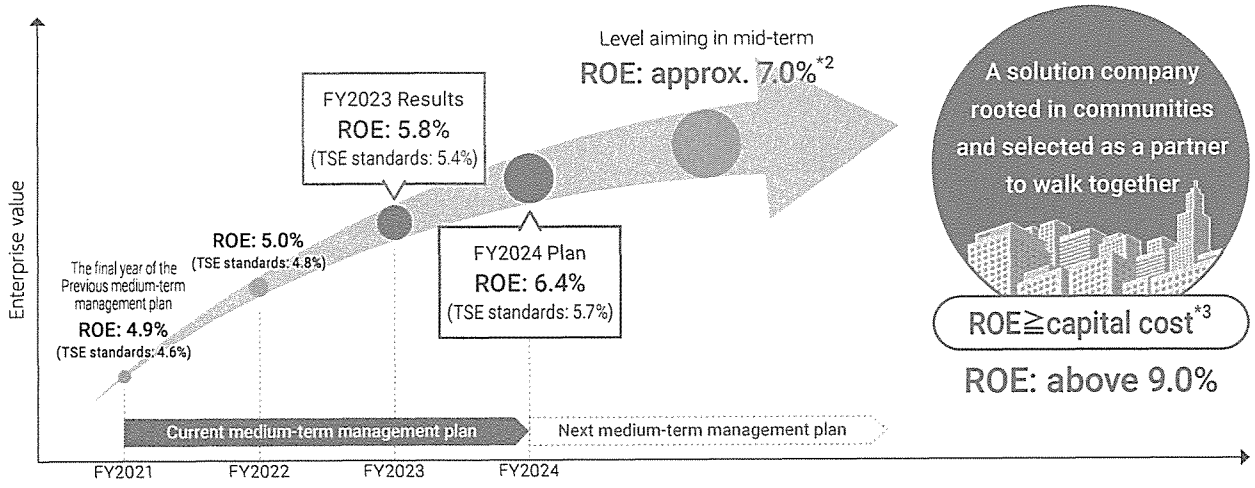
DPS (Dividend per share)



* Net income of ¥75 bn (earnings forecast figure) is utilized to derive the estimated dividend payout and total payout ratio

Our vision

To realize our vision of being a solution company, we are working to increase ROE*1 in order to raise our corporate value. Through the implementation of various strategies to improve ROE, we aim to achieve an ROE of 6.0%, which is the target indicator in the medium-term management plan, and to achieve an ROE of around 7.0%, which is the mid-term goal level, as soon as possible



*1 ROE is calculated based on shareholders' equity unless otherwise stated
*2 Level set on the assumption that there will be no change in monetary policy when formulating the current medium-term management plan
*3 The company's perceived cost of equity is approx. 6-9%

TOPIC

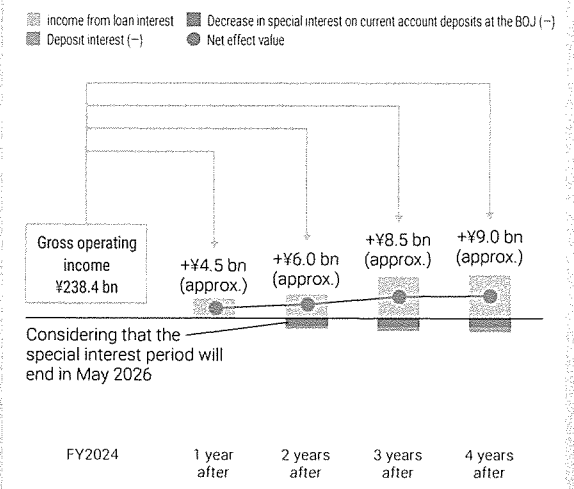
[Reference: Estimated impact on gross operating income of a rise in interest rate (excluding the impact of increase in deposits and loans)]

We estimate that if the FY2024 interest rate levels continue (short term interest rate: 0.0–0.1%, mid to long term interest rate: 5 year TIBOR swap around 0.7%, 10 year TIBOR swap around 1.0%), there will be an increase of about ¥9.0 billion in gross operating income by FY2028 (after four years), compared to the FY2024 plan.

We estimate that if the policy rate rises to 0.5% in March 2025, there will be an increase of around ¥35.0 billion in gross operating income in FY2028 (after four years) compared to the FY2024 plan.

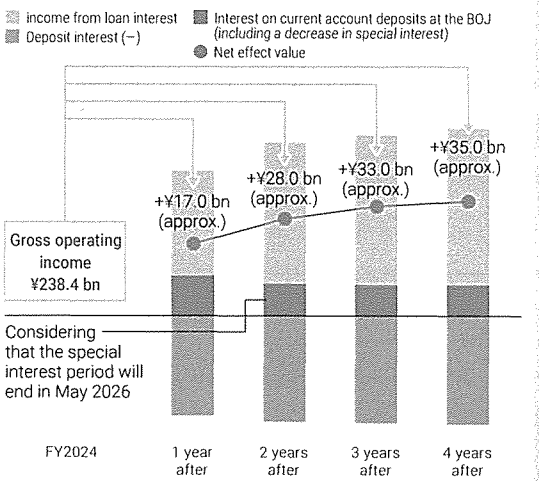
If assuming interest rate in FY24 plan continues

- If assuming interest rate in FY24 plan continues
- Based on the above assumption, loans, deposits, and outstanding balance of current accounts at the Bank of Japan will remain the level of FY24 plan



If policy rate rises to 0.5%

- If interest rate rise to 0.5% on March 31, 2025
- Based on the above assumption, loans, deposits, and outstanding balance of current accounts at the Bank of Japan will remain the level of FY24 plan



<Assumptions>

- Level of short-term prime rate, JBA TIBOR, and TIBOR swap rate remain the same as those in FY24 plan
- Excluding impact of maturity and reinvestment of securities, etc.

<Assumptions>

- Estimate impact on net interest income when the below interest rate has raised after April 2025
- Increase of 40bps in short-term prime rate and JBA TIBOR Increase of 24bps in TIBOR swap of each tenor
- Deposit rates are expected to increase based on raised market interest rates
- Excluding impact of maturity and reinvestment of securities, etc.

Interest rate sensitivity

		Impact on net interest income of 10bps increases in rate	
		1 year after	5 years after
Assets	Loans approx.¥16 tn		
	• Prime-rate linked 37%	+¥4.0 bn	+¥6.0 bn
	• Market-rate linked 28%	+¥3.5 bn	+¥4.5 bn
	• Fixed rate, etc. 35%	+¥0.1 bn	+¥2.5 bn
	BOJ current accounts approx. ¥3 tn	+¥3.0 bn	+¥3.0 bn
	Securities approx.¥3 tn	Excluding the impact of securities on net interest income	

		Impact on net interest income of 1bps increases	
		1 year after	5 years after
Liabilities	Deposits approx.¥19 tn		
	• Liquid deposits 81%	(¥1.4 bn)	(¥1.4 bn)
	• Fixed deposits, etc. 19%	(¥0.2 bn)	(¥0.4 bn)

Special Feature 1

Initiatives in the Higashi-Nippon Bank

Using our strengths in-person communication to become a total partner for small and medium-sized businesses

To be a total partner for small and medium-sized businesses, we will provide optimal solutions in line with the lifecycle of the customer through close in-person engagement.

We will also concentrate management resources in the Tokyo metropolitan area by streamlining branch operations and consolidating operations at the head office, thereby seeking to achieve an overwhelmingly efficient sales structure as a regional bank in that area.

Aiming to be a total partner for small and medium-sized businesses as we target further growth with our customers



Kazuhiro Sukegawa

Representative Director, President of the Higashi-Nippon Bank

HIGASHI-NIPPON BANK

In April 2024, the Higashi-Nippon Bank celebrated its 100th anniversary. Founded in Mito City, Ibaraki Prefecture, the Bank relocated its headquarters to Tokyo in 1952. It has undergone a series of major transformations in accordance with the times, including a business integration with the Bank of Yokohama in 2016. It is thanks to the support of our customers that we have been able to adapt to those changes. We have grown alongside our customers, and I also know that our success today is built on the legacy established by our predecessors. The Higashi-Nippon Bank has an organization called the Higashi-Nippon Club, which aims to foster ties between customers, promoting their economic activities and growth. Currently, about 800 companies are members of this club. At the club meetings, we are sometimes told by member companies that their predecessors received help from the Higashi-Nippon Bank. It is heartening to hear those words. Without forgetting the business improvement order we received in 2018, we have a determination to continue our efforts in our work with a deep sense of gratitude for the past 100 years.

After the business integration with the Bank of Yokohama, the Higashi-Nippon Bank shifted its business model to focus on small and medium-sized businesses. Despite the advances in digitalization, solving the issues and challenges faced by our corporate customers is not easy. Easing those concerns and becoming the top advisor for business owners is, I believe, the role of a true banker. Having taken up my new role as president, I see it as my mission to cultivate talent, a banker who shares the customer's concerns and finds solutions together. In that effort, I plan to make full use of my experience gained from the human resources section. Recently, we used an exchange of human resources with the Bank of Yokohama to enhance our skills. Through these efforts, we gained capabilities in proposing specialized solutions, which led to an increase in earnings. This, combined with our improved credit management, has created a positive cycle that has increased our loan volume.

While the Tokyo metropolitan area is a fiercely competitive market, its strong growth potential is a major draw. We provide varied solutions tailored to the challenges at different business stages and the personal concerns of managers. This enables us to achieve further growth with our customers.

The Higashi-Nippon Bank has strong customer relationships, formed through in-person engagement over many years, and a rich lineup of solutions. Taking advantage of that combination of strengths, we will engage with our customers as a team in order to help the Concordia Financial Group enhance its corporate value.

interview

Aiming to be the banker customers think of when they need advice

My main work is in corporate sales for small and medium-sized businesses, with a focus on solution sales. My goal is to be the person customers think of when they need advice. The most important thing to achieving this, I believe, is to engage with customers and build trust.

I aim to deeply understand our customers and increase touchpoints for close communication. By talking with customers, I try to uncover the real challenges they are facing.

I once received a consultation from a long-time customer about the payment of inheritance tax. I thought about the root causes of the customer's challenges and then provided a comprehensive consulting proposal, making the customer satisfied. This was a project where I engaged closely with the customer and thoroughly considered their concerns. This enabled me to truly resolve their challenges. That experience gave me a clearer view of my own direction.

The Higashi-Nippon Bank aims to be a total partner for small and medium-sized businesses, addressing customer issues from all angles. With that in mind, I aim to be the banker customers think of when they need advice.



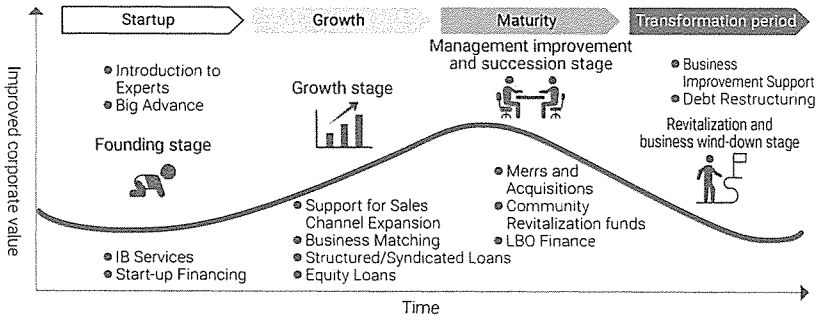
Yuki Terasaki

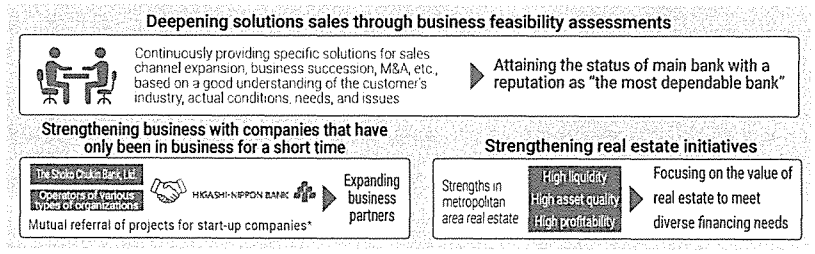
Assistant Manager, Financial Solutions Division, Shibuya, Aoyama, and Higashi-Kitazawa Branches, Higashi-Nippon Bank

Strengthening support f or each stage of corporate life

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

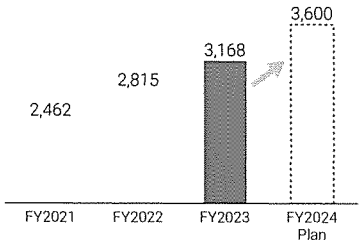
Providing solutions to issues according to customers' life stages



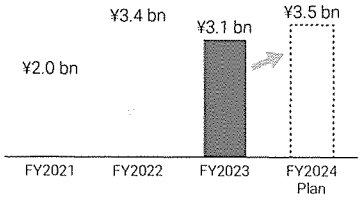


* About 5 years since establishment

Number of main bank customers



Corporate service revenue*



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

Support for start-up and growth companies

For companies that have been relatively recently established, such as those in the start-up or growth stage, we work to provide business matching support with experts and outside businesses in order to support the continued growth of their businesses. For example, in FY2023, we supported a growth-stage customer in the unmanned lodging business. As well as financial backing, we offered solutions for interior work and equipment leasing. To address issues like staff shortages and internal controls, we introduced partner firms and provided tailored solutions in line with management strategies to support our customers' growth. Through a wide range of introductions tailored to customer needs, we facilitated 1,768 cases of business matching in FY2023.

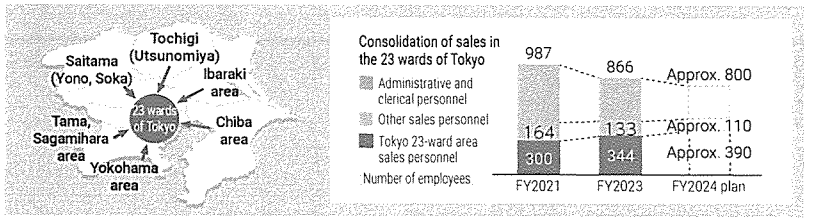
Support for mature companies

We are promoting initiatives to support business succession for mature stage companies In FY2023, for example, we provided M&A as a third-party succession solution for customers in the transportation business who lacked a successor. The customer's wish was to sustain the business and ensure continued employment for staff, creating a company where employees continue to work with confidence. Using wide-ranging information and insights gathered by the Higashi-Nippon Bank, we met that need by finding a suitable partner and enabling the share transfer. We also enabled buyers to internalize their logistics departments, meeting the needs of both parties. As a result of these efforts, 18 M&A deals triggered by business succession needs were concluded in FY2023

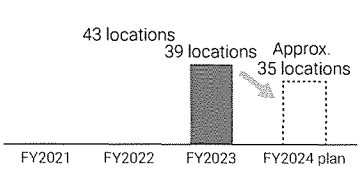
Establishment of an efficient sales structure

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

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



Number of locations



Special Feature 2

Initiatives in THE KANAGAWA BANK

Where we stand one year on from the business integration

Giving back to our customers by providing high-quality solutions



Kazuaki Kondo
Representative Director, President of THE KANAGAWA BANK

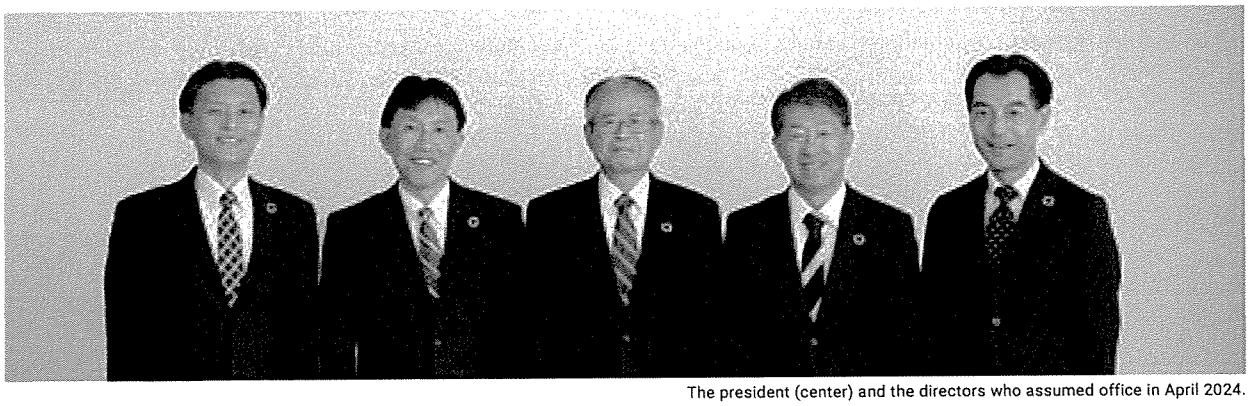
KANAGAWA BANK

It has been a year since our business integration with the Bank of Yokohama. I feel a renewed sense of nostalgia because the Bank of Yokohama was a rival in the same sales area since my early career. After we took a hard look at the business environment that emerged from the COVID-19 pandemic, we found it difficult to map out a growth strategy for the next five to ten years. That led to our decision to merge with the Bank of Yokohama. One aim of the business merger was to strengthen digital transformation (DX) and our solution business, which were key challenges for our bank. It was clear that the COVID-19 pandemic would drive big advances in DX, and collaborating with the Bank of Yokohama has given us valuable insights in that area. In the solution business also, we have been drawing from their expertise and group functions to further strengthen our own solution business. This allows us to expand the range of services we offer to our customers.

At first, many customers voiced concerns that our business approach might change significantly. But over the past year, we have worked to ease those concerns. We carefully explained the significance and background of the business integration. We also pointed out that even after the integration our business policies were unchanged, and demonstrated this in practice. It was in that context that, a year after voicing concerns about the business merger, one particular customer sought our advice first for a major loan. We felt very grateful for this. When we were embarking on the business integration, although some customers had concerns or were not fully convinced, they supported it and encouraged us. But whatever their view may have been at that time, we want all customers to be able to see now how positive a step the merger has been. We feel that continuing to work sincerely toward that is the best way to give back to our customers.

It was not only customers who initially had misgivings about the business integration. Employees did too. That is why, as well as the detailed explanations provided by the management team, including myself, we arranged an opportunity for President Kataoka of the Bank of Yokohama to engage with our employees. Furthermore, with more opportunities for the exchange of human resources and training with the Bank of Yokohama, our staff have been able to learn from the insights and expertise of the team at the Bank of Yokohama. This has helped them see the specific benefits of the business integration. The training programs have been particularly effective. One challenge we have had in the past is having only limited time for training. But through the joint training with the Bank of Yokohama, employees have become more motivated to embrace change and take on new challenges. We saw that to encourage employees to meet challenges and pursue personal growth, the management team needed to be more attuned to their needs. So from this fiscal year, we have been working to rejuvenate the management team. The management team will take the lead in driving transformation.

Our bank has worked to deepen relationships with local customers by strengthening our solution business so that we can truly become their main bank. As a member of the Group, we will provide high-quality solutions to address our customers' business challenges. In doing so, we will strive to enhance the value of both our region and of the Group.



The president (center) and the directors who assumed office in April 2024.

Expected effects of business integration

◎ Strengthening the solution business at THE KANAGAWA BANK

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

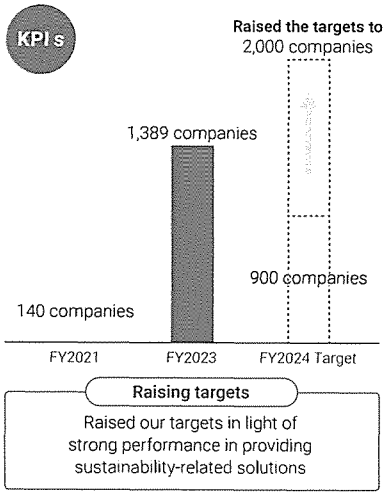
THE KANAGAWA BANK is benefiting from the shared insights and expertise of the Bank of Yokohama in sustainable finance and other areas, which help its customers solve their problems. By fully drawing from the Group's capabilities, we will strengthen our solution business to meet the diversifying needs of our customers.

Sustainable finance | Business succession | Mergers and acquisitions | Funds practical | Capital policy

Key measures

- Accelerating the exchange of human resources between the two banks
- Jointly holding job class/ assignment-based training programs

Number of solutions provided (THE KANAGAWA BANK)



Raising targets

Raised our targets in light of strong performance in providing sustainability-related solutions

◎ Expansion of transaction base as a regional financial institution

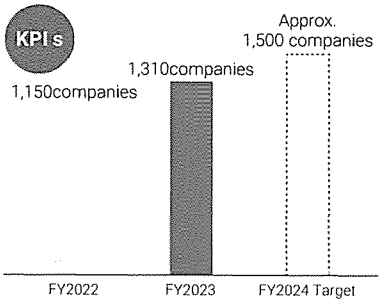
☑ Expanding opportunities to serve customers in the prefecture
☑ Efficient sales activities for the customer segments in which each company has strengths

The Bank of Yokohama has strengths in providing high value-added solutions that are deeply engaged with management strategies for relatively large companies, while THE KANAGAWA BANK has strengths in providing consulting services to small and medium-sized companies to support their core businesses, startups, and second foundings. In addition to expanding the customer base in Kanagawa Prefecture by bringing the two banks, which have few competitive relationships and complement each other, into the same group, the two banks will strengthen face-to-face sales in areas where each bank has strengths, and THE KANAGAWA BANK use of the Bank of Yokohama's digital channel functions to expand customer contact points will be promoted.

Key measures

- Co-hosting seminars for corporate and individual clients
- Deepening of solution sales through collaboration with the Bank of Yokohama's affiliated companies

Number of main bank customers
(THE KANAGAWA BANK)



Changing KPIs

Changed the KPI from number of borrowers to number of main bank customers, with the aim of deepening solution sales

◎ Strengthening the management foundation through improved management efficiency

☑ Improving operational efficiency and creating human resources through DX

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

Key measure

- Introduced the Guarantee Association Loan Web Application Service in collaboration with the Bank of Yokohama and the Higashi-Nippon Bank



Special Feature 3

Solution Business Personnel Roundtable Discussion

Continuing to deepen our solution business to help enhance corporate value



Kohei Shino
Deputy General Manager of Corporate Advisory Group, Financial Solutions Department, Bank of Yokohama
(Joined the Bank in 2007)

Yuki Kimura
Manager of Corporate External Relations Division, Shinjuku Branch, Bank of Yokohama
(Joined the Bank in 2009)

Yutaro Koshiba
Executive Officer of Concordia Financial Group
Director and Managing Executive Officer, General Manager of Business Division Head Office, Bank of Yokohama

Ryo Sakazaki
Corporate External Relations Division, Atsugi Branch, Bank of Yokohama
(Joined the Bank in 2018)

Customer challenges that traditional loan business cannot solve



Koshiba: Our mission as a regional financial institution is to serve all our local customers and contribute to the community. However, the ways we can help have changed with the times. Although in the past, deposits, loans, and foreign exchange were the main businesses of banks, customers now face challenges that cannot be solved with these services alone. For corporate clients, the challenges are varied. They face business succession issues due to a lack of successors, labor shortages like the 2024 problem, and soaring resource prices that are shrinking their profit margins.

The banking businesses span many fields, involving what is called "industry-academia-government-finance cooperation". Our role requires us to serve as a regional hub. The essence of solution sales is to understand our customers' challenges accurately and propose the best solutions using the Bank's network. To achieve this, we must always stay alert both internally and externally. We have to instill this mindset in the sales representatives who regularly interact with customers. At the same time, it is essential for the head office including the Financial Solutions Department to have a broad range of solutions lined up in advance.

Kimura: At the Shinjuku Branch where I work in Tokyo , I have a strong sense that our customers' challenges have changed compared to the past. Given the nature of Shinjuku as a major commercial district, our customers deal with multiple banks, including megabanks and other regional banks. Although our ranking in terms of business transactions is not necessarily that high, the requests for information have been increasing. As our customers' challenges diversify, we have expanded our services, which enables us to offer proposals based on a wide range of ideas.

Even if our proposal is not accepted, it often leads to future business opportunities. This makes me realize that customers do not just look at the proposal alone, but also look closely at our overall sales approach. That is why I evaluate subordinates not only on their deliverables, but also on their understanding of customers' challenges and needs. In addition, when we find issues that are too complex for junior staff members, we do not handle them solely at the sales branch. Instead, we escalate them to the Financial Solutions Department and work together.

Relationships as platforms for providing solutions

Shino: Around five years have passed since the Financial Solutions Department was launched in 2019. In the past, we focused on relationships as the core of our sales strategy, aiming to deeply understand our customers. But our previous medium-term management plan put the solution business front and center. That was a turning point that saw us shift toward using those relationships as platforms for providing solutions. That was when the Financial Solutions Department was launched.

Koshiba: Previously, we had separate departments for corporate and individual sales. To better address our customers' wide-ranging needs, we merged them into the Financial Solutions Department. Sales activities that had previously been carried out at a sales branch or regional level were made into a company-wide effort. This allowed us to bring together our internal expertise.

Shino: In terms of gathering expertise, structured finance has evolved from a traditional banking business into a financial solution, so we struggled at first to grasp where the risks were. As we achieved concrete results such as arranging LBO loans suited for business succession needs, we built up know-how in both sales promotion and risk management. That accumulation of know-how has given us confidence that we can offer proposals that satisfy our customers.

In order to provide customers with the right solutions, collaboration between the head office and sales branches is key. To achieve this, we work on sharing information with the sales branches to ensure they are well-informed about activities at the head office. In addition, our branch general managers lead support activities to enhance corporate value for local listed companies. In terms of specific measures to enhance corporate value, there have been shifts toward financing that focuses on financial indicators and toward business reorganization. These trends have brought more opportunities for our solutions to be adopted.

Kimura: We are also seeing a change in how sales branches see these efforts. In the past, when structured finance deals at the sales branches were recorded in performance records, some other sales branches would take them on as "special

Solution Business Personnel Roundtable Discussion

projects". But now, every sales branch positions them as "ordinary projects", that could be discovered at any sales branch.

Sakazaki: Examples from other sales branches are shared with every branch. That way, even staff members like me can see that other branches have made this type of proposal to customers with similar profiles. This has led to more cases where I realize I could make similar proposals to my own customers.

Shino: That would be our Strategic Solutions Guidebook. The Financial Solutions Department put together some examples of how they had addressed various needs and solved issues in the past. We made them into a guidebook, which we shared with the sales branches. I am glad to hear it has got you thinking.

Sakazaki: I also had a case where working with the Financial Solutions Department enabled me to solve a problem for my customer. That customer had seen a sharp drop in business during the COVID-19 pandemic. We continued to support them thoroughly for three years. When providing support, we placed great importance on working to have the right understanding of customer's challenges as we held a number of meetings with the customer together with the Financial Solutions Department.

As well as financial support, we also introduced consulting firms that were a good fit for the particular challenges the customer was facing. We provided continued support, and as our customer's performance gradually improved, we arranged refinancing involving other banks, which helped the customer get their business back to normal.

Kimura: We need to build and maintain strong relationships with our customers so we can understand their challenges and tailor our solutions accordingly. This is an example where ongoing relationships led to providing solutions.





Sakazaki: I feel the importance of those relationships every day. I still have a lot to learn even now, but when I first joined the Bank, I often could not answer customers' queries properly. So I made sure to respond on the same day or the next, even if I was still working on the answer. Responding promptly allows our customers to quickly consider the next step. I believe that firmly keeping this mindset has enabled me to build relationships with our customers.

Improving the quality of responses is also a key element in building relationships. As Ms. Kimura mentioned, passing the matter to the Financial Solutions Department has enabled us to provide more specialized and accurate answers.

Shino: If the sales branch can reach out to the Financial Solutions Department, we can work with them to sort through the issues and solutions. Then we can present them to the customer together. Then another employee sees this, spots some needs that one of their assigned customers has, and contacts the Financial Solutions Department. This cycle is spreading within the Bank.

Koshiba: Many projects handled by the Financial Solutions Department require work to be carried out over several years. On the other hand, the sales representative at a sales branch will be rotated to a new role after a certain period of time. The involvement of the Financial Solutions Department allows for long-term follow-up. By integrating the work of sales branches with that of the head office, we believe we can provide the best solutions to our customers.

Strengthening our organizational capabilities by developing young staff

Sakazaki: I feel that our sales branches have been rejuvenated. I have been with the Bank for seven years and am now a mid-level employee. I must find time to train younger colleagues, but I struggle to find that time.

Kimura: From the viewpoint of my position as manager, I also feel that there is not enough time even for my subordinates to grow. Seniors and supervisors need to teach their teams. But it is also crucial to spend time researching and thinking independently to understand our customers deeply. For example, we look at the financial statements to find the customer's issues and think about possible solutions. Then we talk with the president to find the heart of the problem. Continuous learning independently is vital for skill improvement.

That said, time is limited. While meetings with customers are always rewarding, they do take a certain amount of time. Younger employees often find themselves swamped with desk work. That leaves them without enough time for visiting customers. I remember how I felt when I was in their position as a sales representative, so I know what that is like. But I tell my team to prioritize making time for communicating with clients. If anyone gets bogged down in paperwork, we divide up the tasks and support them as a team.

Shino: The many insights we have gained from our customers have been key to our growth. Thus, I believe that making time to talk with customers is so important. When you actually put your ideas to your customers, sometimes you will succeed and sometimes you will fail. That experience is like a seed for further growth. The role of the Financial Solutions Department is to support the sales branches. We adjust the level of support for each case depending on the project details and the seniority of the sales representatives, and based on educational considerations. For example, I visit customers with the sales representative, rather than with the branch general manager or manager. This helps each sales representative learn, which in turn, helps us build a self-sustaining organization.

Koshiba: A young sales representative might not understand anything at first. But as they think for themselves and apply ideas with support from their boss and or the head office, they gradually become independent. It also boosts their motivation





when they see that customers are satisfied. I would like for the employees at the sales branches to make full use of the head office.

Toward achieving the goal of becoming a solution company

Shino: We have used our customer relationships as platforms for providing solutions. The teamwork between the sales branches and the head office has improved. So I feel that the solution sales have gained traction within the Bank. When I attended Information session for all group employees on 'Initiatives for Enhancing Corporate Value' , what struck me was how deepening our solution sales efforts can lead to the enhancement of corporate value for our customers and for our company. To achieve this, we need to consider not only our customers' current challenges but also how we can address their issues five or ten years from now. The key is to deepen internal collaboration and to make time for meaningful conversations with our customers.

Koshiba: Our goal should be to be the first people customers turn to when they need advice. That means we should not focus on just selling products. Instead, we should understand our customers' needs, think of the best solutions, and propose those solutions. This is a mindset that should be held not only by sales representatives but also by branch general managers and managers.

Customers compare us both vertically and horizontally. Vertically means comparing us to past general managers, managers, and sales representatives of the sales branch. Horizontally means comparing us to other banks. The longer our customers have been with us, the more closely they look at us. We can be the first choice not only over our competitors, but also by surpassing our predecessors only when we are superior to them. To ensure branch employees can be chosen by customers, the head office will provide a strong backup through a wealth of helpful solutions. As we pursue our goal of becoming a solution company, let's continue working together as a team to meet the needs of our customers.

Initiatives to Support Enhancement of Corporate Value
～Human resource strategy～

In order to "continue to be an attractive company that employees are proud to work for" as stated in our Management Principles, we are committed to a human resource strategy linked to our management strategy based on the Group Human Resource Policy and are working to establish ourselves as a solution company, so that each and every one of our employees can work with a sense of fulfillment and strive to provide services that exceed customers' expectations.

Moving forward, we will continue to step up investments aimed at maximizing our human capital, and support the growth of each employee while emphasizing engagement with them.

Executive Officer
(In charge of strengthening group functions (credit/human asset divisions)) Michifumi Katsuta



Group Human Resource Policy

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

Basic Concepts

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

The human resources we seek

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

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

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

Linkage of management and human resource strategies

Our vision	A solution company rooted in communities and selected as a partner to walk together		
Medium-term management plan (FY2022 - 2024) Three years to accelerate transformation toward a shift to a solution company and materialize results	Growth	Change	Sustainability

Closing the gap between "As is" and "To be"

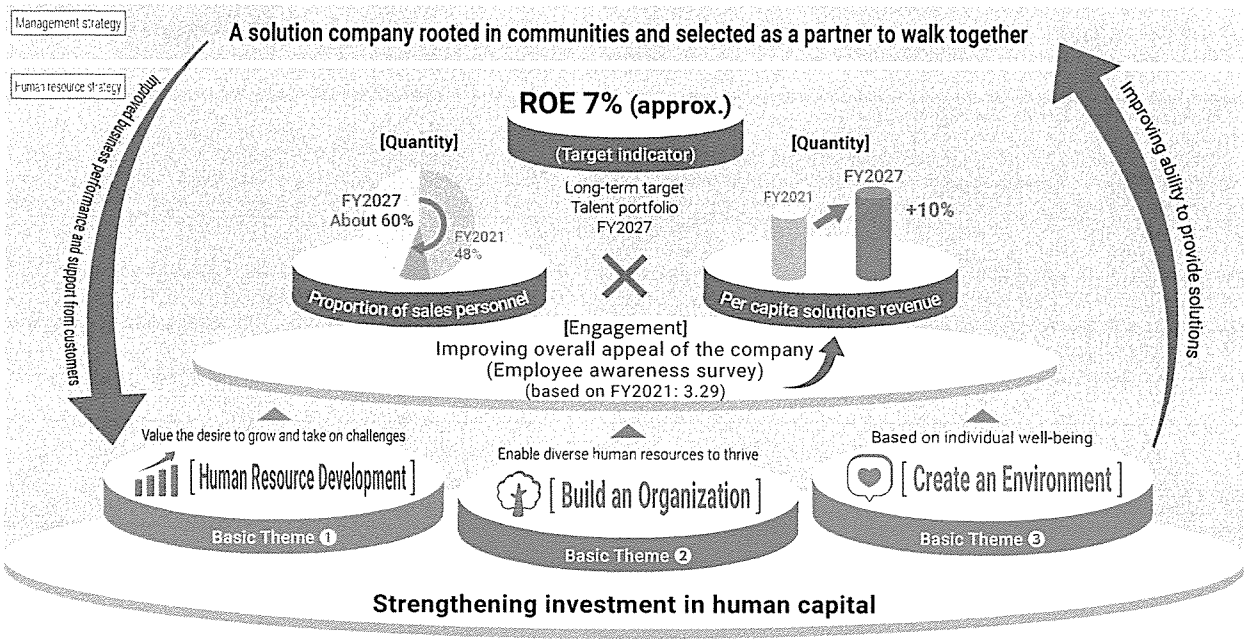
Direction of Group Human Resource Strategy

- Strengthening investment in human capital in order to increase corporate value with the solution business as a driver
- Establishing an optimal and diversified talent portfolio that responds to changes in the business environment
- Developing an internal environment that increases engagement and maximizes return on investment in human capital

Overall picture of the Group Human Resource Strategy

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

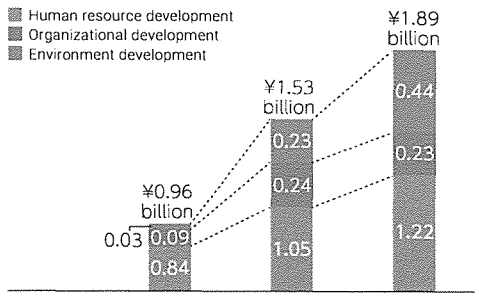
Under these three basic themes, we will work on 10 major measures to enhance employee engagement (Total attractiveness of the company) while building a talent portfolio with quantity (ratio of sales personnel) and quality (solution earnings per employee), and as a result, we will aim to achieve the management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



Strengthening investment in human capital

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

Basic Theme	Key measures	Investment in human capital*1
Human resource development	❶ More and better solution business leaders ❷ Strengthening the development of specialized human resources ❸ Support for self-directed challenge-taking and growth ❹ Systematically developing of next-generation management personnel	• Training expenses • Secondment expenses • Self-development support funds • Reskilling expenses
Organizational development	❺ Implementing strategic recruitment activities to secure diverse human resources ❻ Advancement of talent management ❼ Further promotion of DEI ❽ Active promotion of senior human resources	• Recruitment expenses • Raising initial salaries • System expenses • Training expenses
Environment development	❾ Fostering a vibrant organizational culture ❿ Establishing a workplace environment where employees can work with peace of mind and good mental and physical health	• Training expenses • Research expenses • Personnel system reform expenses • Sales allowances • Employee stock ownership plan incentives



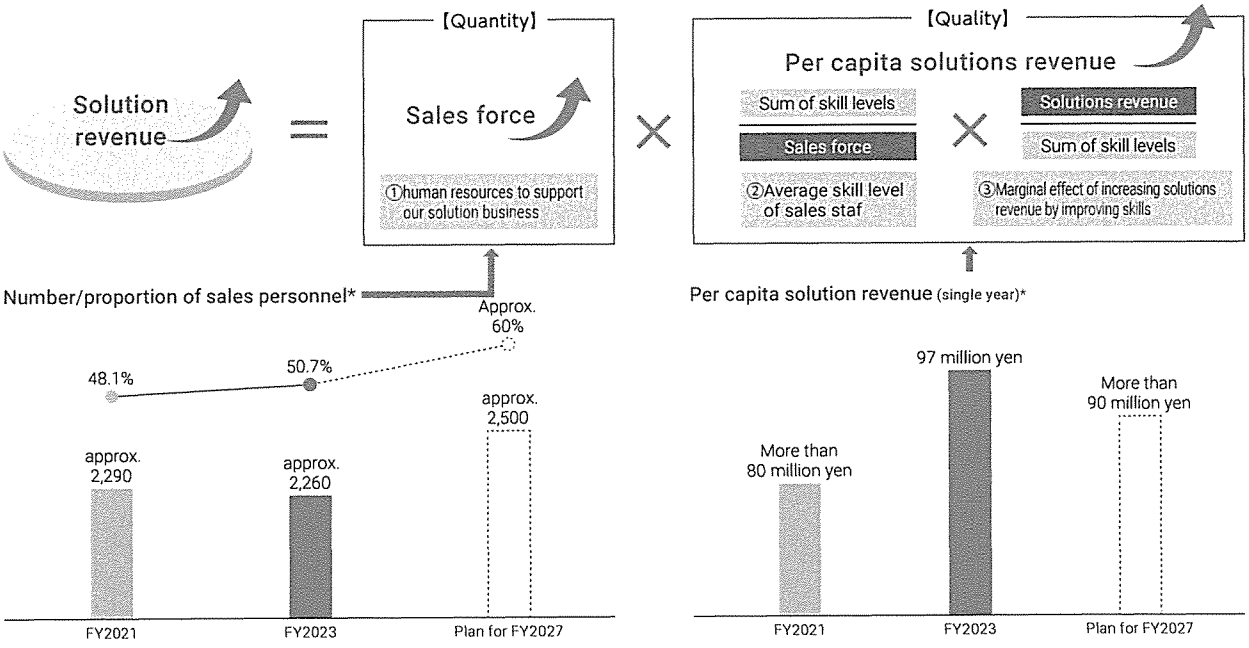
Per capita investment*2	FY2021 results	FY2023 plan	FY2023 results
	¥0.7 million	¥1.0 million	¥1.4 million

*1 Our definition *2 Investment in human capital ÷ Number of employees in solutions sales at the end of the fiscal year

Initiatives to Support Enhancement of Corporate Value
～Human resource strategy～

Strengthening Solution Profitability

Through investment in human capital, we work to increase the number of sales personnel (=Quantity) and increase solution revenue per capita (=Quality) by improving skill levels, thereby strengthening solution profitability, which is the foundation of profitability. By strengthening training programs and self-development support, we will increase the proportion of personnel with advanced skills at sales branches and through inter-disciplinary learning to acquire advanced skills, we will increase the number of direct sales personnel at head office and in this way develop human resources with high solution sales capabilities who have high business execution skills and advanced knowledge. Through these efforts, we aim to achieve a per capita solution revenue of over ¥90 million in FY2027.



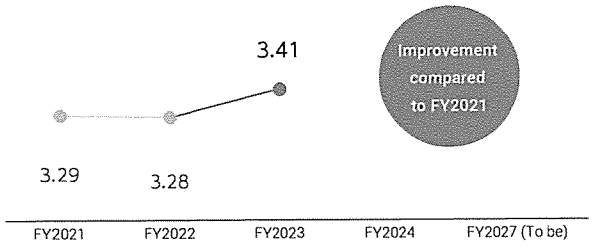
* Two banks combined

Initiatives to improve employee engagement

At the Group, we conduct an annual anonymous employee attitude survey to periodically check the awareness of each employee, and to accurately diagnose and understand the current status, strengths and challenges of the organization, with the aim of utilizing the results in planning and formulating management measures to improve job satisfaction and engagement of each and every employee. The index of total attractiveness of the company (5-point scale) in the FY2023 employee attitude survey was 3.41 (up 0.13 year-on-year). By implementing key measures based on the three basic themes of the human resource strategy and working to improve areas that we have identified as particular challenges, we will further enhance the total attractiveness of the company.

Employee attitude survey: Total attractiveness of the company

(Weighted average of the Bank of Yokohama and the Higashi-Nippon Bank, N=4,052)



Items identified as particular challenges

Items	Index (year-on-year change)*	Main basic themes of human resource strategy
Human resource development	3.16(+0.04)	Basic Theme① Human Resource Development→P.74
Compensations	2.69(+0.10)	Basic Theme② Build an Organization→P.78
Fairness in personnel management	3.20(+0.07)	
Perceived burden of work	2.74(−0.03)	Basic Theme③ Create an Environment→P.81

* Weighted average for BOY and HNB

Basic Theme 1

Value the desire to grow and take on challenges

[Human Resource Development]

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

In order to realize our vision of being a solution company, we believe it is important to improve the skills and expertise of those in charge of providing solutions. Based on this concept, we will implement human resource development that links OJT and Off-JT, expanding opportunities and support for employees to take on such new challenges as open recruitment withing the bank, temporary assignment to external companies, and self-development, in order to actively respond to each employee's desire to grow.

More and better solution business leaders

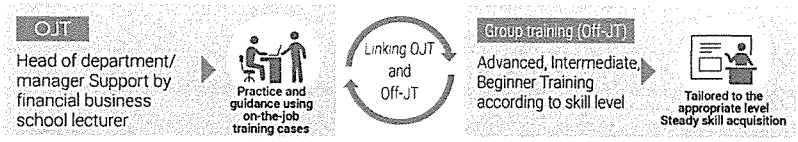
◎ "Skill visualization" and "OJT/Off-JT linkage" to strengthen human resource development

To increase the number and quality of solution business personnel, we have established a human resource development system that makes it easy for employees to feel their growth by visualizing their skills, linking OJT and Off-JT, and supporting individual employees in steadily acquiring and mastering relevant skills.

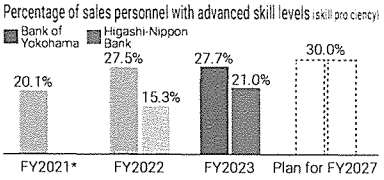
For "skill visualization", we have defined the skills required of solutions sales personnel, and at the Bank of Yokohama, we have introduced a skills certification system for the corporate and individual client divisions, while at the Higashi-Nippon Bank, we have introduced a system for measuring and evaluating skill levels in the corporate division through the assessment of specified check items.

For "OJT/Off-JT linkage", OJT involves assigning personnel to positions where they can gain experience early and demonstrate what they learned in training, while Off-JT involves group training segmented by division and skill level taught by Financial Business School lecturers, as well as ongoing follow-up after training. Through these means, we aim to "steadily develop relevant personnel" and "increase the proportion of personnel with advanced skills" who have sophisticated skills, knowledge and a wealth of experience.

OJT/Off-JT linkage to strengthen human resource development



Percentage of sales personnel with advanced skill levels (skill proficiency)



* Data was not compiled for the Higashi-Nippon Bank as it only began measuring skills in FY2022



interview

Chiharu Ota

Principal of the Financial Business School, Human Asset Department, Bank of Yokohama

Aiming for "training that goes beyond Off-JT"

The Financial Business School in the Human Asset Department plans and administers training for each skill level. We focus on human resource development, one of the priority areas in the human resource strategy, to develop personnel for the solution business. The lecturers consist of 13 members, most of whom have management experience such as serving as general managers at sales branches. We provide education and training opportunities tailored to each trainee's skill level so that they can acquire knowledge and know-how that will be useful in their sales activities. We also offer opportunities for trainees to seek advice from the lecturers after training, in order to provide support that is linked to OJT.

As we strive to establish ourselves as a "solution company", human resource development is a critical and unavoidable component of our mission. Everyone on the team will work diligently for human resource development.

◎ Strengthening investment in education and training

The Group is strengthening its investment in education and training to develop human resources with high solutions sales capabilities by increasing training hours and training expenditure per employee through group training by division and skill level, by increasing the number of hours spent on e-learning, by proactively utilizing external training programs, and by strengthening group training programs using outside instructors. Specifically, as a means of promoting the acquisition of the 1st-Grade Certified Skilled Professional of Financial Planning (FP Grade 1) certification, we send employees to a two-month preparation course, conduct interval training and holiday courses, provide a study-support app, and offer paid online courses. As a result, 52 people obtained the FP Grade 1 certification in FY2023.

* The Bank of Yokohama: 14 hours 8 minutes (up 2 minutes year-on-year), the Higashi-Nippon Bank: 10 hours 49 minutes (up 1 hour 12 minutes year-on-year)

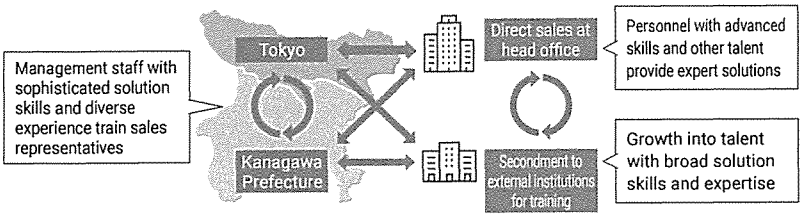


Principal, Deputy General Manager, and 13 lecturers of Financial Business School, Human Asset Department of the Bank of Yokohama

Initiatives to Support Enhancement of Corporate Value
～Human resource strategy～

Strengthening Our Head office Direct Sales Division

The Group is endeavoring to strengthen its head office direct sales divisions (e.g., the Financial Solutions Department) that are equipped with the ability to deliver high-added-value solutions and possess functions for providing solutions directly to customers. The direct sales division of head office is systematically increasing its workforce through the transfer of employees with higher skill levels, the dispatch of human resources for training at megabanks, government financial institutions, and private equity funds, and the recruitment of highly specialized mid-career solutions sales personnel. In parallel with these efforts, we are promoting the advancement of the Group's overall solutions sales posture, including at sales branches, by systematically rotating personnel from direct sales departments at headquarters to positions as branch managers and executives at sales branches.



Young bank employees seconded to training

(as of March 31, 2024) (Bank of Yokohama)

Secondment to	Number of persons
Government financial institutions	4
Megabanks	4
Consulting firms/private equity funds	4
Securities companies	1
Regional bank	1
Media	1
Research organization	1
Customer company	1
Economic organizations	4
Local public entity related	6
Total	**27**

Strengthening the development of specialized human resources

Systematic development of specialist human resources

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

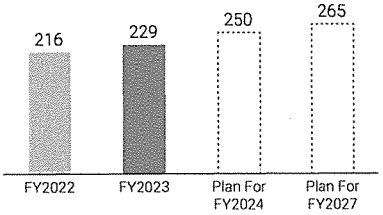
In the market and international division, with the aim of ensuring business continuity and strengthening the solution business, we are endeavoring to return personnel who have acquired knowledge of the market and international division to the Company through a trainee system, personnel rotation using overseas sites, and training assignments to financial institutions in Japan and overseas. We are also systematically increasing the pool of human resources for the market and international division (current employees of and those with experience in the market and international division).

In the IT and digital division, we have defined the necessary requirements (level) for specialized human resources and are conducting systematic human resource development based on skill checks. In addition, with the goal of further increasing the number of specialized human resources, we run the DX Academy (practical training for handpicked personnel at the Bank of Yokohama) for bank employees who wish to develop their careers in the IT and digital division. As of the end of FY2023, a total of 78 people (up 54 year-on-year) have been certified as "DX licensees" (internal qualification) after completing the DX Academy program.

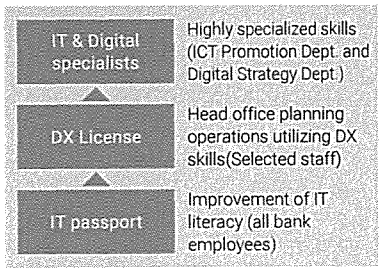
Furthermore, at the Bank of Yokohama, as an effort to increase enthusiasm for acquiring specialized knowledge, we have established a "Platinum Talent Certification System" to recognize personnel who possess advanced public qualifications*. We are also expanding various support fund schemes for obtaining qualifications and providing career realization support to certified individuals.

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

Number of pooled human resources in Market and International Division (Bank of Yokohama)



Increase in human resources with specialist knowledge

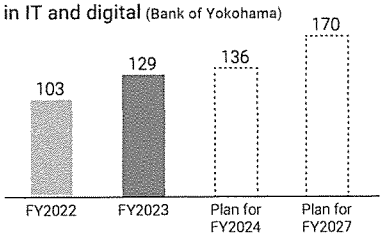


Expansion of support funds related to obtaining certifications(Bank of Yokohama)

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

* Up to ¥100,000

Number of human resources specializing in IT and digital (Bank of Yokohama)



Professional Human Resources System

The Bank of Yokohama has been operating a highly specialized "Professional Human Resources System" since FY2019 that provides career paths and a compensation system for "professional human resources" in specialized fields who put their strengths to use and that lays the foundation for strengthening and nurturing professional human resources. The compensation and benefits system is designed to provide incentives for contributions to performance, and the compensation and benefits level can be at the executive or department manager level. As of the end of FY2023, 13 people have been certified as professional human assets.

Professional Personnel Certification Requirements

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

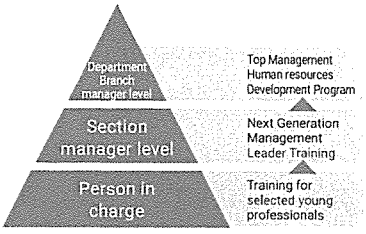
Systematically developing of next-generation management personnel

We formulate and implement a systematic succession plan to develop human resources who will be candidates for future management executive positions and beyond that, to officer positions. Specifically, we implement programs in collaboration with external educational institutions to develop the next generation of management leaders, and expand the candidate pool and manage promotions by implementing several rounds of training and assessments featuring tough assignments on themes such as "management ability", "ability to understand strategy", and "involvement ability".



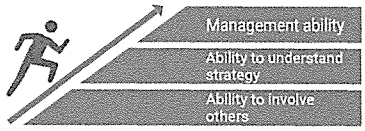
Next generation management leader development program

Next generation management human resources development
Succession plan formulation and execution



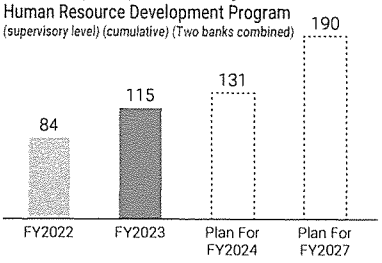
Planned succession planning in practice

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



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

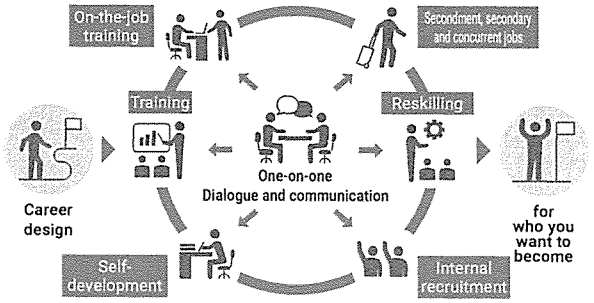
Number of participants in Management Human Resource Development Program
(supervisory level) (cumulative) (Two banks combined)



Support for self-directed challenge-taking and growth

Instilling career ownership

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



Career Innovation Support System (concurrent/secondary employment)

We have introduced the "Career Innovation Support Systems (concurrent positions/side jobs)" that allow employees to take on concurrent positions outside the company or work side jobs in accordance with certain requirements, such as for personal growth or to contribute to their main job or the local community. Since the system was introduced, 17 employees have taken advantage of it. By expanding opportunities for employees to gain a variety of experience outside of banking, this system aims to encourage their self-directed career development and growth outside their existing career paths, as well as to increase the diversity and expertise of human resources, to improve operations productivity, and to reform our corporate culture.

Career Consultation Desk

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

Initiatives to Support Enhancement of Corporate Value
～Human resource strategy～

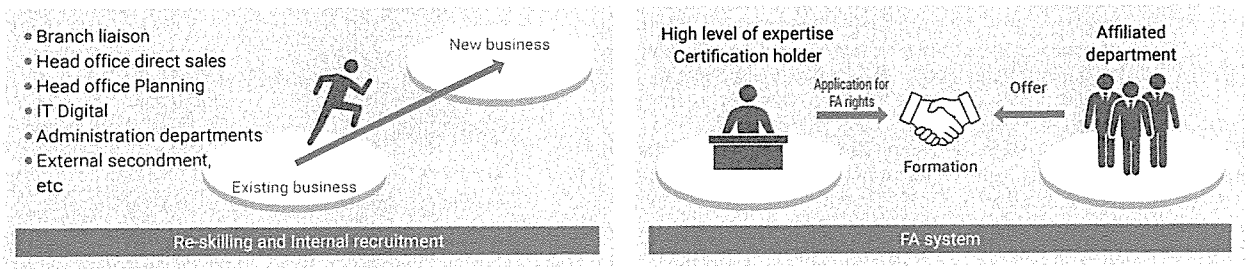
◎ Expanding Opportunities for Challenges

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

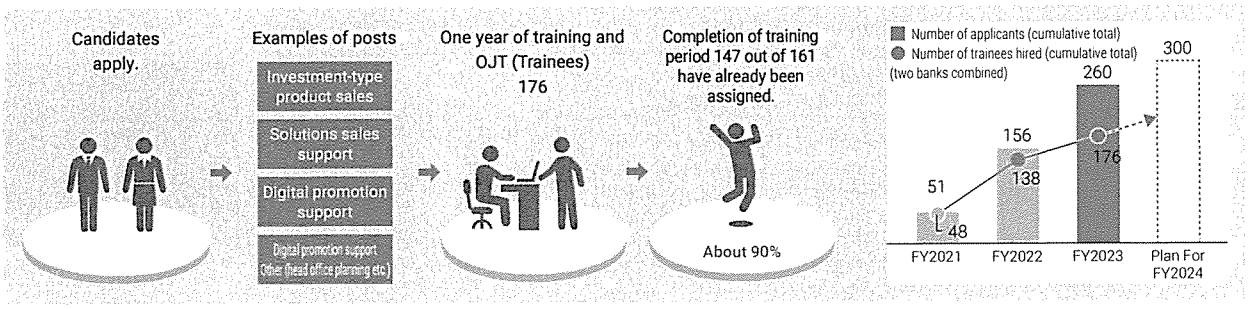
Our in-house recruitment accepts applications regardless of career stage. In addition to assignments to various divisions of head office, we also offer external secondments and MBA programs. With 114 applicants in FY2023, concrete actions for career realization are expanding on a bank-wide scale. In FY2023, the "FA System" was introduced to give bank employees who have certain qualifications and experience the opportunity to widen their skills in a department of their choice.

The re-skilling challenge is an open recruitment system for administrative staff at sales branches and head office to take on the challenge of "re-skilling" to close the gap between their current skills and the skills that will be needed in the future. We also provide support such as a career roadmaps to help staff envision the person they want to be and a Job Forum for understanding the operations of each department in head office. Since the start of the initiative in FY2021, a total of 422 people have applied, of which 176 have been hired as trainees, and 147 have been transferred to new positions in sales divisions or at the head office after completing the training period.

Strengthening provision of challenging opportunities



Steady progress in re-skilling



interview

Kyomi Miyahara

Ryokuentoshi Branch, Bank of Yokohama



Becoming a bank employee, reskilling ... I want my child to see me take on challenges

I joined the Bank of Yokohama as a "career mate" (part-timer). Through my experience listening to the needs of customers and conveying them to fund management personnel, I began to want to make proposals to customers directly myself, so in 2021 I took the exam to become a bank employee. After that, I gained experience as a bank employee providing in the Branch Service Division, and in 2023 I took on the challenge of reskilling myself for a new job. Currently, I am in charge of the fund management counter at my sales branch.

I was anxious about becoming a bank employee and making the switch from administration to sales, but with the support from my superiors, seniors, colleagues, and career mates, I am now able to make proposals to customers every day. I feel immense satisfaction in being able to make proposals that will benefit customers and receiving their gratitude. I will work hard to sharpen my skills so that I can continue to make valuable proposals to customers.

Basic Theme 2

Enable diverse human resources to thrive

[Build an Organization]

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

In order to provide optimal solutions to the increasingly diverse and sophisticated needs of local communities and customers, it is important to be an organization where diverse human resources can maximize their individual abilities. To achieve this, we are enhancing our recruitment efforts, upgrading our talent management systems, promoting diversity, equity, and inclusion (DEI), and encouraging the active participation of senior personnel. By doing so, we aim to create an environment where a diverse range of talents can thrive.

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

○ new graduate recruitment: Strengthening information dissemination and expanding points of contact

To effectively communicate the Group's initiatives and make them more appealing than ever before, we are strengthening the dissemination of information on our human resources development system and career development support through the use of social media and other means. We are also strengthening touchpoints with students through such initiatives as our "5 Days Internships" and "Open Company" to increase their interest in the Group, and are actively hiring human resources with diverse experiences and backgrounds through career path specific hiring and "Talent+" hiring programs. In addition, at the Bank of Yokohama and the Higashi-Nippon Bank, we are planning to increase the starting salary of career-track university graduates joining the banks from April 2025 to ¥260,000 (up ¥40,000).

Expansion of real contacts

Recent accomplishments (BOY): Recruitment events Held 113 times (up 30 times)

New graduate recruitment by cours

Strengthen recruitment from IT and digital specialized courses
- Digital strategy course
- Data science course
- ICT promotion course

Talent+ recruitment

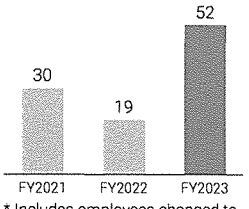
Open to students who have achieved outstanding results or experiences in any field, not just academics or sports. Selection based on personal PR videos, etc.

○ mid-career recruitment: Developing competitive compensation and benefits and diversifying recruitment channels

To boost its competitiveness in the recruitment market, the Bank of Yokohama has introduced a "Professional Human Asset System", which provides competitive compensation packages to eligible personnel.

Furthermore, the "Alumni Network"*, which was launched in February 2023 as a means of diversifying recruitment routes, seeks to raise awareness and foster a sense of belonging by organizing social events and distributing stickers, and so on, leading to re-employment of alumni through the network. Along with this, the Bank is strengthening efforts in employee referrals, introductions from agents, and direct scouting activities to further diversify its recruitment routes.

Mid-career hiring* results (BOY)



* Includes employees changed to bank employees



Alumni social event held in February 2024

* Network for linking people who once worked for the Bank of Yokohama Group with the banking group. Number of registered members as of the end of FY2023: 147 (up 94 year-on-year)

interview

Kohei Senoo

Manager, ICT Planning & Promotion Department, Bank of Yokohama



Rejoining the Bank of Yokohama via alumni recruitment: Giving back with the knowledge and skills acquired after leaving the Bank

I rejoined the Bank as an alumnus and am currently in charge of data management duties such as promoting data utilization and building a data analysis infrastructure. In my previous spell with the Bank, I was involved in data analysis in the marketing field, and was in charge of proposing marketing strategies and disseminating information to sales branches.

I then decided to leave the Bank of Yokohama to improve my analytical skills, and went to work for a data analytics vendor. After that, I gained experience at a foreign consulting firm, and became keenly aware of the appeal of having my own efforts directly lead to improvements in my company. At around that time, I heard that the Bank of Yokohama was putting together a data management group, and decided to rejoin the Bank, thinking that I could give back with the experience I had acquired since leaving. Since rejoining the Bank, I have noticed that the system for supporting independent career paths and individual growth and challenges has been expanded even more than before.

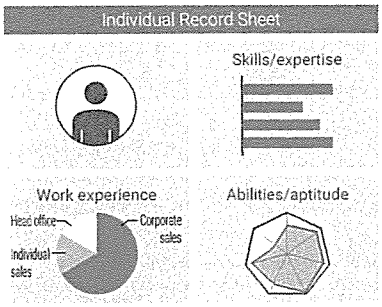
Going forward, I will continue honing my skills, and contribute to the "democratization of data" that creates an environment where anyone can access and utilize data whenever they need it.

Initiatives to Support Enhancement of Corporate Value
～Human resource strategy～

Advancement of talent management

The Group has introduced a talent management system as a tool to centrally manage information on each employee's skills, knowledge, aptitudes, and career design, and is promoting its use in strategic human resource operations to maximize the utilization of the potential of each employee. Specifically, we are establishing a system that enables strategic personnel assignment aligning with the characteristics of each sales branch and head office department, with the aim of "visualizing skills and assigning the right personnel to the right positions", through the introduction of "individual record sheets" that consolidate information that management needs to know in order to support the careers of their subordinates (such as work experience, training history, various skills status, career design, etc.) and improvements to career design sheets and human resource development sheets.

Individual record sheet illustration



Further promotion of DEI

Certified as "Best Workplace" in "D&I Award 2023" (first for a regional bank)



Diversity Conference @Concordia
(Panel discussion with outside lecturer and four general managers from the three Group banks)

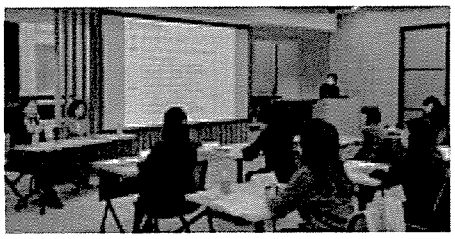
One of our materialities is "promotion of work style reform and diversity", and we are working on each measure as a member of the community. Specifically, based on our Diversity, Equity, and Inclusion Policy, we have established DEI Promotion Offices in the Human Asset Departments of the Bank of Yokohama and the Higashi-Nippon Bank. These offices are engaged in awareness-raising activities during "Concordia Diversity Month", a month dedicated to promoting DEI, and, with the support and supervision of directors and other senior management, are implementing various support measures, such as study sessions for management and training on promoting women's participation in the workplace. Through these measures, we are working to deepen the understanding of DEI promotion among all employees and to create a workplace environment in which diverse workforce can thrive. The progress of diversity promotion is reviewed semiannually at the Board of Directors' meeting, and under the management and supervision of the officer in charge, issues are addressed and the direction of measures are discussed, actively incorporating the opinions of outside directors and others, to enable our systems to respond quickly to the changing times. (Diversity, Equity, and Inclusion Policy: https://www.concordia-fg.jp/en/csr/sdgs-report/diversity/diversity-equity-inclusion/index.html)

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

In order to reflect a variety of thinking in our management policies and in order to meet the increasingly diverse and sophisticated needs of local communities and customers, the Group considers ensuring manager diversity and promoting women's activities as important management issues, and actively discusses them at management meetings. Since FY2022, the Bank of Yokohama has been implementing the Tsubaki Project to promote women in executive and management positions. Through a combination of training and roundtable discussions with outside directors, the project provides career development support with a view to promotion to management positions and fosters human resources who are candidates for management positions. Also, Higashi-Nippon Bank offers Career Support Seminars to support career development for women. With initiatives like these, the Group aims to increase the combined percentage of female managers at the Bank of Yokohama and the Higashi-Nippon Bank to 25% by FY2027 (18.1% as of the end of FY2023). Furthermore, to ensure diversity among managers over the medium to long term, the Group is aiming for the proportion of women among new graduate hires to be 30% or more.

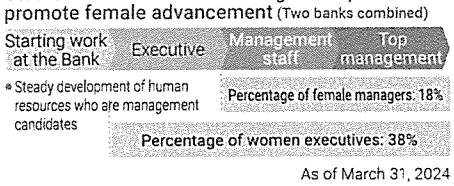
The high proportion of male employees in management positions and above in the Group results in differences in wages between male and female employees. In order to eliminate this difference, we are actively training and promoting female managers.

In addition to promoting the advancement of women, we also focus on the development of mid-career hires and actively promote them to management positions, including promotion to department heads and branch managers. The Bank of Yokohama's percentage of management recruited mid-career stood at 16.3% in FY2023, and the Bank aims to maintain this level at 14% or higher.

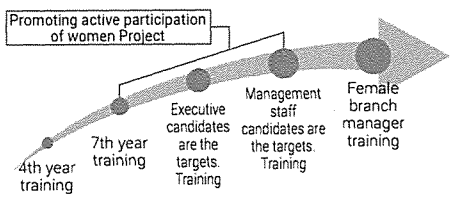


Female activity promotion project
2nd-year training (discussion with outside officers)

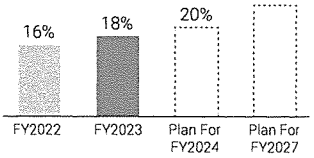
Status of candidates for management positions to promote female advancement (Two banks combined)



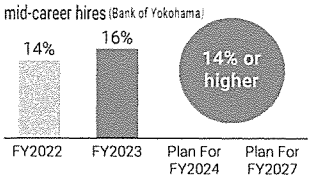
As of March 31, 2024



Percentage of female managers
(Two banks combined)



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



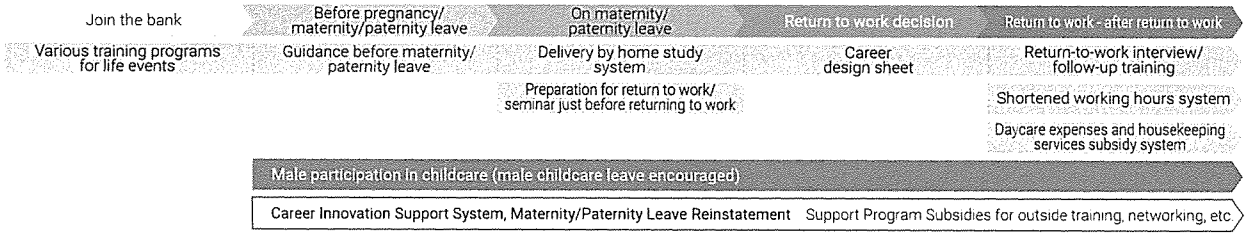
Wage Differentials between Men and Women	Bank of Yokohama	Higashi-Nippon Bank	Entire Group
All employees	46.7%	49.0%	49.7%
Full-time employees	63.1%	70.6%	66.6%
Non-full time/temporary workers	64.4%	93.6%	66.6%

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

To enable employees to work flexibly in accordance with life events such as childcare, we have established systems for shortened working hours and subsidies for daycare expenses and housekeeping services. The Bank of Yokohama has introduced a "support program for return from maternity leave" to ensure a smooth return to work for employees by supporting self-study during leave and holding roundtable discussions. Approximately 20% of employees who have taken maternity and childcare leave for one month or longer have used this program.

Furthermore, the Group is working together to support a smooth return to work. For example, in February 2024, the Bank of Yokohama, the Higashi-Nippon Bank, and THE KANAGAWA BANK jointly held a pre-return-to-work seminar for employees on maternity and childcare leave, which featured workshops to simulate how they will work after returning to work and discussions between participants.

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



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

The Group believes that local employment and procurement play an important role in building amicable relationships with the countries and regions in which it operates and contributing to sustainable development. At our overseas sites, we proactively hire local personnel who are familiar with the customs and needs of the region, and as of April 1, 2024, the number of locally-hired employees stood at 53. For locally hired employees, important matters such as labor standards regarding working hours, wages, etc. as well as the need for compliance are translated into the languages used at the overseas sites, such as English and Chinese, and communicated to all employees to ensure their understanding. In addition, we are actively promoting foreign personnel to management staff positions, and as of April 1, 2024, there were 11 foreign nationals in these positions.

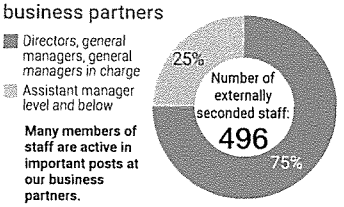
Support for the Empowerment of Employees with Disabilities

Through our special subsidiary, Hamagin Business Challenged Co., Ltd., we aim to support the independence of people with disabilities and realize an inclusive society. We are working to create a workplace environment that supports the active participation of employees with disabilities by sharing information with employees through the "Hama Challenge Plaza" information tool, and by holding study session with outside lecturers for the human resources division and managers who have subordinates with disabilities. As of the end of FY2023, the Group's employment percentage of people with disabilities was 2.65%.

Active promotion of senior human resources

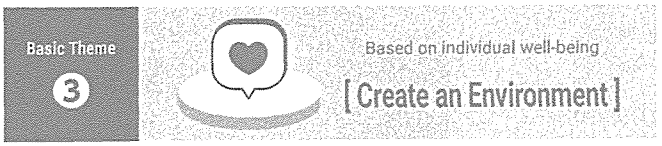
We are engaged in the promotion of active participation of senior human resources with a wealth of experience and high skill levels so that they can work with satisfaction, both inside and outside the banks. By offering a subscription-based learning platform and expanding the training content, we provide opportunities for recurrent and reskilling education and support the acquisition of the latest knowledge in currently required topics, such as labor management and DX support. As a regional financial institution, we aim to further contribute to the development and growth of local communities by enabling the Group's senior human resources to leverage the knowledge, skills, and experience they have accumulated over the years at new positions within the Group or in important posts at our clients' or other external companies through temporary assignments.

Status of staff seconded to external business partners



* As of May 2024, based on the Bank of Yokohama excluding affiliates

Initiatives to Support Enhancement of Corporate Value
～Human resource strategy～



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

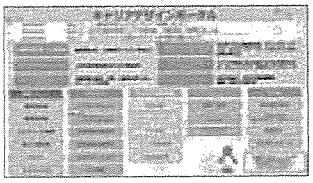
In order for each and every employee to utilize his or her full potential, it is essential to have a vibrant organizational culture and a work environment in which employees can work with peace of mind and in good mental and physical health. We foster an organizational climate and workplace environment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

Fostering a vibrant organizational culture

○ Strengthening skills in career design support and management

Based on the concept of career ownership, the Bank of Yokohama has established a "Career Design Portal" on its intranet to enable each and every employee to design their own careers independently. The portal collects and consolidates information on various policies, systems, examples of career paths, and other reference material that can be used in crafting one's career designs, thereby improving accessibility.

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



○ Human resources evaluation system

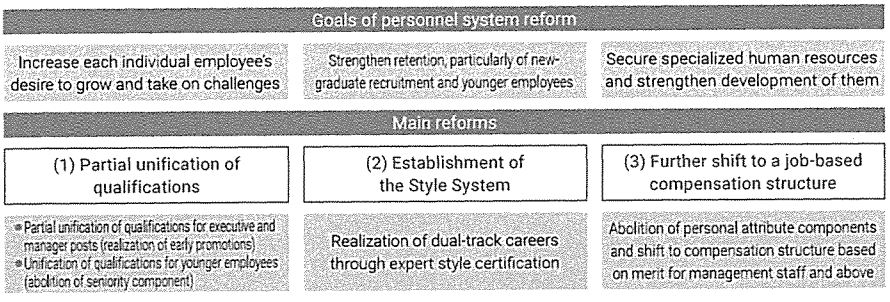
The Group has introduced a human resources evaluation system covering all employees, including part-timers, as a mechanism for improving motivation among employees and invigorating the organization, as well as for developing human resources and cultivating abilities through support for the realization of employees' career visions. The human resources evaluation system is a flow of operations based on the "Management By Objective (MBO)" objectives for the year and consisting of "goal setting", "performance evaluation", and "feedback" through personal interviews. This evaluation system is implemented and operated in order to bring out individuals' abilities, from short-term evaluations of performance and bonuses to mid- and long-term evaluations of transfers, promotions, and advancement.

○ Compensation and benefits

The Group has always endeavored to treat all employees, including part-timers, fairly and equitably, regardless of personal attributes such as seniority and gender, in accordance with the level of responsibility based on the difficulty, scope, and role of the job, as well as their contribution to business performance. In FY2023 and FY2024, we revised salaries (base pay increases) for two consecutive periods to reflect rising prices and other factors. With regards to wages, we comply with laws and regulations on minimum wages and the principle of equal pay for equal work.

Revision of the Bank of Yokohama's personnel system

In order to transform into a solution company, in July 2024, the Bank of Yokohama revised its personnel system with three objectives: "increase each individual employee's desire to grow and take on challenges", "strengthen retention, particularly in new-graduate recruitment and younger employees", and "secure specialized human resources and strengthen development of them". By partially unifying qualifications that enable early promotion and establishing a new "Style System" to realize dual-track careers, the Bank aims to operate personnel management based on merit rather than seniority or personal attributes, and to enable each employee to realize a career that matches their own values and aptitudes.





Personnel system reform concept book for employees

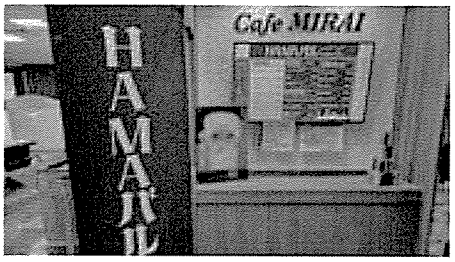
Strengthening of communication

The Group is working to increase the frequency of engagement between management and employees to deepen employees' understanding of our management strategy and human resource strategy, and to reflect the voices of employees in management. In FY2023, we held a briefing for all employees on "Initiatives for Enhancing Corporate Value" with the President on stage, and 66 large town hall meetings, during which officers directly explained our management strategy and other matters to all employees and exchanged opinions in a two-way manner. In addition, we held 97 small town hall meetings for small groups, mainly for managers and below, to listen to the voices of sales branches and directly convey management policies and approaches from officers. We will implement measures across the Group to resolve the management issues extracted from employee opinions obtained through briefing sessions, town hall meetings, employee attitude surveys, and job satisfaction improvement project questionnaires, and aim to create a vibrant organizational culture through behavioral and cultural transformation.

Furthermore, in an effort to strengthen communication between employees across workplace boundaries, the Bank of Yokohama has implemented measures such as introducing communication support fees and utilizing the cafeteria at its headquarters as an after-work communication space by opening in the evenings.



October 2023: President Kataoka speaks at the briefing for all employees on "Initiatives for Enhancing Corporate Value"



May 2024: Evening operation of the Bank of Yokohama headquarters cafeteria

	Large town hall meetings	Small town hall meetings
Timing	April	All year round
Purpose	Deepen understanding of business operation policy and human resource strategy	Listen to voices of sales branches and directly convey the Bank's direction and thoughts of officers
Target audience	All bank employees	Managers or below
Speakers	Directors and other officers of the Bank of Yokohama and the Higashi-Nippon Bank	Directors and executive officers of the Bank of Yokohama and the Higashi-Nippon Bank
Number of events held in FY2023*	66 times	97 times

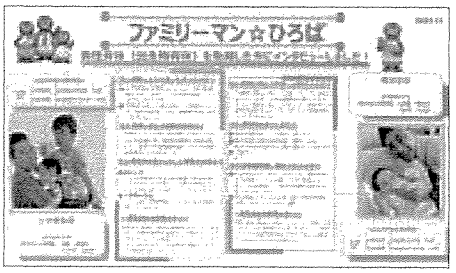
* Two banks combined

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

Work-life balance

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

In particular, we are focusing awareness-raising activities regarding "male participation in housework and childcare", which is the foundation for promoting women's participation in the workplace, and in FY2023 the percentage of men taking childcare leave across the three Group banks was 111.7%.



Employee role model interview article (excerpt)

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

In recognition of these efforts, the Group was selected as the FY2023 "Next Nadeshiko: Companies Supporting Dual-career and Co-parenting".

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

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

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

Initiatives to Support Enhancement of Corporate Value
～Human resource strategy～

interview

Rie Gotsu

General Manager,
Uraga Branch,
Bank of Yokohama



Utilizing the system to realize career visions and create a workplace where people feel comfortable seeking advice

I am currently involved in management as the general manager of a sales branch. I started my career in fund management, and after taking maternity and childcare leave twice and being promoted, I switched to a manager in charge of in-branch services. Balancing work and parenting was sometimes challenging, but thanks to the support of the people around me and the systems that were available, I was able to overcome the difficulties. After returning to work from maternity and childcare leave, I was worried about my future career, but my boss really encouraged me. Their presence was a particular encouragement for me and I feel grateful to this day.

The Bank of Yokohama supports flexible workstyles, and offers rewarding career paths, so I feel it is an environment in which anyone, regardless of background, can aim to advance their careers. These days, as the general manager, I value daily communication and strive to create a workplace atmosphere where my subordinates feel comfortable coming to me for advice.

What motivates me each day is the delight that comes with making optimal proposal after finding out what customers need through direct interaction with them, and the fact that, as a manager, I get to see my subordinates grow up close. I will never forget the gratitude I feel to those who have supported me over the years. I intend to stay focused on my work, broaden my outlook to further my career, while at the same time, work to create an attractive workplace for my team.

○ Health management

To ensure that each and every employee can maximize his or her potential through health management initiatives, the Group has formulated the Bank of Yokohama Health Declaration and the Higashi-Nippon Bank Health Declaration. To put health management into practice, we have established a "Health Management Promotion Liaison Committee" across all divisions, and are undertaking various efforts to maintain and promote employee health and reduce absenteeism (employees being absent from work due to ill health), such as establishing a health management center at the headquarters, having industrial physicians conduct individual consultations with employees working long hours, introducing pulse surveys for younger employees, achieving a complete ban on smoking on office premises, and holding walking events.

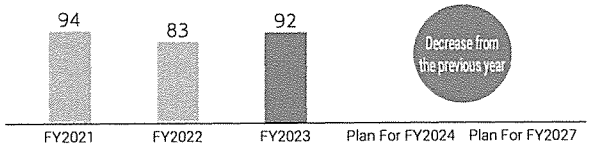


[The Bank of Yokohama]
"Health Management Excellence Corporation 2024 - White 500" Certified for the sixth year in a row and the sixth time



[The Higashi-Nippon Bank]
"Health Management Excellence Corporation 2024" Certified for the third year in a row and for the third time

Absenteeism (Two banks combined)



The Bank of Yokohama has been certified as a "Health Management Excellent Corporation 2024 - White 500" , and the Higashi-Nippon Bank as a "Health Management Excellent Corporation 2024" in the Large Corporations category of the "Health Management Excellent Corporations Certification System" established by the Ministry of Economy, Trade and Industry and the Japan Health Council.

○ Creating a Highly Psychologically Safe Workplace

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

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

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

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

(*) Acronym for Sexual Orientation and Gender Identity

Initiatives to promote respect for human rights among employees

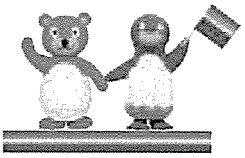
As part of our efforts to respect human rights, the Group identifies human rights issues through human rights due diligence as stipulated in the human rights policy, and are evaluating issues that have a negative impact on the human rights of employees based on the content of various consultation desks and results of questionnaires, and other factors. Furthermore, to prevent and mitigate negative impacts on human rights, we conduct awareness-raising training and workshops to deepen correct knowledge and understanding of human rights. We are also working to raise employee awareness of the importance of respecting human rights by soliciting slogans related to human rights awareness and presenting awards for outstanding works.

Promoting understanding of LGBTQ+.

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

In recognition of these efforts, in FY2023, we were again awarded the highest rating of "Gold" in the "PRIDE Index 2023" (operated by the volunteer organization "work with Pride"), which evaluates initiatives for sexual minorities (LGBTQ+), as we were in FY2022.

work with Pride Gold 2023



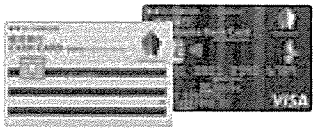
Hamapen & Ponkuma ALLY Seal
(Prepared by Hamagin Business Challenged)



Employees participating in the Tokyo Rainbow Pride 2024, which was sponsored by the Company

Initiatives to support LGBTQ+ customers

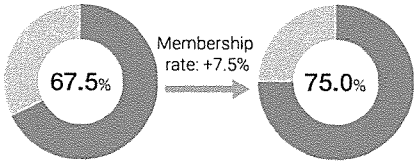
In response to customer requests, in November 2023 the Bank of Yokohama expanded the scope of eligibility for "representative cards" for cash cards and "family member cards" with credit functions for Yokohama Bank Cards to include de facto spouses, including same-sex partners, and parents and children with different family names. We have received words of praise regarding the expansion of services aimed at supporting LGBTQ+ and enhancing convenience for same-sex couples, as this has not only improved convenience for same-sex couples, but also for customers who are living with parents or children with different family names.



Financial Wellness (Asset Building Support) initiatives

In order to ensure that the Group's employees are financially independent and can work with peace of mind, we have introduced the "defined-contribution pension plan (401k)", "employee property savings plan", and "employee stock ownership plan" as systems to contribute to the systematic asset building of our employees, and through various training programs and information provision, we support our employees in deepening their understanding of asset building and engaging in their own asset building.

Membership rate of employee stock ownership plan



In FY2023, we expanded the employee stock ownership plan as part of our "Corporate Value Enhancement Combined with Financial Wellness" initiatives. Specifically, we (1) awarded special subsidies, (2) raised subsidies, and (3) expanded the number of accumulation units at the time of bonuses. This expansion also reflects management's desire for employees to see things from the perspectives of other stakeholders such as customers, local communities, and shareholders/investors, and to work together to achieve the sustainable growth of the Group.

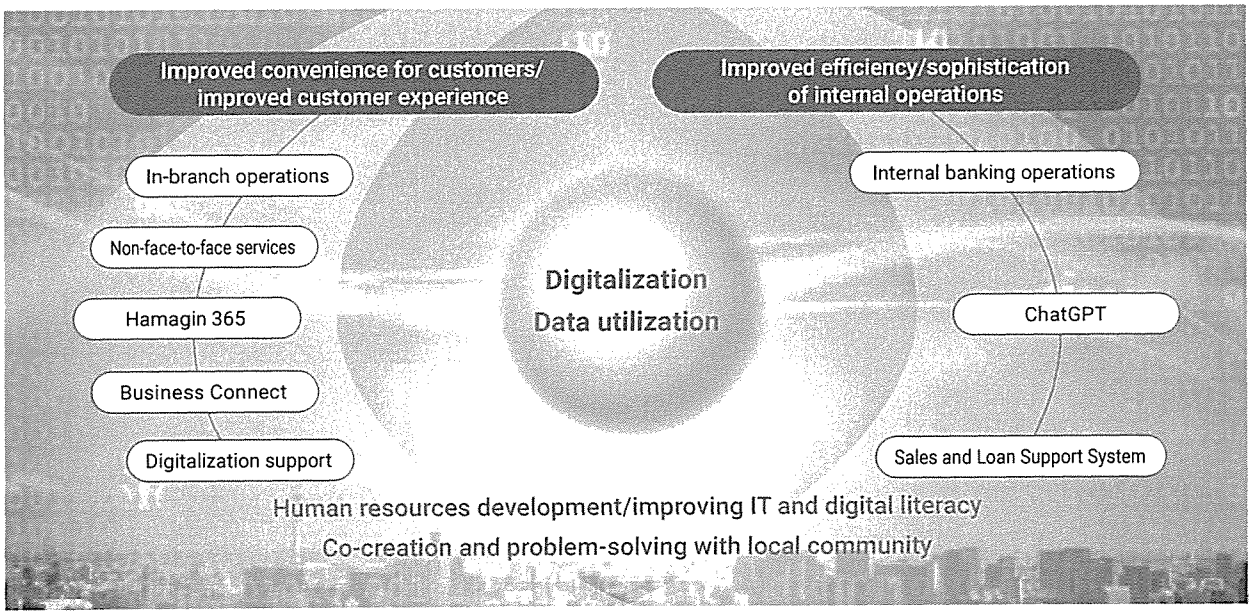
As of March 2024, 75.0% of all Group employees (up 7.5% year-on-year) were members of the employee stock ownership plan.

Initiatives to Support Enhancement of Corporate Value
~Digital Transformation (DX)~

To ensure the promotion of DX, the Group is pursuing various initiatives that go beyond just sophisticating its services and operations. Efforts to secure and develop human resources are paramount to promote DX. We are not only strengthening our IT and digital specialist personnel, but also working to improve the IT literacy of all our employees, including members of management.
We will continue to enhance our IT infrastructure, invest in realizing our digital strategy, and strengthen the organization and human resources that will make this possible.



Director
(In charge of ICT Management Department) Toshihiko Onuki



Promotion Status of Digital Transformation

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

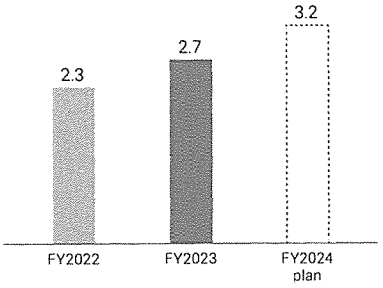
The Company will formulate a group-wide digital strategy, as well as monitor and control subsidiaries that implement the various policies. In addition, our subsidiaries, the Bank of Yokohama and Higashi-Nippon Bank, are working to improve customer convenience and enhance communication through digital,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

As a result of these efforts, the Group's DX Promotion Index has steadily improved to 2.7.*

* We perform self-diagnosis at our Company using the "DX Promotion Metrics Self-Diagnosis Format" distributed by the Information-technology Promotion Agency, Japan (IPA).

Digital Transformation Certification

DX self-diagnosis average value



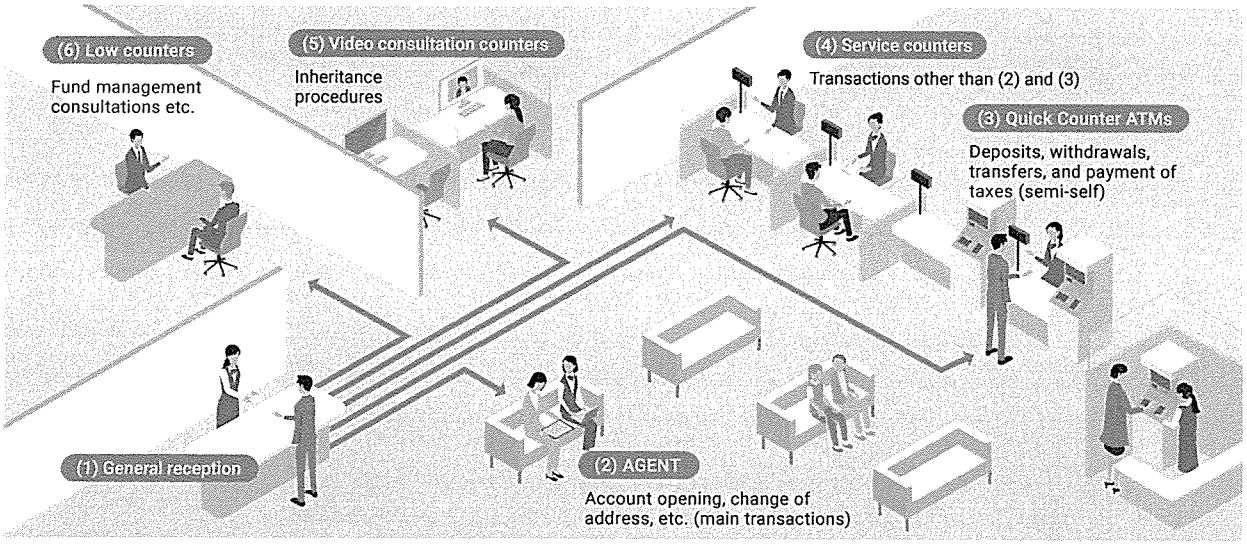
Digital transformation of branch operations

Transition to next-generation branches

As of March 31, 2024, the Bank of Yokohama has installed "Semi-self-service Counters" at 77 branches, where customers can use "Quick Counter ATMs" to make deposits or withdrawals using their cash cards with the support of Yokohama Bank staff. In order to further improve the efficiency of operations at branches and to increase convenience for customers, we will continue to move forward with the introduction of this teller window, as well as the transition to next-generation branches, including the establishment of TV teller windows and the upgrading of the "AGENT" next-generation sales branch tablet terminal.

With "AGENT" we have completed development for major transactions (account opening, change of address, inheritance acceptance, etc.) and are now undertaking in-house development, focusing on functional improvements and operations with high transaction volume. In October 2023, we implemented the new issuance function of IC cash cards for ordinary deposit accounts.

In addition, inheritance procedures via video consultation, which began at five branches in February 2023, was expanded by a further five branches in October 2023, bringing the total to 10 branches. We are gradually expanding the operations and working to provide detailed services through the specialist departments at head office.



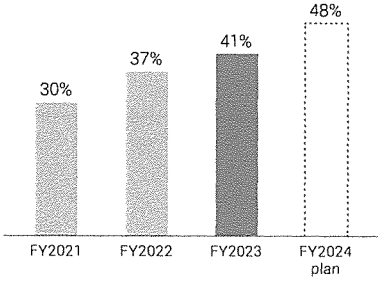
Introduction of Branch Visit Reservation Service

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

Expansion of non-face-to-face transactions

The Bank of Yokohama has been expanding non-face-to-face transactions focusing on change of address, payment of taxes and various fees, transfers, and account openings. Starting from March 2024, procedures for notification of inheritance have become available through the website. The percentage of non-face-to-face transactions has increased to 41% as of March 31, 2024. We will continue to expand non-face-to-face transactions to enhance customer convenience.

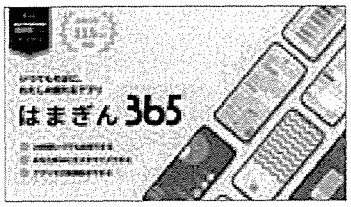
Percentage of transactions through non-face-to-face channels (Bank of Yokohama)



Initiatives to Support Enhancement of Corporate Value
～Digital Transformation (DX)～

Digital transformation of non-face-to-face services

○ Providing the smartphone app "Hamagin 365"



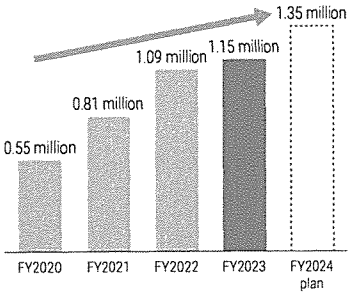
As contact with customers is shifting from face-to-face to non-face-to-face, the smartphone app "Hamagin 365" for personal customers has grown to become the most important channel, and as of March 31, 2024, it is used by 1.15 million Bank of Yokohama customers.

In October 2023, we added a color customization function to respond to customers' preferences, and in November 2023 began bundling all the functions into a single app. As part of this, we added new functions, namely application to open new ordinary deposit account and simultaneous application for Yokohama Bank Card.

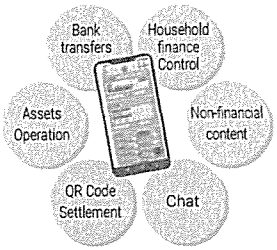
In April 2024, we received the award in the finance division of the 'Top Publisher Awards 2024' from data.ai. The Top Publisher Awards 2024 were conferred on companies that data.ai recognized as achieving substantial growth in the app market. We received the award because the number of downloads and users had soared in the year since 'Hamagin 365' was launched.

With Hamagin 365, we will expand non-face-to-face transactions by making all functions available in a single app. At the same time, we will pursue one-to-one communication with customers and add functions that meet the variable customers' needs, and thereby create new experiences for customers.

Smartphone app Number of users

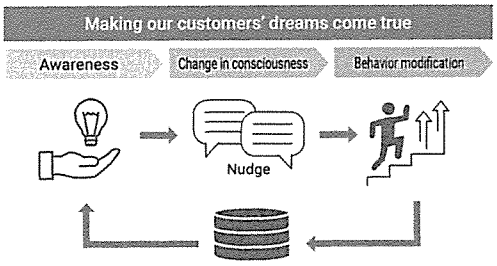


Putting all functions in one app



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

Continuous one-to-one communication based on big data



Internal bank financial data + External financial/non-financial data

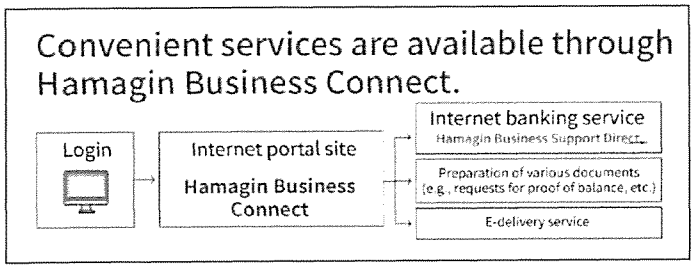
○ Providing "Business Connect" non-face-to-face functionality to corporate customers

Since January 2020, the Bank of Yokohama has been offering Hamagin Business Connect, a membership portal site for corporate customers, as a non-face-to-face service aimed at improving customer convenience, and as of the end of March 31, 2024, we have 47,000 corporate customers using the site.

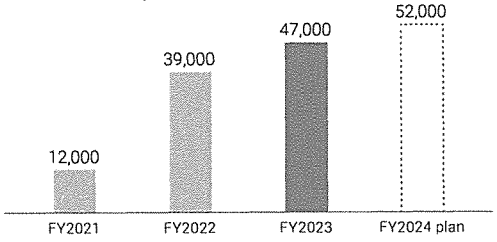
From November 2022, with the aim of enhancing digital communication with customers, we integrated the login screen for Hamagin Business Support Direct, our Internet banking service, into Hamagin Business Connect and offer a new Free Monthly Plan. The Free Monthly Plan allows one user to use the fund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

In addition, in December 2023, we launched the "Zaimon" service for receiving e-Tax declaration data, with the aim of reducing the administrative burden of submitting financial statements in paper format. With Zaimon, customers who need to submit documents to the Bank of Yokohama when, for example, seeking a loan, can send tax declaration data and electronic certificates of tax payment in electronic format using the government's e-Tax service to the Bank.

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



Number of companies using Business Connect (BOY)



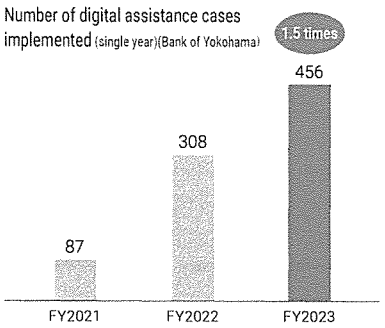
Digital Transformation with Customers and Local Communities

Digitalization support

The Bank of Yokohama is supporting the improvement of customer operation efficiency and productivity through digital means, and strengthening its support for digitalization, including compliance with legal systems.

We understand our customers' digitalization issues and propose and provide optimal solutions in collaboration with about 60 digital companies, including information sharing with head office, in group function collaboration, information processing services, and cloud-based labor and human resource systems.

In addition to providing business matching services as well as consultation services via the Hamagin Research Institute, which leverages the group functions to tackle multi-faceted challenges related to DX, the Bank itself offers a "deployment support service" for customers deploying cloud-based systems as part of its focus on helping them resolve management issues.



Digital transformation of internal banking operations

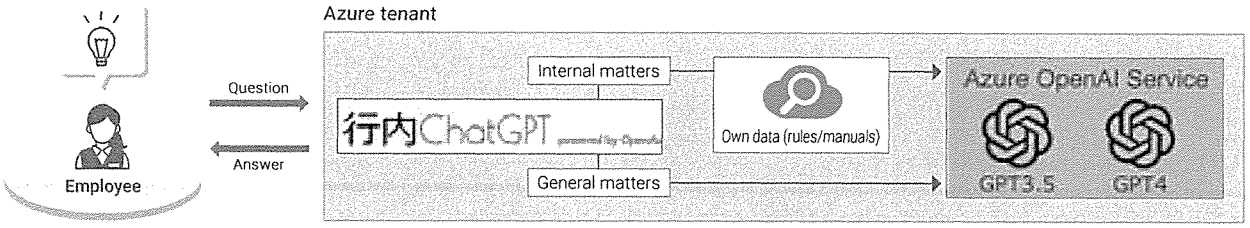
Use of generative AI "Internal ChatGPT" in operations

In November 2023, the Bank of Yokohama and the Higashi-Nippon Bank launched Internal ChatGPT, a GenAI-driven information analytics platform for the exclusive use of employees.

Internal ChatGPT augments the usual ChatGPT functionality by allowing internal information such as the various rules and manuals of the two banks to be referenced. It makes tasks performed by employees, such as document preparation, more efficient*, allowing them to concentrate on more demanding or new tasks.

Looking ahead, we will be enhancing the convenience and expanding the functions of Internal ChatGPT by, for example, adding internet search and file uploads, and will be striving to improve operational efficiency and productivity by integrating GenAI technology into existing operations (systems).

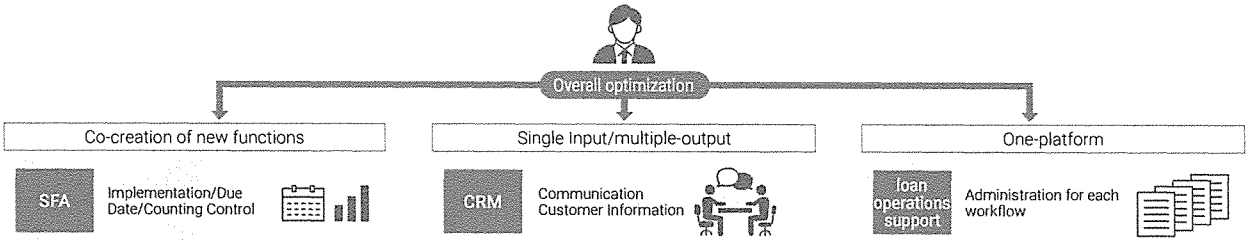
* It is said that tasks such as general document preparation take 37% less time when ChatGPT is used.



Introduction of the Sales Loan Support System

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

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



Initiatives to Support Enhancement of Corporate Value
~Digital Transformation (DX)~

Upgrading IT infrastructure

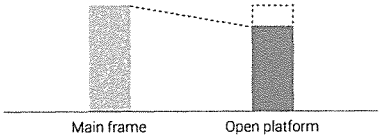
○ Modernization of accounting systems (shift to open systems and cloud computing)

The Bank of Yokohama and the Higashi-Nippon Bank switched from their current mainframe-based accounting systems to an open platform in January 2024. This initiative is the first in the industry for a jointly used accounting system. The total annual cost reduction for the two banks is expected to be ¥600 million and this will also reduce CO_2 emissions.

Furthermore, we have begun exploring the possibility of using, from around FY2030, the "integrated banking cloud", which is being constructed by NTT DATA and will be Japan's first open and shared cloud banking system, as the foundation of our next core banking system. This initiative is part of the remit of the Regional Bank Joint Center/MEJAR System-Working Group (CMS-WG), which was established in November 2021.

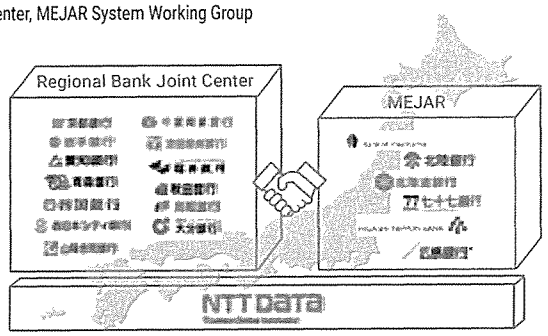
Reduction of system-related expense

Annual savings of ¥600 million



CO_2 emission reduction
Reduce electricity consumption by approximately 20%
(compared to current system)

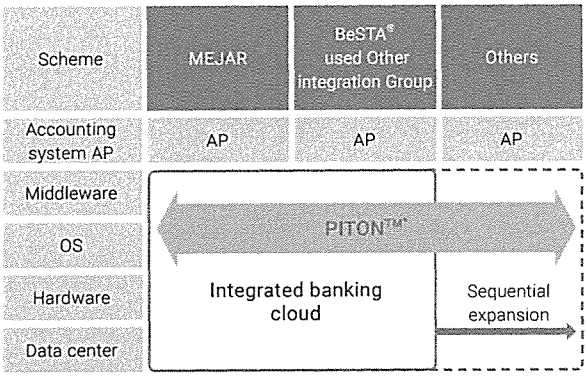
19 banks (with over ¥100 trillion in funds) participating in the Regional Bank Joint Center, MEJAR System Working Group



* The Hiroshima Bank plans to begin using MEJAR in FY2030.

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

(Begin considering) Joint/common infrastructure using cloud computing

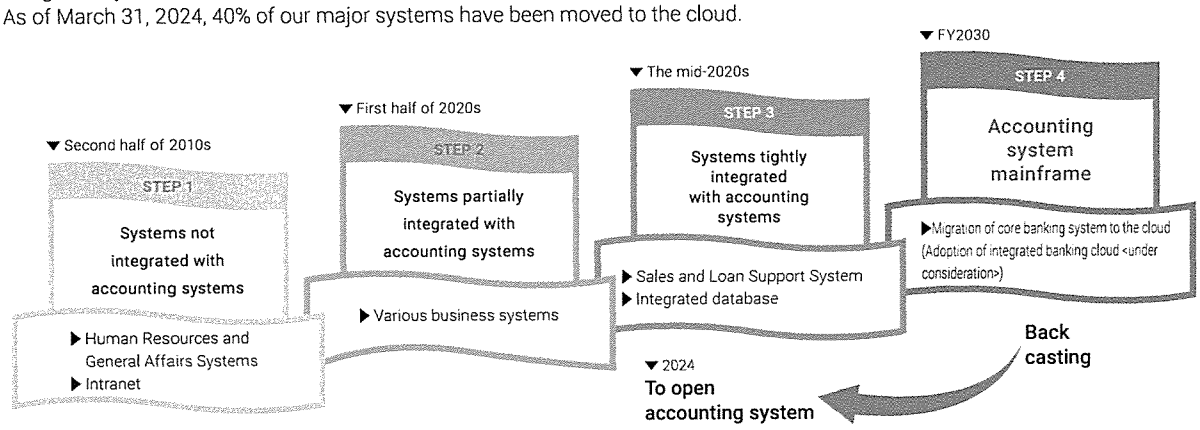


* Middleware that can safely open systems that require high reliability To be provided by NTT DATA Corporation

○ Cloud computing for the entire system

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

As of March 31, 2024, 40% of our major systems have been moved to the cloud.



Structure for Realization of Digital Strategy

Strategic investment control and organization design

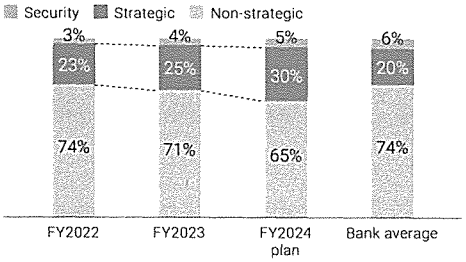
To achieve our digital strategy and to deal with increasingly sophisticated cybersecurity risks, we will allocate management resources to strategic investments (*1) and security investments (*2) in a focused manner. As of March 31, 2024, we had allocated 25% to strategic investments and 4% to security investments, and will continue to focus on these allocations.

In addition to investing heavily in strategic projects for transformation and growth, we will also invest in non-strategic projects to maintain minimum required levels of functionality. To strike a good balance between the two, we will practice investment control through such forums as meetings of the System Strategy Liaison Committee, which are hosted by us. We will also be actively pursuing cost-sharing through the expansion of alliances.

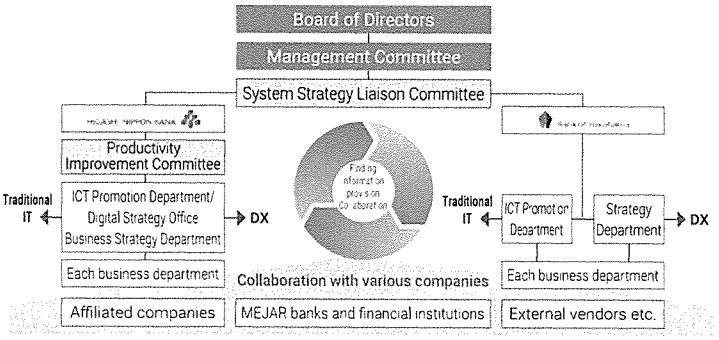
The Higashi-Nippon Bank has newly established a Digital Strategy Office in its Business Strategy Department to strengthen planning and promotion of non-face-to-face transactions utilizing digital technology.

*1 Investments related to IT and digital are classified into three areas: transformation, growth, and operations. Investments classified as transformation or growth are defined as strategic investments.
*2 Defined as investments in measures related to cybersecurity.

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



Source: From a survey by a foreign research firm

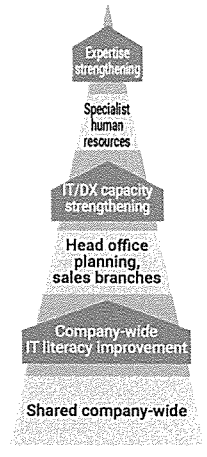


Human Resources

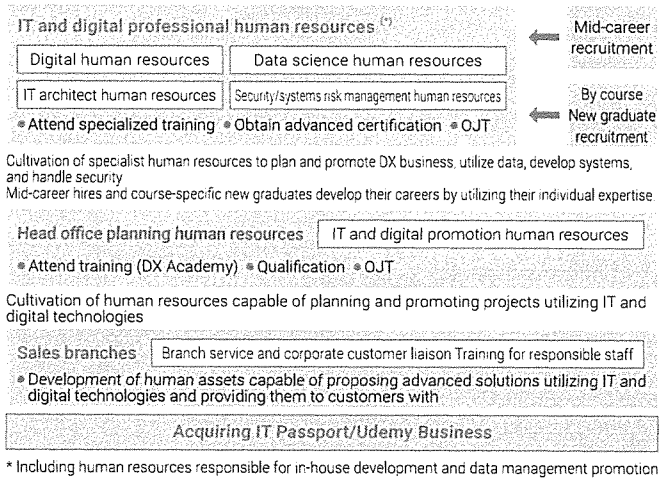
In order to improve IT literacy at the Bank of Yokohama and to strengthen specialist human resources, we define human resource images and expected roles for each training system and promote planned recruitment and training. In October 2022, we launched DX Academy, a digital talent development program to foster IT and digital promotion personnel, and as of March 31, 2024, 78 people had completed the program. Furthermore, to improve the DX skills of all bank employees, in August 2023 we began offering "Udemy Business", which allows individuals to study content that matches their level in a timely fashion. In this way, we are encouraging personnel to acquire DX skills that they can put to use directly in their work. As a result of this initiative, our IT and digital specialist personnel numbered 129 people as of March 31, 2024.

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

Systematically recruit and develop human resources to execute digital strategies.



IT and Digital Human Resource Development System



* Including human resources responsible for in-house development and data management promotion

IT and digital personnel

	Number of human resources specializing in IT and digital (Bank of Yokohama)	IT and digital promotion human resources (Bank of Yokohama)	Number of IT Passport holders - both banks
End FY2022	103	24	2,039
End FY2023	129	78	2,166
End FY2024 plan	136	100	2,380

Initiatives to Control Cost of Equity

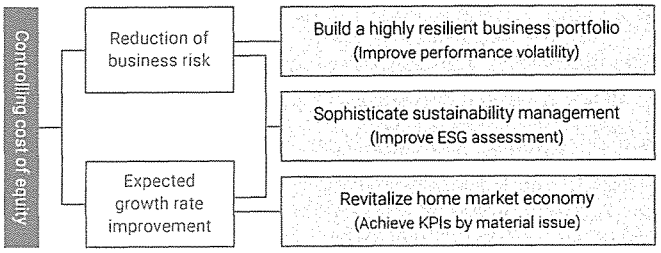
We recognize that "reduce business risks" and "improve the expected growth rate" are necessary to control cost of equity. As specific measures to achieve this, the following three points can be mentioned.

The first is improving earnings volatility. To lower the beta value making up the cost of equity, we are working to improve earnings volatility through improvement of our securities portfolio and other efforts (➡ See "Building a highly resilient business portfolio").

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

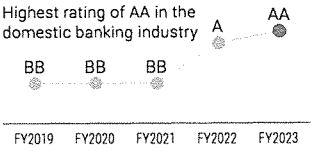
The third is to revitalize home market economy through the realization of key KPIs for each materiality. As a regional financial institution, we recognize the importance of improving our own expected growth rate by revitalizing the local economy, and we will work with the community to achieve sustainable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

Initiatives to control cost of equity

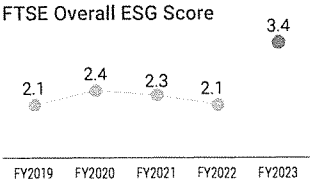


Improve ESG assessment

MSCI ESG Ratings



FTSE Overall ESG Score



Achieve KPIs by material issue

- We are steadily progressing on our long-term sustainability KPI items in order to improve our expected growth rate through the revitalization of the regional economy.

	GHG Emissions (Scope1,2)	Execution amount of sustainable finance (Cumulative since FY2019)		Number of financial education program participants (Cumulative since FY2019)
KPI FY2030	Carbon Neutral	Sustainable finance ¥4.0 tn	o/w environment finance ¥2.0 tn	Number of financial education program participants 500K
Progress	85.4% Reduction (compared to FY2013)	¥2.6 tn (progress rate of 65%)	¥0.8 tn (progress rate of 40%)	170K (progress rate of 34%)

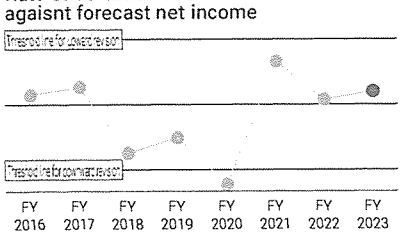
Building a highly resilient business portfolio

The market division income/total net gains or losses deteriorated significantly, causing the gap between financial outlook and actual net profit to widen notably from FY2018 to FY2020. To curb revenue volatility in the market division, we recognized an urgent need to improve our securities portfolio. By cutting losses on unprofitable foreign bonds, we eliminated the negative spread and significantly improved valuation gains and losses. Additionally, we have controlled credit costs through precautionary provisions, aiming to reduce future performance downturn risks.

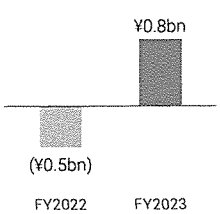
Improving earnings volatility

- Limiting the fluctuation in net profit relative to financial forecasts to reduce the beta value, which forms part of the cost of capital.
- Reducing future downside risks through elimination of negative spread by cutting losses on foreign bonds as well as through precautionary recording of credit costs

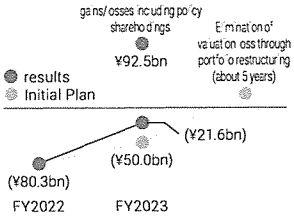
Rate of deviation of actual net income agaisnt forecast net income



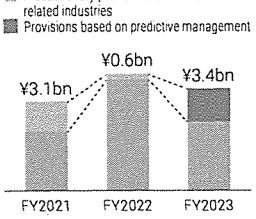
Foreign bond income earnings



Transition of valuation gains/losses



Credit costs



Initiatives to Control Cost of Equity
～Sophistication of Sustainability Management～

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

Group Sustainability Policy

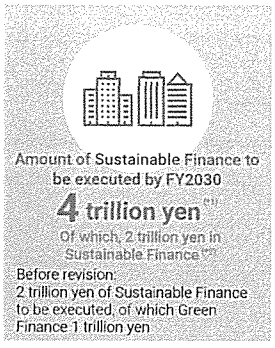
Based on our management philosophy, we will achieve sustainable growth of our corporate value, solve social issues through our core business, and contribute to the sustainable development of society by engaging in activities that contribute to the community as one of its members.

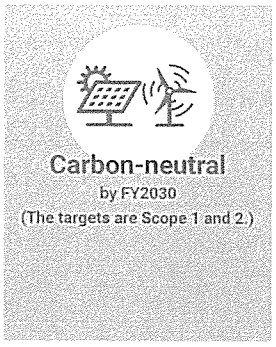
Under this policy, the Group will confer with stakeholders on its initiatives and actively disclose information.

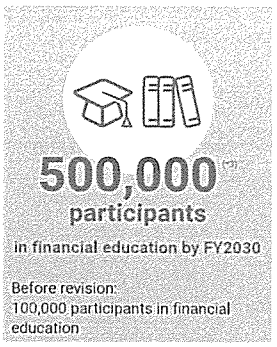
Long-term sustainability KPIs

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

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







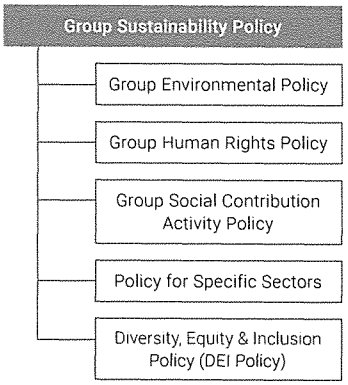
*1 The cumulative amount of the Group's investments and loans executed from FY2019 to FY2030 and used in environmental and social fields and supporting or promoting SDGs initiatives. (Environmental Field Finance is investments and loans whose purposes are in environmental areas.)
*2 We changed the name from Green Finance and raised the target amount.
*3 The total number of participants in various financial seminars, work experience programs, and on-site classes conducted by the Group, and visitors (users) to the Hamagin Okane no Kyoshitsu (Money Classroom) and Higashi-Nippon Bank Okane no Kyoshitsu (Money Classroom) websites from FY2019 to FY2030.

Sustainability Governance Structure

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

In order to advance concrete initiatives based on these sustainability-related policies, our Group examines and discusses various issues concerning the sustainability of local communities from the perspectives of stakeholder importance and our Group's priority. Following deliberation by the Board of Directors, these issues are identified as Materiality (priority issues to be solved).

For information on materiality, please refer to page 31.



(Group Environmental Policy: https://www.concordia-fg.jp/en/csr/ecofriendly/environment/index.html)
(Group Social Contribution Activity Policy: https://www.concordia-fg.jp/en/csr/sustainability/social-contributions/index.html)

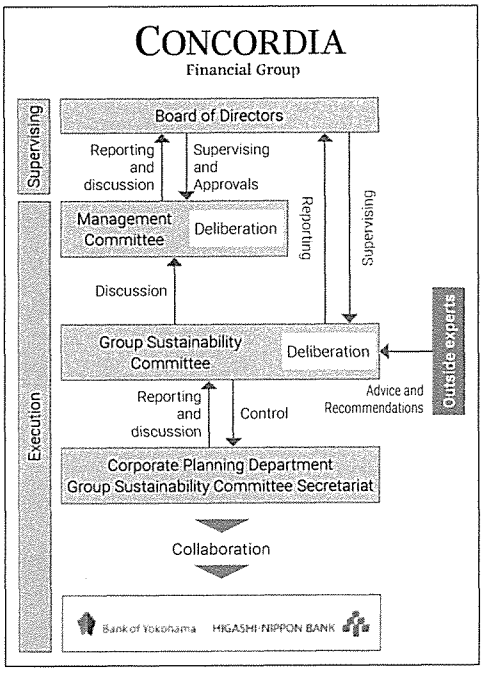
▶ P.104 Group Human Rights Policy ▶ P.102 Policy for Specific Sectors ▶ P.79 Diversity, Equity & Inclusion Policy (DEI Policy)

Initiatives to Control Cost of Equity
～Sophistication of Sustainability Management～

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

The activities of the Group Sustainability Committee are reported to the Board of Directors approximately once every three months, and the Board of Directors supervises the status of sustainability-related initiatives. In addition, since FY2022, we have invited external experts in the field of sustainability to serve as outside members of the Group Sustainability Committee so that we can receive their advice and recommendations on matters to be deliberated and reflect their outside expertise in our sustainability efforts.

	Committee	Composition	Major sustainability related items for reporting and deliberation
Supervising	Board of Directors	Chairman: President and Representative Director Directors (including outside directors)	• Status of response to TCFD/TNFD recommendations • Engagement Strategies for a Net Zero Investment and Loan Portfolio • Revision of the Environmentally and Socially Conscious Investment and Loan Policy (Sector Policy) • Evaluation by ESG Rating Agencies • Issues and Policies for Human Capital Disclosures • Human rights initiatives • Follow-up on progress on and review of long-term sustainability KPIs • Reflection of previous fiscal year's sustainability initiatives and establishment of policy for next fiscal year
Execution	Management Committee	Chairman: President and Representative Director Directors (and Executive Officers), Executive Officers	• Revision of the Environmentally and Socially Conscious Investment and Loan Policy (Sector Policy) • Establishment and Revision of the Group Environmental Policy, Group Human Rights Policy, Group Anti-Corruption Policy, DEI Policy, and Group Social Contribution Activities Policy
Execution	Group Sustainability Committee	Committee Chairman: President and Representative Director Bank president, directors (and Executive Officers), Audit & Supervisory Board members, executive officers, outside experts, etc. (Observers: Outside directors and presidents of affiliated companies)	• Status of response to TCFD/TNFD recommendations • Engagement Strategies for a Net Zero Investment and Loan Portfolio • Status of response to environmental and societal risks and opportunities in our investment and financing activities • Revision of the Environmentally and Socially Conscious Investment and Loan Policy (Sector Policy) • Evaluation by ESG Rating Agencies • Issues and Policies for Human Capital Disclosures • Human rights initiatives • Follow-up on progress on and review of long-term sustainability KPIs • Reflection of previous fiscal year's sustainability initiatives and establishment of policy for next fiscal year



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

Initiatives for Raising Sustainability Literacy

We invited outside experts and others to the study sessions for our directors, Audit & Supervisory Board Members, executive officers, and other management-level personnel, and had meaningful exchanges of opinions with them. In FY2023, we held study sessions focused on non-financial information disclosure and response to TNFD recommendations.

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

Executive compensation system reflecting ESG factors

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

▶ P.117 Outline of executive compensation system

Initiatives to Control Cost of Equity

~Sophistication of Sustainability Management~ Initiatives for TCFD/TNFD recommendations

The Group recognizes that the preservation and protection of the global environment is an important issue whose solution must be given a priority. Since endorsing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)[*1] in December 2019, we have disclosed information in accordance with its disclosure framework. In addition, in February 2024, we joined the TNFD (Taskforce on Nature-related Financial Disclosures)[*2] forum and are studying how to adopt disclosure practices that align with the framework.

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

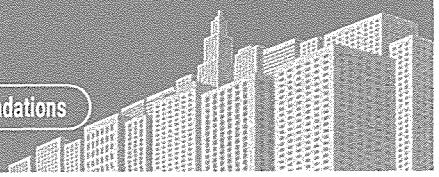
*2 Task Force on Nature-related Financial Disclosures: A private-sector-led initiative launched in June 2021 to encourage companies to disclose nature-related information

	Climate	Nature
Governance	• The Group Sustainability Committee, chaired by the president, discusses key matters related to sustainability, including climate change and nature-related issues, as well as develops action plans based on policy and manages progress. P.93 • Respect for the human rights of indigenous peoples, local communities, and affected stakeholders is provided for in the Group Human Rights Policy and Sector Policy. P.104	
Strategy	• Scenario analysis is conducted for transition and physical risks associated with climate change. P.96 • We recognize the importance of providing the right solutions aligned to the phase of our customers' efforts toward decarbonization through our engagement with them. P.100	• As an initial step, we have begun identifying nature-related risks and analyzing how our investment and loan portfolio depends on and impacts natural capital, and are looking at improving these efforts. P.95 P.97 • We are working to create a flow of funds that positively influences ecosystems, biodiversity, and natural capital through the support for our customers' business activities. P.101
Risk management (Risk and impact management)	• We identified the occurrence of major natural disasters and inadequate response to climate change and environmental issues as "top risks" with the potential to significantly affect our management. We categorized these as climate change-related and nature-related risks. P.102 • We have established a Sector Policy regarding investments and loans likely to exacerbate the negative impact on the environment and society so that decisions about them are carefully made so as to reduce or avoid environmental and social impacts. P.102	
Metrics and targets	• We set the following metrics and targets as part of our long-term sustainability KPIs to be achieved by FY2030. 1. Execution amount of sustainable finance (cumulative): ¥4 trillion (of which, environment finance: ¥2 trillion) 2. Realization of carbon neutrality (Scope 1 and Scope 2) P.103 • To lessen our environmental impact, we set targets for the recycling rates of paper, discarded plastic, and waste materials, the green purchase ratio of paper, and the reduction rate of energy use. P.103	

The same icons found in the table are placed at the start of main topics or sections (Climate: aligns with TCFD recommendations; Nature: aligns with TNFD recommendations). We view our efforts on climate change and nature-related issues as inseparable, with many shared elements. We provide this reference information to show stakeholders in an easy-to-understand manner how we are meeting TCFD and TNFD recommendations in our disclosure.

Initiatives to Control Cost of Equity

~Sophistication of Sustainability Management~ Initiatives for TCFD/TNFD recommendations



Strategy

The Earth's environment, on which human life and business activity depend, is being altered by climate change. Natural disasters and extreme weather are becoming more severe, threatening the sustainable development of communities and businesses. Against this backdrop, efforts towards transitioning to a decarbonized society are advancing rapidly.

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

In addition, we aim to properly manage risks around natural capital while offering financial products and services related to natural capital to seize business opportunities.

1. Risk

○ Risks related to climate change

Climate Nature

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

	Envisioned cases [transition risks]	Time axis	Envisioned cases [physical risks]	Time axis
Credit risk	• Risk of financial deterioration of customers due to stricter greenhouse gas emission regulations or the introduction of a carbon tax • Risk of customers' businesses becoming stranded assets due to technological advances associated with the transition to a decarbonized society • Risk of deterioration in the financial condition and brand value of our business partners due to their inadequate responses to various climate change issues. • Risk of an increase in credit-related expenses due to the above	Medium to long term	• Risks from acute natural disasters such as flooding exacerbated by extreme weather events, and changes in rainfall and weather patterns • Risk of building damage or business interruption due to chronic climate change • Risk of impairment of collateral, decrease in sales, or other financial deterioration due to damage to the client's buildings or facilities from flooding caused by the above risks, resulting in an increase in credit-related expenses	Short to long term
Market risk	• Risk that the value of related securities, financial derivatives, etc. may fluctuate due to a decrease in earnings or existing assets etc. of customers affected by the transition to a decarbonized society	Short to long term	• Risk of price fluctuations of securities, financial derivatives, etc. due to market disruptions caused by abnormal weather conditions etc.	Short to long term
Liquidity risk	• Risk of decline in the ability to raise funds due to deterioration in creditworthiness and deterioration in cash flow as a result of an outflow of deposits because of an inadequate response to climate change	Short to long term	• Risks due to an increase in the outflow of funds due to greater demand for funds from customers affected by natural disasters and their need to undertake restoration, reconstruction, etc.	Short to long term
Operational risk	• Risk of incurring damage due to the sale of inappropriate products and services, including those of our partners and contractors	Short to long term	• Risk of losses due to business interruption caused by damage to the Company's head office and branches from natural disasters.	Short to long term
Reputational risk	• Risk of deterioration in the Company's reputation due to inadequate response to climate change or due to our response being perceived as inappropriate or inadequate by stakeholders.			Short to long term

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

○ Nature-related risks

Climate Nature

In order to understand the relationship between our business and natural capital, our group first organized the nature-related risks of our customers from the perspectives of dependency and impact. The risks we have identified are preliminary, based on our current analysis. We aim to deepen our understanding of the links between our customers and natural capital and how they depend on and affect each other. This will help us more accurately identify potential risk events and enhance our risk awareness.

	Transition risks	Physical risks
Dependence on natural capital	• Costs incurred from introducing new equipment and technologies to reduce risks associated with high dependence on natural capital, such as through the development of alternative products (reduction of dependence) • Impact of closing or transferring high-dependency areas within the overall business (reduction of dependence) • Decline in performance due to stakeholders' opinion of insufficient measures on natural capital	• Risk of impairment of owned assets and decline in their valuation due to changes in natural capital (dependence on natural capital) • Decrease or depletion of resources provided by natural capital forces a shift to alternatives (dependence on natural capital) • Damage from natural disasters worsens as the decline in natural capital disrupts coordination services.
Impact on natural capital	• Increased research and development costs due to development of more eco-friendly products (reduction of impact) • Increased costs from natural capital conservation, decline in performance due to harvest restrictions (reduction of impact) • Increased cost burden due to changes in legal regulations and policies in various countries • Decrease in demand for existing products due to changes in consumer awareness such as a shift towards more eco-friendly products	• Higher procurement costs due to price increases led by a decrease or depletion of resources provided by natural capital • Decline or extinction of ecosystems and flora and fauna due to land transformation, etc., worsening the performance of businesses relying on that capital

Implementation of Scenario Analysis on climate change

Climate

Scenario analysis was conducted for transition and physical risks under certain scenarios based on TCFD recommendations. The results of the analysis conducted in FY2024 are as follows.

Last fiscal year's analysis of transition risks included the following sectors: electrical power, automotive, automotive-related,*1 oil and gas, and steel. This fiscal year, we added the transportation sector,*2 which is closely related to those sectors. In our scenario analysis, we examined risk events such as the introduction of carbon taxes due to climate change, rising energy costs due to shifts in the energy mix,*3 and higher costs from GHG emission regulations. We also took into account the effects that related sectors have on each other as we did last year, and considered the implications of a decarbonized society for changes in steel market conditions, impacts on automobile manufacturers, and changes in supply chain transport distances. We based this analysis on variations in electricity prices and supply and demand stemming from shifts in the energy environment. We will continue to increase the sophistication of our analytical methods and to refine them.

Considering the impact of recent river flooding and other disasters in our operating areas, we included flood disasters in the physical risk analysis. In addition to domestic companies and sole proprietors, which we covered in our analysis last year, we expanded the scope to include project finance, which is vulnerable to natural disasters, and housing loans. We also refined the location data for each site to enhance our analysis.

*1 Automobile-related: auto parts, gas stations, etc *2 Transportation sector: Marine transportation, rail transportation, trucking services, etc.
*3 Energy mix: Optimizing the composition of power sources (thermal, hydro, nuclear, renewable energy, etc.) with an emphasis on economy, environment, supply stability, and safety in power generation

	Transition risks	Physical risks
Risk event	• Increased energy costs due to introduction of carbon tax • Changes in demand and additional capital expenditures and R&D costs due to the transition to a decarbonized society	Due to flooding • Financial deterioration due to business interruption or direct damage to business locations • Damage to collateral
Scenarios	• Of the NGFS (Network for Greening the Financial System) scenarios, Net Zero 2050, below 2°C scenario, and Current Policies scenario	• RCP (representative concentration pathway) scenarios by the Intergovernmental Panel on Climate Change (IPCC) (RCP2.6: 2°C scenario, RCP8.5: 4°C scenario)
Analytical method	• The increase in credit cost is calculated by analyzing the impact by combining a technique that uses estimates of the financial position of each individual company through 2050 based on the transition scenarios and a technique that expands the scope to the sector level, then using the results of this analysis to determine the change in borrower category.	• The increase in credit cost is calculated by calculating the impact of flooding on customers' finances and on their collateral based on hazard map data, then taking into account the probability of flooding through 2100 as estimated based on the scenarios.
Target of analysis	Domestic business corporations with loans (not including financial institutions) Of which, • Power sector (excluding renewable energy) • Oil and gas sector • Automobile and automobile-related sectors • Iron and steel sector • Transportation sector	• Domestic business corporations (not including financial institutions) and personal business owners with loans • Housing loans • Project finance
Analysis period	Through 2050	Through 2100
Analysis Results	Credit cost: ¥29.5 billion to ¥78.8 billion*4 Net Zero 2050: ¥188.2 billion Below 2°C: ¥138.9 billion	Credit cost: ¥31.3 billion to ¥59.3 billion

*4 Difference from Current Policies scenario

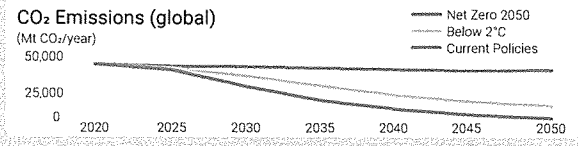
Results of the scenario analysis on climate change

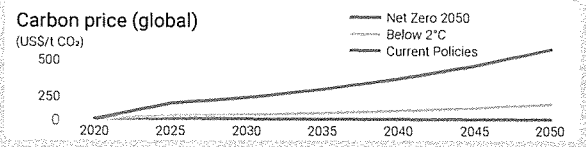
Climate

For transition risks, credit costs increased ¥78.8 billion for the Net Zero 2050 scenario and ¥29.5 billion for the Below 2°C scenario compared to the Current Policies scenario, which assumes the continuation of current policies. Credit costs for physical risks are ¥31.3 billion to ¥59.3 billion. We expanded the scope of our analysis for both transition risks and physical risks, which led to an increase in credit costs compared to past results. However, the impact on the Group's financials is limited.

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

(Reference) Assumptions for scenario analysis (Net Zero 2050, Below 2°C, Current Policies)





Source: NGFS 1. Net Zero 2050 (1.5°C) ..... A scenario in which strict climate change policies and technological innovation lead to net zero emissions globally by 2050
2. Below 2°C ..... Scenario in which climate change policies gradually become stricter to limit global warming to less than 2°C
3. Current Policies (3°C and higher) ... Scenario in which only current climate change policies are implemented

Initiatives to Control Cost of Equity

~Sophistication of Sustainability Management~ Initiatives for TCFD/TNFD recommendations

Carbon-related assets

Climate Nature

One of the Group's efforts to ascertain climate change risk is to calculate the loans and bills discounted balance (*1) of carbonrelated assets for FY2023 based on TCFD recommendations, and the results are shown in the table on the right. Since FY2021, separate from carbon-related assets, the Concordia Financial Group has identified eight industries as carbon-related sectors (*2), industries recognized for significant climate change impacts, and monitors them. The share of the credit balance of the relevant sectors at the end of FY2023 in the total loans and bills discounted for all sectors remained at the same level as the previous year, at 2.5%. We will continue to manage risks by monitoring the impact of climate change through our engagement in carbon-related sectors and by increasing the sophistication of our analysis.

*1 Based on the revised 2021 TCFD proposal, the loans and bills discounted balance includes loans and bills discounted, acceptances, guarantees, etc.
*2 Eight industries: iron and steel; electricity, gas, heat supply, and water; fiber, petroleum & coal; ceramics and earthenware; pulp and paper; mining, quarrying and gravel extraction; and nonferrous metals Carbonrelated sectors are classified using Bank of Japan industry sectors and may differ from NZBA sectors.
*3 Real estate management and development includes personal apartment loans etc.

¥100 million

TCFD sector	2023/03		2024/03	
	Loans and bills discounted balance	Percent (%)	Loans and bills discounted balance	Percent (%)
Energy and utilities	904	0.6	917	0.6
Electric power	501	0.3	519	0.3
Coal	0	0.0	0	0.0
Oil and Gas	402	0.3	397	0.2
Transportation	6,528	4.1	6,917	4.2
Air passengers	6	0.0	6	0.0
Air cargo	100	0.1	70	0.0
Maritime	820	0.5	895	0.5
Railroads	775	0.5	933	0.6
Trucking service	1,628	1.0	1,715	1.0
Automotive/parts	3,198	2.0	3,299	2.0
Materials & buildings	54,075	34.3	57,901	34.9
Metals and mining	1,547	1.0	1,758	1.1
Chemicals	1,710	1.1	2,094	1.3
Building materials	358	0.2	350	0.2
Capital goods (buildings, etc.)	6,473	4.1	7,247	4.4
Real estate management and development*3	43,988	27.9	46,452	28.0
Agriculture, food, and forest products	1,874	1.2	1,863	1.1
Beverages	364	0.2	404	0.2
Agriculture	185	0.1	176	0.1
Packaged foods and meat	921	0.6	878	0.5
Paper and forest products	404	0.3	406	0.2
Total for above sectors	63,380	40.2	67,597	40.7
Total for all sectors	157,503	100.0	166,026	100.0

Analysis of dependencies and impacts on natural capital within our investment and loan portfolio

Climate Nature

To better understand the links between our operations and natural capital, we first analyzed our corporate customers. Specifically, we used ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure),* a natural-related risk analysis tool recommended in the TNFD framework, to analyze how each sector depends on and affects natural capital.

The analysis revealed that, across various sectors, there is a high dependence on water-related ecosystem services like surface water and groundwater. Water resources are widely used not only in manufacturing processes but also in a broad range of business activities. The Group's portfolio is heavily weighted toward the real estate business, which relies on surface water including lakes, ponds, and rivers to maintain landscapes and living environments.

We also found that business activities in many sectors affect natural capital through GHG emissions and water pollution. Significant impacts on natural capital are recognized in the following areas: the energy and utilities sector causes soil pollution through mining and large-scale infrastructure development; the metals and mining sector impacts water usage during manufacturing; and construction and real estate businesses affect land ecosystems through factory building and housing developments.

Going forward, we will enhance our analysis by including the findings from ENCORE and identifying key sectors and natural capital that require priority action.

* ENCORE: A tool to measure how a business affects and depends on nature

2. Opportunities

The Japanese government has set a goal of achieving carbon neutrality by 2050, and is encouraging companies and industries to reduce their carbon footprints. Achieving such a goal may give rise to a need for support in various areas such as significantly reducing GHG emissions, making capital investments in renewable energy, restructuring businesses to boost competitiveness at home and abroad, and creating new ventures. We also see opportunities to offer financial services that help our customers ensure their businesses are nature positive.

Therefore, we believe that by proactively helping customers address climate change and nature capital-related concerns through engagement with them as part of our efforts to support their core businesses, their business foundation will be strengthened, leading to growth opportunities and business stability for our Group itself.

We recognize that by offering the Group's various financial services in our role as a financial institution, we can help tackle environmental issues and support the sustainable growth of local communities. The main initiatives based on this recognition are as follows.

◎ Initiatives to achieve net zero GHG emissions in the investment and loan portfolio

Climate

Calculating GHG emissions for our investment and loan portfolio

In FY2022, we joined the Partnership for Carbon Accounting Financials (PCAF), an international initiative that facilitates the measurement and disclosure of GHG emissions in investment and loan portfolios. Based on the standards developed by PCAF ("PCAF calculation standards"), we calculated the GHG emissions (financed emissions) for our investment and loan portfolio, focusing on corporate loans and project finance.

	Energy			Transportation						Materials and buildings					Agriculture, food, and forest products				Others
	Electric power	Coal	Oil and Gas	Air cargo Transport	Air passengers Transport	Maritime	Rail transport	Trucking service	Automobiles and parts	Metals, mining	Chemicals	Building materials	Capital goods (building materials etc.)	Real estate management and development	Beverages	Agriculture	Packaged foods and meat	Paper and forest products	
Financed Emissions (Mt)																			
Scope1,2	0.72	–	0.30	0.00	0.04	0.39	0.03	1.12	0.22	3.73	0.81	0.05	0.76	0.70	0.04	0.30	0.63	0.26	3.95
Scope3	0.40	–	0.81	0.00	0.02	0.41	0.08	1.00	2.71	1.89	1.78	0.22	8.04	3.81	0.18	0.41	0.56	0.46	14.98
Data Quality Score (numerical value indicating the quality of GHG emission data on a 5-point scale; The closer to 1, the higher the quality of the data, and the closer to 5, the more estimates are used.)																			
Scope1,2	3.04	–	2.96	4.00	2.53	3.26	1.97	3.72	3.74	3.08	3.11	3.41	3.49	3.82	3.46	2.93	3.78	3.32	3.77
Scope3	3.82	–	2.96	4.00	2.53	3.38	3.20	3.94	3.78	3.12	3.43	3.60	3.56	3.82	3.54	2.93	3.81	3.61	3.87
Loan balance used for calculation (¥100 million)																			
Scope1,2,3	1,669	–	378	6	100	672	775	1,547	3,093	1,478	1,623	350	6,278	21,777	363	170	803	393	35,278
Number of loans																			
Scope1,2,3	177	0	81	7	8	127	26	875	608	349	365	97	3,090	7,393	23	55	260	139	18,650
Calculation coverage ratio (GHG-measured balance for each sector/balance for each sector) (%)																			
Scope1,2,3	95.5	–	94.8	98.0	99.9	92.7	100.0	95.5	98.2	96.4	95.8	99.7	98.2	96.0	99.9	99.6	93.7	98.5	84.2

(Preconditions etc.)

- The scope includes corporate loans and project finance as of the end of FY2022, classified based on sectors and other items recommended for disclosure by TCFD recommendations. We have excluded customers that lack the necessary data for calculation.
- Calculations are based on PCAF standards and utilize data disclosed by companies, CDP data, etc. If data is not available, estimates are made using emission coefficients and other data taken from the PCAF database. Note that the PCAF database does not include emission coefficients downstream of Scope 3.
- Financed emissions = Attribute coefficient x GHG emissions of the financed project
  (Attribute coefficient: amount of investment/each customer's/project's debt + equity)
- Calculation results may change significantly in the future for any of a number of reasons, including broader disclosure of customers' GHG emissions, changes in PCAF calculation standards, and changes in industry classification.

Initiatives to Control Cost of Equity

~Sophistication of Sustainability Management~ Initiatives for TCFD/TNFD recommendations

◎ Engagement with customers to achieve net zero GHG emissions for our investment and loan portfolio

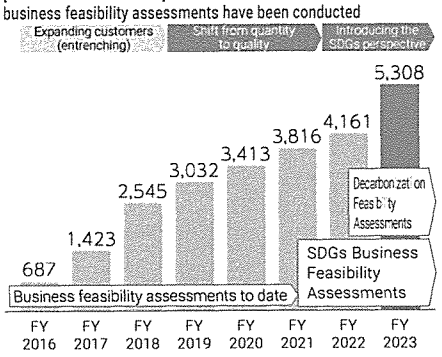
Climate Nature

Based on the results of the GHG emissions calculations for our investment and loan portfolio, we developed an action plan to help our customers reduce their GHG emissions toward net zero emissions Concrete details are as follows.

1. All sectors

Since FY2016, we have engaged with our customers to resolve their business challenges through business feasibility assessments.(*1) This service has taken root and more than 4,000 companies have had business feasibility assessments through FY2022. In April 2022, we introduced SDGs business feasibility assessments (*2), a more advanced business feasibility assessment, and in December 2022, we launched decarbonization business feasibility assessments, which focus on customers' management issues related to decarbonization. With decarbonization business feasibility assessments, we engage with customers using a newly created Decarbonization Check Sheet to organize and share management issues related to decarbonization, including visualizing GHG emissions. Through this type of engagement, we will continue to provide optimal solutions for our customers' business challenges and support their sustainability management, including decarbonization.

[SDGs / Decarbonization] Cumulative total of customers for whom business feasibility assessments have been conducted



*1 This is an initiative to assess a customer's business and growth potential without relying on financial data.

*2 This is an initiative to score items related to SDGs that were newly added to business feasibility assessments and to tie them to strategic planning and policy proposals.

2. Sectors with GHG emission reduction targets set

Electric power Coal Oil and Gas

The power, coal, and oil & gas sectors are designated as carbon-intensive sectors (*2) by the NZBA (*1) and have high carbon intensity in the Group's portfolio. Therefore, we have selected these three sectors as "sectors for GHG emission reduction targets" and are currently considering setting specific targets. We will provide support for visualizing and reducing GHG emissions through detailed engagement with individual companies.

*1 NZBA: Net-Zero Banking Alliance International initiative for banks to achieve net zero GHG emissions in their investment and loan portfolios by 2050

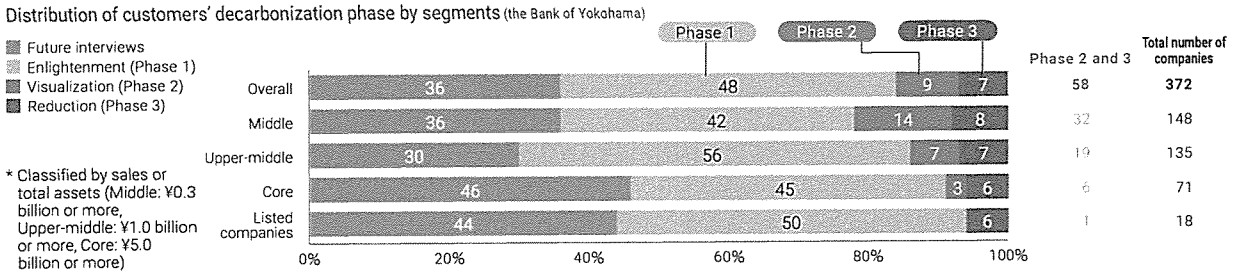
*2 Carbon-intensive sectors: electricity, coal, oil and gas, transportation, aluminum, iron and steel, cement, commercial and residential real estate, agriculture

3. Priority sectors for engagement

Automobiles and parts

The automotive and parts sector has led the way in analyzing scenarios for transition risks and engaging with the industry's outlook. Since the supply chain is extensive and decarbonization efforts are expected to take a long time, we designated it as a priority sector for engagement in the last fiscal year. In FY2023, as for activities in this sector, we engaged with customers to understand their external environment and their efforts on decarbonization management. As a result, about 20% of companies identified visualization and reduction of GHG emissions as challenges. We expect growing requests from the companies in our customers' supply chains to cut carbon. We will therefore continue to provide our customers with the support they need for visualizing GHG emissions and setting reduction targets.

Distribution of customers' decarbonization phase by segments (the Bank of Yokohama)



	Phase 2 and 3	Total number of companies
Overall	58	372
Middle	32	148
Upper-middle	19	135
Core	6	71
Listed companies	1	18

* Classified by sales or total assets (Middle: ¥0.3 billion or more, Upper-middle: ¥1.0 billion or more, Core: ¥5.0 billion or more)

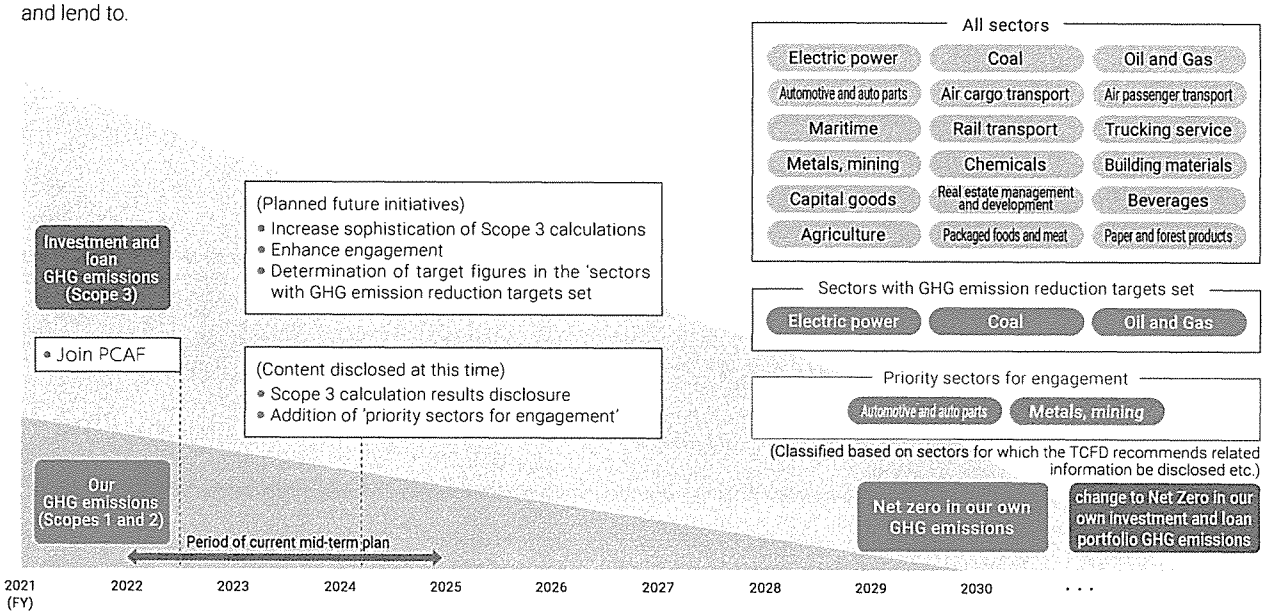
Metals, mining

The metals and mining sector includes steelmaking, metal products, and non-ferrous metal manufacturing. It uses a lot of energy such as heat and electricity in its manufacturing processes, making it a sector with relatively high GHG emissions. The Group has newly designated this sector as a priority sector for engagement to better support customers adapting to changes in the business environment during the transition to a decarbonized society. We will share business strategies and management challenges through engagement and support customers on visualization of GHG emissions and setting reduction targets.

Future roadmap toward net zero GHG emissions

Climate

To achieve net zero emissions, we will accelerate our own GHG emission reduction initiatives and those of the companies we invest in and lend to.

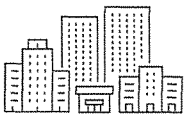


Providing optimal solutions for the phase of the customer's initiative

Climate

The Concordia Financial Group conducts business with a wide range of customers, including SMEs, listed companies located upstream in the supply chain, and regional core companies. Through engagement with these customers, we share information on issues related to mitigating transition risks and physical risks and to expanding growth opportunities, we work to expand our lineup of solutions that help customers resolve their problems, and we recognize the importance of providing optimal solutions tailored to each customer's phase of initiatives. The support system and lineup of our main solutions for the particular phase of the customer's initiatives are as follows.

The Group's customer base



Customers range from publicly listed companies and large enterprises to small- and medium-sized businesses.



Engagement

Engaging with customers to share decarbonization phases and challenges

	Customers' challenges	Our support
Phase 1: Enlightenment	Linking business activities with sustainability issues	Loan products to support implementation of *sustainability initiatives*
		Sharing decarbonization challenges based on external environment and status of initiatives through *business feasibility assessments*
Phase 2: Visualization	Visualizing GHG emissions and setting reduction targets	Consulting for sophisticated decarbonization *management, TCFD compliance, etc*
		Support for visualization of GHG emissions, support for setting reduction targets
Phase 3: Reduction	Making capital investments and establishing new businesses to meet GHG emissions reduction targets	Funds raised in line with various international *principles through sustainable finance*
		Support through business matching for renewable energy introduction and achieving reduction targets

Initiatives to Control Cost of Equity

~Sophistication of Sustainability Management~ Initiatives for TCFD/TNFD recommendations



Hiroki Goto

Chief Consultant, Sustainable Solutions Group, Consulting Department
Hamagin Research Institute

interview

Addressing growing sustainability management issues through consultation services

The Hamagin Research Institute, the think tank of the Bank of Yokohama Group, carries out commissioned research, studies, and various consultation services to address the business challenges faced by local companies. It also offers consultation services based on data analysis.

As a member of the Sustainable Solutions Group, I work with the Bank of Yokohama to help companies visualize their greenhouse gas (GHG) emissions, plan for future reductions, and disclose climate change-related information.

In recent years, even small and medium-sized businesses have increasingly had to report their emissions, in response to requests by large corporations. The sustainability of small and medium-sized businesses can hinge upon whether they can respond to such requests. So I feel the weight of my role and responsibility. But the sense of achievement and confidence I get from helping customers through our consultation services spurs me on to the next stage of my growth.

Our sustainability efforts have expanded beyond climate change. I want to further enhance my expertise through continuous self-improvement so that I can support sustainability management in the future.

Initiatives to support customer business activities toward becoming nature positive

Climate Nature

Throughout the Group, we strive to provide financial services that support our customers' business activities, creating financial flows that positively impact ecosystems, biodiversity, and natural capital. We will work to support our customers in their efforts to conserve and restore natural capital so that they can become nature positive.

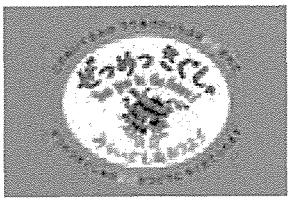
Client case study

Initiative on positive impact finance

The Bank of Yokohama provided a loan to AQUA Inc. through Positive Impact Finance (PIF).

AQUA (Headquarters: Yokohama City) manufactures and sells plush toys and sundry goods. It also runs shops and restaurants in aquariums and zoos. Through its green business activities, AQUA works to preserve biodiversity, raise awareness, and actively use eco-friendly products and materials.

AQUA is working to reduce its environmental impact in various ways. For example, it is developing menus that use non-standard ingredients to cut food waste. It is also adopting eco-friendly products made from bamboo fibers that do not release harmful substances like dioxins when burned.



The product tags include extensive data from the IUCN Red List, helping to raise awareness about endangered species.

AQUA also helps raise awareness about endangered species by selling plush toys and provides support for conservation efforts by donating part of the proceeds to the IUCN-J (Japan Committee of the International Union for Conservation of Nature). In addition, it offers game dishes using culled deer and boar to prevent wildlife damage, providing a chance to reflect on human-animal relationships and reducing waste by using unused farm products.

The Bank of Yokohama carried out a comprehensive assessment of the environmental, social, and economic impacts of AQUA's operations through PIF. By regularly monitoring the following KPIs against established goals, it helped address social and environmental issues.

<Goals and KPIs monitored annually> (excerpt)

Initiatives	Main goals	Main KPIs
Environmental impact reduction	(1) Promoting food waste reduction	Number of menu items developed and offered using non-standard, unsellable ingredients
	(2) Using eco-friendly products	Number of eco-friendly items purchased that help reduce waste and avoid plastic
Biodiversity conservation	(3) Protecting endangered species	Number of new products in development, including newly planned plush toys of endangered species and newly created tags with IUCN Red List information for existing plush toys
	(4) Waste reduction	Number of menu items developed and offered using game

Initiatives to achieve net zero GHG emissions in our own business activities

Climate

As a member of the local community, we have set "achieving carbon neutrality (Scopes 1 and 2) by FY2030" as a long-term sustainability KPIs in order to actively promote local decarbonization. We are working to achieve this goal through energy conservation, through switching to virtual renewable energy for power we contract for our own use, and through other initiatives. By April 2023, we converted all of the Group's own electricity contracts to virtual renewable energy. We will continue to work towards achieving our goals.

TOPIC

[Sustainability initiatives: Installing a solar power plant on a company-owned property (January 2024)]

The Bank of Yokohama has installed a solar power plant at the Yamato General Ground, which it owns, and has begun supplying electricity to its own properties, aiming to achieve carbon neutrality by FY2030. The annual power generation is expected to be about 94,000kWh. The generated electricity is supplied to the Bank of Yokohama Yokodai Branch and the YBS Nanko Building, which is owned by the Bank of Yokohama.



Risk management

Within the Group, each subsidiary has set up a risk control department as well as a risk management department for each type of risk, thereby identifying, evaluating, and managing risks. The Risk Management Department at the holding company comprehensively manages risks for the entire Group, and an officer in charge of risk, who is separate from the General Manager of the Audit Department, regularly reports on the risk status to the President and Representative Director and the Board of Directors.

Top risks

Climate Nature

We assess risks that could greatly affect the Group's operations, judging their significance by impact and likelihood. The Board of Directors then identifies the most critical risks as "top risks". For top risks, we set Key Risk Indicators (KRIs) and monitor them continuously to spot early warning signs. We have also arranged systems to respond swiftly if a risk becomes evident. We recognize climate change and nature-related risks as top risks, as outlined below.

Occurrence of major natural disasters	Major earthquakes, an eruption of Mount Fuji, or climate change-driven typhoons and floods could paralyze the capital and financial markets, worsening business conditions for our clients.
Inadequate response to climate change and environmental issues	Financial deterioration of clients due to the shift to a decarbonized society, clients' businesses becoming stranded assets, damage to our reputation from inadequate protection of natural capital.

We will continue to work to build a system that enables us to manage these risks within the comprehensive risk management framework.

Sector policy

Climate Nature

The Concordia Financial Group has established a Sector Policy regarding investments and loans likely to exacerbate the negative impact on the environment and society so that decisions about them are carefully made so as to reduce or avoid environmental and social impacts. We work to reduce and avoid negative impacts on the environment and society through our policy on investment and lending. We identify businesses in sectors where we ban or restrict investment and lending, and also have guidelines for certain sectors like coal-fired power generation and coal mining. The Group Sustainability Committee regularly reviews the need to update this Sector Policy. We also revise it as necessary based on changes in our business activities or the external environment.

Sector Policy summary			
All sectors	Prohibited	• Businesses with illegal purposes • Businesses that are offensive to public order and morals and not permitted under socially accepted norms • Projects that negatively impact Ramsar Convention designated wetlands	• Projects that negatively impact UNESCO-designated World Heritage sites • Projects that violate the Washington Convention on International Trade in Endangered Species (CITES) • Projects that use child labor or forced labor
	Considered carefully	• Projects with negative impacts on indigenous communities • Projects that involve eminent domain that lead to involuntary resettlement	• Projects that negatively impact areas of high conservation value
Designated sectors		• Coal-fired thermal power generation* • Manufacture of inhumane weapons • Oil and gas extraction • Palm oil plantation development	• Coal mining • Large-scale hydroelectric power generation • Large-scale plantations • Deforestation

* The balance of existing investments and loans for coal-fired power generation is scheduled to be reduced to zero in FY2037.

(Sector policy: https://www.concordia-fg.jp/en/csr/ecofriendly/sector/index.html)

Initiatives to Control Cost of Equity

~Sophistication of Sustainability Management~ Initiatives for TCFD/TNFD recommendations

Indicators and Targets

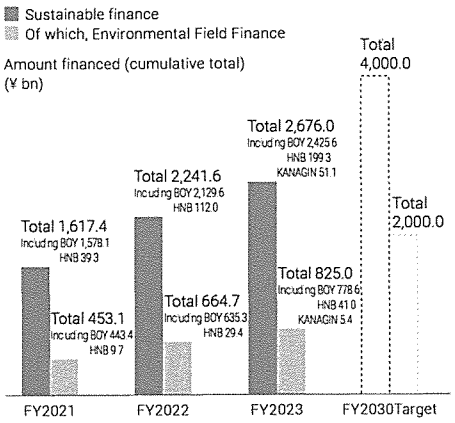
The Group has set targets for Sustainable Finance, Environmental Field Finance, and GHG emission reductions as long-term sustainability KPIs related to Measures against Global Warming and Climate Change.

○ Sustainable Finance and Environmental Field Finance

Climate Nature

In order to strengthen solutions to the environmental and social issues faced by our customers, including solutions for addressing climate change, and to contribute to the sustainable growth of our local customers, we have set targets for the cumulative amount of Sustainable Finance and Environmental Field Finance as long-term sustainability KPIs.

Since the Group reached its target for the cumulative amount of Sustainable Finance (¥2 trillion by FY2030) by the end of FY2022, we raised the target to ¥4 trillion (¥2 trillion more) in Sustainable Finance by FY2030, including ¥2 trillion (¥1 trillion more) in finance to the Environmental Field.



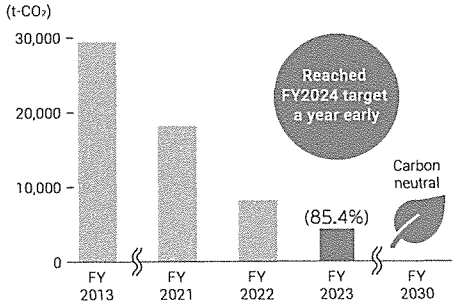
Indicator	Target	FY2023 (actual)
Sustainable Finance provided (cumulative)	¥4 trillion by FY2030	¥2.6 trillion
Environmental Field Finance provided (cumulative)	¥2 trillion by FY2030	¥0.8 trillion

* The combined total for the Bank of Yokohama, the Higashi-Nippon Bank, and THE KANAGAWA BANK (for which its results are added from FY2023)

○ GHG emissions from our own business activities

Climate Nature

As a member of the local community, we have set "achieving carbon neutrality (Scopes 1 and 2) by FY2030" as a long-term sustainability KPI in order to actively promote local decarbonization. By switching our contracted electricity to substantial renewable energy, we cut our FY2023 GHG emissions by 85.4% from FY2013 levels, reaching our reduction target a year early.



Indicator	Target	FY2023 (actual)
GHG emissions (Scopes 1 and 2)	80% reduction from FY2013 level by FY2024	4,284t-CO_2 85.4% reduction compared to FY2013
	Carbon neutral by FY2030	

* The combined domestic locations of the Company and its consolidated subsidiaries

○ GHG emissions calculation and third-party verification

Climate Nature

For FY2023, the scope of calculation of the Group's GHG emissions for Scope 1 and 2 is the Company and its consolidated subsidiaries. For Scope 3, the scope of calculation includes the Company, the Bank of Yokohama, the Higashi-Nippon Bank, and THE KANAGAWA BANK. We measure all 15 categories. Please see page 133 for performance data on categories 1 to 14, and page 98 for performance data on category 15 (investments). Since FY2021, the GHG emissions of the Bank of Yokohama and the Higashi-Nippon Bank have undergone third-party verification by the Japan Quality Assurance Organization. In FY2022, this verification was expanded to include the Company and its consolidated subsidiaries. We will continue to improve and refine our calculation methods.

○ Initiatives to reduce the environmental impact of our business activities

Climate Nature

Our Group Environmental Policy sets out to promote resource and energy saving, waste recycling, and efforts to lessen our environmental impact. In our effort to reduce our environmental impact, at the Bank of Yokohama and the Higashi-Nippon Bank, we set targets for the recycling rates of paper, discarded plastic, and waste materials, the green purchase ratio of paper, and the reduction rate of energy use.

Initiatives to Control Cost of Equity

~Sophistication of Sustainability Management~ Efforts to respect human rights

Human rights policy and management framework

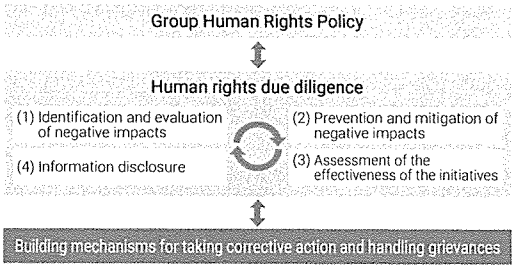
We view respect for human rights as one of the Group's key responsibilities and are committed to advancing it. Our Group Human Rights Policy states that we do not tolerate discrimination, harassment, or human rights abuses such as forced labor or child labor. We strive to respect the human rights not just of our officers and employees but of all stakeholders and work to prevent or reduce negative impacts on human rights through human rights due diligence.

In addition, the Group Sustainability Committee, chaired by the President and Representative Director, sets out the policies on human rights-related efforts and reviews their progress. With strong backing from management, the Company is committed to respecting human rights. The Board of Directors receives and oversees reports on the discussions from the Group Sustainability Committee. (Group Human Rights Policy: https://www.concordia-fg.jp/en/csr/sustainability/human-rights/index.html)

Key initiatives on respect for human rights

We aim to prevent and reduce negative impacts on human rights for a wide range of stakeholders including our employees, clients, investment and loan portfolio companies, and suppliers. Following the UN's Guiding Principles on Business and Human Rights, we put in place a human rights policy, carry out human rights due diligence, and build mechanisms for taking corrective action and handling grievances.

Human rights due diligence process



As part of initiatives towards employees, we work to provide a workplace where employees can maintain good mental and physical health and work with peace of mind. To this end, we have introduced measures such as a work interval system, reviewing and digitizing tasks, and encouraging employees to go home early and take leave, thereby changing employee behavior and workplace culture. Through these efforts, we aim to curb overwork and reduce overtime. In addition, we regularly hold training and workshops to raise employees' awareness of respect for human rights. Topics include preventing harassment and increasing understanding of LGBTQ+ issues. (Please see pages 82–84 for details.)

As for initiatives for investment and loan portfolio companies, we have set an investment and loan policy (Sector Policy) that considers negative impacts on the environment and society. The policy bans investments and lending in businesses that use child or forced labor, to ensure respect for human rights. It also calls for a cautious assessment of investments and lending in projects that harm indigenous communities or involve involuntary land seizures, aiming to reduce or avoid such risks. We check policy compliance when granting new credit and set up regular monitoring. We also disseminate video and other content as part of our internal communication efforts to promote understanding among our employees.

We have revised relevant rules and guidelines to embed human rights due diligence in our internal processes. We will ramp up our efforts on respect for human rights to identify, assess, prevent, and mitigate any negative impacts of our business activities throughout the Group.

Mechanisms for taking corrective action and handling grievances

We have set up harassment consultation and internal reporting desks for the Group to handle various human rights concerns. Our system uses confidentiality agreements to strictly manage information such as the content of the consultation. This ensures the protection of the privacy of anyone making a consultation and of all parties involved. We also handle human rights complaints at our Customer Consultation Office, which deals with customer inquiries and complaints.

Please see page 83 for information on the harassment consultation desk, page 127 for the internal reporting desk, and page 134 for the number of internal reports.



Chie Kida

Secretary General, Group Sustainability Committee Office, Corporate Planning Department
Concordia Financial Group

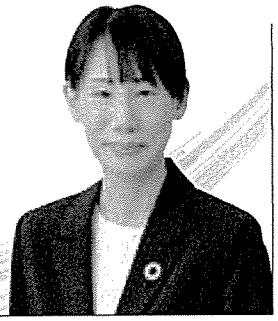
interview

Aiming to achieve sustainability in local communities

The Group aims to achieve sustainability in local communities by co-creating value with stakeholders through our core business. In the area of the environment, we engage with our customers to help them achieve decarbonization, focusing on the automotive sector which has the broad supply chain. A key part of the process of solving issues with our customers is engaging with them to share ideas and discuss challenges around decarbonization. As part of our commitment to being rooted in communities and selected as a partner to walk together, we will continue our efforts to promote regional decarbonization. In the social area, addressing human rights issues has become more crucial than ever. Based on our Group Human Rights Policy, we aim to help create a sustainable society by working with our customers, officers and employees, suppliers, and all stakeholders to ensure respect for human rights.

Initiatives to Control Cost of Equity
~Economic Revitalization of the Home Market~

The Group works with local governments, universities, and local businesses, using its wide-ranging network to address regional issues. Sustainable regional development depends on revitalizing the local economy. We believe that supporting our community increases regional competitiveness and strengthens our own long-term management base. We will enhance our role as a hub for the region and boost problem-solving skills to enhance the Group's corporate value.



Executive Officer
(Executive Officer, In charge of Regional Business Planning & Promotion Department, Bank of Yokohama) Kazumi Nobe

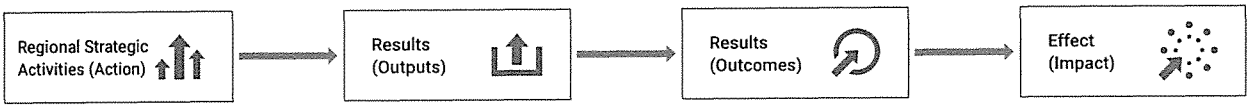
Policy on Initiatives

As a regional financial institution, the Group hopes to achieve a "sustainable virtuous circle" in which we also grow by proactively working to resolve regional and social issues and contributing to making the region attracive and the revitalization of local economies.

Based on these policies, we support the implementation of measures to realize the regional vision of the government and are moving forward with initiatives (regional strategy promotion activities) to solve regional and social issues such as "creating towns", "creating flows of people", and "creating jobs". We are fulfilling our role as a regional hub, expanding the scope of industry-academia-government-finance collaboration, and strengthening our efforts to revitalize local communities and solve their problems.



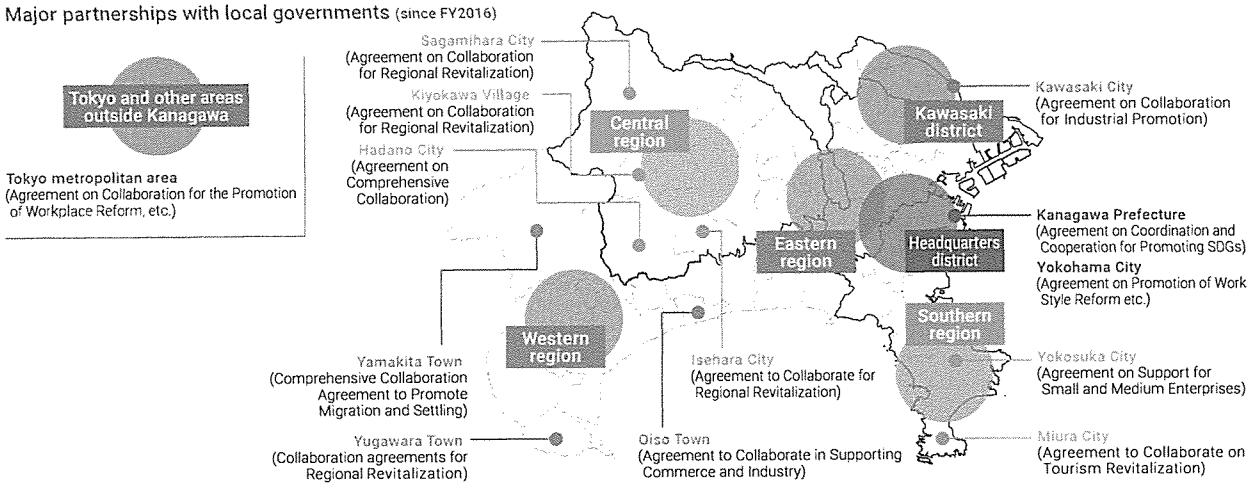
Our visualization study of the social effects expected to be brought about by regional strategy promotion activities continues.



Regional Strategy Promotion Systems

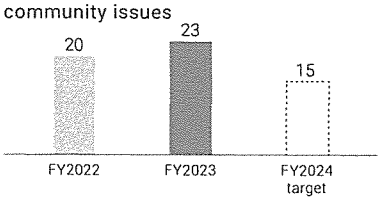
In its head office, the Bank of Yokohama has a Regional Strategic Planning Department that is responsible for formulating visions for regions and plans to achieve them, and a regional head office structure that organizes our business area into three areas (headquarters, Kawasaki and Tokyo, and outlying areas), and four regions (eastern, western, southern, and central) to raise the effectiveness of regional strategy promotion activities.

Major partnerships with local governments (since FY2016)



Based on this policy, under the regional strategy promotion system, the Bank of Yokohama is working to revitalize local communities and address issues. As a result, we achieved our single fiscal year targets, with 20 projects in FY2022 and 23 projects in FY2023, exceeding the medium-term management plan target of 15 projects for 'initiatives to solve local community issues.

Number of initiatives to solve community issues

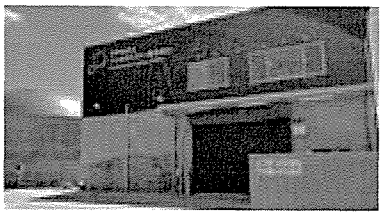


Initiatives for sustainable "town building"

Support for the opening of the Sagamihara Biogas Power - Tana Power Plant

The Bank of Yokohama used the SDGs Green Loan to provide financial support for the opening of the Sagamihara Biogas Power - Tana Power Plant.

This power plant uses food waste to create biogas through methane fermentation for power generation. The plant works with a nearby Group company to take in local food waste and turn it into feed, fertilizer, and energy. It is Japan's first cascade recycling facility.

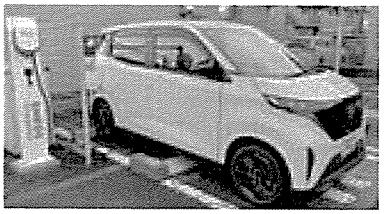


Public-private partnerships through the Regional Decarbonization Platform

The Bank of Yokohama established the Regional Decarbonization Platform for local governments in Kanagawa Prefecture in May 2022 in order to contribute to the promotion of regional decarbonization. Through this platform, issues commonly faced by public entities in each region were identified, and subcommittees were set up for each issue to study them and discuss how to formulate projects. In May 2023, the "EV Car Share Project" was launched as an actual project.

EV Car Share Project

The Bank of Yokohama concluded partnership agreements with Isehara City, ENEOS Corporation, and Hamagin Finance, and started the development of an EV car sharing business through a public-private partnership in November 2023. The Bank of Yokohama and Isehara City use EV vehicles on weekdays and offer them to locals and tourists for a fee on weekends. These vehicles will be used as "movable storage batteries" at evacuation centers and other places in times of disaster.
(Partners: Isehara City, ENEOS Corporation, Hamagin Finance)



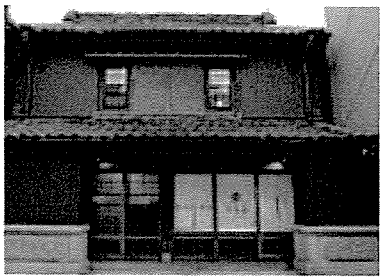
Initiatives to "create human flows" to regions

Project using local resources to revitalize tourism in Miura City

In March 2021, the Bank of Yokohama, Miura Trust Co., Miura City, the Regional Economy Vitalization Corporation of Japan (REVIC), and Keikyu Corporation signed a partnership agreement that will use local resources to revitalize tourism in Miura City. The project promotes the revitalization of tourism in the area around Misaki Port.

Under this partnership agreement, the Bank of Yokohama supported Miura Trust with business operations and financial backing, helping to launch dispersed hotels, including "misakijyuku edonokurayado". In September 2023, "misakijyuku hayama shoten" opened, bringing the total to five buildings in operation.

We aim to utilize tourism resources through linking with activities offered in the area with a view to encouraging longer stays by tourists and increasing overnight guests in Miura City.



Initiatives to Control Cost of Equity
～Economic Revitalization of the Home Market～

◎ Joining public-private partnership consortium for child-rearing support

In November 2023, the Bank of Yokohama joined the public-private partnership consortium Kodomo no Mirai Kyoso Platform ("Children's Future Co-creation Platform"), led by a venture company in Yokohama. The Bank helped test a shared taxi shuttle service exclusively for children.

This platform was set up to help families with children re-enter working life or start new jobs. It does this by easing the burden of shuttling kids to and from after-school activities. In the trial, we supported implementation by showing "Hamagin Money Classroom", our branded financial literacy education program, on monitors inside taxis and by setting up stops in front of our branches.



Initiatives to "create jobs" in the region

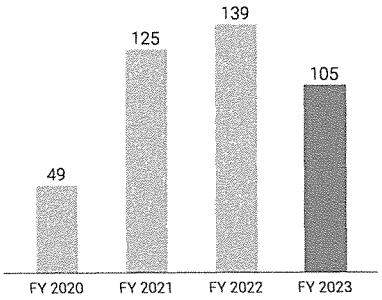
◎ Support for commercialization through industry-academia-government-finance collaboration

The Bank of Yokohama is committed to solving local community issues by strengthening collaboration between industry, academia, government, and finance.

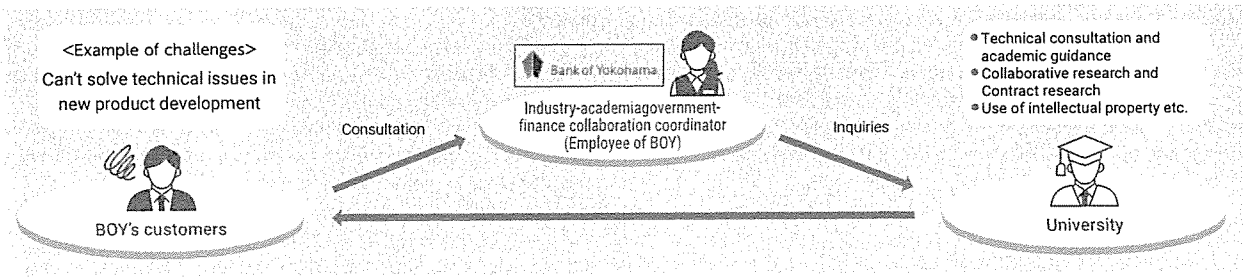
Yokohama National University, a national university with which we have concluded a comprehensive collaboration agreement, has appointed Bank of Yokohama employees as "Yokohama National University Industry-Academia-GovernmentFinance Collaboration Coordinators" to serve as a bridge between the university, which conducts research that contributes to solving problems, and corporate customers, who have technical problems to solve. In July 2022, the Bank of Yokohama concluded a comprehensive partnership agreement with Aoyama Gakuin University to accelerate sustainable growth and revitalization of the local economy through industry-academiagovernment-finance collaboration. In October of the same year, Bank of Yokohama employees were appointed by Aoyama Gakuin University as "Aoyama Gakuin University Industry-Academia-Government-Finance Collaboration Coordinators".

Furthermore, in February 2023, we held the "Tokyo Institute of Technology-Bank of Yokohama Collaboration New Technology Matching Meeting" with the Tokyo Institute of Technology. Through these efforts, we are uncovering projects that link industry, academia, government, and finance.

Number of consultations with industry-academia government-finance collaboration coordinators



Provide solutions to issues regrading product and technology development for corporate customers



◎ Supporting venture businesses through grants

The Group gives grants to support venture businesses. The Bank of Yokohama of the Group, together with the Hamagin Industrial and Cultural Promotion Foundation, operates "Frontiers", a program that promotes the commercialization of seed businesses held by venture companies and researchers. In FY2023, as in FY2022, we donated a total of ¥13 million to 5 companies.

FY	Number of companies	Total amount of grants
FY2023	5 companies	¥13 million
FY2022	5 companies	¥13 million
FY2021	4 companies	¥12 million
FY2020	4 companies	¥12 million
Cumulative total	18 companies	¥50 million



Initiatives to Control Cost of Equity

~Economic Revitalization of the Home Market~ Initiatives for Financial Education

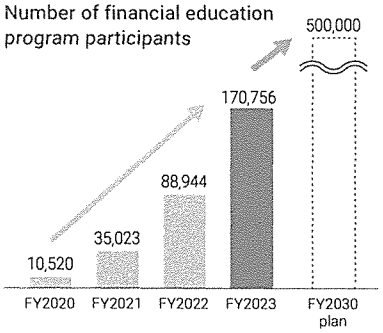
We see financial education as a key responsibility of our Group as we strive to contribute to the sustainable growth and further development of the region and the healthy upbringing of the youth who will lead the next generation. Our banks offer a range of original, branded financial education programs for a wide audience in the community, from children to adults. These include "Hamagin Money Classroom", "Higashi-Nippon Bank Money Classroom", and "Kanagin Finance Classroom".

Website for supporting digitalization



We focus on offering educational opportunities, videos, and teaching materials online, to support the growing digitalization of school education and benefit many people, including households. The Bank of Yokohama's "Hamagin Money Class Website" received the "Minister of State for Special Missions Award", the top prize recognizing outstanding teaching materials, at the "Consumer Education Materials Awards 2023" run by the National Institute on Consumer Education. The Bank of Yokohama also offers an online work experience program developed with TOKYO SHOSEKI CO., LTD. In addition, the Higashi-Nippon Bank shares its "Higashi-Nippon Bank Money Classroom Website".

Number of financial education program participants



◎ Fostering future leaders in financial education

The Bank of Yokohama works to train teachers and university students in education departments by offering classes on the "outlines and importance of financial education" as well as classes using its original "basic money education" method. In this way, it aims to foster future leaders in financial education. At a seminar for teachers hosted by the Kanagawa Prefectural Board of Education, home economics teachers from 146 public high schools attended. There were also seminars for teachers at public elementary schools in the Naka and Nishi wards of Yokohama, and lectures at Yokohama National University's Professional School for Teacher Education and College of Education and others. After the seminars, teachers who attended have been applying financial education in their schools, spreading these efforts throughout the community.



◎ Collaboration with the Tokyo Stock Exchange and local governments

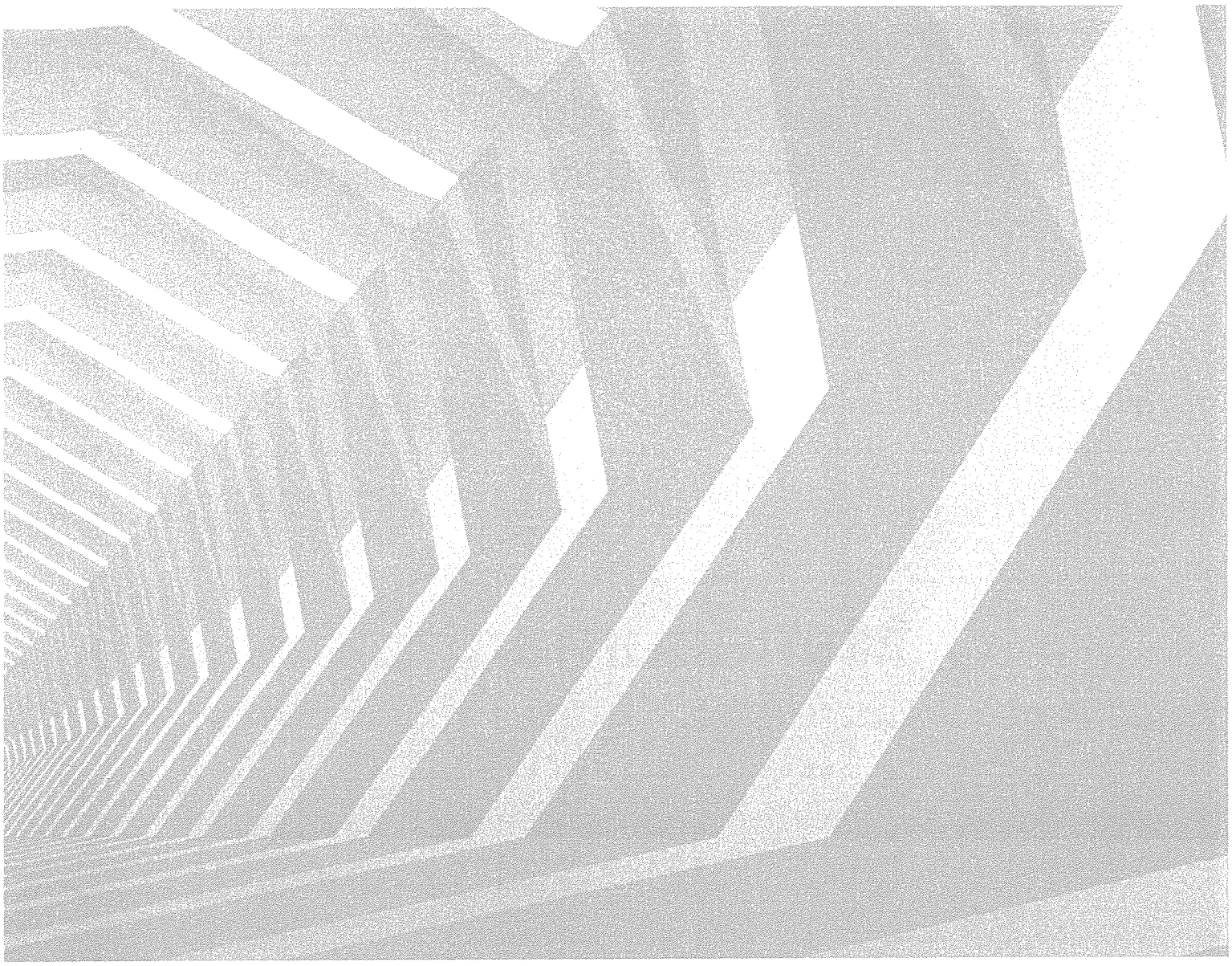
The Bank of Yokohama has started a partnership with Tokyo Stock Exchange, Inc., which leads to the enhancement of financial literacy on asset formation and asset management in a neutral way. In FY2023, the Bank of Yokohama gave five lectures on its basic money education program through the Tokyo Stock Exchange's video seminar for working adults "Seminar Manebu" as well as an online publication focusing on asset formation, "TSE Manebu" and other programs. In FY2024, we plan to offer courses combining programs from both companies at Yokohama National University and other institutions. We are also working to raise awareness of the new NISA system and iDeCo for working adults, aiming to improve financial literacy in the community.

The Higashi-Nippon Bank joined the Tokyo metropolitan Government's "Entrepreneurship Education Program for Elementary and Junior High Schools", providing support for creating an environment, which makes entrepreneurship more accessible and a future career option. THE KANAGAWA BANK takes part in the Yokohama Board of Education's "Kids Adventure College". It teaches Yokohama's elementary school students about the role of banks and related themes like the flow and importance of money.

TOPIC

[The Bank of Yokohama signed a collaboration agreement with Yokohama National University to cooperate in financial education]

In March 2024, the Bank of Yokohama and Yokohama National University signed a collaboration agreement on financial education. In response to the Japanese government's "Doubling Asset-based Income Plan", the Japan Financial Literacy and Education Corporation was established in FY2024 as part of joint public-private efforts, which are used strategically to roll out finance and economic education. Against this backdrop, there is a growing need for financial education in schools. Yokohama National University is a key research and training institution for teachers in Kanagawa Prefecture. It has a wide range of educational facilities including a college of education, affiliated primary, junior high, and special needs education schools, and a professional school for teacher education. Since FY2023, the university and its affiliated schools have widely implemented financial education classes. Going forward, the Bank of Yokohama and the university will work together under this agreement to standardize financial education practices in affiliated schools, train future financial educators in the College of Education and Professional School for Teacher Education, and promote, develop, and refine financial education programs.



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Corporate Governance

Basic Concepts

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

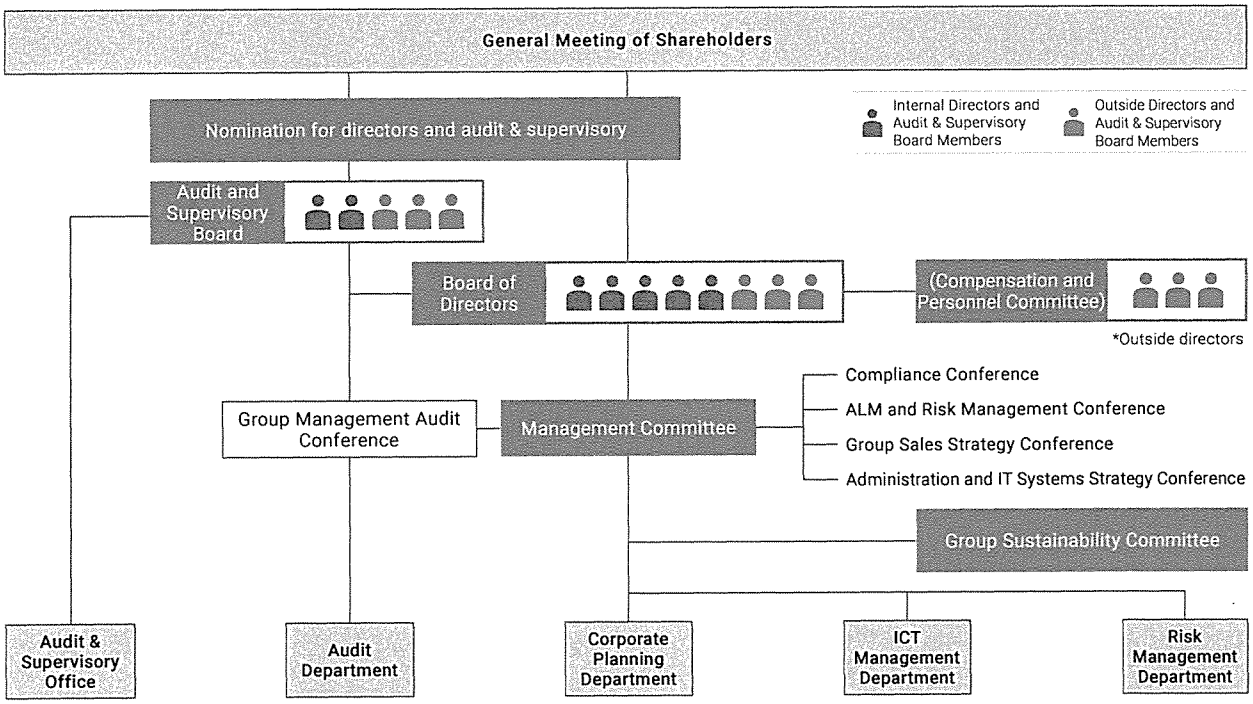
Furthermore, based on our Management Philosophy, we manage in a way that contributes to value creation for various stakeholders such as shareholders, customers, employees, and local communities, we are ensuring the fairness, transparency, and speed of decision-making, and we are building a corporate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

○ Basic Policy on Corporate Governance

Refer to our website. https://www.concordia-fg.jp/shared/pdf/en/company/base/governance/pdf-governance.pdf

Corporate Governance System

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

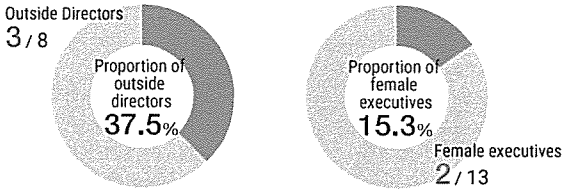


○ Composition of the Board of Directors and the Audit and Supervisory Board

In order to ensure that the Board of Directors functions most effectively and efficiently, and from the perspective of revitalizing the Board of Directors, the Articles of Incorporation stipulate that the number of directors be no more than 10. In order to ensure the independence of the Board of Directors and to demonstrate that it functions fairly and transparently, the Company appoints a number of outside directors who maintain views that are independent from the Group, making up at least one-third of the members. By combining internal directors who are familiar with the Group's business with outside directors with extensive experience and knowledge

outside the Company and giving the Board of Directors diverse members with different backgrounds of specialist knowledge and experience, different, the group ensures a good balance of knowledge, experience and skills on the Board of Directors. As of June 21, 2024, of the eight directors (seven men and one woman), three are independent outside directors. To ensure the effectiveness of audits, the Articles of Incorporation stipulate that the Audit & Supervisory Board has no more than five members, with at least half being outside members. As of June 21, 2024, of the five Audit & Supervisory Board members (four men and one woman), three are independent from the outside.

Ensuring independence and diversity



Specialization and experience of directors, Audit & Supervisory Board members, and executive officers (skill matrix)

We believe that the specific expertise and experience required by the Company are in Regional Sales, which is indispensable in light of the business model of our subsidiary companies, which are regional financial institutions, and in Corporate Management and Organizational Operations, in Legal Affairs and Risk Management, and in Finance and Accounting, which are universally required for corporate management, and in International and Market Operations, and ICT and Digital Transformation (DX), which require higher levels of specific expertise in order to respond to changes in the business environment. The combination of skills of the Board of Directors as a whole, including the Audit & Supervisory Board members and executive officers who actually make up the Company's Board of Directors in addition to the directors, and details of the skills of each, are as follows.

Name	Position	Expertise & experience					
		Corporate management & organizational operation	Regional sales	Legal affairs & risk management	Finance & accounting	International & market operations	ICT and digital (DX)
Tatsuya Kataoka	President and Representative Director	●	●		●	●	
Nobuo Onodera	Representative Director	●	●		●		●
Yoshiyuki Oishi	Directors	●	●	●	●		
Tomoki Arai	Directors		●		●	●	
Toshihiko Onuki	Directors						●
Mitsuru Akiyoshi	Directors Outside	●		●	●	●	●
Yoshinobu Yamada	Directors Outside			●	●	●	●
Mami Yoda	Directors Outside	●		●	●	●	
Kazuhiro Maehara	Full-time Audit & Supervisory Board Member		●	●	●		
Mitsuhiro Hara	Audit & Supervisory Board Member		●	●			
Keiichiro Hashimoto	Audit & Supervisory Board Member Outside	●		●	●	●	●
Seiichi Fusamura	Audit & Supervisory Board Member Outside	●		●			
Mayumi Noguchi	Audit & Supervisory Board Member Outside			●	●		
Kazuhiro Sukegawa	Executive Officers	●	●		●		
Yutaro Koshiba	Executive Officers		●	●			
Toshiya Kubota	Executive Officers		●				
Michifumi Katsuta	Executive Officers	●	●	●			
Masatoshi Akahori	Executive Officers		●	●			
Kazumi Nobe	Executive Officers			●	●		

Corporate management & organizational operation	Knowledge, experience, and abilities related to corporate and other management and organizational operation
Regional sales	Knowledge, experience, and abilities related to sales in providing funding and solutions in order to stimulate the regional economy
Legal affairs & risk management	Knowledge, experience, and abilities in legal matters and compliance, risk management, loan reviews, and industry and corporation analysis
Finance & accounting	Knowledge, experience and abilities in financial strategy, accounting, and taxation
International & market operations	Knowledge, experience and skills concerning global perspectives, overseas business, and market operation
ICT and digital (DX)	Knowledge, experience and skills concerning system planning, operation, management, digital fields, etc.

Corporate Governance

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 Committee and management group, and makes important decisions on policy associated with risk compliance, as well as providing management oversight for more effective management. In addition, with the aim of strengthening collaboration within the Group and improving governance, the Board Meetings of the Company and the Bank of Yokohama operate integrally, and we have put in place a system that allows our directors and Audit & Supervisory Board Members to participate as observers in the Higashi-Nippon Bank's Board Meetings and other meetings.

Points Discussed at Board of Directors Meetings

(FY2023: 14 meetings held)

(1) Management Plan

- Group Management Policy
- Group Capital Plan
- Overall Group Budget

(2) Items related to sustainability

- Review of long-term sustainability KPIs
- Status of response to TCFD Recommendations
- Engagement Strategies for a Net Zero Investment and Loan Portfolio

(3) Items related to corporate governance

- Risk Appetite Statement
- Evaluation of effectiveness of Board of Directors
- Evaluation of internal control system

(4) Risk and compliance matters

- Risk management policy
- compliance programs
- Internal audits

Establishment of annual themes

With the aim of promoting the Company's sustainable growth and enhancing its corporate value over the medium to long term, we establish "annual themes" for the Board Meetings to enrich strategic discussions.

Annual themes in FY2023

- Revision of disclosure concerning reduction of policy shareholdings
- Disclosure policy for "Annual Securities Report" and "Corporate Governance Report"
- Medium- to long-term direction of group businesses
- Update to strategies for effective use of capital
- Current status and future direction of securities management
- Direction of international strategy
- Approach and direction of shareholder composition

Evaluation of Board of Directors effectiveness

The Company works for continuous improvement in the effectiveness of the Board of Directors by sharing and discussing issues to be addressed and enhancements to be made based on the results of the annual analysis and self-assessment of the effectiveness of the Board of Directors as a whole.

Evaluation method

Our effectiveness assessment is based on questionnaires and interviews from the perspective of utilizing third party viewpoints, the results of which are tabulated and analyzed, before the self-assessment is conducted. The specific assessment method is as follows.

1. We had all the directors and auditors, who make up the Board of Directors, complete a questionnaire, which was handled by a third party to ensure objectivity and anonymity.
2. Interviews were conducted with each director and Audit & Supervisory Board member in order to confirm and gather specific opinions on the results of the questionnaire.
3. After compiling and analyzing the results of 1 and 2 above, the Board of Directors deliberates on and shares about whether the Board of Directors as a whole is effective in light of the roles and responsibilities it should fulfill, and conducts a self-assessment.

Main questionnaire items

- Composition of Board of Directors
- Operation of the Board of Directors
- Discussions at board meetings
- Support system for directors and members of Audit & Supervisory Board
- Engagement with shareholders (investors)

Summary of the Results of the FY2023 Board of Directors Effectiveness Assessment

In FY2023, in light of the roles and responsibilities to be fulfilled by the Board of Directors, we set four themes to be continuously addressed and promoted initiatives to improve the Board Meeting effectiveness. As a result, the Board of Directors conducted and shared a self-assessment that "the Board Meetings as a whole continued to be generally effective in FY2023".

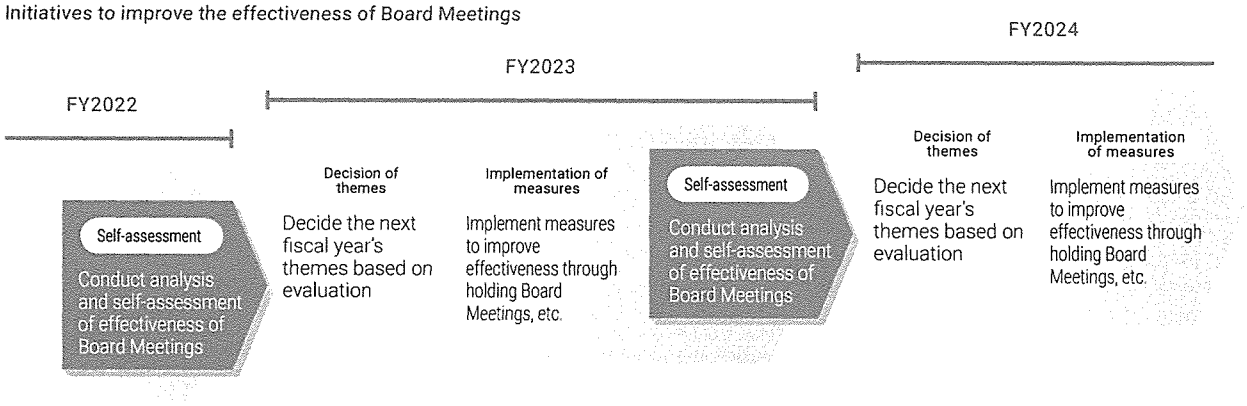
In FY2024, based on the evaluation of effectiveness in FY2023, we will work to further improve the effectiveness of the Board Meetings in order to promote sustainable corporate growth and enhance corporate value over the medium to long term.

For more information on our Board of Directors Effectiveness Assessment, please see our Corporate Governance Report.

Themes for action to improve the effectiveness of the Board of Directors in FY2024

- Strengthening discussions of medium- to long-term strategies for the enhancement of corporate value
- Raising the level and improving efficiency of Board Meetings operations
- Improving monitoring functions
- Strengthening stakeholder communication

Initiatives to improve the effectiveness of Board Meetings



Audit and Supervisory Board

Audit & Supervisory Board members audit the legality and appropriateness of Board of Directors' business execution by attending important meetings, such as Board of Directors meetings, by examining the state of operations and assets, by reviewing documents related to important decisions, and also by communicating with internal audit and supervisory departments and group companies, and by exchanging information with accounting auditors and similar parties, as stipulated in the audit policy and audit plan set by the Audit & Supervisory Board. In FY2023, we mainly focused audits on the "status of initiatives aimed at sustainable growth and medium- to long-term enhancement of corporate value", "status of establishment and operation of the Group's internal control systems", and "status of synergies from the business integration with THE KANAGAWA BANK and the construction of a risk management system".

Audit & Supervisory Board Members interview officers and employees of the Company and its subsidiaries and visit subsidiaries' sales branches to conduct audits, after which they compile their findings and report them to the Board of Directors and the Management Committee.In addition, while discussing key audit matters (KAMs) with the accounting auditors, they receive reports on the status of their audits.

Main Topics of Audit & Supervisory Board Meetings (FY2023)

Matters to be resolved	Audit policy of Audit & Supervisory Board members (including key audit items) audit plan and methods, assignment of audit work, assignment of audit work audit report drafts Consent to proposals for the appointment of Audit & Supervisory Board Members, reappointment of an accounting auditor, consent regarding audit fees, etc. for the accounting auditor, prior consent for the appointment or dismissal of the General Manager of the Audit Department, etc
Matters to be reported	Audit & Supervisory Board monthly activity reports, management meeting reports, Risk Management Department regular reports, Audit Department regular reports, accounting auditor reports, etc.

Management Committee

The Management Committee, which consists of representative directors, directors, and others, was established under the Board of Directors.

Based on the basic policy and management plans decided by the Board of Directors, the Management Committee discusses and decides on important business execution matters and strategies for flexible business execution within the Group, and also holds preliminary discussions on resolutions of the Board of Directors as necessary.

In addition, for important matters related to the Group's business execution, the meetings listed on the right are positioned as part of the Management Committee, and these meetings conduct intensive deliberation on items within their respective jurisdictions.

Compliance Conference	The conference discusses and makes resolutions on basic policy etc. related to Group-wide compliance and management matters such as customer protection and monitors the status of subsidiary companies.
Asset-Liability Management & Risk Management Conference	This management conference discusses and makes resolutions on basic policy, planning, and key measures relating to the Group's asset/liability management (ALM), integrated risk management, credit risk management, market risk management, liquidity risk management, operational risk management, and profit management, and monitors the status of subsidiary companies.
Group Sales Strategy Conference	The strategy conference discusses and makes resolutions on basic policy, planning, and key measures relating to the Group's sales and alliance strategies, and monitors the progress of the medium-term management plan.
Administration and Systems Strategy Conference	The Strategy Conference discusses and makes resolutions on basic policy, planning, and key measures on optimization of business operations and integration of systems and business processes across the Group, and monitors the progress of each measure at subsidiary companies.
Group Management Audit Committee	This Committee discusses, makes resolutions on, and reports on important matters related to internal audits, and reports on and discusses matters relating to the results of internal audits and audits by Audit and Supervisory Board Members of the Group as a whole.

Corporate Governance

Considerations for the Appointment of Directors and Audit & Supervisory Board Members

○ Directors

Candidates for Director are appointed by the Board of Directors after any deliberation by the Compensation and Personnel Committee, based on factors such as views on the composition of the Board of Directors. Persons satisfying the following items are appointed from among candidates for outside directors.

A. Persons who meet the Company's criteria for independence and who have no risk of a conflict of interest with general shareholders
B. Persons with extensive experience and extensive knowledge in the fields of corporate management, fiscal affairs, finance, economics, accounting, taxation, legal affairs, etc.
C. Persons who, based on their experience and expertise, can provide timely and appropriate views and proposals to directors and the management team from the perspective of promoting sustainable growth of the Group and raising medium- to long-term corporate value

○ Audit & Supervisory Board Member

After obtaining the consent of the Audit & Supervisory Board, candidates for Audit & Supervisory shall be appointed by the Board of Directors. Persons satisfying the following items are appointed from among candidates for outside Audit & Supervisory Board Members.

A. Persons who meet the Company's criteria for independence and who have no risk of a conflict of interest with general shareholders
B. Persons with extensive experience and extensive knowledge in the fields of corporate management, fiscal affairs, finance, economics, accounting, taxation, legal affairs, etc.
C. Persons who can be expected to contribute to securing sound and sustainable growth of the Group and to enhancing its corporate value over the medium to long term by forming and expressing audit opinions in a timely and appropriate manner based on their own experience and views, given that the appointment of such persons is mandatory in order to further strengthen the neutrality and independence of the audit system

Reasons for Appointment of Outside Officers

Name	Reason for appointment
 Outside Director **Mitsuru Akiyoshi**	He has a wealth of experience as a corporate manager, having served as a representative director and executive vice president of Marubeni Corporation, and president and representative director of Mizuho Marubeni Leasing Co., Ltd. He has a wide range of expertise thanks to having worked in finance, IT and legal departments at Marubeni Corporation. He has been appointed as an outside director with the expectation that he will continue to provide opinions and recommendations to directors and top management in a timely and appropriate manner from the perspectives of promoting sustainable growth of the Group and of improving corporate value over the medium to long term.
 Outside Director **Yoshinobu Yamada**	He has abundant experience as an analyst and a high level of expertise in analysis and DX in the financial sector. He has been appointed as an outside director in the expectation that he will provide timely and appropriate opinions and suggestions to the directors and management from the perspective of promoting the sustainable growth of the Group and enhancing its corporate value over the medium to long-term.
 Outside Director **Mami Yoda**	She engaged in work rating and researching companies at Standard & Poor's International LLC for many years, and currently teaches at Sagami Women's University and its graduate school as an expert in business administration. She has been appointed as an outside director in the expectation that she will provide timely and appropriate opinions and suggestions to the directors and management from the perspective of promoting the sustainable growth of the Group and enhancing its corporate value over the medium and long term.
 Outside Audit & Supervisory Board Member **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 Audit & Supervisory Board Member **Seiichi 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 Audit & Supervisory Board Member **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 details on reasons for the selection of the above personnel as directors and Audit & Supervisory Board members, and an overview of the independence criteria, refer to Reference Materials for the General Meeting of Shareholders in the Notice of the 5th Annual General Meeting of Shareholders, Notice of the 7th Annual General Meeting of Shareholders and Notice of the 8th Annual General Meeting of Shareholders posted on the Company website.
(https://www.concordia-fg.jp/en/shareholder/stock/meeting/index.html)

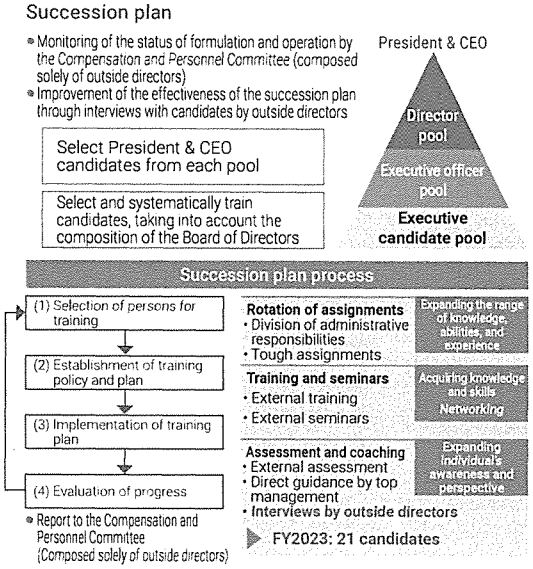
Succession Plan

In order to promote sustainable growth and enhance corporate value over the medium to long term, the Group has formulated a succession plan for the top management of the Company and its major subsidiaries, the Bank of Yokohama and the Higashi-Nippon Bank.

The succession plan is divided into three groups: the director pool, the executive officer pool, and the executive candidate pool, and candidates for President & CEO are selected from each pool. By implementing training programs tailored to the candidates' capabilities, qualities, experience, etc., we are systematically cultivating human resources who will take on top management roles in the future. Specifically, we aim to broaden the scope of knowledge and skills of candidates through planned rotations of assignments, training and seminars, and to raise awareness among candidates through external assessments and interviews with outside directors and top management.

The status of the formulation and operation of the plan is regularly reported to the Compensation and Personnel Committee, which is composed solely of outside directors.

Outside directors not only receive reports, but also strive to improve the effectiveness of the Succession Plan by gaining a multifaceted understanding of the candidates through various meetings, interviews, and discussions,and by providing advice and recommendations to the candidates based on their extensive knowledge and experience.



Support for Directors and Audit & Supervisory Board Members

In order to enhance Board of Directors meetings, the Company provides outside directors and outside members of the Audit & Supervisory Board with advance explanations of the agenda of the Board of Directors meetings, as well as opportunities for on-site visits to sales branches of the Group companies.

When outside directors and outside members of the Audit & Supervisory Board are appointed, they are provided with the opportunity to acquire knowledge and information about the Group's management philosophy, management policies, business plans, and business structure. Furthermore, we work for coordination between the outside directors and the representative director, the Audit & Supervisory Board members, internal audit departments, and accounting auditors, as well as for interchange between the outside directors and the directors of the Group companies.

In order to ensure that directors obtain information about the company in a timely and appropriate manner, a staff member is assigned to the Corporate Planning Department to assist directors in obtaining information.

To ensure that audits are conducted effectively, we have a dedicated staff member in the Audit & Supervisory Office to support audits by the Audit & Supervisory board.

To enable directors and Audit & Supervisory Board Members to fulfill their roles and responsibilities, the Company provides opportunities to obtain knowledge and information, receive advice from external experts, and raise awareness through peer evaluations (mutual evaluations) by directors.

FY2023 (actual)	Contents
Briefings before board meeting for outside directors and outside Audit & Supervisory Board members	Briefings beforehand on the meeting agenda
Inspection of Group company sales branches by outside directors	Inspections of the Bank of Yokohama, the Higashi-Nippon Bank, and THE KANAGAWA BANK sales branches, meetings with branch general managers, etc
Exchange of opinions between outside directors and auditing firms	Exchange of opinions with accounting auditors
Meetings between outside directors, outside Auditor & Supervisory Board members and the Audit Department to exchange opinions	Briefings and reports from the Audit Department
Exchange of opinions between outside directors and Auditor & Supervisory Board members	Exchange of opinions with Auditor & Supervisory Board members
Exchange of opinions between outside directors and internal directors	Exchange of opinions with internal directors
Study groups	Study sessions by outside experts
Peer evaluations (mutual evaluations)	Evaluation between directors

Discussions between outside directors and investors/analysts.

At our Investor Relations Day in February 2024, outside directors had an opportunity to meet with investors and analysts in order to directly hear and understand voices from the market.

Study sessions by outside experts

In order to enhance Board of Directors deliberations and improve governance, study sessions were held by outside experts, focusing on themes related to digital/IT, sustainability, and open innovation. In addition, we held study sessions on trends in new businesses of other companies in the industry with the aim of expanding our business areas utilizing strategic investments.

Visits to the Bank of Yokohama, the Higashi-Nippon Bank, and THE KANAGAWA BANK sales branches

In order to deepen their understanding of the subsidiary banks' business operations and sales sites, outside directors inspected the Bank of Yokohama, the Higashi-Nippon Bank, and THE KANAGAWA BANK sales branches. At the sales branches, they observed business operations and held meetings and discussions with regional headquarters managers and branch general managers.

The Bank of Yokohama	Hamagin Finance, Hamagin Research Institute
The Higashi-Nippon Bank	Fuchu Branch
THE KANAGAWA BANK	Head Office, Kofukuji Branch, Rokkakubashi Branch

Corporate Governance

Executive Compensation System

1. Directors

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

(1) Basic policy

- The compensation system for directors is to function as an appropriate incentive to promote the sustainable growth of the Group and increase its corporate value over the medium to long term, while minimizing excessive risk-taking.
- Compensation composition, compensation composition proportions, and compensation levels are determined through periodic comparisons and verification based on data on executive compensation from external research organizations and objective survey data, using as benchmarks a group of companies with performance and business conditions similar to those of the Company.

(2) Compensation Composition and Details

[Directors (excluding non-executive directors and outside directors)]

Compensation type		Performance-linked or not	Payment timing	Payment criteria	Performance-linked indicators		Performance linkage range
Basic compensation (66%)		Not linked to performance	Monthly	Paid according to roles and responsibilities	–		–
Short-term performance-linked compensation (17%)		Linked to short-term performance	Annually	Paid the standard amount for each position, plus an amount based on the Company performance and on the evaluation according to the individual business performance of each officer for the single fiscal year*1	Company performance	Core net business profit (the combined total for the Group's banks) Profit attributable to owners of parent	0%～150%
					Individual performance	Degree of achievement of individual targets set at the beginning of the period, etc.	70%～130%
Stock compensation (17%)*2*4	Trust I (9%)	Not linked to performance	At the time of retirement	Company shares, etc. equivalent to the standard amount for each position are accumulated monthly and deferred to be paid to each officer until their retirement*3	–		—
	Trust II (8%)	Linked to medium-term performance	After the end of the medium-term management plan	Company shares, etc. equivalent to the standard amount for each position are accumulated monthly and deferred until the end of the medium-term management plan to be paid according to the degree of achievement of the performance targets of the plan*3	Financial indicators*5	ROE (consolidated basis, shareholders' equity basis (average of beginning and ending balances)) OHR (consolidated basis) Common Equity Tier 1 Ratio (consolidated basis, finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities))	75% to 200%*6
					Non-financial indicators*7	Ratings by ESG rating agencies Status of initiatives for non-financial items in the medium-term management plan and qualitative matters	-15% to +30%

*1 The final evaluation of Company performance and of individual performance is determined through deliberation by the Compensation and Personnel Committee.
*2 "Stock compensation" is the issuance and payment of Company shares and cash proceeds from the conversion of Company shares through the trusts.
*3 In the event of a serious violation of a mandate contract between the Company and an officer concerning the officer's duties, or in the event of a sudden deterioration in business performance or a serious incident or scandal that damages corporate value, the Company may require that the officer forfeit stock delivery points (zeroing out), return granted Company shares, etc. (clawback), or provide compensation.
*4 The Company has established "Stock Acquisition and Ownership Guidelines" and encourages directors etc. of the company and its subsidiaries to acquire and hold a certain number of shares of the company's common stock in order to make them aware of management from the perspective of shareholders. Stock Acquisition and Ownership Guidelines: https://www.concordia-fg.jp/en/company/base/governance/guideline/index.html
*5 Financial indicators are the following three items, which are target indicators in the medium-term management plan (FY2022-FY2024).
ROE (consolidated basis, shareholders' equity basis (average of beginning and ending balances)), OHR (consolidated basis), Common Equity Tier 1 Ratio (consolidated basis, finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities))
*6 The final performance-linked coefficient for Trust II is calculated by adding an adjustment range for non-financial indicators (within the range of -15% to +30%) to the performance-linked coefficient based on financial indicators, and is determined through deliberation by the Compensation and Personnel Committee. However, the final performance-linked coefficient to be determined shall not exceed a maximum of 200% or a minimum of 75%.
*7 Non-financial indicators are the following ratings by ESG rating agencies (FTSE and MSCI), the status of initiatives for non-financial items in the medium-term management plan, and qualitative matters.

(Ratings by ESG rating agencies)

Assessment Index	FTSE Overall ESG Score, MSCI ESG Ratings

(Non-financial items in the medium-term management plan)

Basic Themes	Bank of Yokohama Items	Higashi-Nippon Bank Items
Growth	Number of corporate partners, number of personal partners, number of companies for whom we are the main settlement bank, number of personal customers for whom we are the main bank, number of proposals for overseas solutions	Number of core clients, number of companies for whom we are the main bank, number of clients evaluated for business feasibility, number of business matching contracts, number of new loan clients within 5 years of establishment of company, number of business succession solutions provided, number of business improvement plans formulated, and IB set-up rate for clients under corporate management
Change	Percentage of employees with advanced skill levels, number of employees with major consulting qualifications, number of specialized head office personnel (IT/digital division), number of specialized head office personnel (market/international division), hours invested per person in human resources development, number of re-skilling places offered, percentage of female managers, percentage of career professional managers hired, employee awareness survey results, number of users of next-generation smartphone applications, number of digital support cases, percentage of strategic expenses among IT and digital expenses, percentage of transactions through non face-to-face channels, number of sales branches and head office administrative personnel,	number of successful applicants for SME diagnostician (primary examination), number of successful applicants for SME diagnostician (secondary examination), number of successful applicants for FP Level 2 (SMEs), number of successful applicants for IT Passport, training hours per employee, percentage of female managers, health management, number of offices, number of offices with business support offices, number of head office (management, etc.) personnel actually working
Sustainability	Number of sustainability-related Number of sustainability-related solutions provided, percentage of reduction of the entire financial group's own GHG emissions, number of initiatives to solve local community issues, number of participants in financial education, number of measures to improve risk control, compliance awareness survey	Number of solutions provided to clients for SDGs feasibility evaluation, percentage of reduction of the Company's own CO2 emissions, number of employees with business assessment qualifications, percentage of disclosed claims, internal rating system, compliance awareness survey, results of comprehensive internal audit evaluation, number of serious Number of solutions provided to clients for SDGs feasibility evaluation, percentage of reduction of the Company's own GHG emissions, number of employees with business assessment qualifications, percentage of disclosed claims, internal rating system, compliance awareness survey, results of comprehensive internal audit evaluation, number of serious administrative errors

[Non-Executive Directors/Outside Directors]

A. Compensation composition

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

B. Compensation details

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

2. Audit & Supervisory Board Member

The details of compensation etc. for Audit & Supervisory Board members are determined through discussions with them.

A. Compensation composition

- To ensure neutrality and independence of Audit & Supervisory Board members, compensation is not linked to performance, but is only basic (fixed) compensation.

B. Compensation details

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

▶ (Reference Materials) page 144 Disclosure Items for Compensation, etc.

Compensation and Personnel Committee

For the purpose of ensuring objectivity and transparency in compensation and personnel matters of directors and executive officers, a Compensation and Personnel Committee composed solely of outside directors has been established as a voluntary mechanism. The Compensation and Personnel Committee performs the functions of both a nominating committee and a compensation committee.

The following matters relating to executive compensation and personnel matters of the Company and its subsidiaries must be decided through deliberation by this Committee.

(1) Compensation for officers of the Company and its subsidiaries

- Compensation table by position of the Company
- Amount of compensation linked to performance of the Company
- Establishment, revision, abolition, etc. of systems related to executive compensation

(2) Personnel matters regarding officers of the Company and its subsidiaries

- Appointment of candidates for directors of the Company, and dismissal of directors, and selection and removal of executive directors, representative directors, and the President and Executive Officer of the Company
- Selection and removal of presidents of subsidiaries

Members of Compensation and Personnel Committee

Name		Job title	Number of meetings attended/held in FY2023 (excluding written discussions)
Chair	**Mitsuru Akiyoshi**	Outside Director	10/10
Board Member	**Yoshinobu Yamada**	Outside Director	10/10
Board Member	**Mami Yoda**	Outside Director	10/10

Major Deliberations for FY 2023

(Matters related to personnel)

- Group executive personnel
- Succession Plan Operation and Status

(Matters related to remuneration)

- Verification of the Executive Compensation Table by an external research organization based on executive compensation data
- Group and Subsidiary Bank Executive Compensation Table
- Review of the policy for determining executive compensation, etc.*

* Review of the evaluation method for short-term performance-linked compensation

- In light of the business integration of the Company's subsidiaries, The Bank of Yokohama, Ltd. and THE KANAGAWA BANK, LTD., we have revised our "core net business profit", which is an indicator of the profitability of our core business and is one of the indicators used to evaluate the Company performance, from "the combined total for The Bank of Yokohama, Ltd. and The Higashi-Nippon Bank, Limited" to "the combined total for the Group's banks".
- In order to realize our long-term vision, we have removed "comparisons with competitors' performance, etc." from the evaluation of Company performance so that each officer can focus on achieving the targets they have set for themselves.

Board of Directors

Directors



Tatsuya Kataoka

President and Representative Director

(Concurrently, Representative Director, President of the Bank of Yokohama, Ltd.)

1990 Joined the Bank of Yokohama, Ltd.
2018 Executive Officer and General Manager of the Corporate Planning Department of the Company
2019 Executive Officer and General Manager of the General Planning Department, the Bank of Yokohama, Ltd.
Director, Higashi-Nippon Bank, Ltd
2022 Representative Director, President, the Bank of Yokohama Ltd. (currently)
President and Representative Director of the Company (currently)



Nobuo Onodera

Representative Director

(Concurrently, Representative Director and Managing Executive Officer, the Bank of Yokohama Ltd.)

1995 Joined the Bank of Yokohama, Ltd
2021 Executive Officer and General Manager of Sales Strategy Department for same
2022 Executive Officer of the Company
Director and Executive Officer, the Bank of Yokohama, Ltd
Director of the Company
2023 Representative Director and Managing Executive Officer, the Bank of Yokohama, Ltd. (currently)
2024 Representative Director of the Company (currently)



Toshihiko Onuki

Director

(Concurrently, Director and Managing Executive Officer of the Bank of Yokohama)

1991 Joined the Bank of Yokohama, Ltd.
2020 Executive Officer and ICT Management Department General Manager
Executive Officer and ICT Promotion Department General Manager, the Bank of Yokohama, Ltd.
Executive Officer of Higashi-Nippon Bank, Ltd.
2023 Managing Executive Officer and General Manager of ICT Planning & Promotion Department of The Bank of Yokohama, Ltd
Director and General Manager of ICT Management Department of the Company
2024 Director of the Company (currently)
Managing Executive Officer of The Bank of Yokohama, Ltd. (currently)



Mitsuru Akiyoshi

Director (outside)

2015 Executive Vice President and Representative Director, Marubeni Corporation
CEO, Food & Consumer Products Group
2019 MG Leasing Corporation (currently Mizuho Marubeni Leasing Corporation)
President and Representative Director
Outside Director of the Company (currently)
Outside Audit & Supervisory Board Member of INPEX Corporation and Teikoku Oil (currently, INPEX Corporation) (currently)
2022 Advisor (Part-time), Mizuho Marubeni Leasing Corporation

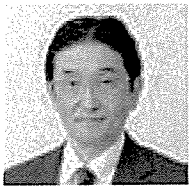
Audit & Supervisory Board Member



Kazuhiro Maehara

Full-time Audit & Supervisory Board Member

1988 Joined the Bank of Yokohama, Ltd
2016 Executive Officer and General Manager of Risk Management Department of the above
2017 Executive Officer and Deputy General Manager of Sales Head Office of the above
2018 Executive Officer and General Manager of Risk Management Department of the Company
2019 Full-time member of Audit and Supervisory Board of same (currently)

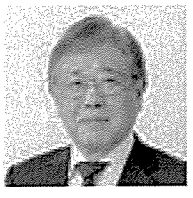


Mitsuhiro Hara

Audit & Supervisory Board Member

(Concurrently, Full-time Audit & Supervisory Board Member, the Bank of Yokohama)

1985 Joined the Bank of Yokohama, Ltd
2013 Executive Officer and General Manager of Corporate Planning Department of the above
2015 Executive Officer and Manager, Sagamihara Ekimae Branch of same
Concurrently, General Manager, Prefecture North Block Sales Division
2017 Executive Officer and General Manager of Loans Department of the above
2018 Full-time member of Audit and Supervisory Board of same (currently)
Auditor, Saikaya Co.
2021 Audit & Supervisory Board Member of the Company (currently)



Keiichiro Hashimoto

Audit & Supervisory Board Member (Outside)

2001 General Manager, International Business Department, the Bank of Tokyo-Mitsubishi, Ltd
2003 Representative Director, Mitsubishi Motors Corporation
Executive Vice President and Chief Financial Officer
2010 Representative Director, Chairman and President, Metropolitan Expressway Company, Limited
2015 Auditor, Higashi-Nippon Bank, Ltd.
2016 Outside Audit & Supervisory Board Member of the Company (currently)
2020 Outside Director, FANCL Corporation (currently)
2021 President of T Art Life Village, a general incorporated association
Director (non-executive), Maeda Road Construction Co., Ltd. (currently)
Outside Director, Infroneer Holdings Inc. (currently)



Yoshiyuki Oishi

Director

(Concurrently, Director and Chairman of the Higashi-Nippon Bank)

1985 Joined the Bank of Yokohama, Ltd
2013 Executive Officer and General Manager of Loans Department of the above
2014 Executive Officer and General Manager of Human Resources Department of the above
2016 Director and Executive Officer of the above
2017 Director and Managing Executive Officer of the above
2018 Representative Director and Managing Executive Officer of the above
2019 Managing Executive Officer of the Company
Representative Director, President, Higashi-Nippon Bank, Ltd
2020 Director of the company
2022 Representative Director for same
2024 Director of the above (currently)
Director and Chairman of The Higashi-Nippon Bank, Limited (currently)



Tomoki Arai

Director

(Concurrently, Director and Managing Executive Officer of the Bank of Yokohama Ltd.)

1994 Joined the Bank of Yokohama, Ltd
2019 Executive Officer of same and Market Sales Department General Manager
2021 Executive Officer of Higashi-Nippon Bank, Ltd
2022 Executive Officer of the Company
Managing Executive Officer of the Bank of Yokohama, Ltd
2023 Director and Managing Executive Officer (currently)
Director of the Company (currently)



Yoshinobu Yamada

Director (outside)

1995 Managing Director, Merrill Lynch Japan Securities Co
2008 Representative Partner, Olivant Advisors
2009 Managing Director, Deutsche Securities Inc
2019 Senior Advisor, PwC Advisory LLC
2020 Outside Director of the Company (currently)



Mami Yoda

Director (outside)

(Concurrently, Director (non-executive), the Bank of Yokohama, Ltd.)

2005 Managing Director, Standard & Poor's International, LLC
2017 Associate Professor, Department of English Language and Culture Communication, Faculty of Arts and Sciences, Sagami Women's University
2020 Associate Professor, Graduate School of Social Entrepreneurship, Sagami Women's University
Outside Director of the Company (currently)
2022 Professor, Department of English Language, Culture, and Communication, Faculty of Arts and Sciences of Sagami Women's University (currently)
Professor, Graduate School of Social Entrepreneurship, Sagami Women's University (currently)



Seiichi Fusamura

Audit & Supervisory Board Member (Outside)

2009 Sendai High Court Chief Justice
2011 Nagoya High Court Chief Justice
2012 Registered attorney
Outside Auditor, Nippon Paper Industries Co., Ltd
2013 Chairman of Public Safety Examination Committee
2016 Outside Audit & Supervisory Board Member, the Bank of Yokohama, Ltd
2020 Outside Audit & Supervisory Board Member of the Company (currently)
Outside Director, Nippon Kayaku Co., Ltd (currently)



Mayumi Noguchi

Audit & Supervisory Board Member (Outside)

1998 Joined Asahi Audit Corporation
(now KPMG AZSA & Co., Ltd.)
2008 Head of Noguchi Certified Public Accountant Office (currently)
2018 Outside Director, Fenwal Controls of Japan, Ltd (currently)
2021 Outside Audit & Supervisory Board Member of the Company (currently)
2022 Auditor, Japan Green Investment Corp. for Carbon Neutrality (JICN) (currently)
2024 Outside member of Audit & Supervisory Board (part-time) of JSP Corporation (currently)

Executive Officers

Kazuhiro Sukegawa
(Concurrently, Representative Director, President, Higashi-Nippon Bank)

Yutaro Koshiba
(Concurrently, Director and Managing Executive Officer of the Bank of Yokohama Ltd.)

Toshiya Kubota
(Concurrently, Director and Managing Executive Officer of Higashi-Nippon Bank Ltd.)

Michifumi Katsuta
(Concurrently, Director and Managing Executive Officer of the Bank of Yokohama Ltd.)

Masatoshi Akahori
(Concurrently, Executive Officer of the Bank of Yokohama)

Kazumi Nobe
(Concurrently, Executive Officer of the Bank of Yokohama)

Risk Management Initiatives/Compliance Initiatives

The banking environment is changing rapidly, with rising market interest rates and other factors, and it is necessary to further advance risk governance. We aim to foresee future changes and take proactive measures to respond, enhancing our corporate value through more advanced risk measurement and appropriate risk control. We will also foster a corporate culture founded on compliance and strengthen our systems for addressing ever-changing and sophisticated financial crimes, etc.



Executive Officer
(In Charge of Risk Management Department) Masatoshi Akahori

"The Basic Concepts of Risk Management"

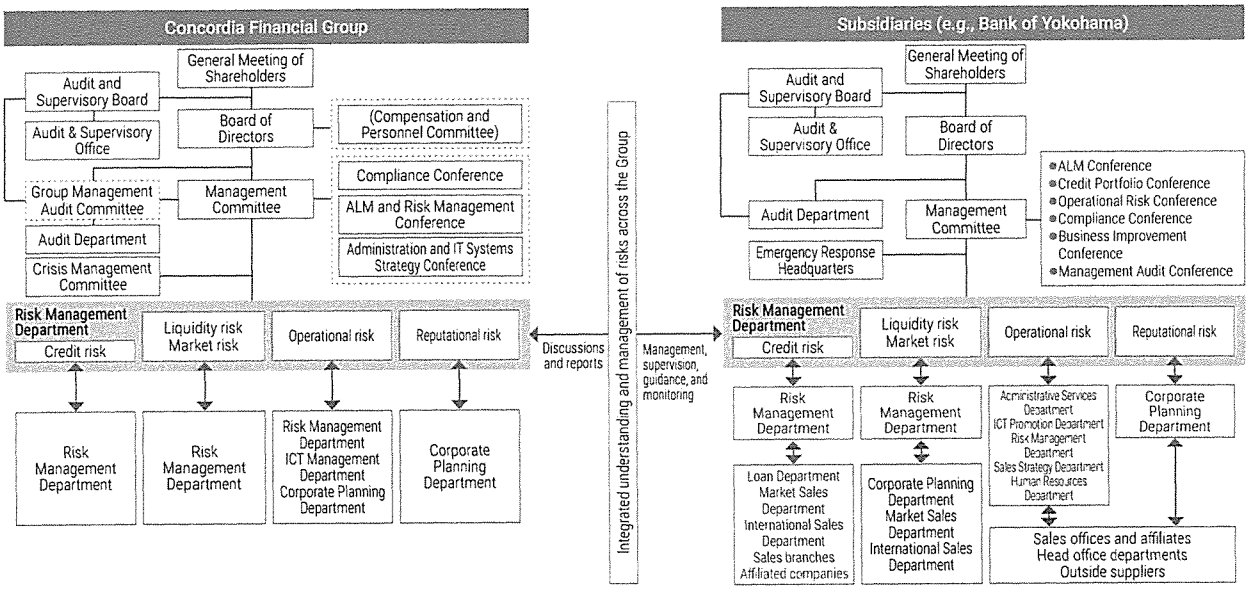
We emphasize risk ownership to promote and embed a risk-aware culture, managing risks based on the following basic policies.

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

Risk Management System

Within the Group, each subsidiary has set up a risk control department as well as a risk management department for each type of risk, thereby identifying, evaluating, and managing risks. The Risk Management Department at the holding company comprehensively manages risks for the entire Group, and an officer in charge of risk, who is separate from the General Manager of the Audit Department, regularly reports on the risk status to the President and Representative Director and the Board of Directors. In practice, each subsidiary conducts appropriate risk management based on its risk profile and reports the risk status to the holding company. The holding company then reviews these reports and provides necessary guidance to the subsidiaries.

The Board of Directors ensures sound and effective risk management for the Group, regularly and continually reviewing risk management policies and procedures based on factors such as the Group's strategic goals and changes in the external environment. The Board of Directors and the ALM and Risk Management Meeting (Management Committee) monitor, discuss, decide, and oversee various risks and risks across the Group.

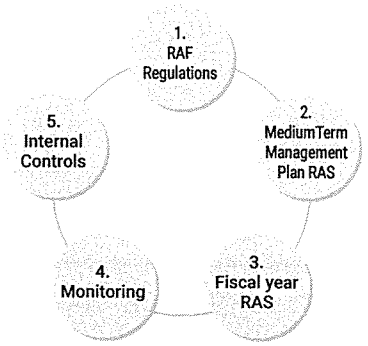


Risk Appetite Framework

Risk Appetite Framework (RAF) in Practice

As a risk governance framework, the Group has introduced a Risk Appetite Framework (RAF) to monitor and clarify the type and amount of risk taken on during operations, while taking into account the balance of earnings, risk, and our capital buffer. When formulating the medium-term management plan and budget for each financial year, a risk appetite statement (RAS), which defines the types and amounts of risks that management should willingly accept or avoid, is adopted at a Board of Directors' meeting. In addition, in order to utilize the RAF as a framework that contributes to ROE improvement and effective capital utilization, the Board of Directors is discussing the enhancement of asset allocation based on capital allocation that takes into account the risk-return ratio of each division. We plan to optimize risk-return, using the RAF to constantly monitor risk assets and their relationship to return, which are incorporated in the budget.

In addition, in order to foster and instill the risk culture embodied in the RAF, risk management workshops are held as needed for officers, including directors. (For FY2023, such a workshop was held in January 2024 for the Deputy General Managers of each department at the head office.)



Overview of Risk Appetite Framework (RAF) Management System

A Capital allocation and risk capacity based capping

The potential maximum loss (risk amount) for each risk is measured using value-at-risk (VaR) and other measures, and capital is allocated to each risk type in order to limit the amount of risk to the amount of equity capital available for risk-taking. For risk assets, the risk appetite is set so as not to exceed measured risk capacity.

B Stress testing

The Company verifies the appropriateness of risk-taking by estimating losses for each type of risk and measuring the impact on capital, earnings, risk-weighted assets, and risk volume using group-wide stress scenarios to confirm the adequacy of capital in budgetary plans and to ensure that the profit level is acceptable to management in times of stress. In addition, stress tests are conducted based on standards such as the Basel III capital adequacy ratio minimum requirement.

C Top Risk Management

In order to manage top risks, we set key risk indicators (KRI) as warning indicators in order to as much as possible detect the possibility of risks materializing in the future. We continuously monitor these KRIs to detect early signs of problems and we prepare to respond flexibly in the event that risks do materialize.

The items listed above are monitored, discussed, decided upon, and supervised by the Board of Directors.

Top Management Risks

The Group defines as "Top Risks" those risk events that are important to management and should be managed. We continuously monitor our top management risks and strive to perceive the signs and are prepared to respond flexibly in the event that a risk manifests.

Main Top Risks

- Deterioration in business conditions of companies due to external environmental factors in Japan and abroad
- Changes in monetary policy
- Economic downturn and manifestation of geopolitical risks in East Asia
- Development of digitization and intensifying competition with other business categories
- Large-scale damage due to cyberattacks
- Major damage due to system failure
- Major natural disasters
- Inadequate response to climate change and environmental issues
- Sanctions for inadequate anti-money laundering measures
- Difficulties in recruiting and retaining personnel

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

Crisis Management

The Group has a crisis management system in place to ensure the safety of its customers and employees, the smooth execution of financial operations, and the protection of customers' assets even in the event of an earthquake or other large-scale disaster, system failure, infectious disease epidemic, etc. In the event of a crisis, the Crisis Management Committee, which is chaired by the president and representative director, instructs companies within the Group to set up an emergency head office to centrally manage the response to the situation.

Furthermore, we prevent system problems that could have a serious impact on customers and have put in place a problem response system.

The Group places the highest priority on the health and safety of its customers and related parties, and will strive to maintain and continue its financial functions as part of the financial infrastructure essential to the maintenance of social functions.

Risk Management Initiatives/Compliance Initiatives

Integrated Risk Management

Basic Concepts

The Group classifies and manages overall Group risks in the following categories: credit risk, market risk, liquidity risk, operational risk, and reputational risk. In addition, we ensure the soundness of management by identifying, evaluating, monitoring, and controlling risks in an integrated manner to the greatest extent possible, including risks related to the development, provision and revision of products and services, as well as risks related to outsourcing of operations. We are also prepared to secure stable earnings through the appropriate allocation of management resources, commensurate with the risks involved.

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.

Integrated Risk Management Framework

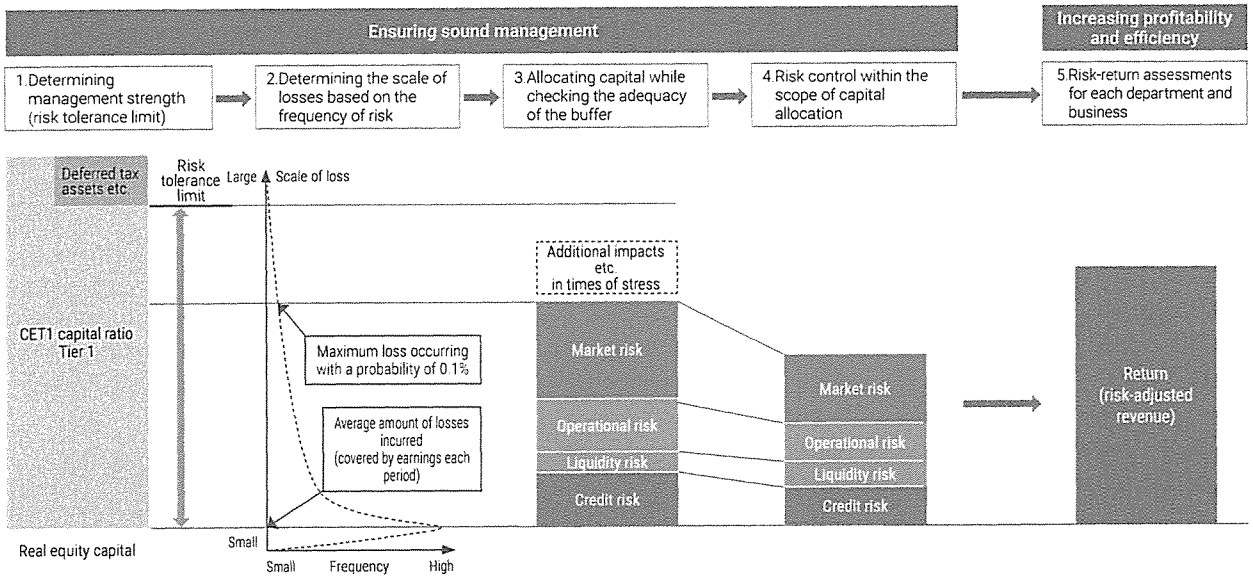
Ensuring soundness through capital allocation

The Group measures the potential maximum loss (amount of risk) for each risk using VaR (value-at-risk) and other measures, and allocates capital by risk type in order to keep the amount of risk within the range of real equity capital (the risk tolerance limit, which is defined as Tier 1 common equity less deferred tax asset equivalents etc.) When allocating capital, we check the sufficiency of the buffer (unallocated capital) to ensure that our real equity capital is not exceeded in times of stress.

Ensuring soundness through stress testing

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

Stress scenarios are set for the Group uniformly, factoring in past sharp economic downturns and forecasts of future environmental changes. Stress tests are conducted based on capital adequacy ratio regulations such as Basel III.



Cybersecurity

Cybersecurity Governance

External audit system

The Group has been strengthening its cybersecurity measures not only through external audits based on the Cybersecurity Framework international standard guidelines developed by the National Institute of Standards and Technology (NIST), but also through threatled penetration tests (TLPT), in which ethical hackers from a specialized security firm actually penetrate internal systems to assess vulnerabilities and identify issues. From FY2021, in addition to conducting the annual TLPT, we also began conducting external audits using the FFIEC (Federal Financial Institutions Examination Council) "Cybersecurity Assessment Tool", which is widely used by financial institutions in the U.S., with the aim of achieving the security standards of global financial institutions, and we will continue to strengthen our efforts to address the issues identified.

Involvement of Top Management

To clarify that we implement management-driven cybersecurity measures, we formulated the "Cybersecurity Management Declaration" in April 2022. In terms of the system, our security policy stipulates that the director in charge of the ICT Management Department is the security officer in charge of security for the entire Group. In addition, at regular ALM and Risk Management Meetings and President Reporting and CSIRT Meetings, which are composed mainly of directors, reports are given on threats and regulatory trends, security measures based on these trends, and their current status as agenda items, and management provides appropriate guidance and checks concerning the contents of the reports. Furthermore, the contents of these reports are reported to the Board of Directors on a regular basis and as circumstances change, and the Board of Directors oversees the execution status.

Management of contractors etc.

When using cloud services or entrusting our Group's information to contractors, we evaluate how the contractors and subcontractors comply with our Group's security standards not only at the time of contract, but also periodically after the contract is concluded. For highly important information, we verify compliance at least once a year. Specifically, we evaluate the security of the systems of contractors and subcontractors and such things as the state of their training of employees (including those of their contractors and subcontractors) about information management systems. When standards are not met, we request improvements or change the subcontractor.

Protection of Personal Information

As initiatives to protect personal information, we publish our purposes of use for personal information on our homepage and elsewhere in accordance with the relevant laws and regulations, manage this information appropriately, and in order to prevent information from being leaked outside the company or viewed by persons whose work does not require it, we control access physically and systematically, including by granting authorization according to role. We have also developed various rules and regulations, strictly classify and define information, and ensure that all executives and employees are fully aware of this.

During the planning and development stages, system specifications are reviewed for security by personnel specializing in security and system risk, and in order to enhance safety, we have an external security vendor carry out periodic vulnerability assessments before and after a new system is released to the public. When storing personal information such as customer information in our systems, we control access physically and systematically, including by granting authorization according to role, and encrypting the data using dedicated tools. We also encrypt communications when customers connect to our official website and Internet banking from their devices. The head of each department is responsible for these systems, for their security, and for managing them. The Audit Department conducts objective checks to ensure the appropriate and safe handling of customers' personal information. In addition, we run our credit card issuance operations in compliance with PCIDSS, the international security standard for the credit card industry.

Risk Management Initiatives/Compliance Initiatives

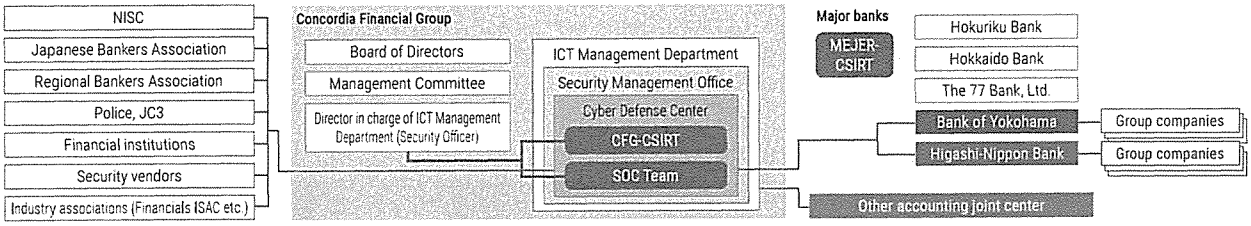
Incident Response Posture

In order to respond to the evolving threat of cyberattacks, from FY2023 we have formed a Cyber Security Office within the ICT Management Department and established a Cyber Defense Center within that office. The Cyber Defense Center consists of the Concordia Financial Group CSIRT, which comprises the CSIRT members from each group company, and a private SOC.

In addition to collecting and disseminating routine threat information and investigating and responding to attacks when they are detected, the Concordia Financial Group CSIRT prepares for emergencies by regularly participating in training organized by the National Center of Incident Readiness and Strategy for Cybersecurity (NISC), the Financial Services Agency (FSA), and Financials ISAC Japan in order to verify cooperation among government agencies, industry organizations, and Group companies. In order to regularly exchange information, verify systems, and conduct joint training, We have also formed the MEJAR-CSIRT with the regional financial institutions that operate the MEJAR core system and with NTT DATA. From FY2023, the "CMS-CSIRT" will be established with banks participating in the NTT DATA Regional Bank Joint Center in order to strengthen the security position of regional financial institutions, not only through joint training and study sessions, but also through joint procurement of products and resource sharing.

The private SOC utilizes the latest integrated log monitoring tools and automation tools for early detection of security incidents and to respond to them . In addition to establishing an organizational structure, we have formulated response plans for different types of incidents, such as ransomware infection, DDoS attacks, information leaks, etc., in case a security incident should occur. This response plan is continuously improved based on the results of the various drills mentioned above. In the event of an incident, we investigate the cause and take measures to correct the situation and to prevent recurrence (preventive actions) in cooperation with the relevant departments.

Cybersecurity system



Education and training

Education and training exercises for Group executives and staff

To improve cybersecurity literacy, the Group provides all officers and employees (including part-time and temporary employees) with training and education based on the Security Policy. For drills, we conduct suspicious e-mail drills and other drills multiple times a year in order that our response to any emergency situation that may arise will be quick and smooth. The training is conducted in an E-learning format and covers topics such as recent cyber-attack cases and content for ensuring the safety of information assets. We also provide level-specific training for new employees, newly appointed and existing managers, supervisors, etc. and hold seminars for management-level employees taught by outside experts. Through these efforts, we maintain our cybersecurity skills and further improve our response procedures for each particular type of incident (ransomware infection, DDoS attack, information leak, etc.)

Full-time employees of the Cyber Defense Center are encouraged to obtain CISSP and Registered Information Security Specialist certification. (All certification training, acquisition, and maintenance costs are covered by the company.)

We also work to improve the knowledge and skills of our full-time employees by providing training for more specialized international certifications such as the Global Information Assurance Certification (GIAC) and the Offensive Security Certified Professional (OSCP) certification, by sending them to security conferences, and by sending them to the Institute of Information Security (Master's Program). In addition to this, we have set targets for mid-career specialists and will continue to recruit and train them.

Customer education

In response to the high frequency of fraudulent remittances caused by phishing and other scams, we have joined the Japan Cyber Crime Center (JC3) and are working to collect information on Internet-based financial crimes. When we obtain information on fraudulent remittance methods, suspicious e-mails that fraudulently use our name, SMS (text message) cases, or the launch of phishing sites, we post such information on our website to alert our customers. In addition, the Bank of Yokohama has been working to improve and promote cybersecurity measures among enterprises in the prefecture. These efforts have included holding the July 2023 Kanagawa Cybersecurity Forum, a cybersecurity educational event for companies in Kanagawa Prefecture. In June 2022, the bank joined the Kanagawa Prefecture Enterprise Cybersecurity Public-Private Joint Project, which aims to raise cybersecurity levels among companies in the prefecture. By joining this project, the bank is working to improve its own technology through information sharing with companies that have cutting-edge technology and expertise and is supporting efforts to improve the level of cybersecurity at companies in the prefecture.

The Basic Concepts of Compliance

The Group recognizes compliance as one of the most important issues for management, with executives and employees working together to enhance the compliance system based on our Basic Compliance Policy (*).

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

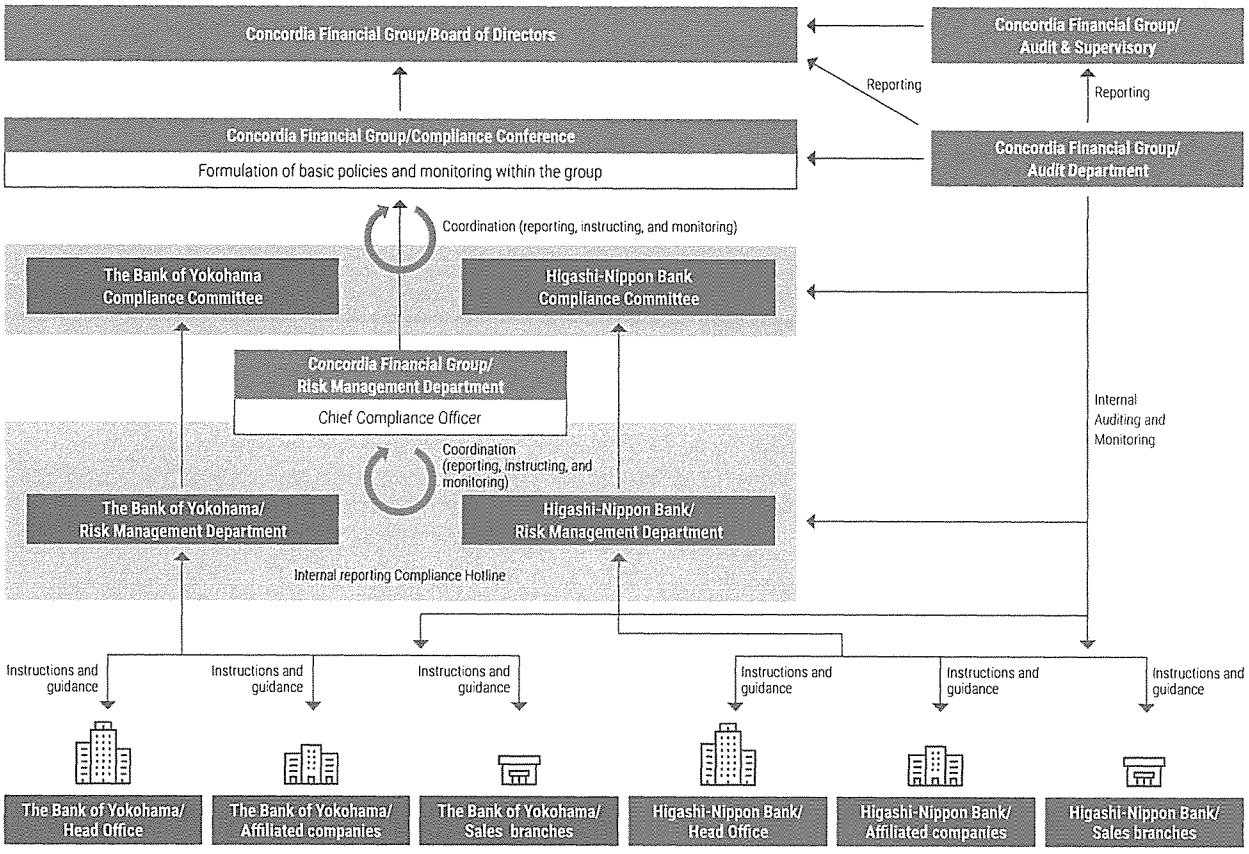
Compliance System

The Group's Chief Compliance Officer is in charge of the Risk Management Department and is responsible for overall group compliance, while the Risk Management Department, as the department responsible for compliance, centrally manages and guides compliance-related operations for the entire group and reports any serious matters to the Board of Directors.

In order to ensure compliance throughout the Group, the Group continuously conducts training for all officers and employees (including part-time and temporary employees). In addition, as a specific plan of practice to achieve compliance, we establish a Compliance Program for each financial year in accordance with the Basic Compliance Policy, and establish action principles for the realization of this program. In our compliance program in FY2024, we are focusing our efforts on the following areas: strengthening compliance awareness and maintaining integrity in business practices; implementing customer-centric services; ensuring robust information management; and appropriately responding to anti-money laundering, counter financing of terrorism, and counter-proliferation financing, as well as addressing anti-social forces or financial crimes.

In addition, in order to raise the effectiveness of the compliance program, we hold Compliance Conferences attended by directors, executive officers, and general managers regularly to monitor the progress of the program and the status of compliance, including the handling of whistleblowing and corrupt practices, and we report to the Board of Directors. The Board of Directors also receives the above reports and supervises the group companies.

(*) Abuse of authority to obtain improper benefits, such as bribery, embezzlement, breach of trust, extortion of benefits, and offering or receiving entertainment or gifts that exceed socially accepted norms



Risk Management Initiatives/Compliance Initiatives

Whistleblower system

In order to facilitate early detection and correction of compliance-related problems, such as violations of laws and regulations, fraud, corruption (*1), violation of internal rules, and harassment, the Group has established a Compliance Hotline, which is an internal reporting desk, at the Company, at the Bank of Yokohama, and at Higashi-Nippon Bank so that all employees in the Group (including part-time and temporary employees) can directly report and consult about problems related to compliance (*2).

The reporting desk is operated in accordance with the spirit and intent of the revised Whistleblower Protection Act and its guidelines, which went into effect in June 2022. For the protection of whistleblowers, information is accepted from both anonymous and confidential whistleblowers. A limited number of whistleblower response personnel handle the information and do so under strict information management. Investigations are carried out so as not to identify the whistleblower, and the whistleblower is not investigated or subject to unfair personnel or other treatment because of their whistleblowing activity.

When a whistleblowing report is received, an investigation is carried out to determine the facts of the case in accordance with the information received. If a violation of compliance is confirmed, corrective measures are taken and recurrence prevention measures are formulated, personnel measures such as disciplinary action against the subject of the whistleblowing are considered and implemented, and feedback is provided to the whistleblower to the extent necessary. Reports are also received at an external contact point set up at a lawyer's office and forwarded to the risk management personnel of each Group company via the Company's Risk Management Department. Each company takes action to resolve the problem after consulting with its lawyer.

The Group is making efforts to disseminate knowledge of the whistle-blowing system, including the protection of whistleblowers, by displaying posters, making a user's manual, and holding study sessions for all officers and employees.

(*1) Abuse of authority to obtain improper benefits, such as bribery, embezzlement, breach of trust, extortion of benefits, and offering or receiving entertainment or gifts that exceed socially accepted norms
(*2) For the number of hotline calls received, refer to page 134 "Group Non-Financial Data".

Internal Reporting Desk

Concordia Financial Group	Bank of Yokohama	Higashi-Nippon Bank	KANAGAWA Bank
Internal contact (Risk Management Department)	Internal contact (Risk Management Department)	Internal contact (Risk Management Department)	Internal contact (Complianse Department)
External contact (lawyer's office)	—	—	External contact (lawyer's office)
Auditor Reporting Desk (Auditor's Office)	Auditor Reporting Desk (Auditor's Office)	Auditor Reporting Desk (Auditor's Office)	Auditor Reporting Desk (Auditor's Office)

*The Auditor Reporting Desk is a reporting desk that allows internal and external parties to directly report to Audit & Supervisory Board members any legal violations or inappropriate accounting matters involving directors and executive officers.

Initiatives to Prevent Money Laundering

With the increasingly widespread transfer of funds by criminal groups, terrorists, and other such groups, with international terrorist organizations showing more activity, and with the trend to the global proliferation of weapons of mass destruction, there is an increasing risk that financial institutions will become enmeshed in money laundering, terrorist financing, and proliferation financing.

To counter these risks, we comply with basic requirements, such as identification and verification at the time of transactions, which are prescribed in the Act on Prevention of Transfer of Criminal Proceeds, the Foreign Exchange and Foreign Trade Act, and other relevant laws and regulations. We also undertake effective countermeasures against money laundering, terrorist financing, and proliferation financing based on the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism issued by the Financial Services Agency. Through these efforts, we do our part to maintain the soundness of the financial system.

Specifically, each company within the Group prepares the document prepared by specified operator based on the Act on Prevention of Transfer of Criminal Proceeds as its risk assessment document, comprehensively and concretely identifies and assesses risk, and takes risk reduction measures, such as proper notification of suspicious transactions. In addition, we continue our efforts to enhance our risk mitigation measures through the "Anti-Money-Laundering Program," which is established annually to verify the effectiveness of our risk mitigation measures.

Elimination of Anti-Social Elements

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

Specifically, the Concordia Financial Group has used this basic principle to formulate a Basic Policy on Anti-Social Forces (*) from the perspective of preventing harm caused by antisocial forces. Executives and employees are provided with training and guidance, and the department responsible for action in each Group company works with lawyers and public administration agencies such as law enforcement to prevent transactions and interactions with anti-social elements.

(*) Basic Policy on Antisocial Forces: https://www.concordia-fg.jp/en/company/base/compliance/antisocial/index.html

Initiatives to Strengthen Customer Protection and Customer Information Management Systems

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

The Group is working to ensure thorough customer protection and compliance by providing e-learning and group training every year to all officers and employees (including part-time and temporary employees), according to their duties and positions, on topics such as fiduciary duty, management of customer information, abuse of dominant bargaining position, conflict of interest management, etc.

The Group has established a central department to centrally manage complaints in accordance with its regulations, and accepts consultations and complaints from customers. The Complaints Management Department consolidates complaints that have occurred, and provides instructions and guidance to the departments complained about and others to resolve the complaints. The Compliance Committee and the Compliance Conference (Management Committee) deliberate on analysis of the details and causes of complaints and the status of measures for improvement, then report to the Board of Directors. Ongoing efforts are made for improvement based on instructions and guidance by the Compliance Conference, the Board of Directors, etc. In addition, we have entered into a basic agreement with the Japanese Bankers Association, which is a "designated dispute resolution organization" under the Banking Law, to conduct the Financial ADR System, a procedure for resolving disputes with customers through the involvement of a third party.

As part of our efforts to protect personal information, we publicly announce the purpose of our use of personal information on our website etc. in accordance with laws and regulations, and we manage such information appropriately.

Anti-Corruption Initiatives

Our Group Anti-Corruption Policy prohibits bribery of public officials, both directly and indirectly, in Japan and overseas, ensures fair and sound relationships with all stakeholders, including customers, shareholders, outsourcing partners, and business partners, and prohibits all forms of corrupt behavior, including embezzlement, breach of trust, and offering or receiving entertainment or gifts that exceed socially accepted norms.

In order to disseminate and ensure compliance with our Group Anti-Corruption Policy, the Group conducts e-learning sessions on the policy for all officers and employees (including part-time and temporary employees), as well as study sessions on specific examples of corrupt behavior, such as embezzlement and breach of trust. In addition, in order to prevent corrupt practices, the Company prepares accounting records for all transactions, expenditures, and disposition of assets in a timely and accurate manner in accordance with various laws, accounting regulations, and company rules, and properly maintains relevant documents. In addition, we conduct appropriate due diligence when selecting and renewing outsourcing and business partnerships.

Thanks to these efforts, there were zero disciplinary actions or dismissals for corruption in FY2023 and no fines or settlement expenses were incurred. We also comply with laws and regulations regarding donations for political activities. We did not make any donations for political activities in FY2023.

The Audit Department conducts internal audits of all departments at least once every three years, independent of the executive divisions, concerning the status of compliance with the Group Anti-Corruption Policy and compliance initiatives, and makes recommendations for correction and improvement in problem areas.

Internal Audit System

Role of Internal Auditing

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

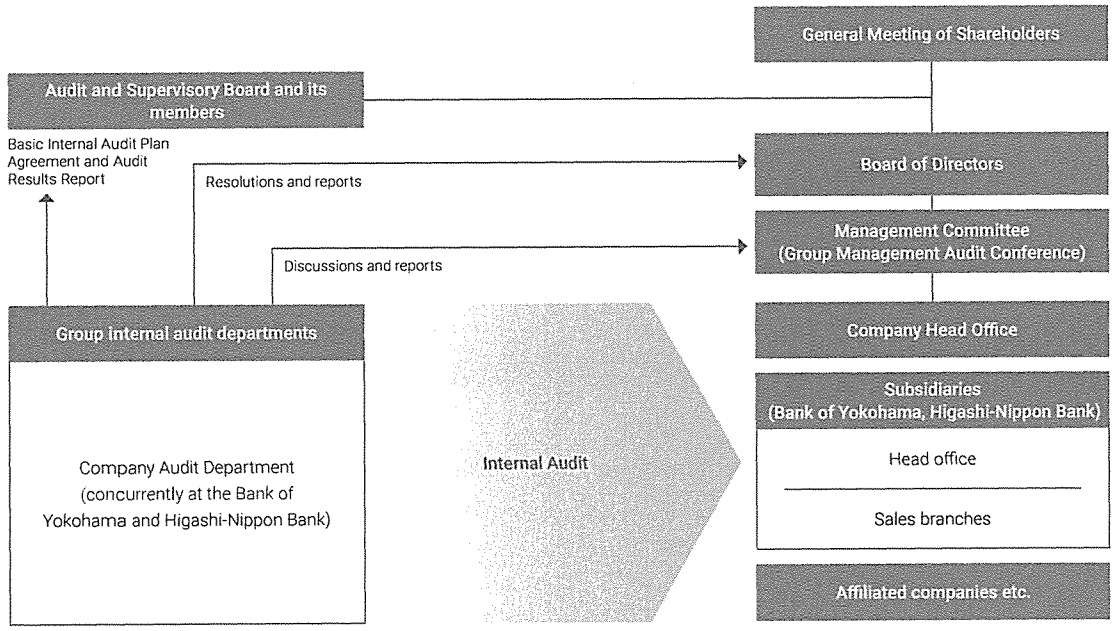
Group Internal Audit System

In order to ensure that internal audits can be conducted using uniform methods and standards within the Company, the Company and its subsidiaries have established the "Basic Rules for Internal Audits" to be followed when establishing policies and rules.

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

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

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



Efforts to Improve Internal Audit Performance and Efficiency

In order to be forward looking in preventing the emergence of risks, which fluctuate due to changes in the internal and external environment and in order to effectively and efficiently allocate limited audit resources to audit targets, our Audit Department conducts risk-based audits by assessing risks inherent in departments and operations subject to internal audits (risk assessment) and by determining audit targets, frequency, and depth according to the results. For audit areas requiring advanced expertise, we are cooperating with external institutions as needed to enhance our audit framework.

Furthermore, in order to maintain and improve audit quality, we are working to strengthen our audit base by securing diverse experts and developing training plans for audit staff to systematically work on human resource development.

Customer-Focused Business Operations

Policy on Initiatives

As part of our commitment to customer-oriented business operations, we have formulated and published our "Declaration of Fiduciary Duty", which was approved by the Board of Directors. The Bank of Yokohama, the Higashi-Nippon Bank, and THE KANAGAWA BANK have adopted a policy based on this Declaration and are working to conduct customer-focused business operations. Refer to our website for the Fiduciary Duty Declaration.

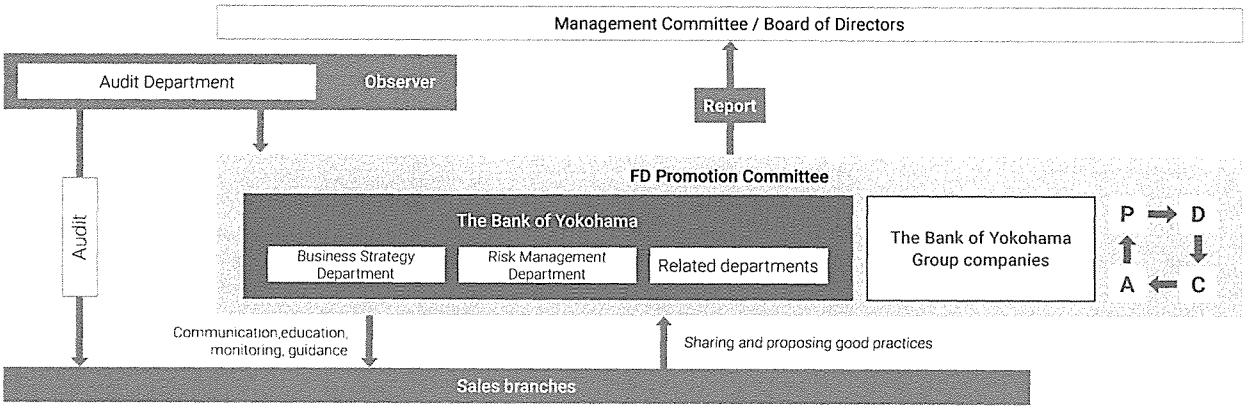
https://www.concordia-fg.jp/en/company/base/fd/index.html

Each group company has established a department to supervise customer-oriented business operations and a risk management department. The supervising departments oversee overall customer-oriented business operations by formulating annual plans based on the Declaration and report regularly to the Management Committee etc., developing internal systems, reviewing and monitoring products and services, enhancing training, and conducting customer surveys. The risk management departments monitor customeroriented business operations from the perspective of customer protection, ensuring the suitability of product proposals and the provision of information, ensure the suitability and sufficiency of each function through periodic reports to the Board of Directors, and provide guidance for relevant departments. In addition, the Board of Directors of the Group supervises the efforts of each Group company.

In addition to complying with all applicable laws, regulations, and rules in the sale of financial products, we will solicit business appropriately in accordance with the solicitation policies set forth by each company and comply with relevant laws, ordinances, etc. concerning the protection of customers' personal information and work in accordance with the policies set by the company.

In order to steadily implement customer-focused business operations based on the Declaration, the Bank of Yokohama Group has established an FD Promotion Committee at the Bank's head office to evaluate and confirm the status of the implementation of fiduciary duties and to hold cross-organizational discussions and considerations regarding necessary responses and improvement measures.

FD Promotion Committee Structure



Customer-Focused Support for Asset Formation and Management

The Bank of Yokohama has adopted a policy based on the Declaration and is working to conduct customer-focused business operations in order to realize true benefits for customers. In addition, we disclose indicators related to the results of customer-focused asset development and management proposals.

Furthermore, we have prepared an informative document entitled "Four Promises and Two Ideas" summarizing our approach to asset management based on the Declaration in an easy-to-understand manner and using it in asset management proposals and during follow-up.

The Bank of Yokohama is committed to realizing the true interests (best interests) of its customers, and proposes portfolios that contribute to medium- to long-term asset building that meet the true needs and interests of its customers. In making proposals to customers, we adopt a "goal-based approach" (*). We check the customer's investment experience and knowledge, income, asset situation, and investment objectives, and carefully listen to their thoughts on their goals for their future life plan.

Using the "Wealth Advisor", a portfolio analysis tool, and the "Money Plan Guidebook", an information provision tool, we engage in dialogue with clients to support optimal asset building and asset management, including asset diversification and time diversification, in order to accurately meet the needs of each client in pursuit of their respective goals. During follow-up visits, we check to see if there have been any changes in their thinking or life plan. If so, we redefine the goals and continue to provide operational support to help them achieve their goals.

* This is a method of considering asset development in accordance with the future goals of each individual customer, and is based on the concept of setting an ultimate goal and working backwards from there to determine investment policy.

Customer-Focused Business Operations

Four Promises

For customers considering investment trusts

<Promise 1> To make customer-focused proposals for asset formation and management
- We listen carefully to the customer's ideas and propose a plan that contributes to medium- to long-term asset development and management based on the customer's investment experience and knowledge, income, asset situation, investment objectives and other factors.

<Promise 2> To provide optimal investment products
- We offer a wide variety of products to meet customer investment objectives and risk appetite.
- We propose portfolios that provide stable asset management over the medium to long term.

<Promise 3> To provide customers with information and to give them highly satisfactory service
- We stay close to our customers after purchase, and provide timely and appropriate information as needed.
- We are committed to creating an environment in which customers can consult us with confidence.

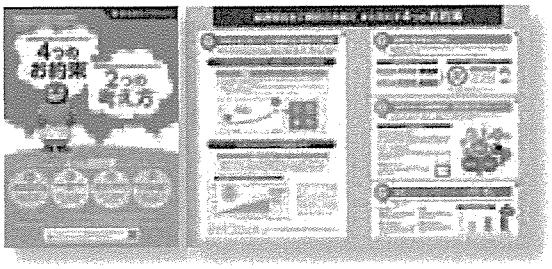
<Promise 4> To work with financial professionalism
- In order to provide optimal financial services, we develop human resources with a strong sense of responsibility to deserve the trust placed in us by our customers.

Two Ideas

For customers with investment trusts

<Idea 1> Approach 1: Invest slowly and carefully from a long-term perspective rather than attempting to guess the market.
- We convey the importance of holding long-term.

<Idea 2> When in doubt, return to the two "starting points".
- If a customer becomes confused by market price fluctuation, we recommend that they return to the two starting points, namely the 'purpose' of their investment and the 'term' of the investment they were thinking about at the time of purchase.
- Bank of Yokohama representatives are there for customers when the market is unstable and to help them in returning to the starting points of the investment.



Developing a Product Lineup in Line with Customer Needs

In selecting products, we take into account the economic environment and market trends. We offer a lineup of products to meet the needs of our customers, from among not only those handled by our group companies, but also from among those handled by a wide range of money-management firms and insurance companies. In addition, we monitor and check the quality of the products even after their introduction. Twice a year, we have a third-party evaluation organization* analyze their performance. If the results are not satisfactory, we consider stopping sale of the product.

* Examples of third-party evaluators Investment trusts: Nomura Fiduciary Research & Consulting, Inc. and Mitsubishi Asset Brains, Inc.
Life Insurance: Investment Trust & Insurance Business Research Institute Co.

Provision of Information to Customers (Use of Important Information Sheets)

The Bank of Yokohama has introduced Important Information Sheets for both financial service providers and for individual products in order to provide customers with easy-to-understand important information on medium- to long-term asset development and asset management and in order to enable easy comparison of the following items.

- Basic profits (returns), losses and other risks, as well as transaction conditions for financial products and services that we sell and recommend to customers
- Attributes of potential customers of financial service providers involved in the development of financial products that we sell and recommend to customers
- Reasons for the selection of the financial products and services that we sell and recommend to customers (including reasons for judging that they are based on customer needs and intentions)
- If there is a potential conflict of interest with respect to financial products or services that we sell and recommend to customers, specific details of such conflict (including commissions received from third parties), and the impact of such conflict of interest on transactions or operations

The Important Information Sheets also provide a clear comparison of the level of fees for each product. We use the Important Information Sheets to provide easy-to-understand explanations of the investment products we handle across the board, while listening to the thoughts of our customers.

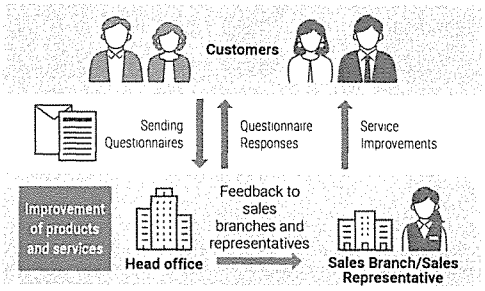
Taking a Stance Prioritizing Customer Satisfaction and Developing and Securing Human Resources

The Bank of Yokohama conducts an annual customer satisfaction survey to gauge customer satisfaction in order to seek the candid opinions of our customers. We ask our customers to evaluate our efforts directly and use the results to improve our products and services. We continue to improve our efforts to become the bank and staff of choice by offering proposals that contribute to long-term asset development and asset management and by providing regular follow-up services to give customers confidence after purchase (signing of contracts).

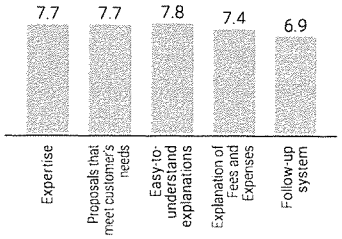
We conducted training, study sessions, and e-learning related to customer protection and compliance for all employees responsible for personal customers throughout the year to raise awareness. In addition, we are working to develop human resources with advanced expertise by encouraging staff to acquire qualifications related to customer protection etc. In particular, we are actively working to develop human resources with expertise and skills appropriate for financial professionals by encouraging them to acquire FP (financial planner) qualifications. In particular, we are working to increase the number of people obtaining FP Grade 1 and CFP qualifications, and the number of new qualification holders is increasing year by year, with 29 people in FY2022 and 49 people in FY2023.

The status of our efforts for customer-oriented business operations is reflected in the personnel evaluations of both management and staff members. We are working to raise awareness of customer-oriented business operations from the standpoint of personnel evaluations of both management and staff members.

Customer survey methods and the flow of feedback to supervisors

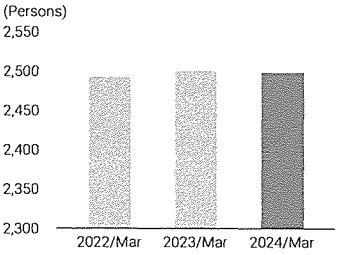


Customer survey results (10-point scale)(*)



* Average score, on a 10-point scale, of customers who contracted for investment-type products for their satisfaction with their transactions with the Bank.

Number of FP Level 1 and 2 Qualification Holders



* FP Grade 1/CFP or FP Grade 2/AFP qualification holders

External Evaluation of Customer-Oriented Initiatives

The Bank of Yokohama has been recognized for its efforts in selling customer-focused financial instruments, and in July 2024, the Bank received an "S+ rating" in the "R&I Customer-Focused Financial Sales Company Evaluation" published by Rating and Investment Information Inc. (R&I), which is a credit rating agency. https://www.boy.co.jp/shared/pdf/boy/RandI_hyouka.pdf

Key points of R&I's evaluation of the Bank of Yokohama (excerpts from the evaluation report)

1. **Formulation and publication of policies, etc. related to customer-focused business operations**
   Customer-focused business operations (Fiduciary Duty: FD) are positioned as a key management issue. To promote the penetration and establishment of FD, the Bank takes a flexible approach to solving issues at sales sites, particularly through dedicated departments and committees. In April 2024, a new FD Promotion Committee was established to strengthen Group-wide initiatives. A system has been set up that allows management to be more deeply involved in understanding the status of initiatives and considering solutions to issues. The FD initiative policy has been revised for easier understanding, including information about the collaboration with Hamagin Tokai Tokyo Securities. Moreover, detailed action plans continue to be established, and the PDCA cycle is being implemented.
2. **Pursuit of customers' best interests**
   Skill improvements are made with an accurate grasp of proposal skills of each sales representative according to their level of proficiency. The customers' best interests are pursued through recent reviews of the human resource development system and the establishment of a structure that allows employees to efficiently master a diverse range of business operations. Establishment of FD awareness is verified through ongoing employee and customer surveys, and improvements are being made.
3. **Sales policy formulation, sales, and review of financial instruments**
   Based on a goal-based approach that shares investment goals with customers, the balance of investment trusts and fund wraps is steadily being increased by proposing core-satellite strategies and periodic investments. In addition to lowering trust fees for funds included in fund wraps, the content of key information sheets has been revised to deepen customers' understanding. A high level of after-sales follow-up with customers has been maintained. Collaboration with Hamagin Tokai Tokyo Securities within the Group is being strengthened, with bank and securities representatives working together to provide customers with the most suitable products.
4. **Selection and monitoring of financial instruments**
   Based on rules established within the bank, the Bank follows a clear process for selecting investment trusts, insurance products, etc., conducts regular monitoring, and determines sales policies. Throughout this process, information from external evaluation organizations is utilized to improve the lineup of investment trusts and insurance products.
5. **Appropriate motivational framework and other initiatives for employees**
   For performance awards targeting regions and districts, etc., evaluation criteria that correspond to the medium-term management plan have been adopted. In addition to incorporating FD items to lower the effective weight of revenue, an evaluation system has been introduced that brings greater awareness of FD on-site. Innovation can be seen in measures such as eliminating the revenue item in individual evaluations and instead incorporating the status of FD initiatives and the results of customer surveys into the evaluations.

Group Non-Financial Data

* Unless otherwise specified, figures for CFG are totals for the Concordia Financial Group and its main subsidiaries, the Bank of Yokohama and Higashi-Nippon Bank. In addition, CFG and the combined total for FY2023 include figures for THE KANAGAWA BANK.

Environment

Amount of energy used

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Municipal gas	1,000 m³	334	329	332
Fuel oil	KL	0	2	1
Kerosene	KL	0	3	2
Diesel fuel	KL	0	0	4
Gasoline	KL	276	266	268
Electricity	1,000 kWh	39,621	38,120	37,058
Steam	GJ	12,348	11,060	11,341
Hot water	GJ	470	42	46
Cold water	GJ	16,874	16,654	17,793

* Energy consumption for the Concordia Financial Group excluding gasoline is aggregated for the entire group, including the Concordia Financial Group and all of its consolidated subsidiaries.
* Third-party verification of energy consumption has been obtained. See P. 103 for details.

Resources & Waste

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Total water consumption *1	m³	69,151	65,360	67,513
Cooling water inflow *2	m³	14,380	15,145	16,163
Paper purchases *3	t	208.0	232.5	227.4
Of which, eco-friendly paper *3	t	13.1	150.7	198.6
Waste generated *4	t	583.7	751.5	848.4
Of which, amount of final disposal *4	t	69.1	75.2	77.8
Of which, amount recycled *4	t	514.6	676.3	770.6

*1 Figures for the Bank of Yokohama are compiled from its headquarters and business centers, figures for the Higashi-Nippon Bank from its business centers, and figures for THE KANAGAWA BANK from its headquarters.
*2 For the Bank of Yokohama, the figures for business centers are tabulated.
*3 Figures for the Bank of Yokohama are compiled from its head office and business centers, figures for the Higashi-Nippon Bank from its business centers, and figures for THE KANAGAWA BANK from its head office.
*4 Figures for the Bank of Yokohama and for the Higashi-Nippon Bank are compiled from their headquarters and business centers, respectively, and figures for THE KANAGAWA BANK are compiled from its head office.

Greenhouse Gas (GHG) Emissions

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Scope 1 (direct emissions)	t-CO_2	848	843	782
Scope 2 (indirect emissions)	t-CO_2	16,525	6,804	3,500
Scope 3	t-CO_2eq	96,111	81,931	91,712
Of which, Category 1 (purchased products and services)	t-CO_2eq	49,904	48,619	54,520
Of which, Category 2 (capital goods)	t-CO_2eq	32,391	20,487	25,610
Of which, Category 3 (fuel and energy-related activities not included in Scopes 1 and 2)	t-CO_2eq	4,554	3,672	3,651
Of which, Category 4 (transportation, shipping - upstream)	t-CO_2eq	4,937	4,778	3,334
Of which, Category 5 (waste from operations)	t-CO_2eq	906	959	917
Of which, Category 6 (business travel)	t-CO_2	822	784	816
Of which, Category 7 (commuting)	t-CO_2	2,045	2,101	2,310
Of which, Category 8 (leased assets - upstream)	t-CO_2	542	525	540
Total emissions (Scopes 1, 2)	t-CO_2	17,374	7,648	4,283
Total emissions (Scopes 1, 2, 3)	t-CO_2eq	113,486	89,581	95,995

* The scope of calculation for Scope 1 and Scope 2 covers the domestic locations of the entire Group, including the Concordia Financial Group and all of its consolidated subsidiaries.
* For Scope 2 calculations, CO_2 emissions are calculated as 0 for the portion of real renewable electricity use.
* The scope of calculation for Scope 3 covered the domestic locations of the Concordia Financial Group, the Bank of Yokohama, and the Higashi-Nippon Bank until FY2022, and included the domestic locations of THE KANAGAWA BANK from FY2023.
* Scope 3 Categories 9-14 are not applicable due to the nature of our business.
* For Scope 3 Category 15, please refer to P. 98.
* GHG emissions are verified by a third party. See P. 103 for details.

Society

Human capital (diversity etc.)

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Number of employees		5,593	5,296	5,529
Of which, number of female employees		2,526	2,441	2,553
Proportion of female employees	%	45.2	46.1	46.2
Number of temporary and interim employees, and number of overseas local personnel hired		3,615	3,302	3,381
Average age		40.2	40.4	40.6
Average number of years of service	Years	16.4	16.5	16.7
Of which, average years of employment (male)	Years	18.0	18.0	18.1
Of which, average years of employment (female)	Years	14.5	14.8	15.1
Average annual salary	¥1,000	7,352	7,563	7,749
Average monthly salary	¥1,000	459	463	483
Wage differential between men and women (all workers) *5	%	–	50.3	49.7
Of which, full-time employees	%	–	68.5	66.6
Of which, part-time and fixed-term-contract workers	%	–	64.9	66.6
Proportion of unionized employees	%	82.7	82.0	81.1

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Personnel hired		237	169	340
Of which, number of women hired		117	90	170
Total number of new graduates hired		204	144	277
Of which, number of women hired		103	76	134
Total number of mid-career hires *6		33	25	63
Of which, number of women hired		14	14	36
Number of persons using the reemployment system *7		910	1,040	1,120
Employment rate of persons with disabilities *8	%	2.31	2.53	2.65
Number of employees retiring for personal reasons		213	260	236
Proportion of employees retiring for personal reasons	%	3.6	4.5	4.0
Number of managers *9		1,662	1,630	1,806
Of which, number of female managers		243	271	319
Percentage of female managers *9	%	14.6	16.6	17.7

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Total number of managers *9		3,143	3,042	3,332
Of which, number of female managers		1,068	1,096	1,255
Percentage of female managers *9	%	34.0	36.0	37.7
Average number of days of paid leave taken	Days	15.6	15.5	14.8
Average rate of utilization of paid leave	%	80.0	79.6	76.1
Percentage of employees taking childcare leave (men) *10	%	71.7	108.4	111.7
Average number of days of childcare leave taken (men)	Days	5.5	10.6	6.1
Percentage of employees taking childcare leave (women) *11	%	95.5	102.4	101.7
Percentage of employees taking childcare leave (men and women)	%	88.1	105.2	106.3
Number of employees taking nursing care leave		3	2	1
Percentage of employees using the reduced working hour system *12	%	29.9	27.1	27.3
Average working hours above legally set working hours (or average overtime hours)	Hours/ month	10 hours 30 minutes	11 hours 48 minutes	11 hours 55 minutes
Employee awareness survey (total attractiveness of the company) *13	Points	3.29	3.28	3.37
Number of work accidents	Cases	61	46	93

* 5 Average annual wages for part-time and fixed-term-contract workers and those who work reduced hours are calculated by converting the number of employees into equivalent full-time employees with regular working hours, and the figures for the Concordia Financial Group are on a consolidated group basis
* 6 Includes employees changed to bank employees
* 7 Headcount of senior staff and re-employed part-time workers at end of period
* 8 Due to the special recognition of affiliated companies, calculations for the Bank of Yokohama include the figures for Hamagin Business Challenged (special subsidiary) and as affiliated companies, Hamagin Research Institute, Hamagin Finance, and Hamagin TT Securities
* 9 The Bank of Yokohama's calculations do not include seconded employees, while the Higashi-Nippon Bank's calculations include seconded employees in the company from which they are seconded
* 10 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 with spouse giving birth (in the relevant fiscal year) x100
* 11 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 giving birth (in the relevant fiscal year) x100
* 12 Shorter working hour system utilization rate (%) = System users at end of fiscal year/Men and women with preschool children x 100 (Employees on leave or assignment are not included.)
* 13 Evaluation on a 5-point scale (5 being the highest). CFG (combined total value) for FY2021 and FY2022 was a weighted average of the Concordia Financial Group, the Bank of Yokohama, and the Higashi-Nippon Bank, and CFG (combined total value) for FY2023 is a weighted average including THE KANAGAWA BANK. Moreover, the weighted average of the Concordia Financial Group, the Bank of Yokohama, and the Higashi-Nippon Bank for FY2023 was 3.41

Governance

Corporate Governance

(Concordia Financial Group)

Item	Unit	FY2021	FY2022	FY2023
Number of Directors		7	7	8
Of which, number of outside directors		3	3	3
Number of Audit & Supervisory Board Members		5	5	5
Of which, number of outside members of Audit and Supervisory Board		3	3	3
Number of female directors *15		1	1	1
Of which, proportion of women	%	16.7	16.7	15.4
Average attendance rate for Board of Directors meetings	%	99.4	97.6	99.4

*15 Including outside directors

<The Bank of Yokohama, Higashi-Nippon Bank,KANAGAWA Bank*16>

Item	Unit	FY2021	FY2022	FY2023
		Total	Total	Total*16
Number of Directors		12	14	21
Of which, number of outside directors		3	2	3
Number of female directors *17		1	1	1
Average attendance rate for Board of Directors meetings	%	98.3	100.0	99.6

*16 Up until FY2022, figures represented the Bank of Yokohama and the Higashi-Nippon Bank, but in FY2023, figures include THE KANAGAWA BANK
*17 Including outside directors

Human capital (human asset development)

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Number of people using the bank's internal recruitment system		245	451	225
Number of job titles or employment types changed (bank employee change)		3	17	21
Number of job titles or employment types changed (course change)		28	36	23
Annual training expenses	¥1,000	129,214	169,917	218,034
Total training hours per year	Hours	44,642	59,466	62,023
Average training hours per person	Hours	9 hours 42 minutes	13 hours 14 minutes	13 hours 18 minutes
Number of training participants (total)		2,674	2,424	3,618

Social Contribution Activities

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Social contribution activity expenditures	¥1,000	126,789	100,051	205,210
Of which, donations to non-profit organizations	¥1,000	47,954	41,139	39,765
Number of financial education course participants *14		24,503	53,921	81,812

*14 The number of participants in various financial seminars, work experience programs, and on-site classes, as well as the number of visitors (users) to the websites "Hamagin Money Classroom" and "Higashi-Nippon Bank Money Classroom" are aggregated

Compliance

Item	Unit	FY2021	FY2022	FY2023
		CFG		
Number of customer consultations	Cases	6,032	5,834	7,824
Of which, telephone consultations	Cases	4,868	4,645	6,363
Complaints	Cases	1,713	1,745	1,524
Inquiries	Cases	3,155	2,900	4,839
Of which, number of Customer's Voice cards received	Cases	42	60	51
Of which, number of Customer Voices received on website	Cases	1,122	1,129	1,410
Complaints	Cases	639	587	691
Requests	Cases	416	426	589
Compliments	Cases	67	49	57
Others	Cases	0	67	73
Number of internal and external reports received (on hotline)	Cases	37	37	22

ESG Information

External evaluation

MSCI ESG Ratings

We have received an AA as our MSCI ESG Rating*, which analyzes and evaluates the degree to which a company manages environmental, social, and governance risks.

* THE USE BY Concordia Financial Group, Ltd. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF Concordia Financial Group, Ltd. BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

CDP

We were selected as an A-List, the highest rating, in the CDP* climate change survey.

* An organization that requests companies to disclose information about their greenhouse gas emissions and their efforts to address climate change

Pride Index 2023

We received the highest rating of "Gold" in the "Pride Index 2023," which evaluates the company's commitment to LGBTQ+ and other sexual minorities from the voluntary organization "Work with Pride".

Next Nadeshiko: Companies Supporting Dual-career and Co-parenting

The Company was selected under the FY2023 "Next Nadeshiko: Companies Supporting Dual-career and Co-parenting" by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, Inc., as a listed company that is outstanding in terms of its efforts related to "gender-neutral support for dual-career and co-parenting".

D&I Award 2023

We received the highest rank "Best Workplace" in the "D&I Award 2023," a certification system that evaluates corporate diversity and inclusion by JobRainbow Co., Ltd.

Excellent Health Management Corporation

The Bank of Yokohama has been certified as a "Health Management Excellent Corporation 2024 - White 500", and Higashi-Nippon Bank as a "Health Management Excellent Corporation 2024" in the Large Corporations category of the "Health Management Excellent Corporations Certification System" established by the Ministry of Economy, Trade and Industry and the Japan Health Council.

Platinum Kurumin, Kurumin

The Bank of Yokohama has been certified by the Ministry of Health, Labour and Welfare as "Platinum Kurumin" and Higashi-Nippon Bank as "Kurumin" as defined by the Act on Advancement of Measures to Support Raising Next-Generation Children.

Eruboshi

The Bank of Yokohama has acquired the third level of "Eruboshi" (L Star) certification, which is granted to companies that have formulated and submitted a general business owner action plan and that meet certain requirements, such as excellent implementation of measures to promote women's activities.

R&I Customer-Focused Financial Sales Company Evaluation

The Bank of Yokohama has received an "S+ rating" in the "R&I Customer-Focused Financial Sales Company Evaluation" published by Rating and Investment Information Inc., which is a credit rating agency.

DX Certified Enterprises

Our company and the Bank of Yokohama have been certified as "DX Certified Enterprises" in the "DX (Digital Transformation) Certification System" established by the Ministry of Economy, Trade and Industry (METI).

Participation in Initiatives

The Group participates in and endorses various initiatives to fulfill its social responsibilities as a financial institution, to meet the demands of the international community, and to contribute to the attainment of a sustainable society.

Included in ESG Indexes (as of June 30, 2024)

GPIF Selected Indexes

- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- 2024 CONSTITUENT MSCI NIHON-KABU*
- 2024 CONSTITUENT MSCI JAPAN *
- Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)
- FTSE4Good

* THE INCLUSION OF Concordia Financial Group, Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Concordia Financial Group, Ltd. BY MSCI OR ANY OF ITS AFFILIATES.
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Consolidated Financial Statements

Concordia Financial Group

Consolidated Balance Sheet

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
ASSETS:			
Cash and due from banks (Notes 3, 12, and 27)	¥ 4,133,789	¥ 6,426,095	$ 27,294,747
Call loans and bills bought (Note 27)	33,629	108,146	222,049
Monetary claims bought (Note 5)	33,286	24,747	219,784
Trading assets (Note 4)	1,730	3,266	11,428
Securities (Notes 5, 12, and 27)	2,947,434	2,868,336	19,461,439
Loans and bills discounted (Notes 6, 12, and 27)	16,602,619	15,750,299	109,624,426
Foreign exchanges (Notes 6 and 7)	24,573	25,230	162,258
Lease receivables and investment assets (Note 26)	78,003	74,730	515,046
Other assets (Notes 8 and 12)	323,922	239,020	2,138,809
Property, plant and equipment (Note 9)	168,068	164,406	1,109,732
Intangible assets (Note 10)	18,946	17,450	125,102
Net defined benefit asset (Note 17)	61,192	44,629	404,046
Deferred tax assets (Note 25)	983	30,540	6,492
Customers' liabilities for acceptances and guarantees (Note 11)	37,419	35,499	247,077
Allowance for loan losses	(83,889)	(82,845)	(553,909)
TOTAL	¥24,381,712	¥25,729,552	$160,988,526
LIABILITIES:			
Deposits (Notes 12, 13, and 27)	¥19,974,124	¥19,441,721	$131,885,930
Negotiable certificates of deposit (Note 27)	353,370	303,670	2,333,245
Call money and bills sold (Note 27)	217,080	1,998,420	1,433,349
Payables under repurchase agreements (Note 12)	115,423	66,194	762,126
Payables under securities lending transactions (Notes 12 and 27)	80,481	163,659	531,407
Trading liabilities (Note 4)	12	52	82
Borrowed money (Notes 12, 14, and 27)	2,021,582	2,176,516	13,348,184
Foreign exchanges (Note 7)	704	458	4,651
Bonds payable (Note 15)	40,000	60,000	264,114
Due to trust account	41,729	34,603	275,533
Other liabilities (Note 16)	178,157	261,622	1,176,346
Provision for bonuses	4,962	4,591	32,767
Provision for directors' bonuses	51	46	343
Provision for share-based compensation	313	245	2,070
Net defined benefit liability (Note 17)	910	677	6,011
Provision for reimbursement of deposits	2,278	2,229	15,046
Provision for contingent losses	1,483	1,716	9,797
Reserves under special laws	29	25	193
Deferred tax liabilities (Note 25)	10,571	73	69,801
Deferred tax liabilities for land revaluation	16,256	16,270	107,342
Acceptances and guarantees (Note 11)	37,419	35,499	247,077
Total liabilities	23,096,944	24,568,296	152,505,414
EQUITY (Notes 18 and 19):			
Capital stock – common stock – authorized, 3,000,000 thousand shares in 2024 and 2023; issued, 1,177,616 thousand shares in 2024 and 1,209,616 thousand shares in 2023	150,078	150,078	990,945
Capital surplus	231,561	247,364	1,528,965
Subscription rights to shares	—	8	—
Retained earnings	784,229	741,440	5,178,141
Treasury shares – common stock – at cost, 13,471 thousand shares in 2024 and 35,502 thousand shares in 2023	(8,485)	(17,366)	(56,031)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	69,959	(10,342)	461,931
Deferred gains or losses on hedges	549	3,457	3,631
Revaluation reserve for land	36,381	36,360	240,219
Foreign currency translation adjustment	1,394	779	9,205
Remeasurements of defined benefit plans	13,030	3,657	86,041
Total	1,278,699	1,155,439	8,443,047
Noncontrolling interests	6,067	5,815	40,065
Total equity	1,284,767	1,161,255	8,483,112
TOTAL	¥24,381,712	¥25,729,552	$160,988,526

See notes to consolidated financial statements.

Consolidated Statement of Income

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥184,296	¥156,255	$ 1,216,880
Interest and dividends on securities	39,490	27,808	260,751
Interest on call loans and bills bought	2,674	1,391	17,656
Interest on due from banks	6,682	6,732	44,126
Other interest income	7,696	4,874	50,819
Trust fees	278	266	1,838
Fees and commissions	74,134	70,670	489,501
Trading income	697	1,317	4,609
Other operating income (Note 21)	36,622	35,797	241,813
Other income (Note 22)	21,929	10,779	144,800
Total income	374,504	315,893	2,472,793
EXPENSES:			
Interest expenses:			
Interest on deposits	19,658	10,809	129,802
Interest on negotiable certificates of deposit	39	18	259
Interest on call money and bills sold	4,102	2,984	27,087
Interest on payables under repurchase agreements	5,919	566	39,084
Interest on payables under securities lending transactions	3,757	2,876	24,808
Interest on borrowed money	5,933	2,896	39,175
Interest on bonds payable	296	371	1,959
Other interest expenses	14,423	8,723	95,235
Fees and commissions	15,933	14,515	105,204
Trading expenses	19	15	131
Other operating expenses (Note 23)	58,961	44,899	389,312
General and administrative expenses	133,552	125,540	881,825
Provision of allowance for loan losses	7,565	12,021	49,953
Other expenses (Note 24)	12,950	9,121	85,512
Total expenses	283,112	235,360	1,869,346
INCOME BEFORE INCOME TAXES	91,392	80,533	603,447
INCOME TAXES (Note 25):			
Current	22,185	24,279	146,489
Deferred	2,022	48	13,357
Total income taxes	24,208	24,327	159,846
NET INCOME	67,183	56,205	443,601
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(251)	(45)	(1,663)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 66,931	¥ 56,159	$ 441,938

	Yen		U.S. Dollars
PER SHARE INFORMATION (Notes 2.x and 20):			
Basic net income per share	¥57.16	¥47.39	$0.38
Diluted net income per share	57.16	47.39	0.38
Dividend on common stock	23.00	19.00	0.15

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET INCOME	¥ 67,183	¥ 56,205	$ 443,601
OTHER COMPREHENSIVE INCOME (Note 29):			
Valuation difference on available-for-sale securities	80,302	(21,697)	530,221
Deferred gains or losses on hedges	(2,908)	437	(19,201)
Remeasurements of defined benefit plans	9,380	(2,040)	61,938
Share of other comprehensive income of entities accounted for using equity method	607	353	4,010
Total other comprehensive income (loss)	87,381	(22,947)	576,968
COMPREHENSIVE INCOME	¥154,565	¥ 33,257	$1,020,569
Comprehensive income attributable to owners of the parent	¥154,313	¥ 33,212	$1,018,906
Comprehensive income attributable to noncontrolling interests	251	45	1,663

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Thousands	Millions of Yen												
							Accumulated Other Comprehensive Income							
	Number of Shares of Common Stock Outstanding	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2022	1,200,021	¥150,078	¥247,365	¥ 30	¥708,456	¥ (4,292)	¥ 11,355	¥ 3,020	¥36,487	¥ 421	¥ 5,703	¥1,158,626	¥6,000	¥1,164,626
Net income attributable to owners of the parent					56,159							56,159		56,159
Cash dividends,¥19.5 per share for common stock					(23,301)							(23,301)		(23,301)
Purchases of treasury shares	(26,680)					(13,402)						(13,402)		(13,402)
Disposals of treasury shares	772		(0)			328						327		327
Reversal of revaluation reserve for land					126							126		126
Net change in the year				(21)			(21,697)	437	(126)	358	(2,045)	(23,095)	(184)	(23,279)
BALANCE, MARCH 31, 2023	1,174,113	¥150,078	¥247,364	¥ 8	¥741,440	¥(17,366)	¥(10,342)	¥ 3,457	¥36,360	¥ 779	¥ 3,657	¥1,155,439	¥5,815	¥1,161,255
Net income attributable to owners of the parent					66,931							66,931		66,931
Cash dividends,¥20.5 per share for common stock					(24,122)							(24,122)		(24,122)
Purchases of treasury shares	(10,142)					(7,096)						(7,096)		(7,096)
Disposals of treasury shares	174		4			169						173		173
Retirements of treasury shares	32,000		(15,807)			15,807						–		–
Reversal of revaluation reserve for land					(20)							(20)		(20)
Net change in the year				(8)			80,302	(2,908)	20	614	9,373	87,393	251	87,645
BALANCE, MARCH 31, 2024	1,196,144	¥150,078	¥231,561	¥ –	¥784,229	¥ (8,485)	¥ 69,959	¥ 549	¥36,381	¥1,394	¥13,030	¥1,278,699	¥6,067	¥1,284,767

	Thousands of U.S. Dollars (Note 1)												
						Accumulated Other Comprehensive Income							
	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2023	$990,945	$1,633,311	$ 55	$4,895,612	$(114,667)	$ (68,290)	$ 22,832	$240,086	$5,149	$24,149	$7,629,182	$38,402	$7,667,584
Net income attributable to owners of the parent				441,938							441,938		441,938
Cash dividends, $0.14 per share for common stock				(159,276)							(159,276)		(159,276)
Purchases of treasury shares					(46,859)						(46,859)		(46,859)
Disposals of treasury shares		28			1,121						1,149		1,149
Retirements of treasury shares		(104,374)			104,374						–		–
Reversal of revaluation reserve for land				(133)							(133)		(133)
Net change in the year			(55)			530,221	(19,201)	133	4,056	61,892	577,046	1,663	578,709
BALANCE, MARCH 31, 2024	$990,945	$1,528,965	$ –	$5,178,141	$ (56,031)	$461,931	$ 3,631	$240,219	$9,205	$86,041	$8,443,047	$40,065	$8,483,112

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING ACTIVITIES:			
Income before income taxes	¥ 91,392	¥ 80,533	$ 603,447
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation	13,268	13,152	87,612
Impairment loss	188	193	1,245
Gain on bargain purchase	(15,579)	—	(102,867)
Loss (gain) on step acquisitions	154	—	1,019
Share of (profit) loss of entities accounted for using equity method	2,475	221	16,346
Increase (decrease) in allowance for loan losses	2,024	7,990	13,367
Increase (decrease) in provision for bonuses	241	(226)	1,597
Increase (decrease) in provision for directors' bonuses	5	6	36
Increase (decrease) in provision for share-based compensation	67	(184)	449
Decrease (increase) in net defined benefit asset	(3,231)	8,928	(21,337)
Increase (decrease) in net defined benefit liability	29	74	197
Increase (decrease) in provision for reimbursement of deposits	29	636	197
Increase (decrease) in provision for contingent losses	(233)	(392)	(1,539)
Interest income	(240,840)	(197,061)	(1,590,232)
Interest expenses	54,129	29,247	357,409
Loss (gain) related to securities	27,332	12,883	180,470
Foreign exchange losses (gains)	(49,083)	(25,551)	(324,090)
Loss (gain) on disposals of non-current assets	845	1,298	5,580
Loss (gain) on return of assets from retirement benefits trust	—	(2,154)	—
Net decrease (increase) in trading assets	1,535	1,642	10,138
Net increase (decrease) in trading liabilities	(39)	19	(264)
Net decrease (increase) in loans and bills discounted	(456,361)	(753,127)	(3,013,280)
Net increase (decrease) in deposits	57,764	395,728	381,411
Net increase (decrease) in negotiable certificates of deposit	49,700	(5,800)	328,161
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(173,434)	(40,904)	(1,145,159)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	63,536	(28,315)	419,520
Net decrease (increase) in call loans and others	66,051	13,232	436,127
Net increase (decrease) in call money and others	(1,732,111)	1,196,830	(11,436,850)
Net increase (decrease) in payables under securities lending transactions	(83,177)	99,128	(549,209)
Net decrease (increase) in foreign exchanges – assets	716	1,970	4,733
Net increase (decrease) in foreign exchanges – liabilities	245	(3)	1,621
Net decrease (increase) in lease receivables and investment assets	(3,544)	(3,305)	(23,405)
Net decrease (increase) in due to trust account	7,126	8,450	47,055
Interest and dividends received	235,233	193,482	1,553,208
Interest paid	(52,335)	(25,825)	(345,562)
Other, net	(57,678)	8,975	(380,842)
Subtotal	(2,193,555)	991,774	(14,483,691)
Income tax paid	(23,931)	(26,234)	(158,019)
Net cash provided by (used in) operating activities	¥(2,217,487)	¥ 965,540	$(14,641,710)
INVESTING ACTIVITIES:			
Purchases of securities	(868,067)	(1,048,114)	(5,731,712)
Proceeds from sales of securities	554,388	615,316	3,660,538
Proceeds from redemption of securities	359,646	295,835	2,374,690
Purchases of property, plant and equipment	(9,353)	(5,576)	(61,756)
Proceeds from sales of property, plant and equipment	1,458	1,452	9,630
Purchases of intangible assets	(8,074)	(6,713)	(53,313)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	7,630	—	50,386
Other, net	(150)	(248)	(991)
Net cash provided by (used in) investing activities	37,479	(148,046)	247,472
FINANCING ACTIVITIES:			
Payments for redemption of subordinated bonds and bonds with subscription rights to shares	(20,000)	(20,000)	(132,057)
Purchases of treasury shares	(7,002)	(13,402)	(46,237)
Proceeds from sales of treasury shares	99	0	654
Cash dividends paid	(24,122)	(23,301)	(159,276)
Cash dividends paid to non-controlling interests	—	(229)	—
Net cash provided by (used in) financing activities	(51,025)	(56,934)	(336,916)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	0	7	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,231,033)	760,566	(14,731,153)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,256,941	5,496,374	41,313,579
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	¥ 4,025,908	¥ 6,256,941	$ 26,582,426

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Concordia Financial Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

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 ¥151.45to U.S. $1, the rate of exchange at March 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation — The consolidated financial statements include the accounts of the Company, its consolidated subsidiaries and its associates accounted for using equity method.

The number of consolidated subsidiaries as of March 31, 2024 and 2023 were 13 and12, respectively.

THE KANAGAWA BANK, LTD. and THE KANAGIN BUISINESS SERVICE CO., LTD. have been included in the scope of consolidation from the current fiscal year due to the acquisition of additional shares. In addition, The Higashi-Nippon Guarantee Service Co., Ltd. has been excluded from the scope of consolidation from the current fiscal year due to the sale of shares.

The number of associates accounted for by the equity method as of March 31, 2024 and 2023 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 six subsidiaries in 2024, and eight subsidiaries in 2023, 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 10 years.

b. Trading-Purpose Transactions — "Transactions for trading purposes" (for the purpose of capturing gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from arbitrage opportunities) are included in "Trading assets" and "Trading liabilities" on a trade-date basis. Trading securities and monetary claims bought for trading purposes recorded in these accounts are stated at fair value and trading-related financial derivatives are stated at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profits and losses on transactions for trading purposes are shown as "Trading income" or "Trading expenses" on a trade-date basis.

c. Securities — Securities are classified and accounted for, depending on management's intent, as follows:

(1) Held-to-maturity debt securities, which are expected to be held to maturity with a positive intent and ability to hold to maturity, are reported at amortized cost computed using the straight-line method.

(2) Available-for-sale securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities for which there is no market value are recorded at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

d. **Property, Plant and Equipment** — Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation of property, plant and equipment owned by the Group is computed mainly using the straight-line method.

The range of useful lives is from 2 to 60 years for buildings and from 2 to 20 years for equipment.

Depreciation of leased property and equipment owned by consolidated subsidiaries is calculated by the straight-line method over the lease periods.

e. **Software** — Cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of 5 to 7 years.

f. **Long-Lived Assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. **Revaluation Reserve for Land** — Under the "Law of Land Revaluation," The Bank of Yokohama, Ltd. ("BOY") elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting revaluation reserve for land represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly, such that the amount of the decline in value should be removed from the revaluation reserve for land account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥34,375 million ($226,973 thousand) and ¥34,438 million as of March 31, 2024 and 2023, respectively.

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

i. **Allowance for Loan Losses** — Allowance for loan losses of major consolidated subsidiaries is provided based on the following categories of borrowers in accordance with the policy and guidelines for write-offs and provisions.

Legal bankruptcy: borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings

Virtual bankruptcy: borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation

Possible bankruptcy: borrowers that are not currently bankrupt but are perceived to have a high risk of falling into bankruptcy in the future

In need of special caution: borrowers in need of caution whose debts consist, in whole or in part, of substandard loans (accruing loans contractually past due for three months or more and restructured loans)

In need of caution: borrowers requiring careful management in the future, e.g., those with problematic loan terms and repayment conditions or those with weak or unstable business conditions

Normal: borrowers with good business conditions and no particular financial issues identified

(1) For claims to borrowers who are in the "Legal bankruptcy" category and "Virtual bankruptcy" category, the allowance for loan losses is provided based on the amounts of claims, after the write-off described below, net of the expected amounts of recoveries from collateral and guarantees.

(2) For claims to borrowers whose loans are classified as "Possible bankruptcy" category or "In need of special caution" category over a certain amount, for which future cash flows from the principals and interests could be reasonably estimated, the allowance for loan losses is provided for the difference between the present value of expected future cash flows discounted at the initial contractual interest rate and the carrying value of the claims (the "DCF method"). In addition, for claims for which the allowance for loan losses has been provided based on the DCF method in the previous period and for which certain requirements are met during the period of the business improvement plans, the allowance for loan losses is provided using the DCF method continuously.

(3) For claims to borrowers that are in the "Possible bankruptcy" category other than (2), the allowance for loan losses is provided based on the expected credit losses over the next three years. The expected credit losses are calculated based on the carrying amount of the loans less the estimated recoverable amounts of collaterals and guarantees, multiplied by the loss ratio based on the average of the actual historical loan loss ratio over a certain period in the past with necessary adjustments such as future prospects.

(4) For claims other than the above, the allowance for loan losses is provided based on the expected credit losses over the next three years for borrowers in the "In need of special caution" category and over the next one year for borrowers in the "In need of caution" category and "Normal" category. The expected credit losses are calculated based on the carrying amount of the loans less the estimated recoverable amounts of collaterals and guarantees for borrowers in the "In need of special caution" category (for borrowers in the "In need of caution" category and "Normal" category, based on the carrying amount of the loans), multiplied by the loss ratio based on the average of the actual historical loan loss ratio over a certain period in the past with necessary adjustments such as future prospects.

For collateralized or guaranteed claims to borrowers who are in the "virtual bankruptcy" category or "legal bankruptcy" category, the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2024 and 2023, the deducted amounts were ¥ 18,585 million ($122,714 thousand) and ¥ 18,660 million, respectively.

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

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

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

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

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

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

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

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

Past service costs: Past service costs are amortized using the straight-line method over a certain number of year (10 years) within the average remaining service period of employees when the costs are incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

y. **Application of Japanese Group Tax Sharing System** — The Company and major consolidated subsidiaries have applied Japanese Group Tax Sharing System.

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

Allowance for loan losses: ¥ 83,889 million ($553,909 thousand) and ¥82,845 million as of March 31, 2024 and 2023, respectively.

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.

The impact of COVID-19 on economic activities in Japan has been eliminated due to the removal of travel restrictions following the reclassification of COVID-19 into Category 5 under the Infectious Diseases Control Law. However, the impact on future business activities of borrowers remains unclear due to the termination of subsidies and other public supports, the effect of labor shortages caused by COVID-19 pandemic, and changes in consumer behavior. Accordingly, the allowance for credit losses is estimated as follows.

Although the Group expects credit losses from some debtors due to deterioration of business performance and cash flows resulting from this impact, the Group collects the detailed latest information as much as possible and determines the debtors' classification based on the future prospects to calculate the allowance for credit losses. In addition, for some debtors in certain industries whose financial position has been significantly affected and whose future business activities remain significantly affected by COVID-19, the Group has calculated the amount of expected credit losses with additional necessary adjustments in the case of the possibility of future deterioration in cash flow, taking into account the uncertainty of future prospects and credit risk. The assumption of the impact of COVID-19 is uncertain, and actual losses may exceed the expected credit losses if the deterioration of debtors' business performances and the period required for recovery exceed the assumption based on the latest available information due to sluggish consumer spending and stagnant production activities.

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, 2024 and 2023, were ¥1,037 million ($6,849 thousand) for 2,425 thousand shares and ¥1,103 million for 2,581 thousand shares, respectively.

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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Cash and due from banks	¥4,133,789	¥6,426,095	$27,294,747
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(107,881)	(169,153)	(712,321)
Cash and cash equivalents	¥4,025,908	¥6,256,941	$26,582,426

The major components of assets and liabilities at the beginning of the consolidation of THE KANAGAWA BANK, LTD. through the acquisition of its shares and the relationship between the acquisition price of shares of THE KANAGAWA BANK, LTD. and net proceeds from the acquisition of THE KANAGAWA BANK, LTD. are as follows.

For the year ended March 31, 2024	Millions of Yen	Thousands of U.S. Dollars
Total assets:	¥522,724	$3,451,467
Loans and bills discounted:	395,958	2,614,453
Securities:	97,858	646,144
Total liabilities:	(496,052)	(3,275,355)
Deposits:	(473,659)	(3,127,495)
Gain on bargain purchase	(15,579)	(102,867)
Acquisition cost:	11,092	73,245
Acquisition cost up to the time of gaining control	(1,687)	(11,144)
Loss on step acquisitions	154	1,019
Cash and cash equivalents	(17,190)	(113,506)
Net expenditure (proceeds) for acquisition	¥ (7,630)	$ (50,386)

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Trading assets:			
Trading securities	¥1,651	¥3,144	$10,903
Trading-related financial derivatives	79	122	525
Total	¥1,730	¥3,266	$11,428
Trading liabilities — trading-related financial derivatives	¥ 12	¥ 52	$ 82

5. SECURITIES

Securities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Japanese national government bonds	¥ 204,960	¥ 384,260	$ 1,353,323
Japanese local government bonds	1,076,520	772,463	7,108,089
Japanese corporate bonds	457,249	508,447	3,019,148
Japanese corporate stocks	230,447	166,257	1,521,610
Other securities	978,256	1,036,908	6,459,269
Total	¥2,947,434	¥2,868,336	$19,461,439

The carrying amounts and aggregate fair value of securities and monetary claims bought as of March 31, 2024 and 2023, were as follows:

	Millions of Yen			
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 99,162	¥123,737	¥ 930	¥221,970
Debt securities	877,021	749	16,975	860,795
Other securities	932,286	35,068	45,490	921,864
Held-to-maturity	883,529	378	15,691	868,217

	Millions of Yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 92,579	¥65,540	¥ 1,991	¥ 156,128
Debt securities	1,088,530	976	17,287	1,072,218
Other securities	1,051,174	9,817	75,085	985,906
Held-to-maturity	595,960	1,131	9,907	587,184

	Thousands of U.S. Dollars			
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 654,755	$817,020	$ 6,142	$1,465,633
Debt securities	5,790,835	4,947	112,087	5,683,695
Other securities	6,155,737	231,549	300,365	6,086,921
Held-to-maturity	5,833,804	2,501	103,607	5,732,698

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 ¥68,357 million ($451,350 thousand) and ¥59,525 million as of March 31, 2024 and 2023, respectively. "Other securities" includes monetary claims bought whose fair value can be reliably determined, of ¥9,081 million ($59,964 thousand) and ¥1,403 million as of March 31, 2024 and 2023, respectively.

Information on available-for-sale securities which were sold during the years ended March 31, 2024 and 2023, was as follows:

	Millions of Yen		
March 31, 2024	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 4,058	¥1,727	¥ 9
Debt securities	341,554	1,363	4,060
Other securities	231,392	1,283	16,406
Total	¥577,004	¥4,374	¥20,476

	Millions of Yen		
March 31, 2023	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 7,042	¥3,636	¥ 6
Debt securities	479,057	1,606	494
Other securities	133,108	1,439	16,864
Total	¥619,207	¥6,682	¥17,366

	Thousands of U.S. Dollars		
March 31, 2024	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 26,795	$11,409	$ 60
Debt securities	2,255,228	9,000	26,812
Other securities	1,527,848	8,476	108,328
Total	$3,809,871	$28,885	$135,200

Impairment losses on securities whose fair value can be reliably determined, other than trading securities, for the year ended March 31, 2024, was ¥120 million ($798 thousand), which consisted of ¥120 million ($798 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, 2023, was ¥23 million, which consisted of ¥0 million for equity securities, ¥22 million for debt securities.

Securities also include corporate stocks and investments in unconsolidated subsidiaries and affiliates, which totaled ¥16,093 million ($106,260 thousand) and ¥14,577 million as of March 31, 2024 and 2023, respectively.

Japanese national government bonds and others as of March 31, 2024 and 2023, included bonds of ¥102,337 million ($675,721 thousand) and ¥92,904 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, 2024 and 2023, was ¥75,864 million ($500,920 thousand) and ¥77,132 million, respectively.

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Bills discounted	¥ 27,749	¥ 24,755	$ 183,226
Loans on bills	285,205	215,542	1,883,163
Loans on deeds	14,947,702	14,256,031	98,697,279
Overdrafts	1,341,961	1,253,970	8,860,758
Total	¥16,602,619	¥15,750,299	$109,624,426

Claims in accordance with the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. The claims are included in corporate bonds in "Securities" (limited to those issued in private placement of securities prescribed in Section 3 of Paragraph 2 in the Financial Instruments and Exchange Act, and those with wholly or partially guaranteed redemption of the principal and payment of the interest), loans and bills discounted, foreign exchanges, accrued interest and advances in "Other assets" and customers' liabilities for acceptances and guarantees in the consolidated balance sheet, and securities loaned (limited to those under a loan for use or lease contract) provided in the notes.

Bankrupt or De facto bankrupt are those claims that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings or submission of an application to start rehabilitation proceedings and quasi-loans. The loans and bills discounted include "Bankrupt or De facto bankrupt" totaling ¥ 60,127 million ($397,009 thousand) and ¥56,678 million as of March 31, 2024 and 2023, respectively.

Doubtful claims are those claims with a strong likelihood that claim principals cannot be recovered and interest cannot be received according to the contract because of difficulties in the financial conditions and business performance of debtors who are not yet legally bankrupt, excluding those claims classified as Bankrupt or De facto bankrupt. Doubtful claims were ¥ 161,600 million ($1,067,020 thousand) and ¥163,211 million as of March 31, 2024and 2023, respectively.

Loans past due over three months are those loans for which principal or interest payments are more than three months past due (calculated from the day following the contractual payment date), excluding loans classified as Bankrupt or De facto bankrupt and Doubtful claims. Loans past due over three months were ¥ 4,522 million ($29,862 thousand) and ¥ 4,029 million as of March 31, 2024and 2023, respectively.

Restructured loans are those loans whose terms have been modified by reducing or waiving interest, granting interest payment extensions, granting principal repayment extensions, forgiving debt, or otherwise providing some arrangements favorable to the borrower in connection with the borrower's business restructuring or to otherwise provide support, excluding those loans classified as Bankrupt or De facto bankrupt, Doubtful claims or Loans past due three months or more.

Restructured loans were ¥11,702 million ($77,271 thousand) and ¥21,063 million as of March 31, 2024 and 2023, respectively.

The above loans are presented at the amounts prior to deduction of allowances for loan losses.

Contracts of overdraft facilities and loan commitment limits are contracts under which the Group lends to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2024 and 2023, the amounts of unused commitments were ¥ 2,756,374 million ($18,199,898 thousand) and ¥2,775,683 million, respectively. As of March 31, 2024 and 2023, the amounts of unused commitments whose remaining contract terms were within one year were ¥1,587,072 million ($10,479,187 thousand) and ¥ 1,451,481 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, 2024 and 2023, 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 ¥27,865 million ($183,989 thousand) and ¥24,848 million, respectively.

7. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Assets			
Foreign exchange bills bought	¥ 115	¥ 93	$ 763
Foreign exchange bills receivable	701	742	4,630
Due from foreign correspondent accounts	23,757	24,394	156,865
Total	¥24,573	¥25,230	$162,258
Liabilities			
Foreign exchange bills sold	¥ 1	¥ 1	$ 12
Foreign exchange bills payable	702	457	4,639
Total	¥ 704	¥ 458	$ 4,651

8. OTHER ASSETS

Other assets as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Accrued income	¥ 26,088	¥ 20,826	$ 172,257
Derivatives other than for trading – assets	34,755	38,438	229,483
Cash collateral paid for financial instruments	18,336	22,894	121,072
Temporary advances	76,549	71,551	505,445
Installments receivable	32,058	29,610	211,680
Other	136,134	55,698	898,872
Total	¥323,922	¥239,020	$2,138,809

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Buildings, net	¥ 59,532	¥ 58,952	$ 393,084
Land	94,569	93,184	624,429
Construction in progress	4,146	1,738	27,381
Other	9,819	10,530	64,838
Total	¥168,068	¥164,406	$1,109,732

The accumulated depreciation of property, plant and equipment as of March 31, 2024 and 2023, amounted to ¥ 183,964 million ($1,214,688 thousand) and ¥178,785 million, respectively.

10. INTANGIBLE ASSETS

Intangible assets as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Software	¥18,575	¥17,074	$122,653
Other	370	375	2,449
Total	¥18,946	¥17,450	$125,102

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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Assets pledged as collateral:			
Cash and due from banks	¥ 40,524	¥ 36,624	$ 267,579
Securities	1,585,482	1,516,763	10,468,687
Loans and bills discounted	1,722,962	1,777,400	11,376,442
Other	840	859	5,552
Relevant liabilities to above assets:			
Deposits	¥ 61,684	¥ 34,127	$ 407,294
Payables under repurchase agreements	115,423	66,194	762,126
Payables under securities lending transactions	80,481	163,659	531,407
Borrowed money	1,989,964	2,142,689	13,139,414

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
	2024	2023	2024
Securities	¥32,356	¥32,355	$213,642
Other assets amounting	76,051	71,030	502,154

Additionally, initial margins of futures markets, cash collateral paid for financial instruments liabilities, and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Initial margins of futures markets	¥ 2,653	¥ 1,653	$ 17,517
Cash collateral paid for financial instruments	18,336	22,894	121,072
Guarantee deposits on office space	6,128	6,032	40,464

13. DEPOSITS

Deposits as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current deposits	¥ 846,450	¥ 706,941	$ 5,588,979
Ordinary deposits	14,966,170	14,451,855	98,819,217
Savings deposits	222,970	224,008	1,472,239
Deposits at notice	44,270	84,843	292,309
Time deposits	3,492,922	3,473,372	23,063,206
Other deposits	401,339	500,700	2,649,980
Total	¥19,974,124	¥19,441,721	$131,885,930

14. BORROWED MONEY

As of March 31, 2024 and 2023, the weighted-average annual interest rate applicable to borrowed money was 0.29% and 0.22%, respectively.

Annual maturities of borrowed money as of March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 262,699	$ 1,734,560
2026	32,567	215,039
2027	598,051	3,948,840
2028	1,119,142	7,389,519
2029	2,596	17,144
2030 and thereafter	6,524	43,082
Total	¥2,021,582	$13,348,184

15. BONDS PAYABLE

Bonds payable as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
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	$ —
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	—
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	66,028
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	66,028
Unsecured fixed (0.60% interest until September 2025) and floating (Swaps mid rate linked interest after September 2025) subordinated bonds, payable in Japanese yen, due September 2030	20,000	20,000	132,058
Total	¥40,000	¥60,000	$264,114

Annual maturities of bonds payable as of March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2030 and thereafter	¥40,000	$264,114

16. OTHER LIABILITIES

Other liabilities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Income taxes payable	¥ 9,529	¥ 13,565	$ 62,922
Accrued expenses	10,934	10,533	72,196
Unearned revenue	47,200	45,396	311,654
Derivatives other than for trading – liabilities	29,363	24,994	193,884
Suspense receipts	22,648	69,997	149,546
Other	58,481	97,133	386,144
Total	¥178,157	¥261,622	$1,176,346

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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥84,858	¥92,893	$560,307
Increase in changes in the scope of consolidation	1,532	—	10,121
Current service cost	1,930	2,087	12,745
Interest cost	995	646	6,576
Actuarial losses	(2,700)	(4,890)	(17,830)
Benefits paid	(5,444)	(5,966)	(35,946)
Other	85	88	567
Balance at end of year	¥81,258	¥84,858	$536,540

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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥128,810	¥146,503	$850,515
Increase in changes in the scope of consolidation	1,084	—	7,160
Expected return on plan assets	3,144	2,976	20,764
Actuarial losses	10,839	(5,858)	71,573
Contributions from the employer	1,514	1,533	10,002
Benefits paid	(3,938)	(3,962)	(26,006)
Return of assets from retirement benefits trust	—	(12,470)	—
Other	85	88	567
Balance at end of year	¥141,541	¥128,810	$934,575

(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
	2024	2023	2024
Funded defined benefit obligation	¥ 80,053	¥ 84,181	$ 528,578
Plan assets	(141,541)	(128,810)	(934,575)
	(61,488)	(44,629)	(405,997)
Unfunded defined benefit obligation	1,205	677	7,962
Net liability (asset) arising from defined benefit obligation	¥ (60,282)	¥ (43,952)	$(398,035)

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Net defined benefit liability	¥ 910	¥ 677	$ 6,011
Net defined benefit asset	(61,192)	(44,629)	(404,046)
Net liability (asset) arising from defined benefit obligation	¥(60,282)	¥(43,952)	$(398,035)

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, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current service cost	¥ 1,930	¥ 2,087	$ 12,745
Interest cost	995	646	6,577
Expected return on plan assets	(3,144)	(2,976)	(20,764)
Recognized actuarial losses	280	769	1,853
Past service costs	(304)	(304)	(2,009)
Gain on return of assets from retirement benefits trust	—	(2,154)	—
Other	52	168	345
Net periodic benefit costs	¥ (189)	¥(1,764)	$ (1,253)

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Past service costs	¥ (304)	¥ (304)	$ (2,009)
Actuarial losses	13,820	(2,636)	91,256
Total	¥13,516	¥(2,940)	$89,247

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized past service costs	¥ 2,231	¥2,535	$ 14,732
Unrecognized actuarial losses	16,532	2,712	109,164
Total	¥18,764	¥5,247	$123,896

(g) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2024 and 2023, consisted of the following:

	2024	2023
Domestic equity investments	23%	21%
[Of which, domestic equity investment contributed to retirement benefit trusts]	[12]	[11]
Overseas equity investments	16	13
Domestic debt investments	15	17
Overseas debt investments	30	33
Other	16	16
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, 2024 and 2023, were included as 17% and 17%, 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, 2024 and 2023, are set forth as follows:

	2024	2023
Discount rate	Mainly 1.4-1.6%	1.1-1.2%
Expected rate of return on plan assets	Mainly 2.5	2.0-2.5
Future salary growth	Mainly 5.7-8.7	5.7-8.7

(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, 2024 and 2023, were ¥449 million ($2,970 thousand) and ¥421 million, respectively.

18. EQUITY

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act and the Banking Act provide certain limitations on the amounts available for dividends or the purchase of treasury shares.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal retained earnings may be reversed without limitation. The Companies Act also provides that capital stock, legal retained earnings, additional paid-in capital, other capital surplus, and other retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the stockholders.

c. Treasury Shares and Treasury Subscription Rights to Shares

The Companies Act also provides for companies to purchase treasury shares and dispose of such treasury shares by resolution of the Board of Directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula. Under the Companies Act, subscription rights to shares are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury subscription rights to shares and treasury shares. Such treasury subscription rights to shares are presented as a separate component of equity or deducted directly from subscription rights to shares.

19. STOCK OPTIONS

The Company's stock option plans grant options to directors and others to purchase certain shares of the Company's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

The amount of stock options expensed was nil for the fiscal years ended March 31, 2024 and 2023.

The stock options outstanding as of March 31, 2024, are as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
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, 2023	8th Stock Option	13th Stock Option
Non-vested (shares):		
April 1, 2022 — outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2023 — outstanding	—	—
Vested (shares):		
April 1, 2022 — outstanding	**10,800**	**25,200**
Vested	—	—
Exercised	**(5,900)**	**(12,200)**
Canceled	—	—
March 31, 2023 — outstanding	**4,900**	**13,000**

Year Ended March 31, 2024	8th Stock Option	13th Stock Option
Non-vested (shares):		
April 1, 2023 — outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2024 — outstanding	—	—
Vested (shares):		
April 1, 2023 — outstanding	4,900	13,000
Vested	—	—
Exercised	(4,900)	(13,000)
Canceled	—	—
March 31, 2024 — outstanding	—	—

20. PER SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2024 and 2023, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2024	Net Income	Weighted-Average Shares	EPS	
Basic EPS — Net income available to common stockholders	¥66,931	1,170,889	¥57.16	$0.38
Effect of dilutive warrants	—	0	—	—
Diluted EPS — Net income for computation	¥66,931	1,170,890	¥57.16	$0.38

Year Ended March 31, 2023			
Basic EPS — Net income available to common stockholders	¥56,159	1,184,912	¥47.39
Effect of dilutive warrants	—	19	—
Diluted EPS — Net income for computation	¥56,159	1,184,931	¥47.39

* 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 2,443 thousand and 2,419 thousand, for the years ended March 31, 2024 and 2023, respectively.

21. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gain on foreign exchange transactions – net	¥ 574	¥ 1,851	$ 3,794
Gain on sales and redemption of bonds and other securities	2,280	2,954	15,059
Gain on derivatives	2,735	1,840	18,061
Lease receipts	29,450	27,675	194,457
Other	1,581	1,475	10,442
Total	¥36,622	¥35,797	$241,813

22. OTHER INCOME

Other income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gain on sales of stock and other securities	¥ 2,149	¥ 3,759	$ 14,194
Recovery of claims previously charged-off	1,637	2,342	10,810
Gain on disposals of non-current assets	622	755	4,108
Gain on return of assets from retirement benefits trust	—	2,154	—
Gain on bargain purchase	15,579	—	102,867
Other	1,941	1,766	12,821
Total	¥21,929	¥10,779	$144,800

23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Losses on sales and redemption of bonds and other securities	¥31,420	¥18,907	$207,462
Losses on write-downs of bonds and other securities	272	450	1,796
Lease costs	27,138	25,473	179,192
Other	130	67	862
Total	¥58,961	¥44,899	$389,312

24. OTHER EXPENSES

Other expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Losses on sales of stocks and other securities	¥ 70	¥ 98	$ 465
Losses on write-downs of stocks and other securities	—	140	—
Loss on disposals of non-current assets	1,467	2,054	9,688
Impairment loss	188	193	1,245
Direct charge-off of loans	4,265	3,415	28,164
Share of loss of entities accounted for using equity method	2,475	221	16,346
Loss on step acquisitions	154	—	1,019
Other	4,329	2,996	28,585
Total	¥12,950	¥9,121	$85,512

25. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2024 and 2023.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Allowance for loan losses	¥30,544	¥30,656	$201,680
Loan-related fees	3,685	2,219	24,335
Write-downs of securities	2,727	2,658	18,007
Valuation difference on available-for-sale securities	—	5,435	—
Other	9,174	10,199	60,575
Less valuation allowance	(5,827)	(5,343)	(38,475)
Total deferred tax assets	40,304	45,825	266,122
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	29,748	—	196,425
Gain on contribution of the employees' retirement benefit trust	5,037	5,037	33,259
Other	15,106	10,321	99,747
Total deferred tax liabilities	49,892	15,358	329,431
Net deferred tax assets (liabilities)	¥ (9,588)	¥30,467	$ (63,309)

(Changes in presentation of financial statements)
"Loan-related fees," which were included in "Other" under deferred tax assets for the previous fiscal year, have been separately presented from the current fiscal year due to the increased materiality. The notes for the previous fiscal year have been reclassified to reflect this change in presentation of financial statements.
As a result, the amount of ¥12,418 million presented in "Other" under deferred tax assets for the previous fiscal year has been reclassified to the amount of ¥2,219 million in "Loan-related fees" and ¥10,199 million in "Other."

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, 2024 was as follows:

	2024
Normal effective statutory tax rate	30.6%
Gain on bargain purchase	(5.2)
Other—net	1.1
Actual effective tax rate	26.5%

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2023 and the actual effective tax rate reflected in the accompanying consolidated statement of income was not required under Japanese accounting standards due to immaterial differences.

The Company and certain of its consolidated subsidiaries has Japanese Group Tax Sharing System from the current fiscal year. Accordingly, the accounting treatments and disclosures of income taxes, local corporate taxes and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42).

26. LEASES

Lessor

A consolidated subsidiary leases certain equipment and other assets to various customers.

The net lease investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Gross lease receivables	¥73,066	¥67,811	$482,447
Unguaranteed residual values	1,823	1,733	12,043
Unearned interest income	(3,792)	(3,593)	(25,039)
Lease investment assets	¥71,098	¥65,951	$469,451

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
2025	¥3,219	$21,257
2026	1,815	11,990
2027	1,134	7,488
2028	485	3,207
2029	284	1,881
2030 and thereafter	80	534
Total	¥7,020	$46,357

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
2025	¥21,889	$144,531
2026	16,851	111,268
2027	13,325	87,984
2028	9,238	60,998
2029	5,624	37,135
2030 and thereafter	6,138	40,531
Total	¥73,066	$482,447

The minimum rental commitments under noncancelable operating leases as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥ 482	¥ 534	$3,183
Due after one year	532	690	3,516
Total	¥1,014	¥1,224	$6,699

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policies for Financial Instruments

The Group engages in banking as its mainstay business, as well as securities, leasing, conducting survey research and other information services, venture capital, and other financial service businesses. As the Group positions services exclusively for local small- and medium-sized businesses and individuals as its core business, it is a fundamental policy of the Group to aim to minimize any adverse effects of economic fluctuations and the changing market environment and to provide financial services reliably. Under this policy, the Group endeavors to maintain sound management by continuously identifying, assessing, monitoring, and controlling the various risks inherent in financial instruments that correspond to the strategic goals of the Company, including medium-term management plans and management policies.

(2) Nature and Extent of Risks Arising from Financial Instruments

The financial assets of the Group, which mainly consist of loans to small- and medium-sized businesses and personal housing loans, are exposed to customer credit risk. Securities mainly consist of debt securities, equity securities, and investment trusts, and are accounted for as trading securities, held-to-maturity securities, and available-for-sale securities. These securities are exposed to issuers' credit risk and the risk of market price fluctuations.

The financial liabilities of the Group are mainly personal deposits, which consist of liquidity deposits and fixed deposits. These deposits are exposed to liquidity risk, such as losses generated by unexpected withdrawals.

There are certain mismatches in interest rates and contract periods between financial assets, such as loans, and financial liabilities, such as deposits, that are exposed to market risks from changes in variable interest rates. However, a part of this risk is mitigated by using interest-rate swap derivatives.

Assets and liabilities denominated in foreign currencies are exposed to foreign exchange risk that affects those values with changes of foreign currency exchange rates.

The Group uses swaps, futures, forward and option contracts, and other similar types of contracts based on either interest rates, foreign exchange rates, or securities prices. These financial instruments are used in trading activities to generate trading revenues and fee income and are also used in Asset and Liability Management ("ALM") activities to control exposure to fluctuations in such market rates or prices.

The Group uses derivatives to provide customers with risk-hedging methods, to complement their ALM activities, to hedge market risks, and to strengthen earnings. The Group carefully studies the risks involved with derivative transactions and maintains a policy of limiting the volume of the risks within a range that it is capable of controlling based on its financial strength.

Derivatives used for hedging purposes are recorded on the basis of hedge accounting in accordance with the Japanese accounting standard for financial instruments. Such derivatives are interest rate swaps, currency swaps, and forward exchange contracts that are utilized to control the risks from loans and bills discounted, bonds, foreign currency monetary claims and debt, and equity. The Group reviews the effectiveness of hedging activities using the methods permitted under the accounting standards.

Similar to other market transactions, derivative transactions are subject to a variety of risks, including market, credit, and liquidity. Among those risks, the Group emphasizes establishing a risk management structure to understand and manage market risk and credit risk.

Certain consolidated subsidiaries hold lease receivables and installment receivables. These financial instruments are exposed to market risks from changes in variable interest rates and credit risk.

(3) Risk Management for Financial Instruments

(a) Credit risk management

Under the consensus that credit risk is the risk with most influence on the Group's financial stability, the Company has established a "Credit Policy" and takes every initiative to optimize its credit portfolio management and credit control of individual accounts.

In addition, the Company has developed an "Internal Credit Rating System" and a "Self-Assessment System" to categorize the credibility of debtors and individual loan projects from an independent point of view.

The Company monitors the credit risk management situation of the Group and the credit concentration risk of the whole our group. The Company provides guidance and advice as needed.

(b) Market risk management (foreign exchange risk and interest risk)

It is a fundamental policy of the Company to enter into market transactions that appropriately meet customers' needs, which have been increasingly diversified due to the development of financial engineering (such as the emergence of various derivative transactions), as well as in transactions that enhance the profitability of the Group.

Management obtains the information related to the characteristic of the subsidiaries' market risks for the risk evaluation and decision. Those actions are for monitoring whether the subsidiaries undertake appropriate risks with its financial strength and the returns are appropriate for those risks.

The compliance status of the various risk limits and the market business's profit and loss situation are directly reported to management on a daily basis. These are based on reports from the risk management division of the subsidiary. The status of the market risk is reported in the ALM and risk management meeting held every month.

Each bank of the Group separates the market operations into trading operations and banking operations. Each bank of the Group's trading operations includes 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 ¥106 million ($700 thousand) and ¥94 million as of March 31, 2024 and 2023, 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 ¥313,896 million ($2,072,605 thousand) and ¥325,394 million as of March 31, 2024 and 2023, respectively. It should be noted that the aggregate amounts of market risks represent a simple sum of amounts of each market risk categorized by risk type.

It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risks cannot be captured in such situations where market conditions are changing dramatically beyond what was experienced historically.

(c) Liquidity risk management

Managing liquidity risk is recognized as a top-priority issue for the Group. Each bank of the Group closely stipulates its internal regulations and the methods of liquidity risk management to be used in day-to-day operations, as well as appropriate countermeasures to be taken in case of concern or in critical situations regarding liquidity risk.

The risk supervisory department directly reports the status of compliance with various risk limits to management on a daily basis. These are based on reports from the risk management division of the subsidiary. The status of the liquidity risk and the fund raising are reported in ALM and risk management meeting held every month.

In case of concern or in critical situations related to liquidity risk for the subsidiary, the Company will take necessary actions for those issues. The crisis committee will set up a task force at the subsidiary if the committee concludes it is necessary based on the reports from the subsidiary.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair value of financial instruments may differ depending on the adoption of certain assumptions.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Cash and due from banks, call loans and bills bought, call money and bills sold, and Payables under securities lending transactions are settled in a short period of time and their carrying amounts approximate fair value; therefore, notes are omitted.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Securities:			
Held-to-maturity securities	¥ 883,529	¥ 868,217	¥(15,312)
Available-for-sale securities*1	1,995,548	1,995,548	—
(2) Loans and bills discounted	16,602,619	—	—
Allowance for loan losses*2	(83,116)	—	—
Net	16,519,502	16,551,219	31,716
Total assets	¥19,398,580	¥19,414,985	¥ 16,404
(1) Deposits	¥19,974,124	¥19,974,076	¥ (47)
(2) Negotiable certificates of deposit	353,370	353,370	0
(3) Borrowed money	2,021,582	2,021,592	10
Total liabilities	¥22,349,076	¥22,349,039	¥ (36)
Derivative instruments*3:			
Hedge accounting is not applied	¥ 10,515	¥ 10,515	—
Hedge accounting is applied*4	(5,056)	(5,056)	—
Total derivative instruments	¥ 5,458	¥ 5,458	—

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Securities:			
Held-to-maturity securities	¥ 595,960	¥ 587,184	¥ (8,775)
Available-for-sale securities*1	2,212,850	2,212,850	—
(2) Loans and bills discounted	15,750,299	—	—
Allowance for loan losses*2	(81,355)	—	—
Net	15,668,943	15,711,320	42,376
Total assets	¥18,477,754	¥18,511,355	¥33,600
(1) Deposits	¥19,441,721	¥19,442,046	¥ 324
(2) Negotiable certificates of deposit	303,670	303,670	0
(3) Borrowed money	2,176,516	2,176,516	—
Total liabilities	¥21,921,908	¥21,922,233	¥ 324
Derivative instruments*3:			
Hedge accounting is not applied	¥ 10,155	¥ 10,155	—
Hedge accounting is applied*4	3,357	3,357	—
Total derivative instruments	¥ 13,513	¥ 13,513	—

March 31, 2024	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Securities:			
Held-to-maturity securities	$ 5,833,804	$ 5,732,698	$(101,106)
Available-for-sale securities*1	13,176,284	13,176,284	—
(2) Loans and bills discounted	109,624,426	—	—
Allowance for loan losses*2	(548,804)	—	—
Net	109,075,622	109,285,043	209,421
Total assets	$128,085,710	$128,194,025	$ 108,315
(1) Deposits	$131,885,930	$131,885,618	$ (312)
(2) Negotiable certificates of deposit	2,333,245	2,333,245	0
(3) Borrowed money	13,348,184	13,348,252	68
Total liabilities	$147,567,359	$147,567,115	$ (244)
Derivative instruments*3			
Hedge accounting is not applied	$ 69,431	$ 69,431	—
Hedge accounting is applied*4	(33,390)	(33,390)	—
Total derivative instruments	$ 36,041	$ 36,041	—

*1 Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) is treated as fair value are included in the available-for-sale securities.

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

*3 Derivative instruments include derivative transactions, both in trading assets and liabilities and other assets and liabilities. Derivative instruments are presented net of assets and liabilities associated with derivative transactions.

*4 The Group has applied the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Issues Task Force No. 40) to hedging relationships included in the scope of application of the Practical Solution, such as deferred hedging through interest rate swap transactions that aim to reduce market fluctuation risk in available-for-sale securities (debt securities) and deferred hedging through currency swap transactions that aim to reduce foreign exchange fluctuation risk in monetary receivables and payables denominated in foreign currencies in accordance with the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25).

(b) The carrying amounts of non-marketable securities and investments in partnerships in the consolidated balance sheet are as follows. These are not included in "available-for-sale securities" in the fair value information of financial instruments.

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Non-marketable equity securities*1*2*3	¥ 8,170	¥ 9,810	$ 53,948
Investments in partnerships*3*4*5	44,093	35,137	291,142

*1 Non-marketable equity securities are not subject to the fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19).

*2 Equity securities in affiliates are not included and totaled ¥5,881 million ($38,832 thousand) and ¥7,774 million as of March 31, 2024 and 2023, respectively.

*3 During the year ended March 31, 2024, there is no impairment losses on non-marketable equity securities and investments in partnerships. During the year ended March 31, 2023, impairment losses on non-marketable equity securities of ¥140 million and on investments in partnerships of ¥4 million were recognized.

*4 Investments in partnerships are not subject to disclosure under Paragraph 24-16 of the Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31).

*5 Investments in unconsolidated subsidiaries and affiliates are not included, and totaled ¥10,212 million ($67,428 thousand) and ¥6,802 million as of March 31, 2024 and 2023, respectively.

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

	Millions of Yen					
March 31, 2024	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	¥3,968,194	¥ —	¥ —	¥ —	¥ —	¥ 1,500
Call loans and bills bought	33,629	—	—	—	—	—
Securities:						
Held-to-maturity securities	12,317	237,194	105,763	242,206	212,000	77,960
Available-for-sale securities with contractual maturities	152,312	188,192	187,493	106,159	96,357	998,956
Loans and bills discounted	3,524,611	2,788,811	2,142,642	1,467,073	1,463,066	4,823,570
Total	¥7,691,065	¥3,214,198	¥2,435,898	¥1,815,439	¥1,771,424	¥5,901,987

	Millions of Yen					
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥6,267,230	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	108,146	—	—	—	—	—
Securities:						
Held-to-maturity securities	3,018	12,700	90,003	118,930	296,550	78,656
Available-for-sale securities with contractual maturities	148,567	246,949	186,257	116,808	236,081	1,114,337
Loans and bills discounted	3,299,489	2,617,444	2,145,558	1,336,193	1,456,157	4,529,175
Total	¥9,826,452	¥2,877,094	¥2,421,819	¥1,571,931	¥1,988,788	¥5,722,169

	Thousands of U.S. Dollars					
March 31, 2024	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	$26,201,353	$ —	$ —	$ —	$ —	$ 9,904
Call loans and bills bought	222,050	—	—	—	—	—
Securities:						
Held-to-maturity securities	81,328	1,566,159	698,337	1,599,252	1,399,802	514,762
Available-for-sale securities with contractual maturities	1,005,695	1,242,605	1,237,988	700,954	636,233	6,595,953
Loans and bills discounted	23,272,444	18,414,073	14,147,522	9,686,851	9,660,393	31,849,259
Total	$50,782,870	$21,222,837	$16,083,847	$11,987,057	$11,696,428	$38,969,878

Note: As of March 31, 2024, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥ 220,837 million ($1,458,156 thousand) and loans and bills discounted with no contractual maturities amounting to ¥ 172,676 million ($1,140,155 thousand) are not included.

As of March 31, 2023, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥219,121 million and loans and bills discounted with no contractual maturities amounting to ¥147,691 million are not included.

March 31, 2024	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits	¥19,288,911	¥ 436,298	¥ 234,213	¥ 3,628	¥11,071	—
Negotiable certificates of deposit	353,370	—	—	—	—	—
Call money and bills sold	217,080	—	—	—	—	—
Payables under repurchase agreements	115,423	—	—	—	—	—
Payables under securities lending transactions	80,481	—	—	—	—	—
Borrowed money	262,699	630,619	1,121,739	6,524	—	—
Japanese corporate bonds	—	—	—	40,000	—	—
Total	¥20,317,966	¥1,066,918	¥1,355,953	¥50,153	¥11,071	—

March 31, 2023	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits	¥18,745,354	¥ 454,493	¥ 232,758	¥ 4,248	¥ 4,866	—
Negotiable certificates of deposit	303,670	—	—	—	—	—
Call money and bills sold	1,998,420	—	—	—	—	—
Payables under repurchase agreements	66,194	—	—	—	—	—
Payables under securities lending transactions	163,659	—	—	—	—	—
Borrowed money	444,956	642,194	1,083,668	1,691	4,006	—
Japanese corporate bonds	—	—	—	40,000	20,000	—
Total	¥21,722,256	¥1,096,688	¥1,316,427	¥45,939	¥28,872	—

March 31, 2024	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits	$127,361,582	$2,880,810	$1,546,476	$ 23,958	$73,104	—
Negotiable certificates of deposit	2,333,245	—	—	—	—	—
Call money and bills sold	1,433,349	—	—	—	—	—
Payables under repurchase agreements	762,126	—	—	—	—	—
Payables under securities lending transactions	531,407	—	—	—	—	—
Borrowed money	1,734,560	4,163,879	7,406,664	43,082	—	—
Japanese corporate bonds	—	—	—	264,114	—	—
Total	$134,156,269	$7,044,689	$8,953,140	$331,154	$73,104	—

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

(7) Breakdown of fair value of financial instruments by input level

The fair values of financial instruments are classified into the following three levels based on the observability and significance of the inputs used in fair value measurement

Level 1 fair value: fair value measured using (unadjusted) quoted market prices in active markets for the identical assets or liabilities

Level 2 fair value: fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: fair value measured using significant unobservable inputs

If multiple inputs are used that have a significant impact on the fair value measurement, the fair value is classified at the lowest priority level to which each input belongs.

(a) Financial instruments measured at fair value in the consolidated balance sheet

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Securities classified as:				
Available-for-sale:				
Bonds				
Japanese national government bonds	¥117,268	¥ —	¥ —	¥ 117,268
Japanese local government bonds	—	286,476	—	286,476
Japanese corporate bonds	—	377,946	79,103	457,049
Stocks	205,864	16,106	—	221,970
Other securities*1	—	680,062	191,410	871,473
Total	¥323,132	¥1,360,591	¥270,514	¥1,954,238

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Derivative instruments*2:				
Interest rate contracts	¥ —	¥ 8,051	¥ —	¥ 8,051
Foreign exchange	—	(2,649)	—	(2,649)
Stock contracts	—	—	—	—
Bond contracts	13	—	—	13
Other contracts	—	—	43	43
Total	¥13	¥ 5,401	¥43	¥ 5,458

*1 Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) is treated as fair value are not included. The amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-3 is ¥32,147 million, and the amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-9 is ¥9,161 million.

*2 Derivative transactions included in trading assets and liabilities and in other assets and liabilities are collectively presented. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in net payables in total are presented on a negative basis.

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Available-for-sale:				
Bonds				
Japanese national government bonds	¥279,860	¥ 34,234	¥ —	¥ 314,094
Japanese local government bonds	—	249,876	—	249,876
Japanese corporate bonds	—	424,446	83,801	508,247
Stocks	144,826	11,301	—	156,128
Other securities*1	63,589	723,889	158,649	946,128
Total	¥488,276	¥1,443,748	¥242,450	¥2,174,476

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Derivative instruments*2:				
Interest rate contracts	¥ —	¥11,449	¥ —	¥11,449
Foreign exchange	—	2,039	—	2,039
Stock contracts	—	—	—	—
Bond contracts	(18)	—	—	(18)
Other contracts	—	—	42	42
Total	¥(18)	¥13,488	¥42	¥13,513

*1 Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) is treated as fair value are not included. The amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-3 is ¥31,942 million, and the amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-9 is ¥6,431 million.

*2 Derivative transactions included in trading assets and liabilities and in other assets and liabilities are collectively presented. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in net payables in total are presented on a negative basis.

March 31, 2024	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Securities classified as:				
Available-for-sale:				
Bonds				
Japanese national government bonds	$ 774,307	$ —	$ —	$ 774,307
Japanese local government bonds	—	1,891,561	—	1,891,561
Japanese corporate bonds	—	2,495,518	522,309	3,017,827
Stocks	1,359,287	106,346	—	1,465,633
Other securities*1	—	4,490,345	1,263,853	5,754,198
Total	$2,133,594	$8,983,770	$1,786,162	$12,903,526

March 31, 2024	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Derivative instruments*2:				
Interest rate contracts	$ —	$ 53,160	$ —	$ 53,160
Foreign exchange	—	(17,494)	—	(17,494)
Stock contracts	—	—	—	—
Bond contracts	88	—	—	88
Other contracts	—	—	287	287
Total	$ 88	$ 35,666	$ 287	$ 36,041

*1 Investment trusts whose net asset value in accordance with Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) is treated as fair value are not included. The amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-3 is $212,267 thousand, and the amount reported in the Consolidated Balance Sheet for investment trusts that apply the treatment of Paragraph 24-9 is $60,492 thousand.

*2 Derivative transactions included in trading assets and liabilities and in other assets and liabilities are collectively presented. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in net payables in total are presented on a negative basis.

① Reconciliation of beginning balance to ending balance of investment trusts that apply the treatment of Paragraph 24-3

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Beginning balance	¥31,942	¥ —	$210,912
Profit or loss or other comprehensive income for the current period			
Included in profit or loss (*1)	—		—
Included in other comprehensive income (*2)	205	(57)	1,356
Net purchases, sales and redemptions	—	32,000	—
Transfers into the treatment of Paragraph 24-3	—	—	—
Transfers out of the treatment of Paragraph 24-3	—	—	—
Ending balance	32,147	31,942	212,267
Net unrealized gain (loss) on investment trusts held as of the reporting date that is included in profit or loss for the current period (*1)	¥ —	¥ —	$ —

(*1) Included in "Other ordinary income" and "Other ordinary expenses" presented in the Consolidated Statement of Income.
(*2) Included in "Valuation difference on available-for-sale securities" presented in the Consolidated Statements of Comprehensive Income.

② Details of the restrictions on the cancellation of investment trusts that apply the treatment of Paragraph 24-3 as of the end of the current fiscal year

Investment trusts that require several months from the time of application for cancellation to the time of execution of cancellation: ¥ 32,147 million ($212,267 thousand) and ¥ 31,942 million as of March 31, 2024 and 2023.

③ Reconciliation of beginning balance to ending balance of investment trusts that apply the treatment of Paragraph 24-9

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Beginning balance	¥6,431	¥4,887	$42,467
Profit or loss or other comprehensive income for the current period			
Included in profit or loss (*1)	—	61	—
Included in other comprehensive income (*2)	126	24	838
Net purchases, sales and redemptions	2,602	1,458	17,187
Transfers into the treatment of Paragraph 24-9	—	—	—
Transfers out of the treatment of Paragraph 24-9	—	—	—
Ending balance	9,161	6,431	60,492
Net unrealized gain (loss) on investment trusts held as of the reporting date that is included in profit or loss for the current period (*1)	¥ —	¥ —	$ —

(*1) Included in "Other ordinary income" and "Other ordinary expenses" presented in the Consolidated Statement of Income
(*2) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" presented in the Consolidated Statements of Comprehensive Income.

(b) Financial instruments not measured at fair value in the consolidated balance sheet

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Securities classified as:				
Held-to-maturity:				
Bonds				
Japanese national government bonds	¥84,037	¥ —	¥ —	¥ 84,037
Japanese local government bonds	—	778,387	—	778,387
Japanese corporate bonds	—	199	—	199
Other	—	5,592	—	5,592
Loans and bills discounted	—	—	16,551,219	16,551,219
Total	¥84,037	¥784,180	¥16,551,219	¥17,419,436

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Deposits	—	¥19,974,076	—	¥19,974,076
Negotiable certificates of deposit	—	353,370	—	353,370
Borrowed money	—	2,021,592	—	2,021,592
Total	—	¥22,349,039	—	¥22,349,039

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Securities classified as:				
Held-to-maturity:				
Bonds				
Japanese national government bonds	¥69,625	¥ —	¥ —	¥ 69,625
Japanese local government bonds	—	514,347	—	514,347
Japanese corporate bonds	—	202	—	202
Other	—	3,008	—	3,008
Loans and bills discounted	—	—	15,711,320	15,711,320
Total	¥69,625	¥517,559	¥15,711,320	¥16,298,504

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Deposits	—	¥19,442,046	—	¥19,442,046
Negotiable certificates of deposit	—	303,670	—	303,670
Borrowed money	—	2,176,516	—	2,176,516
Total	—	¥21,922,233	—	¥21,922,233

	Thousands of U.S. Dollars			
March 31, 2024	Level 1	Level 2	Level 3	Total
Securities classified as:				
Held-to-maturity:				
Bonds				
Japanese national government bonds	$554,883	$ —	$ —	$ 554,883
Japanese local government bonds	—	5,139,566	—	5,139,566
Japanese corporate bonds	—	1,320	—	1,320
Other	—	36,929	—	36,929
Loans and bills discounted	—	—	109,285,043	109,285,043
Total	$554,883	$5,177,815	$109,285,043	$115,017,741

	Thousands of U.S. Dollars			
March 31, 2024	Level 1	Level 2	Level 3	Total
Deposits	—	$131,885,618	—	$131,885,618
Negotiable certificates of deposit	—	2,333,245	—	2,333,245
Borrowed money	—	13,348,252	—	13,348,252
Total	—	$147,567,115	—	$147,567,115

(Note 1) Valuation techniques and inputs in measuring fair value

Securities

Shares are measured at market prices and are classified mainly as Level 1 based on their market activity. Bonds are measured based on the Trading Reference Statistics issued by the Japan Securities Dealers Association or quoted prices by the financial institutions with which they are traded. Japanese government bonds are classified mainly as Level 1, and Japanese municipal and corporate bonds (excluding private placements) are classified mainly as Level 2. The asset-backed securities included in other securities are measured based on the quoted prices by the financial institutions with which they are traded, which are classified as Level 3.

The fair value of private placement bonds is measured by discounting the future cash flows at the risk-free interest rate plus credit risk premium estimated based on internal ratings, which is classified as Level 3.

The fair value of investment trusts is measured based on their published net asset value.

The fair value of investment trusts is classified mainly as Level 2.

Loans and bills discounted

The fair value of loans and bills discounted with variable interest rates approximates the carrying amount as long as borrowers' credit risks have not changed significantly after lending because market interest rates are promptly reflected in the variable interest rates. The fair value of loans and bills discounted with fixed interest rates is measured mainly by discounting future cash flows at the risk-free interest rate plus credit risk premium estimated based in internal ratings. The fair value of loans and bills discounted with a short contractual term (within one year) approximates the carrying amount, and the carrying amount is used as the fair value.

For loans and bills discounted to the borrowers in the "Legal bankruptcy," "Virtual bankruptcy" and "Possible bankruptcy," the estimated amount of bad debts is measured based on the present value of the estimated future cash flows or the expected recoverable amount of collaterals and guarantees. The fair value approximates the amount reported in the consolidated balance sheet less the allowance for loan losses at the consolidated balance sheet date, and therefore, such value is used as the fair value.

The fair value of loans and bills discounted is classified as Level 3.

Deposits and negotiable certificates of deposit

The fair value of demand deposits is the amount that would be required to be paid at the consolidated balance sheet date (carrying amount). The fair value of time deposits and negotiable certificates of deposit is measured as the present value of future cash flows, grouped by product and remaining term, discounted at market interest rates. The fair value of deposits with a short contractual term (within one year) approximates the carrying amount, and the carrying amount is used as the fair value.

The fair value of deposits and negotiable certificates of deposit is classified as Level 2.

Borrowed money

The fair value of borrowed money with variable interest rates approximates the carrying amount because market interest rates are promptly reflected in the variable interest rates and credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is the present value of future cash flows discounted using a rate that reflects the remaining term and the credit risk of the borrowed money. The fair value of borrowed money with a short contractual term (within one year) approximates the carrying amount, and the carrying amount is used as the fair value.

The fair value of borrowed money is classified as Level 2.

Derivative transactions

For derivative transactions, unadjusted quoted prices in active markets are classified as Level 1, which include bond futures.

However, since most derivative transactions are over-the-counter transactions and there is no observable quoted price, the fair value is measured using valuation techniques such as the discounted cash flow method and option pricing models based on the type of transactions and maturity period. The major inputs used in the valuation techniques are interest rates, foreign exchange rates and volatility. Price adjustments are also made based on the credit risks for counterparties and consolidated subsidiaries themselves. If unobservable inputs are not used or the effect is immaterial, the fair value is classified as Level 2, which includes interest rate swap and forward exchange contracts. If significant unobservable inputs are used, the fair value is classified as Level 3.

(Note 2) Level 3 fair value of financial instruments measured at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs

March 31, 2024	Valuation technique	Significant unobservable inputs	Range	Weighted average
Securities classified as:				
Available-for-sale:				
Private placement bonds	Discounted cash flow	Probability of default	0.0% — 13.3%	0.5%
		Loss given default	20.0% — 100.0%	70.4%

March 31, 2023	Valuation technique	Significant unobservable inputs	Range	Weighted average
Securities classified as:				
Available-for-sale:				
Private placement bonds	Discounted cash flow	Probability of default	0.0% — 13.3%	0.4%
		Loss given default	20.0% — 100.0%	72.3%

(2) Reconciliation from the beginning balances to the ending balances and net unrealized gains or losses recognized in profit or loss for the period

	Millions of Yen							
		Total gains (losses) for the period						
	April 1, 2023	Included in earnings *1	Included in other comprehensive income *2	Net of purchases, sales, issues and settlement	Transfers into Level 3	Transfers out of Level 3	March 31, 2024	Change in unrealized gains (losses) for assets and liabilities still held at March 31, 2024 *1
Securities classified as:								
Available-for-sale:								
Japanese corporate bonds	¥ 83,801	¥ (96)	¥ (103)	¥(4,497)	—	—	¥ 79,103	—
Other securities	158,649	21,801	2,381	8,578	—	—	191,410	—
Total	¥242,450	¥21,705	¥2,277	¥ 4,080	—	—	¥270,514	—
Derivative instruments								
Other contracts	42	0	—	0	—	—	43	—
Total	¥ 42	¥ 0	—	¥ 0	—	—	¥ 43	—

	Millions of Yen							
		Total gains (losses) for the period						
	April 1, 2022	Included in earnings *1	Included in other compreh ensive income *2	Net of purchases, sales, issues and settlement	Transfers into Level 3	Transfers out of Level 3	March 31, 2023	Change in unrealized gains (losses) for assets and liabilities still held at March 31, 2023 *1
Securities classified as:								
Available-for-sale:								
Japanese corporate bonds	¥ 79,900	¥ (15)	¥ 63	¥ 3,853	—	—	¥ 83,801	—
Other securities	84,158	5,182	(1,629)	70,937	—	—	158,649	—
Total	¥164,058	¥5,167	¥(1,566)	¥74,791	—	—	¥242,450	—
Derivative instruments								
Other contracts	40	(0)	—	2	—	—	42	—
Total	¥ 40	¥ (0)	—	¥ 2	—	—	¥ 42	—

	Thousands of U.S. Dollars							
		Total gains (losses) for the period						
	April 1, 2023	Included in earnings *1	Included in other compreh ensive income *2	Net of purchases, sales, issues and settlement	Transfers into Level 3	Transfers out of Level 3	March 31, 2024	Change in unrealized gains (losses) for assets and liabilities still held at March 31, 2024 *1
Securities classified as:								
Available-for-sale:								
Japanese corporate bonds	$ 553,326	$ (634)	$ (685)	$(29,698)	—	—	$ 522,309	—
Other securities	1,047,536	143,953	15,723	56,641	—	—	1,263,853	—
Total	$1,600,862	$143,319	$15,038	$ 26,943	—	—	$1,786,162	—
Derivative instruments								
Other contracts	283	0	—	4	—	—	287	—
Total	$ 283	$ 0	—	$ 4	—	—	$ 287	—

*1 Included in "Other operating income" and "Other operating expenses" in the consolidated statements of income.

*2 Included in "Valuation difference on available-for-sale securities " in "Other comprehensive income" in the consolidated statements of comprehensive income.

(3) Description of the valuation process for fair value measurement

The Group has established policies and procedures for fair value measurement in the Risk Management Department and verified the appropriateness of the fair value measurement. The fair value is measured using appropriate valuation models that reflect the nature, characteristics and risks of individual assets. When using quoted prices obtained from third parties, the Group verifies the appropriateness of the prices through appropriate methods such as valuation techniques and inputs used and comparison with its own estimates.

(4) Effects on fair value measurement when changing significant unobservable inputs

Probability of default (PD)

PD is an estimate of the likelihood of default events. A significant increase (decrease) in the PD results in a significant decrease (increase) in the fair value.

Loss given default (LGD)

LGD is an estimate of the ratio of losses expected to be incurred in the default events to the total outstanding balance of bonds and loans. A significant increase (decrease) in the LGD results in a significant decrease (increase) in the fair value.

28. DERIVATIVE INFORMATION

Derivative Transactions to Which Hedge Accounting is Not Applied at March 31, 2024 and 2023

The Group's derivative contracts that were quoted on listed exchanges, outstanding as of March 31, 2024 and 2023, were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2024	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Bond contracts — Futures purchased	¥16,182	—	¥13	¥13	$106,852	—	$88	$88

	Millions of Yen			
March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Bond contracts — Futures written	¥1,018	—	¥(18)	¥(18)

The Group's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2024 and 2023, were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2024	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥1,063,098	¥982,969	¥ (3,750)	¥ (3,750)	$7,019,467	$6,490,392	$(24,763)	$(24,763)
Receive floating and pay fixed	1,037,223	912,383	12,981	12,981	6,848,620	6,024,321	85,716	85,716
Receive floating and pay floating	1,080,180	843,960	(1,189)	(1,189)	7,132,255	5,572,532	(7,852)	(7,852)
Caps and others written	26,364	25,914	(504)	(16)	174,082	171,111	(3,330)	(112)
Caps and others purchased	25,000	25,000	513	513	165,071	165,071	3,389	3,389
Foreign exchange:								
Forward exchange contracts — written	266,101	52,898	(7,623)	(7,623)	1,757,024	349,282	(50,339)	(50,339)
Forward exchange contracts — purchased	264,569	52,401	10,010	10,010	1,746,910	345,999	66,100	66,100
Options written	27,360	16,185	(845)	403	180,657	106,868	(5,580)	2,663
Options purchased	27,794	16,185	865	(96)	183,523	106,868	5,715	(634)
Other:								
Earthquake derivatives:								
Written	4,470	—	(4)	—	29,515	—	(29)	—
Purchased	4,470	—	47	—	29,515	—	316	—

	Millions of Yen			
March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:				
Interest rate swaps:				
Receive fixed and pay floating	¥1,006,736	¥ 919,848	¥ 3,617	¥ 3,617
Receive floating and pay fixed	974,428	828,768	4,848	4,848
Receive floating and pay floating	1,200,570	1,029,530	(1,165)	(1,165)
Caps and others written	14,809	14,792	(271)	33
Caps and others purchased	13,370	13,370	269	269
Foreign exchange:				
Forward exchange contracts – written	256,551	48,471	(568)	(568)
Forward exchange contracts – purchased	259,983	47,676	3,394	3,394
Options written	35,196	20,770	(1,610)	140
Options purchased	35,568	20,770	1,617	323
Other:				
Earthquake derivatives:				
Written	4,420	—	(4)	—
Purchased	4,420	—	47	—

Derivative Transactions to Which Hedge Accounting is Applied at March 31, 2024 and 2023

The Group's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2024 and 2023, were as follows:

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2024	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Deferral hedge accounting:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Available-for-sale securities	—	—	—	—	—	—
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	465,968	805	(5,056)	3,076,716	5,320	(33,390)
Special hedging treatment:							
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	58,836	57,321	—	388,487	378,487	—

		Millions of Yen		
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Deferral hedge accounting:				
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Available-for-sale securities	¥ 65,000	¥65,000	¥4,151
Foreign exchange – Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	378,836	86	(794)
Special hedging treatment:				
Interest rate contracts – Interest rate swaps – receive floating and pay fixed	Loans and bills discounted, etc.	62,702	62,702	—

The above interest rate swaps with special hedging treatment that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 27 is included in the hedged items (i.e., loans and bills discounted).

29. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ 84,613	¥(42,147)	$ 558,688
Reclassification adjustments to profit or loss	30,756	10,939	203,079
Amount before income tax effect	115,369	(31,208)	761,767
Income tax effect	(35,067)	9,510	(231,546)
Total	¥ 80,302	¥(21,697)	$ 530,221
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	¥ (7,872)	¥ (4,942)	$ (51,981)
Reclassification adjustments to profit or loss	3,682	5,573	24,313
Amount before income tax effect	(4,190)	630	(27,668)
Income tax effect	1,282	(192)	8,467
Total	¥ (2,908)	¥ 437	$ (19,201)
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ 13,540	¥ (968)	$ 89,403
Reclassification adjustments to profit or loss	(23)	(1,972)	(156)
Amount before income tax effect	13,516	(2,940)	89,247
Income tax effect	(4,135)	899	(27,309)
Total	¥ 9,380	¥ (2,040)	$ 61,938
Share of other comprehensive income of entities accounted for using equity method:			
Total	¥ 607	¥ 353	$ 4,010
Total other comprehensive (loss)income	¥ 87,381	¥(22,947)	$ 576,968

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. Business Combination

Business Combination through Acquisition

BOY acquired 3,477,304 shares of common stock and 103,500 shares of Series 1 Class A Preferred Stock of THE KANAGAWA BANK, LTD. through a tender offer on April 27, 2023. As a result, THE KANAGAWA BANK, LTD. became a consolidated subsidiary of BOY on the same day because the ratio of voting rights held by BOY in THE KANAGAWA BANK, LTD. reached 84.10%.

As a series of procedures to make THE KANAGAWA BANK, LTD. a wholly owned subsidiary of BOY, THE KANAGAWA BANK, LTD. implemented a share consolidation effective from June 29, 2023.As a result, all common shares held by shareholders other than BOY became fractional shares, and BOY held 100% of voting rights in THE KANAGAWA BANK, LTD.Finally, BOY acquired all the fractional shares, and THE KANAGAWA BANK, LTD. became a wholly owned subsidiary of BOY.

1. Outline of the business combination
   (1) Name and type of business of the acquiree
   THE KANAGAWA BANK, LTD., banking business
   (2) Main purpose of the business combination

BOY and THE KANAGAWA BANK, LTD., both of which are based in Kanagawa Prefecture, will work together to further demonstrate their financial intermediation functions for all customers in the region. Through this initiative, The Group will fulfill its mission and role more than ever before as a regional financial institution to contribute to the sustainable development of vibrant local communities and aim to enhance the medium to long term corporate value of the Group.

(3) Business combination date
April 27, 2023 (Deemed acquisition date: April 1, 2023)

(4) Legal form of the business combination
Acquisition of shares for cash consideration

(5) Name of the acquiree after the business combination
The name remains unchanged.

(6) Ratio of voting rights acquired
Ratio of voting rights immediately before the business combination: 6.26%
Ratio of voting rights after the tender offer: 84.10%
Ratio of voting rights after the share consolidation: 100.00%
Series 1 Class A Preferred Stock have no voting rights. The Company has treated a series of share acquisitions for the purpose of acquiring all shares of the acquiree as an integrated transaction.

(7) Main grounds for determining the acquirer
This is because BOY acquired the shares for cash consideration.

2. Period for which the financial results of the acquiree included in the consolidated financial statements
From April 1, 2023 through March 31, 2024

3. Acquisition cost of the acquiree and breakdown by type of consideration for the acquisition
Consideration for the acquisition
Fair value of the shares held immediately before the business combination at the business combination date: ¥1,533 million (*1)
Cash paid for additional acquisitions: ¥9,559 million ($63,120 thousand) (*2)
Acquisition cost: ¥11,092 million ($73,245 thousand)
(*1) Common stock: ¥567 million ($3,744 thousand), Series 1 Class A Preferred Stock: ¥966 million ($6,380 thousand)
(*2) Common stock: ¥8,523 million ($56,277 thousand), Series 1 Class A Preferred Stock: ¥1,036 million ($6,842 thousand)

4. Details and amounts of major acquisition-related expenses
Advisory fees: ¥233 million ($1,543 thousand)

5. Difference between the acquisition cost of the acquiree and the total acquisition cost of each transaction resulting in the acquisition
Loss on step acquisitions: ¥154 million ($1,019 thousand)

6. Amount and cause of gain on bargain purchase
(1) Amount of gain on bargain purchase
¥15,579 million ($102,867 thousand)

(2) Cause of gain on bargain purchase
Because the acquisition cost was less than the net amount allocated to the assets received and liabilities assumed, the difference was recognized as gain on bargain purchase.

7. Amounts of the assets received and liabilities assumed at the business combination date and major breakdown thereof

(1) Amounts of the assets	
Total assets:	¥522,724 million ($3,451,467 thousand)
Of which, loans and bills discounted:	¥395,958 million ($2,614,453 thousand)
Of which, securities:	¥97,858 million ($646,144 thousand)
(2) Amounts of the liabilities	
Total liabilities:	¥496,052 million ($3,275,355 thousand)
Of which, deposits:	¥473,659 million ($3,127,495 thousand)

32. 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, 2024

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	Saya Kaneko			Close relative of an auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥29 million ($193 thousand)
Director or Close relative of a director	Takehiro Kaneko			Close relative of an auditor of a subsidiary		Credit transaction	Lending*		Loans and bills discounted	¥54 million ($359 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, 2023

None

b. Notes to the Parent Company or Major Affiliated Companies

None

33. SUBSEQUENT EVENTS

Dividends

On May 13, 2024, the Board of Directors resolved the following appropriation of retained earnings:

Appropriation of Retained Earnings as of March 31, 2024

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends - common stock (¥12.00 - $0.08 per share)	¥13,998	$92,432

••• Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Concordia Financial Group, Ltd.:

<Audit of Consolidated Financial Statements>

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, 2024, 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, 2024, 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
The Group is a financial group that owns consolidated subsidiaries engaged in banking business ("consolidated banking subsidiaries") and operates business offices mainly in Kanagawa Prefecture and Tokyo. The Group has set a long-term vision of becoming "a solution company rooted in communities and selected as a partner to walk together" and continued to strengthen loans to small and medium-sized enterprises ("SMEs") and loans to individuals in the region. As a result, its financial assets mainly consist of loans to SMEs and loans to individuals. Loans are exposed to credit risk caused by customers' default on contracts and if corporate business performance, value of real estate collaterals, or personal household trends, etc. fluctuate significantly, loan losses may occur and affect the Group's business performance. In order to prepare for the risk of loan losses arising from the default or bankruptcy of borrowers of consolidated banking subsidiaries, the Group determines borrower classifications 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 determines an allowance for loan losses based on the classifications, as described in Note 2, "Summary of Significant Accounting Policies, i. Allowance for Loan Losses." The Group recorded loans of ¥16,602,619 million and the allowance for loan losses of ¥83,889 million on the consolidated balance sheet as of March 31, 2024. In determining the allowance for loan losses, several key assumptions are used, as described in Note 2, "Summary of Significant Accounting Policies, z. Significant Accounting Estimates." Among them, future prospects in the determination of borrower classifications involve a relatively higher degree of subjective judgments by management as they are based on a comprehensive consideration of the actual conditions of the borrowers. Therefore, in determining classifications for borrowers who meet certain criteria, the Group has a system in place where the classifications determined by operating divisions are subject to approval by the division at the head office in charge of the secondary assessment to ensure prudence.	We performed the following audit procedures, among others, to address the key audit matter: Tests of internal controls over the determination of borrower classifications • We assessed the appropriateness of the rules on the determination of borrower classifications by inspecting relevant rules and regulations and examined their appropriateness in light of accounting standards for financial instruments, etc. • We tested the design and operating effectiveness of controls over the approval of operating divisions' determination of borrower classifications by the division at the head office in charge of secondary assessment, by making inquiries and inspecting internal approval documents and other relevant documents, and we examined whether such approval was based on the appropriateness of significant judgment factors, such as the borrowers' financial position, business performance and future prospects. • We tested the design and operating effectiveness of controls to ensure that significant underlying information on borrowers used in controls over the determination of borrower classifications is prepared accurately and completely based on supporting documents, such as financial statements and business improvement plans obtained from borrowers, by making inquiries, inspecting relevant documents, and comparing significant underlying information with its supporting documents. Evaluation of the appropriateness of borrower classifications of specific borrowers subject to the key audit matter Based on certain criteria, we selected large borrowers whose borrower classification determination involves a relatively higher degree of management's subjective judgments on the future prospects for improvement in their business performance under their business improvement plans, etc. and whose deterioration in the borrower classifications could have a significant impact on Group's business performance, and we performed the following audit procedures, among others, to evaluate the reasonableness of management's judgments on the rationality and feasibility of the future prospects for improvement in the business performance of such borrowers: • We made inquiries and inspected relevant documents to understand the basis for management's judgments mentioned above.

In the case of borrowers who have been classified as "in need of caution" based on the future prospects for improvement in their business performance under their business improvement plans, the determination of borrower classifications involves a higher degree of management's subjective judgments in evaluating the rationality and feasibility of such future prospects because outlooks for the business environment in the industries to which the borrowers belong, such as future supply-demand trends, and the feasibility of measures to improve their business performance, such as profitability improvement and cost reduction, are significant factors in determining the borrower classifications. In particular, uncertainty is even higher in the case of borrowers who are significantly affected by personal consumption and inbound demand, including the impact of changes in consumer behavior due to changes in the social environment, the status of production activities, price inflation and changes in overseas economies. Based on the above reasons, we determined the appropriateness of the borrower classification of large borrowers whose borrower classifications depend on the future prospects for improvement in their business performance and whose deterioration in the borrower classifications could have a significant impact on Group's business performance in determining the allowance for loan losses as a key audit matter.	• We examined assumptions regarding demand forecasts, etc. that have a significant impact on the rationality and feasibility of the profit plans among the future prospects for improvement in the business performance by comparing them with available external information, etc. We also compared them with actual results. • With respect to profitability improvement measures among the future prospects for improvement in the business performance, we examined whether such measures were reasonably expected to improve profitability based on actual results, etc. and whether such measures took into account the costs required for such measures by making inquiries and inspecting relevant documents. • With respect to major cost-reduction measures among the future prospects for improvement in the business performance, we examined whether the reduction prospects were reasonable in comparison with actual results, etc. and whether the reduction measures were consistent with the major performance improvement measures by making inquiries and inspecting relevant documents. • We inspected the negotiation records between the borrowers and operating divisions to understand the processes leading to the formulation of the future prospects for improvement in the business performance and examined whether there was any negotiation record that was inconsistent with the Group's explanation.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Concordia Financial Group, Ltd. and its subsidiaries were ¥278 million and ¥44 million, respectively.

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
September 19, 2024

Non-Consolidated Financial Statements

Bank of Yokohama

Non-Consolidated Balance Sheet

The Bank of Yokohama, Ltd.
March 31, 2024 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
ASSETS:			
Cash and due from banks	**¥ 3,992,990**	¥ 6,331,196	**$ 26,365,072**
Call loans	**223,629**	268,146	**1,476,589**
Monetary claims bought	**27,451**	19,871	**181,259**
Trading assets	**1,730**	3,266	**11,428**
Securities	**2,510,721**	2,530,882	**16,577,892**
Loans and bills discounted	**14,612,994**	14,165,974	**96,487,254**
Foreign exchanges	**22,723**	23,195	**150,039**
Other assets	**251,502**	177,210	**1,660,629**
Property, plant and equipment	**142,690**	141,215	**942,163**
Intangible assets	**15,731**	14,273	**103,875**
Prepaid pension costs	**38,037**	35,977	**251,157**
Deferred tax assets	**—**	23,296	**—**
Customers' liabilities for acceptances and guarantees	**32,783**	30,690	**216,464**
Allowance for loan losses	**(67,815)**	(65,578)	**(447,774)**
TOTAL	**¥21,805,172**	¥23,699,620	**$143,976,047**
LIABILITIES:			
Deposits	**¥17,971,667**	¥17,834,262	**$118,664,029**
Negotiable certificates of deposit	**204,950**	247,850	**1,353,252**
Call money	**197,080**	1,950,420	**1,301,292**
Payables under repurchase agreements	**115,423**	66,194	**762,126**
Payables under securities lending transactions	**76,599**	161,689	**505,777**
Trading liabilities	**12**	52	**83**
Borrowed money	**1,984,154**	2,192,218	**13,101,056**
Foreign exchanges	**836**	541	**5,522**
Due to trust account	**41,729**	34,603	**275,533**
Other liabilities	**102,291**	185,246	**675,416**
Provision for bonuses	**3,688**	3,689	**24,357**
Provision for directors' bonuses	**23**	22	**156**
Provision for share-based compensation	**174**	157	**1,153**
Provision for reimbursement of deposits	**1,831**	1,772	**12,096**
Provision for contingent losses	**638**	507	**4,218**
Deferred tax liabilities	**4,091**	—	**27,014**
Deferred tax liabilities for land revaluation	**16,256**	16,270	**107,342**
Acceptances and guarantees	**32,783**	30,690	**216,464**
Total liabilities	**20,754,236**	22,726,189	**137,036,886**
EQUITY:			
Capital stock — common stock — authorized, 3,000,000 thousand shares in 2024 and 2023; issued, 1,204,576 thousand shares in 2024 and 2023	**215,628**	215,628	**1,423,761**
Capital surplus	**177,244**	177,244	**1,170,316**
Retained earnings:			
Legal retained earnings	**38,384**	38,384	**253,445**
Other retained earnings	**528,307**	514,414	**3,488,327**
Valuation difference on available-for-sale securities	**54,440**	(12,059)	**359,462**
Deferred gains or losses on hedges	**549**	3,457	**3,631**
Revaluation reserve for land	**36,381**	36,360	**240,219**
Total equity	**1,050,935**	973,431	**6,939,161**
TOTAL	**¥21,805,172**	¥23,699,620	**$143,976,047**

Non-Consolidated Statement of Income

The Bank of Yokohama, Ltd.
Year Ended March 31, 2024 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥157,708**	¥136,383	**$1,041,326**
Interest and dividends on securities	**36,653**	26,521	**242,018**
Interest on call loans	**2,674**	1,391	**17,656**
Interest on due from banks	**6,572**	6,552	**43,395**
Other interest income	**7,159**	4,398	**47,276**
Trust fees	**278**	266	**1,839**
Fees and commissions	**57,894**	57,006	**382,269**
Trading income	**35**	19	**233**
Other operating income	**5,427**	5,884	**35,837**
Other income	**3,556**	8,890	**23,482**
Total income	**277,960**	247,314	**1,835,331**
EXPENSES:			
Interest expenses:			
Interest on deposits	**19,468**	10,676	**128,548**
Interest on negotiable certificates of deposit	**9**	8	**65**
Interest on call money	**4,107**	3,007	**27,119**
Interest on payables under repurchase agreements	**5,919**	566	**39,084**
Interest on payables under securities lending transactions	**3,754**	2,874	**24,788**
Interest on borrowed money	**6,143**	3,195	**40,566**
Other interest expenses	**14,421**	8,723	**95,223**
Fees and commissions	**18,916**	17,443	**124,900**
Trading Expenses	**19**	15	**130**
Other operating expenses	**30,532**	18,846	**201,604**
General and administrative expenses	**100,900**	99,884	**666,231**
Provision of allowance for loan losses	**9,077**	12,236	**59,937**
Other expenses	**4,767**	4,554	**31,476**
Total expenses	**218,038**	182,033	**1,439,671**
INCOME BEFORE INCOME TAXES	**59,922**	65,281	**395,660**
INCOME TAXES:			
Current	**18,205**	21,567	**120,208**
Deferred	**(502)**	(2,442)	**(3,319)**
Total income taxes	**17,702**	19,124	**116,889**
NET INCOME	**¥ 42,219**	¥ 46,156	**$ 278,771**

Non-Consolidated Financial Statements

Higashi-Nippon Bank

Non-Consolidated Balance Sheet

The Higashi-Nippon Bank, Limited
March 31, 2024 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
ASSETS:			
Cash and due from banks	**¥ 109,492**	¥ 98,120	**$ 722,965**
Securities	**371,190**	345,032	**2,450,911**
Loans and bills discounted	**1,670,578**	1,664,359	**11,030,564**
Foreign exchanges	**1,962**	2,129	**12,955**
Other assets	**16,835**	15,058	**111,162**
Property, plant and equipment	**24,751**	25,293	**163,432**
Intangible assets	**2,585**	2,677	**17,071**
Prepaid pension costs	**5,053**	3,882	**33,370**
Deferred tax assets	**—**	5,907	**—**
Customers' liabilities for acceptances and guarantees	**1,613**	1,449	**10,655**
Allowance for loan losses	**(13,651)**	(17,002)	**(90,140)**
TOTAL	**¥2,190,412**	¥2,146,908	**$14,462,945**
LIABILITIES:			
Deposits	**¥1,593,858**	¥1,673,177	**$10,523,993**
Negotiable certificates of deposit	**203,000**	110,400	**1,340,376**
Call money	**210,000**	208,000	**1,386,596**
Payables under securities lending transactions	**3,881**	1,970	**25,631**
Borrowed money	**34,100**	21,900	**225,157**
Foreign exchanges	**34**	12	**226**
Other liabilities	**4,714**	7,617	**31,132**
Provision for bonuses	**501**	360	**3,309**
Provision for directors' bonuses	**10**	10	**68**
Provision for share-based compensation	**61**	33	**408**
Provision for reimbursement of deposits	**433**	457	**2,862**
Provision for contingent losses	**844**	1,209	**5,579**
Deferred tax liabilities	**773**	—	**5,109**
Deferred tax liabilities for land revaluation	**2,551**	2,551	**16,849**
Acceptances and guarantees	**1,613**	1,449	**10,655**
Total liabilities	**2,056,380**	2,029,149	**13,577,950**
EQUITY:			
Capital stock — common stock — authorized, 388,000 thousand shares in 2024 and 2023; issued, 176,869 thousand shares in 2024 and 2023	**38,300**	38,300	**252,889**
Capital surplus	**24,600**	24,600	**162,432**
Retained earnings:			
Legal retained earnings	**1,904**	1,904	**12,573**
Other retained earnings	**52,673**	46,010	**347,795**
Valuation difference on available-for-sale securities	**10,893**	1,282	**71,929**
Revaluation reserve for land	**5,660**	5,660	**37,377**
Total equity	**134,032**	117,758	**884,995**
TOTAL	**¥2,190,412**	¥2,146,908	**$14,462,945**

Non-Consolidated Statement of Income

The Higashi-Nippon Bank, Limited
Year Ended March 31, 2024 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥20,086**	¥19,969	**$132,626**
Interest and dividends on securities	**3,391**	3,017	**22,393**
Interest on due from banks	**71**	179	**469**
Other interest income	**2**	2	**15**
Fees and commissions	**4,894**	5,293	**32,320**
Other operating income	**169**	785	**1,119**
Other income	**2,284**	1,638	**15,082**
Total income	**30,899**	30,885	**204,024**
EXPENSES:			
Interest expenses:			
Interest on deposits	**120**	133	**798**
Interest on negotiable certificates of deposit	**29**	10	**196**
Interest on call money	**0**	(22)	**3**
Interest on payables under securities lending transactions	**3**	1	**21**
Other interest expenses	**—**	49	**—**
Fees and commissions	**1,071**	1,148	**7,074**
Other operating expenses	**947**	516	**6,254**
General and administrative expenses	**18,082**	18,455	**119,399**
Other expenses	**820**	1,714	**5,420**
Total expenses	**21,076**	22,007	**139,165**
INCOME BEFORE INCOME TAXES	**9,822**	8,878	**64,859**
INCOME TAXES:			
Current	**497**	(132)	**3,287**
Deferred	**2,662**	2,656	**17,580**
Total income taxes	**3,160**	2,524	**20,867**
NET INCOME	**¥ 6,662**	¥ 6,353	**$ 43,992**

Non-Consolidated Financial Statements

Kanagawa Bank

Non-Consolidated Balance Sheet

The Kanagawa Bank, Limited
March 31, 2024 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
ASSETS:			
Cash and due from banks	¥ 32,632	¥ 19,681	$ 215,466
Monetary claims bought	81	82	539
Securities	80,381	97,939	530,744
Loans and bills discounted	405,917	398,130	2,680,207
Foreign exchanges	58	56	385
Other assets	6,210	5,849	41,005
Property, plant and equipment	3,937	4,070	25,996
Intangible assets	—	27	—
Deferred tax assets	—	207	—
Customers' liabilities for acceptances and guarantees	267	214	1,766
Allowance for loan losses	(3,699)	(1,805)	(24,430)
TOTAL	¥525,785	¥524,454	$3,471,679
LIABILITIES:			
Deposits	¥471,631	¥473,679	$3,114,105
Borrowed money	21,600	18,500	142,621
Other liabilities	1,268	2,721	8,375
Provision for bonuses	132	129	875
Provision for retirement benefits	603	642	3,984
Provision for reimbursement of deposits	13	19	88
Deferred tax liabilities	353	—	2,334
Deferred tax liabilities for land revaluation	507	507	3,351
Acceptances and guarantees	267	214	1,766
Total liabilities	496,377	496,414	3,277,499
EQUITY:			
Capital stock – common stock – authorized, 28 shares and issued, 6 shares in 2024, authorized, 10,000 thousand shares and issued, 4,474 thousand shares in 2023.	6,191	6,191	40,882
Capital surplus	5,101	5,101	33,682
Retained earnings:			
Legal retained earnings	1,090	1,090	7,201
Other retained earnings	13,967	13,708	92,223
Treasury shares	—	(62)	—
Valuation difference on available-for-sale securities	2,082	1,035	13,751
Revaluation reserve for land	975	975	6,441
Total equity	29,408	28,040	194,180
TOTAL	¥525,785	¥524,454	$3,471,679

Non-Consolidated Statement of Income

The Kanagawa Bank, Limited
Year Ended March 31, 2024 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
INCOME:			
Interest income:			
Interest on loans and bills discounted	¥ 6,680	¥6,497	$44,111
Interest and dividends on securities	613	598	4,050
Interest on call loans	0	0	0.0
Interest on due from banks	39	67	260
Other interest income	1	0	7
Fees and commissions	1,437	1,372	9,494
Other operating income	99	120	659
Other income	2,129	212	14,058
Total income	11,001	8,869	72,639
EXPENSES:			
Interest expenses:			
Interest on deposits	69	92	461
Interest on call money	(5)	(1)	(34)
Interest on borrowed money	1	0	10
Interest on lease	1	2	11
Fees and commissions	346	352	2,285
Other operating expenses	724	157	4,782
General and administrative expenses	6,685	5,685	44,144
Provision of allowance for loan losses	1,902	251	12,560
Other expenses	504	309	3,332
Total expenses	10,230	6,849	67,551
INCOME BEFORE INCOME TAXES	770	2,019	5,088
INCOME TAXES:			
Current	235	568	1,555
Deferred	84	(9)	556
Total income taxes	319	558	2,111
NET INCOME	¥ 450	¥1,461	$ 2,977

Financial Highlights

Concordia Financial Group (Consolidated)

Years Ended March 31	Millions of Yen* 2024	Millions of Yen* 2023	Thousands of U.S. Dollars** 2024
At year-end:			
Total assets	¥24,381,712	¥25,729,552	$160,988,526
Cash and due from banks	4,133,789	6,426,095	27,294,747
Deposits	19,974,124	19,441,721	131,885,930
Loans and bills discounted	16,602,619	15,750,299	109,624,426
Securities	2,947,434	2,868,336	19,461,439
Total equity	1,284,767	1,161,255	8,483,112
Capital stock	150,078	150,078	990,945
For the year:			
Total income	¥ 374,504	¥ 315,893	$ 2,472,793
Total expenses	283,112	235,360	1,869,346
Net income attributable to owners of the parent	66,931	56,159	441,938

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥151.45=$1 effective on March 31,2024

Bank of Yokohama (Non-Consolidated)

Years Ended March 31	Millions of Yen* 2024	Millions of Yen* 2023	Thousands of U.S. Dollars** 2024
At year-end:			
Total assets	**¥21,805,172**	¥23,699,620	**$143,976,041**
Cash and due from banks	**3,992,990**	6,331,196	**26,365,072**
Deposits	**17,971,667**	17,834,262	**118,664,029**
Loans and bills discounted	**14,612,994**	14,165,974	**96,487,254**
Securities	**2,510,721**	2,530,882	**16,577,892**
Total equity	**1,050,935**	973,431	**6,939,161**
Capital stock	**215,628**	215,628	**1,423,761**
For the year:			
Total income	**¥ 277,960**	¥ 247,314	**$ 1,835,331**
Total expenses	**218,038**	182,033	**1,439,671**
Net income	**42,219**	46,156	**278,771**

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥151.45=$1 effective on March 31,2024

Higashi-Nippon Bank (Non-Consolidated)

Years Ended March 31	Millions of Yen* 2024	Millions of Yen* 2023	Thousands of U.S. Dollars** 2024
At year-end:			
Total assets	**¥2,190,412**	¥2,146,908	**$14,462,945**
Cash and due from banks	**109,492**	98,120	**722,965**
Deposits	**1,593,858**	1,673,177	**10,523,993**
Loans and bills discounted	**1,670,578**	1,664,359	**11,030,564**
Securities	**371,190**	345,032	**2,450,911**
Total equity	**134,032**	117,758	**884,995**
Capital stock	**38,300**	38,300	**252,889**
For the year:			
Total income	**¥ 30,899**	¥ 30,885	**$ 204,024**
Total expenses	**21,076**	22,007	**139,165**
Net income	**6,662**	6,353	**43,992**

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥151.45=$1 effective on March 31,2024

Kanagawa Bank

(Non-Consolidated)

Years Ended March 31	Millions of Yen*		Thousands of U.S. Dollars**
	2024	2023	2024
At year-end:			
Total assets	¥525,785	¥524,454	$3,471,679
Cash and due from banks	32,632	19,681	215,466
Deposits	471,631	473,679	3,114,105
Loans and bills discounted	405,917	398,130	2,680,207
Securities	80,381	97,939	530,744
Total equity	29,408	28,040	194,180
Capital stock	6,191	6,191	40,882
For the year:			
Total income	¥ 11,001	¥ 8,869	$ 72,639
Total expenses	10,230	6,849	67,551
Net income	450	1,461	2,977

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

** U.S. dollar amounts are translated, for reference only, at the rate of ¥151.45=$1 effective on March 31,2024

Capital Ratio

Concordia Financial Group (International standard)

[Consolidated]

(Billions of yen)	As of March 31, 2024	As of March 31, 2023
(1) Total capital ratio (4)/(7)	14.90%	14.90%
(2) Tier 1 capital ratio (5)/(7)	14.35%	14.07%
(3) Common equity Tier 1 capital ratio (6)/(7)	14.35%	14.07%
(4) Total capital	1,254.2	1,162.6
(5) Tier 1 capital	1,207.4	1,097.9
(6) Common equity Tier 1 capital	1,207.3	1,097.8
(7) Risk-weighted assets	8,412.2	7,800.8
(8) Total required capital (7)×8%	672.9	624.0

Bank of Yokohama (International standard)

[Consolidated]

(Billions of yen)	As of March 31, 2024	As of March 31, 2023
(1) Total capital ratio (4)/(7)	16.04%	16.09%
(2) Tier 1 capital ratio (5)/(7)	15.41%	15.15%
(3) Common equity Tier 1 capital ratio (6)/(7)	15.41%	15.15%
(4) Total capital	1,109.4	1,028.3
(5) Tier 1 capital	1,066.0	968.2
(6) Common equity Tier 1 capital	1,065.9	968.1
(7) Risk-weighted assets	6,916.0	6,388.9
(8) Total required capital (7)×8%	553.2	511.1

Higashi-Nippon Bank (Domestic standard)

[Consolidated]

(Billions of yen)	As of March 31, 2024	As of March 31, 2023
(1) Capital adequacy ratio (2)/(3)	8.25%	8.53%
(2) Total capital	115.7	111.6
(3) Risk-weighted assets	1,402.3	1,308.5
(4) Total required capital (3)×4%	56.0	52.3

Kanagawa Bank (Domestic standard)

[Consolidated]

(Billions of yen)	As of March 31, 2024	As of March 31, 2023
(1) Capital adequacy ratio (2)/(3)	9.43%	9.48%
(2) Total capital	27.2	265.6
(3) Risk-weighted assets	288.9	2,800.7
(4) Total required capital (3)×4%	11.5	

Board Members

(As of June 21, 2024)

Concordia Financial Group

Directors

Representative Director, President	Tatsuya Kataoka
Representative Director	Nobuo Onodera
Directors	Yoshiyuki Oishi
	Tomoki Arai
	Toshihiko Onuki
Outside Directors	Mitsuru Akiyoshi
	Yoshinobu Yamada
	Mami Yoda

Supervisory Board Members

Full-time Audit & Supervisory Board Member	Kazuhiro Maehara
Audit & Supervisory Board Member	Mitsuhiro Hara
Outside Audit & Supervisory Board Members	Keiichiro Hashimoto
	Seiichi Fusamura
	Mayumi Noguchi

Executive Officers

Executive Officers	Kazuhiro Sukegawa
	Yutaro Koshiba
	Toshiya Kubota
	Michifumi Katsuta
	Masatoshi Akahori
	Kazumi Nobe

Bank of Yokohama

Directors

Representative Director, President	Tatsuya Kataoka
Representative Director, Managing Executive Officer	Nobuo Onodera
Directors and Managing Executive Officers	Yutaro Koshiba
	Tomoki Arai
	Michifumi Katsuta
Directors and Executive Officers	Hiroaki Suzuki
Outside Director	Shigeru Ishii
Director	Mami Yoda

Supervisory Board Members

Full-time Audit & Supervisory Board Members	Mitsuhiro Hara
	Keigo Makino
Outside Full-time Audit & Supervisory Board Member	Junichi Iwabuchi
Outside Audit & Supervisory Board Member	Hitomi Yamada

Executive Officers

Managing Executive Officers	Akira Ohki
	Toshihiko Onuki
Executive Officers	Akihiko Bandai
	Takeshi Hirama
	Masatoshi Akahori
	Yutaka Ota
	Tohru Ikeda
	Junichi Nihei
	Kazumi Nobe
	Hidenobu Ueda

Higashi-Nippon Bank

Directors

Representative Director, President	Kazuhiro Sukegawa
Directors and Managing Executive Officers	Toshiya Kubota
Directors and Executive Officers	Kouji Ogawa
	Akira Okuzumi
	Yasuhiro Ishihara
Outside Director	Masataka Ueda

Supervisory Board Members

Full-time Audit & Supervisory Board Member	Shigeo Iida
Outside Audit & Supervisory Board Members	Yoshikazu Suzuki
	Hitomi Yamada

Executive Officers

Managing Executive Officer	Isao Tsukada
Executive Officers	Tatsuhiko Hasegawa
	Maki Uchida
	Isao Ueda
	Kouichi Ishizaka
	Kouichiro Yamashita
	Kenji Tateda

Kanagawa Bank

Directors

Representative Director, President	Kazuaki Kondo
Directors	Koji Nagano
	Atsushi Honma
	Hiroyuki Motoi
	Hitoshi Inoue
Non-executive Director	Michifumi Katsuta
Outside Director	Shigemi Oba

Supervisory Board Members

Full-time Audit & Supervisory Board Member	Makoto Motoyama
Outside Audit & Supervisory Board Members	Kiyoshi Kikuchi
	Yuichi Washiyama

Executive Officers

Executive Officers	Kazuki Higuchi
	Tomoya Murayama
	Go Tanaka

Corporate Information

CORPORATE DATA

Concordia Financial Group

(As of March 31, 2024)

Company Name
Concordia Financial Group, Ltd.

Head Office
7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo
(Tokyo Nihombashi Tower, 34th floor)
Tel: +81 (3) 5200-8201

Date of Establishment
April 1, 2016

Paid-in Capital
¥150,000 million

Internet Address
https://www.concordia-fg.jp/e/index.html

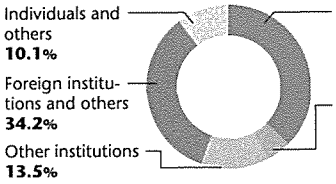
Rating Information

(As of June 30, 2024)

	Moody's	R&I	JCR
Concordia Financial Group	A3	AA–	AA
Bank of Yokohama	A2	AA–	AA
Higashi-Nippon Bank	–	–	AA
Kanagawa Bank	–	–	–

Shareholder Composition Percentage of total

(As of March 31, 2024)



*Decimal points are truncated to the second place, so the total percentage may not add up to 100%.

Bank of Yokohama

(As of March 31, 2024)

Company Name
The Bank of Yokohama, Ltd.

Head Office
1-1, Minatomirai 3-chome, Nishi-ku,
Yokohama, Kanagawa 220-8611, Japan
Tel: +81 (45) 225-1111

Date of Establishment
December 16, 1920

Paid-in Capital
¥215,628 million

Number of Employees
4,198

Number of Branches and Offices (As of June 30, 2024)
613
Domestic: 608 (202 branches, 4 sub-branches, 402 ATM locations)
Overseas: 2 Branches, 3 Representative offices

Internet Address
https://www.boy.co.jp/e/index.html

Higashi-Nippon Bank

(As of March 31, 2024)

Company Name
The Higashi-Nippon Bank, Limited

Head Office
11-2, Nihonbashi 3-chome, Chuo-ku,
Tokyo 103-8238, Japan
Tel: +81 (3) 3273-6221

Date of Establishment
April 5, 1924

Paid-in Capital
¥38,300 million

Number of Employees
980

Number of Branches and Offices (As of June 30, 2024)
Domestic: 90 (84 branches, 3 sub-branches, 3 Unmanned branch offices)

Internet Address
https://www.higashi-nipponbank.co.jp/

Kanagawa Bank

(As of March 31, 2024)

Company Name
THE KANAGAWA BANK, LTD.

Head Office
166, Chojamachi 9-chome, Naka-ku,
Yokohama, Kanagawa 231-0033, Japan
Tel: +81 (45) 261-2641

Date of Establishment
July 30, 1953

Paid-in Capital
¥6,100 million

Number of Employees
351

Number of Branches and Offices (As of June 30, 2024)
Domestic: 35 (34 branches, 1 Unmanned branch offices)

Internet Address
https://www.kanagawabank.co.jp/

INTERNATIONAL NETWORK (Bank of Yokohama)

(As of July 1, 2024)

Asia

Shanghai Branch:
19F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai 200120, People's Republic of China
Tel: +86 (21) 6877-6800 Fax: +86 (21) 6877-6680 GENERAL MANAGER Aki Murakami

Hong Kong Representative Office:
Suite 2109, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, S.A.R., People's Republic of China
Tel: +852-2523-6041 Fax: +852-2845-9022 CHIEF REPRESENTATIVE Kensuke Sato

Bangkok Representative Office:
No. 57 Park Ventures Ecoplex, Unit1005, 10th Floor, Wireless Road, Lumpini, Patumwan Bangkok 10330, Thailand
Tel: +66 2254-7251 Fax: +66 2254-7255 CHIEF REPRESENTATIVE Shinichiro Mori

Singapore Branch:
5 Shenton Way #22-01 UIC Building, Singapore 068808
Tel: +65 6216-1500 GENERAL MANAGER Masafumi Baba

North America

New York Representative Office:
780 Third Avenue., 32nd Floor, New York, NY 10017, U.S.A.
Tel: +1 (212) 750-0022 Fax: +1 (212) 750-8008 CHIEF REPRESENTATIVE Takashige Shimotori

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