Medium-term Management Plan
【FY2019-21】
1. Market potential (Kanagawa/Tokyo)

- Uncover growth opportunities, by maximizing the market potential in Kanagawa and Tokyo, the home market of Concordia Group.

Potential markets (Kanagawa/Tokyo)

| Economic scale          | A mega market which accounts for approx. 25% of Japan’s GDP  
|                         | Equivalent to Spain, Mexico, etc. in economic scale |
| Market size             | Less impacted by population decline  
|                         | Population estimates (2015 = 100) |
| Market characteristics  | High concentration of HNWIs interested in wealth management services  
|                         | 26% of ancestors subject to inheritance tax are living in Tokyo/Kanagawa  
|                         | High inflow of young generation  
|                         | Ranked No. 1 and No. 2 in Japan in terms of excess inflow of population  

SMEs concentration

- Tokyo 0.41mn  
- Kanagawa 0.18mn  
- 17% of Japan’s SMEs

Population estimates (2015 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>National</th>
<th>Tokyo/Kanagawa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>100</td>
<td>83.7</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth opportunities

- Solution offerings to corporate customers, mainly SMEs in various growth phase  
- Wealth management services for HNWIs  
- Better service offerings to senior customers  
- Convenient services for customers in wealth formation phase, mainly young generation

Group’s customer base

<table>
<thead>
<tr>
<th>Corporate customers (two banks combined)</th>
<th>Growth phase</th>
<th>No. of customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startup</td>
<td>approx. 3,300</td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>approx. 4,500</td>
<td></td>
</tr>
<tr>
<td>Maturity</td>
<td>approx. 28,100</td>
<td></td>
</tr>
<tr>
<td>Renewal/Decline</td>
<td>approx. 6,800</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>approx. 43,000</td>
<td></td>
</tr>
</tbody>
</table>

Retail customers (two banks combined)

<table>
<thead>
<tr>
<th>Age group</th>
<th>No. of customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 19 yrs.</td>
<td>280,000</td>
</tr>
<tr>
<td>20-39 yrs.</td>
<td>1,230,000</td>
</tr>
<tr>
<td>40-59 yrs.</td>
<td>1,830,000</td>
</tr>
<tr>
<td>60-79 yrs.</td>
<td>1,420,000</td>
</tr>
<tr>
<td>80 yrs.-</td>
<td>440,000</td>
</tr>
<tr>
<td>Total</td>
<td>5,210,000</td>
</tr>
</tbody>
</table>
2. Overview of Medium-term Management Plan

- We strived under the previous Medium-term Management Plan to achieve group synergies through management integration. However, we failed to achieve the revenue target due to harsher external environment than expected amid lingering negative interest rate under BOJ’s initial target of CPI 2% growth still out of reach.

- Moreover, in addition to responding to the Business Improvement Order issued to Higashi-Nippon Bank (HNB), we need to take necessary measures to drastically review the current operation such as improving operational efficiency driven by digital technology and launching new businesses.

- To address the challenging management environment/issues, the next 3 years covered under the new Plan are positioned for “transformation” into a “new finance company beyond the scope of traditional banks” and for solid growth given the Group’s "strengths" and "opportunities".

<table>
<thead>
<tr>
<th>Current</th>
<th>Medium-term Management Plan (FY2019-FY2021)</th>
<th>Long-term vision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External environment</strong></td>
<td>Positioned as</td>
<td><strong>Transform into a new finance company beyond the scope of traditional banks</strong></td>
</tr>
<tr>
<td>Loan-deposit margin keeps shrinking following BOJ's negative interest rate policy</td>
<td>&quot;Transformative&quot; 3 years to grow into a new finance company</td>
<td></td>
</tr>
<tr>
<td>Shrinking and aging population</td>
<td>Basic policies</td>
<td><strong>Innovative service offerings surpassing customer expectations</strong></td>
</tr>
<tr>
<td>Increase of substantially unlevered companies</td>
<td>1. Deepen the value of core businesses</td>
<td><strong>Build new business lines</strong></td>
</tr>
<tr>
<td>Digital technology advancement</td>
<td>- Increase topline growth through enhanced solutions sales, etc.</td>
<td><strong>Achieve sustainable growth</strong></td>
</tr>
<tr>
<td>Entry from other industries</td>
<td>2. Increase productivity from restructuring</td>
<td></td>
</tr>
<tr>
<td>Bank deregulation</td>
<td>- Approx. 30% reduction in operation volume in 5 years</td>
<td></td>
</tr>
<tr>
<td><strong>Strengths/opportunities</strong></td>
<td>3. Solidify the management base</td>
<td></td>
</tr>
<tr>
<td>[Strengths]</td>
<td>- Consolidate or downsize 1/3 of total branches</td>
<td></td>
</tr>
<tr>
<td>- Unrivalled &quot;customer base&quot; in Kanagawa Pref.</td>
<td>- Utilize strategic investment</td>
<td></td>
</tr>
<tr>
<td>- &quot;Efficient management&quot; expertise</td>
<td>- Strengthen talent/organization/financial base</td>
<td></td>
</tr>
<tr>
<td>[Opportunities]</td>
<td>Increase the Group's presence in &quot;Tokyo&quot; mega market</td>
<td></td>
</tr>
</tbody>
</table>
### 3. Basic policies and key initiatives

Implement 10 key initiatives under the 3 basic policies to achieve "Long-term vision".

<table>
<thead>
<tr>
<th>Basic policies</th>
<th>10 key initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Deepen the value of core businesses</td>
<td>① Sales strategy in home market</td>
</tr>
<tr>
<td></td>
<td>② Enhanced solutions sales</td>
</tr>
<tr>
<td></td>
<td>③ Overseas business expansion</td>
</tr>
<tr>
<td></td>
<td>④ Diversified fund management</td>
</tr>
<tr>
<td>2. Increase productivity from restructuring</td>
<td>⑤ Operational reform based on digital technology</td>
</tr>
<tr>
<td></td>
<td>⑥ Branch channel reform</td>
</tr>
<tr>
<td>3. Solidify the management base</td>
<td>⑦ Enter new business areas by making strategic investment</td>
</tr>
<tr>
<td></td>
<td>⑧ Robust organization and talent development for sustainable growth</td>
</tr>
<tr>
<td></td>
<td>⑨ SDGs initiatives</td>
</tr>
<tr>
<td></td>
<td>⑩ Capital policy</td>
</tr>
</tbody>
</table>
### 4. KPIs under Medium-term Management Plan

Maintain certain risk-return profile through enhanced solutions sales and appropriate risk-taking even under ongoing negative interest rates, improve efficiency from restructuring and deliver continued growth in enterprise value.

<table>
<thead>
<tr>
<th>Key metrics</th>
<th>FY2018 (Actual)</th>
<th>Target FY2021 (Final FY under the Plan)</th>
<th>Long-term target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating income RORA</td>
<td>2.5%</td>
<td>➡️ Mid 2% level</td>
<td>➡️ Mid 2% level</td>
</tr>
<tr>
<td>(consolidated)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OHR (consolidated)</td>
<td>61.4%</td>
<td>➡️ Approx. 60%</td>
<td>➡️ Approx. 50%</td>
</tr>
<tr>
<td>ROE※ (consolidated)</td>
<td>5.2%</td>
<td>➡️ Mid 5% level</td>
<td>➡️ Approx. 7%</td>
</tr>
<tr>
<td>CET1 ratio (consolidated)</td>
<td>13.00%</td>
<td>➡️ Approx. 12%</td>
<td>➡️ Mid 11% level</td>
</tr>
</tbody>
</table>

※Shareholders’ equity basis
5. Profit target under Medium-term Management Plan

- Increase enterprise value in the mid-to-long term through "Deepening the value of core businesses" and "Increasing productivity from restructuring", etc.

Changes in core net business profit (two banks combined)

(¥bn)

- Deepen the value of core businesses
  - ① Sales strategy in home market
  - ② Enhanced solutions sales
  - ③ Overseas Business expansion

- Increase productivity from restructuring
  - ④ Diversified fund management
  - ⑤ Operational reform based on digital technologies
  - ⑥ Branch channel reform

Cost reduction from restructuring
- (1.5)
- 2.5

Total investment and cost: approx. ¥10.0

- ⑦ Enter new business areas by making strategic investment ¥50.0bn

<table>
<thead>
<tr>
<th>FY2018</th>
<th>FY2021 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>77.0</td>
<td>87.0</td>
</tr>
</tbody>
</table>

Long-term target level

Changes in core net business profit:
- Cost increase, etc. from taking measures: (3.5)
- Cost increase, etc. from changes in social landscape: (2.5)
- Long-term target level

Long-term effect from restructuring
- ⑤ and ⑥ long term effect from restructuring

Profit target under Medium-term Management Plan:
- ⑤ Operational reform based on digital technologies
- ⑥ Branch channel reform
- ⑦ Enter new business areas by making strategic investment ¥50.0bn

Increase enterprise value in the mid-to-long term through "Deepening the value of core businesses" and "Increasing productivity from restructuring", etc.

Long-term target level

- Increase enterprise value in the mid-to-long term through "Deepening the value of core businesses" and "Increasing productivity from restructuring", etc.
6. Key initiatives ① Sales strategy in home market

As a regional financial group focusing its sales in Kanagawa/Tokyo, increase presence in the region by pursuing region-specific strategy incorporating market characteristics, customer base and branch network.

**CONCORDIA Financial Group**

**Tokyo**

- Loan balance: approx. ¥3.7trn (Share: approx. 2%)
- Deposit balance: approx. ¥1.0trn

- **BOY**: 25 branches
- **HNB**: 53 branches

**Kanagawa**

- Loan balance: approx. ¥8.4trn (Share: approx. 30%)
- Deposit balance: approx. ¥13.1trn

- **BOY**: 177 branches
- **HNB**: 8 branches

**Sales strategy in Tokyo**

Enhance relationship banking as a group (support growth of customers in various growth phase) and increase presence in Tokyo.

- Restructure HNB business model
  - Transform into a "bank contributing to the growth of SMEs"

**Business areas**

- Geography
  - Kanto region
- Branch/channel
  - Mainly full-banking branches
- Service
  - Deposits and loans
- Approach
  - Mainly new transactions

**Sales strategy in Kanagawa**

Strengthen community-based sales under the district-based division system and expand market share in Kanagawa

- Solutions Sales Dept. was established at BOY H.O.
- A division manager is appointed to offer optimal solutions to customers
  (Ref. Key initiative② Enhanced solutions sales)

(Note 1) No. of branches is as of Mar. 2019. Figures shown are two banks combined.
6. Key initiatives ② Enhanced solutions sales (corporate customers)

- Expand optimal solution offerings through business evaluation with the customer base built in Kanagawa and Tokyo areas where mix of corporate customers in various growth phase gather.

**Total corporate customers:**
- Approx. 250,000
- Approx. 18,000 companies
- Approx. 230,000 companies

**Enhanced solutions sales (corporate customers)**
- Provide optimal solutions through business evaluation
- Diverse customer needs

**Corporate solutions income**
- Hybrid debt/equity financing support
- Support asset management
- Sales channel expansion
- Support for talent retention
- Business succession/M&A support
- Overseas expansion support
- Management consulting

**More focused on non-credit related services**
- M&A deals
  - approx. 2x in 3 years
- Business matchings
  - approx. 1.5x in 3 years

**Corporate solutions income (two banks combined)**
- Non-credit related
  - approx. 1.5x in 3 years mainly non-credit areas
- Credit related
  - 10.0
- 8.0

**Diverse solutions**

**Corporate customer base**
- Enhance Group-wide solution offering capabilities

**Branches**
- Group companies
- Co-work
- External experts
- HQ

**Web-based service**
- Direct sales by H.O.

**Analysis**
- Management
- Internal discussion

**Management feedback**
- Management meetings
- Analysis

**Expand optimal solution offerings through business evaluation with the customer base built in Kanagawa and Tokyo areas where mix of corporate customers in various growth phase gather.**
6. Key initiatives ② Enhanced solutions sales (HNWIs)

- Restructure the sales framework for HNW customer base built on providing loans and offer one-stop and optimal solutions.

### One-stop solution offerings from sales restructuring

**H.O.-based Wealth Manager**
- [Team of professionals for HNW customers]
  - Build mid-to-long term relationship with ultra HNWIs and **customize services** to their needs

**Branch-based Financial Consultant**
- [One-stop solution for investment / loan needs]
  - A single contact point for investment and loan needs of HNWIs

### HNW customer base

**Increase solutions offerings to HNWIs built on providing loans to wealthy family**

**Changes in HNW customers**
- **Bank of Yokohama**
  - Tokyo: +approx.40% in 3 years
  - Kanagawa: +approx.10% in last 3 years

### Diverse solutions

- Inheritance tax measures
- Assumption of owned company shares
- Effective use of real estate
- Asset management
- Will
- Trust

### No. of signed money trusts

**BOY’s new service**
- Over 2,000 txns.

<table>
<thead>
<tr>
<th>Year</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>0</td>
<td>500</td>
<td>1,000</td>
</tr>
</tbody>
</table>

### Group AUM balance

<table>
<thead>
<tr>
<th>Year</th>
<th>FY18</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(¥bn)$</td>
<td>2,247.7</td>
<td>2,500.0</td>
</tr>
</tbody>
</table>

- **In FY2021 over ¥2.6trn**

### Retail solutions income (two banks combined)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY18</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(¥bn)$</td>
<td>12.1</td>
<td>15.0</td>
</tr>
</tbody>
</table>

- **approx.1.2x in 3 years**

※Total of investment product sales and consulting related fees
6. Key initiatives ② Enhanced solutions sales (customers in wealth formation phase)

In the retail market of Kanagawa/Tokyo with a high inflow rate of youth population, provide overarching solutions to customers at different life events.

Overarching solutions at different life events

Financial services
- Account opening/payment
- Mortgage loan
- Special purpose loan
- Savings
- Investment trusts/insurance

More accessible points
- Direct channel
  - Mobile apps.
  - Web-based promotion
  - Contact center, etc.
- Real channel
  - In-branch consultation space
  - B to E transactions, etc.

Capture customer needs beyond the above

Overarching solutions at different life events

Customers in wealth formation phase
- Marriage
- Child birth/rearing
- Home ownership
- Post-retirement
- Education
- Home emergency savings

Approx. 3,000,000

Diverse services by digitalization
Build a "regional ecosystem"
Digital Strategy Division was set up to capture customer needs beyond financial needs

Advanced payment service
- Mobile QR code payment
- Cash withdrawal service available at railway ticketing machine

Provide a regional currency platform
Provide a platform for regional currency issued by local government, chamber of commerce, private firms, shopping malls, etc.

Average balance of mortgage loan
A gateway product for customers in wealth formation phase. Achieve higher operational efficiency by RPA, etc.

Balance of special purpose loan
Increase offerings through enhanced Web-based promotion

Accumulation-type investment trust (No. of accounts)
From a long perspective of wealth formation, increase offering of accumulation-type investment trust (10,000 accounts)

Approx. ¥100bn

![Graphs and charts]

※Customers in their 20s - 50s

Over (¥bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average balance</th>
<th>Balance of special purpose loan</th>
<th>Accumulation-type investment trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>3,149.0</td>
<td>57</td>
<td>3.9</td>
</tr>
<tr>
<td>FY21</td>
<td>3,400.0</td>
<td>63</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Over ¥3.4 trn

Approx. over 2x

Over 2x

Emergency savings
6. Key initiatives ③ Overseas business expansion

- Increase overseas business income by supporting business growth of corporate customers and accumulating overseas assets

**Support for corporate business growth**

Enhance business support network in Asia

- **Current support network**
  - Shanghai Branch
  - HK/Bangkok Representative Offices
  - Partnered with 8 overseas banks

- **New**
  - Singapore Branch
    - (Scheduled opening in 2020 subject to regulatory approvals)
  - Bank Resona Perdania
    - (Investment to be completed subject to regulatory approvals)

**Overseas asset accumulation**

Accumulate overseas asset through support for corporate business growth and increased investment capabilities

- **Overseas projects**
  - Business loans to foreign entities
  - Diversify investment with prudent risk management

**Corporate customers**

- Branches in Japan and local areas extend loans to a customer's local entity
- Utilize SBLC scheme and extend loans to customers of other regional banks

**Global talent development**

- Dispatched personnel to overseas branches and partner banks and strategically developing global talents

**Overseas business income**

- **Dispatch records**
  - **China**
    - Bank of China
  - **SE Asia**
    - Bangkok Bank, PT Bank Maybank Indonesia, Bank for Investment and Development of Vietnam, etc.

- Approx. 2x in 3 years
6. Key initiatives ④ Diversified fund management

- Given the gap between deposit and loan amount and persistently low interest rate in Japan, increase diversified investment under an appropriate risk management and ensure stable income gains

**Increased investment**

- Centered on domestic bond investment, increase diversified investment mainly foreign bonds with stable income gains

**Investment balance (avg. balance)**

- **Diversified investment ratio**
  - Approx. 25%
  - Increase to Approx. 35%

- Temporary decline in balance due to share price fluctuations and rising overseas rates

**Diversified investment**

- Diversify investment and flexibly capture profit opportunities by changing asset allocation given economic trends.
- Market Division will increase its workforce to stably build diversified investment portfolios

**Profit from Market Division**

- Increase diversified investment ratio to Approx. 35%
- Temporary decline in balance due to share price fluctuations and rising overseas rates
- Increase diversified investment given the forecasts of interest rate and equity market

- Centered on domestic bond investment, increase diversified investment mainly foreign bonds with stable income gains

- Increase diversified investment under an appropriate risk management and ensure stable income gains

<table>
<thead>
<tr>
<th>FY17</th>
<th>FY18</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic bonds, etc.</td>
<td>1,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Diversified investment</td>
<td>1,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>

※ Average balance (internal) basis

<table>
<thead>
<tr>
<th>FY17</th>
<th>FY18</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic bonds, etc.</td>
<td>1,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Diversified investment</td>
<td>1,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>

※ Internal basis. Includes income from other market operations.

- Increase income from diversified investment
- Interest on yen bond will gradually decrease
6. Key initiatives ⑤ Operational reform based on digital technology

- Drastically streamline the current banking operations while ensuring customer convenience through operational reform based on digital technology

### Drastic reform of branch operation by going paperless/cashless/back office less

| Paperless          | Introduce tablet-based banking which requires no transaction tickets and request forms  
|                   | Introduce personal identity verification instead of seal verification (Seal-less transaction)  
|                   | Expand the scope of WEB-based operation, etc.  
| Cashless          | Introduce a self-service payment machines and minimize cash-related operations  
| Back office less  | Set up a new middle office function to centralize remaining branch operations  

A branch will focus more on consultation by operational reduction

- Drastically review the process at operational centers such as introducing IT-based operations  
  - Further application of RPA, AI-OCR, etc.  
  - Introduce IT-based operation for less processing and operational efficiency
6. Key initiatives ⑥ Branch channel reform

- As a regional financial group, focus on efficient branch operation while retaining its extensive branch network.

**BOY**

**Optimize branch network with the reduction in the number of visitors to branches**

- Branch-in-branch consolidation

- Consolidate nearby branches while keeping their account ledgers

- Appoint a branch manager in charge of several branches and close the bank during the lunch hour

**Shift to a mini branch**

- A downsized branch using a TV monitor

**Consolidate/downsize over 20% of total branches in 5 years**

(207 branches as of Mar. 2019)

**Reduction in branch maintenance cost**

approx. ¥2.0bn (p.a.)

**HNB**

**Centralize loan operations to a main branch through system integration**

**Current**

- Branches with a full-banking function (deposit, loan, RMs)

**Post-introduction**

- Centralized loan/RM functions

**Consolidate/downsize over 60% of total branches in 3 years**

(85 branches as of Mar. 2019)

**Reduction in branch maintenance cost**

approx. ¥0.8bn (p.a.)
6. Key initiatives ⑦ Enter new business areas by making strategic investment

While deepening the value of core businesses as a regional financial group, positively consider expanding/enhancing the business scope by making strategic investment.

Key target areas

¥50.0 bn (3 year accumulated)

- **Market growth**
  - Organic growth
    - Deepening the value of core businesses
  - Inorganic growth
    - Data-driven business
    - Platform business with open APIs incl. digital banking
    - Enhanced banking business incl. Fintech
    - Enhance and diversify solution offerings such as investment banking

- **Investment/capital contribution**
  - Overseas FIs, etc.
  - Domestic FIs, etc.
  - Data-driven business
  - Platform business with open APIs incl. digital banking
  - Enhanced banking business incl. Fintech
  - Enhance and diversify solution offerings such as investment banking

Transform into a new finance company beyond the scope of traditional banks
6. Key initiatives ⑧ Robust organization and talent development for sustainable growth

- Transform into a highly productive organization by maximizing addressable capabilities of various talents, building a corporate culture encouraging new challenges and career growth opportunities and improving engagement and motivation at work.

Develop and allocate best talents to meet customer expectations and gain trust

- **Improve problem-solving capability**
  ~ Talent development to enhance solutions sales
  ~ Actively develop talents/recruit talents for improving fund management and expanding overseas offices
  ~ Develop compensation framework for highly professional talents and further recruitment

- **Enhance career development**
  ~ Build a framework for talent portfolio management and strategic allocation

- **Leadership development**
  ~ Enhance skills for organization management and talent development
  ~ Systematic development of executive candidate

Maximize addressable capabilities of various talents to transform into a highly productive organization

- **Increase productivity by deepening work style reform**
  ~ Operational review based on digital technology
  ~ Utilize flextime system, telework, etc.

- **Enhance senior employment and promote active participation of young and female workers**

- **Enhance diversity & inclusion measures**
  ~ Support people with disabilities participate in the society (Launch of Hamagin Business Challenged)

- **Healthy and safe workplace**
  ~ Promote a healthy work environment, set up an in-company nursery, etc.

Improve engagement and motivation at work

- Trusted and appreciated by customers

- Encourage and motivate employees

- Enhance skills/expertise
- Optimal consulting

Highly productive organization

- A corporate culture encouraging challenges/growth opportunities

- Promote group-wide personnel exchange, etc.
- HR systems to encourage challenges
- Revamp the training/development framework for career growth
  ~ Kawasaki Training Center (tentatively named) will open in 2020 and personnel exchange at the accommodation facility
6. Key initiatives ⑨ SDGs initiatives

As a financial group that is indispensable to its region, actively promote corporate behavior to resolve social issues and finally increase enterprise value while contributing to regional development (creating shared value).

<table>
<thead>
<tr>
<th>Environment</th>
<th>Children (next generation)</th>
<th>Local communities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our priorities</strong></td>
<td><strong>Our priorities</strong></td>
<td><strong>Our priorities</strong></td>
</tr>
<tr>
<td>Global warming</td>
<td>Demographic crisis</td>
<td>Sustainable corporate growth</td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>Shifting life style</td>
<td>Regional revitalization</td>
</tr>
</tbody>
</table>

**Actions under MTM Plan**
- Support for eco-business promotion
- Environmental burden reduction
- Environmental considerations in investment and loan
- Environmental conservation activities

**Environment**

**Children (next generation)**

**Local communities**

**Actions under MTM Plan**
- Further promotion of financial literacy
- Wealth formation/succession support
- Culture and art activities for children

**Governance (Management base)**

<table>
<thead>
<tr>
<th>Corporate governance</th>
<th>Initiatives under MTM Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk management</td>
<td>Talent development</td>
</tr>
<tr>
<td>Compliance</td>
<td>Support for various working styles and promotion of women's participation and advancement in the workplace</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Enhanced business management based on Risk Appetite Framework</td>
</tr>
<tr>
<td>Diversity promotion</td>
<td>Measures/compliance against financial crime</td>
</tr>
<tr>
<td>Work style reform</td>
<td></td>
</tr>
<tr>
<td>Measures/compliance against financial crime</td>
<td></td>
</tr>
</tbody>
</table>
6. Key initiatives ⑩ Capital Policy

- Under the capital policy to achieve solid capital profile and capital efficiency with Risk Appetite Framework (RAF), retain balanced shareholder return considering risk asset increase and strategic investment for growth.

**Consolidated capital adequacy ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>11.0%</th>
<th>12.0%</th>
<th>13.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td></td>
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<tr>
<td>FY19</td>
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<td>FY20</td>
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<tr>
<td>FY21</td>
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<td></td>
</tr>
</tbody>
</table>

**Capital structure**

- **Use Tier2 capital to remain solid and improve capital efficiency**
- **Target capital adequacy ratio**
  - Maintain CET1 capital ratio at approx. 12%
- **Tier2 capital funding**
  - Continue subordinated bond financing to maintain the consolidated capital adequacy ratio and to enhance capital efficiency

**Shareholder Return Policy**

- **Balanced shareholder return given the capital profile and growth investment opportunities**
  - **Dividend**
    - Achieve target payout ratio of over 35% and stably increase dividend payment per share
  - **Share buyback**
    - Conduct flexible and agile share buyback given market trends and business outlook

**Capital allocation in MTM plan period**

- Tier2 financing
- Increase in risk asset
- Profit attributable to owners of parent
- Strategic investment
- Shareholder return