

## Key Questions and Answers from Small Meeting on January 13, 2023

(Hosted by Toyoki Sameshima, analyst at SBI Securities)

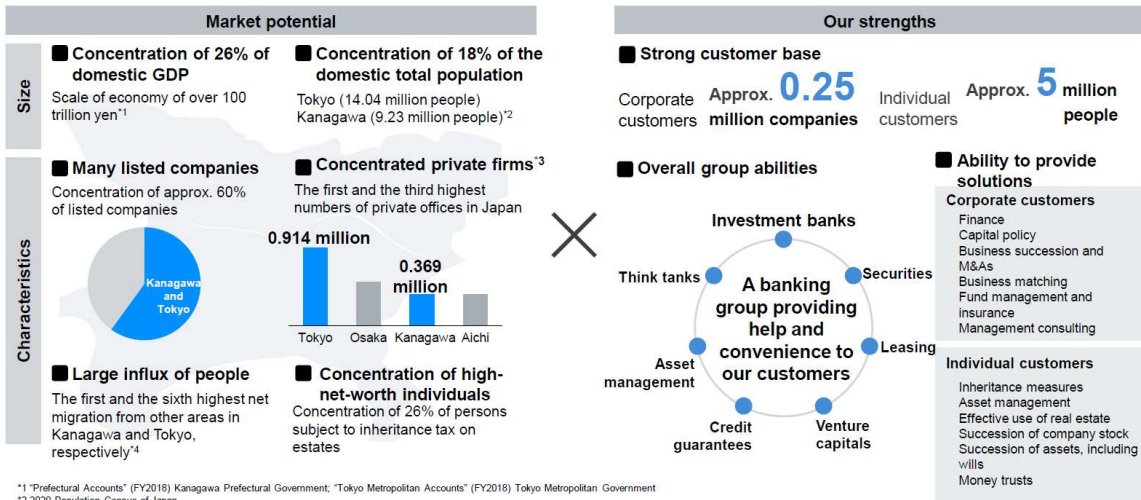
**Q: What kind of organization are you building in order to fully leverage the foundation that is one of the Concordia Financial Group's strengths?**

A: The population of Kanagawa and Tokyo is approximately 23 million. This region has approximately 1,300,000 corporate offices and 60% of listed companies, making it a relatively dominant market. Among these, we have approximately 5 million individual customers and 250,000 corporate customers. On this robust foundation, we have established a sales structure that meets the characteristics of the region. The Bank of Yokohama has established a regional headquarters structure in which its business area is organized into two districts and five regions, with an executive officer (district or regional general manager) assigned to each district or region. General managers are given a certain amount of discretion in assigning human resources and making loan decisions in order to enable a flexible response. As a specific example of the development of a system that meets regional characteristics, the Kawasaki region has a high concentration of venture companies in the biotechnology and medical fields, and therefore personnel with strong abilities in venture support are assigned to this region. Odawara City, located in the western region, has not seen population growth, but is working to achieve carbon neutrality by locally producing the energy it consumes, and we have therefore assigned the appropriate human resources to support such efforts. The Tokyo district, Head Office district, and Eastern regions have a large number of corporate customers, including listed companies, with diverse and sophisticated issues and solution needs.

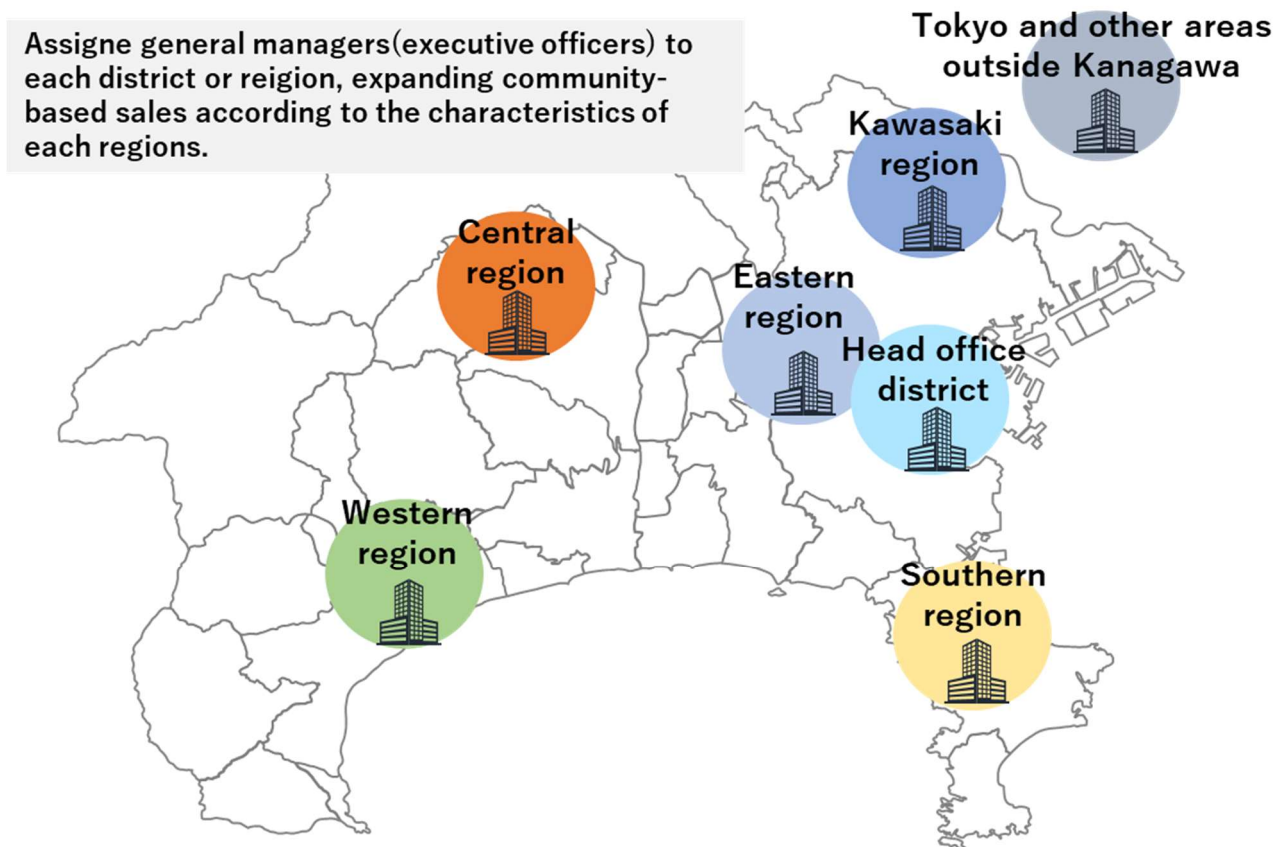
<Characteristics of the Home Market (Kanagawa and Tokyo) and Our Strengths>

Features of and Our Strengths in the Home Market (Kanagawa and Tokyo)

Growth opportunities uncovered by refining our strengths, with Kanagawa and Tokyo markets' high advantages



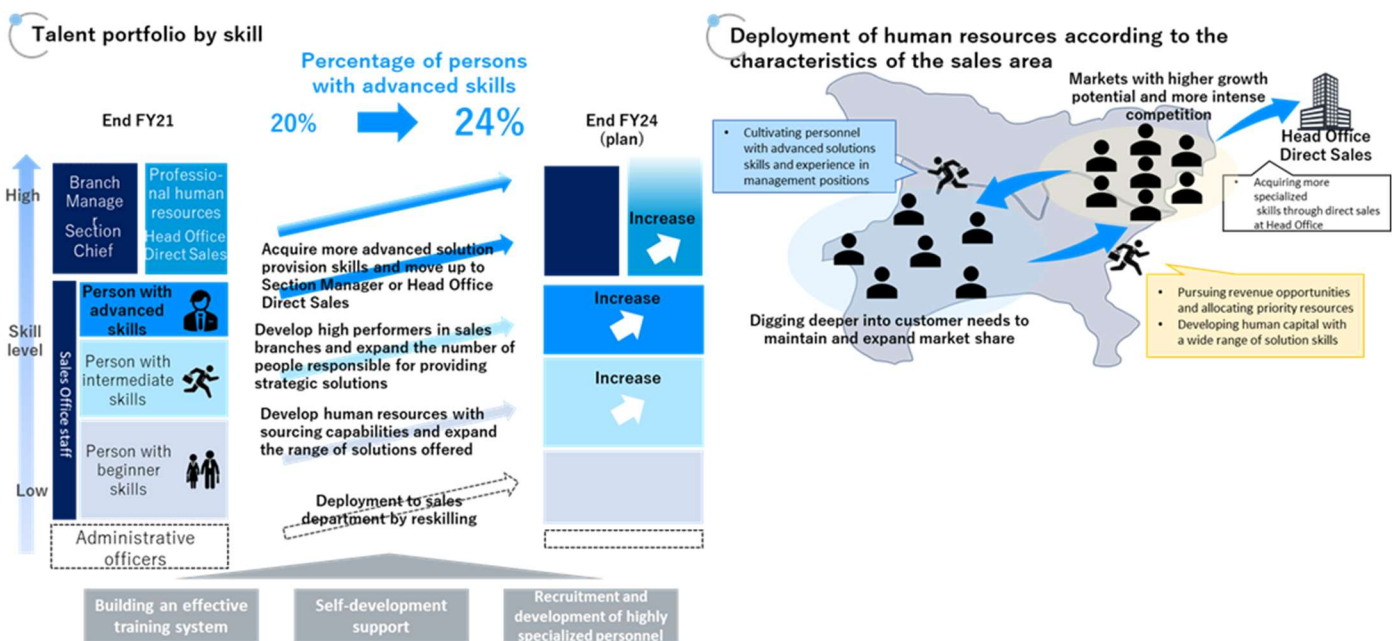
<Regional Headquarters Structure at the Bank of Yokohama>



**Q: I believe there is a gap in all companies between the capabilities and skills of employees and the standards demanded by management. Tell us how you are working to fill this gap.**

A: We have developed a skill-specific training system and are working on developing our human resources.

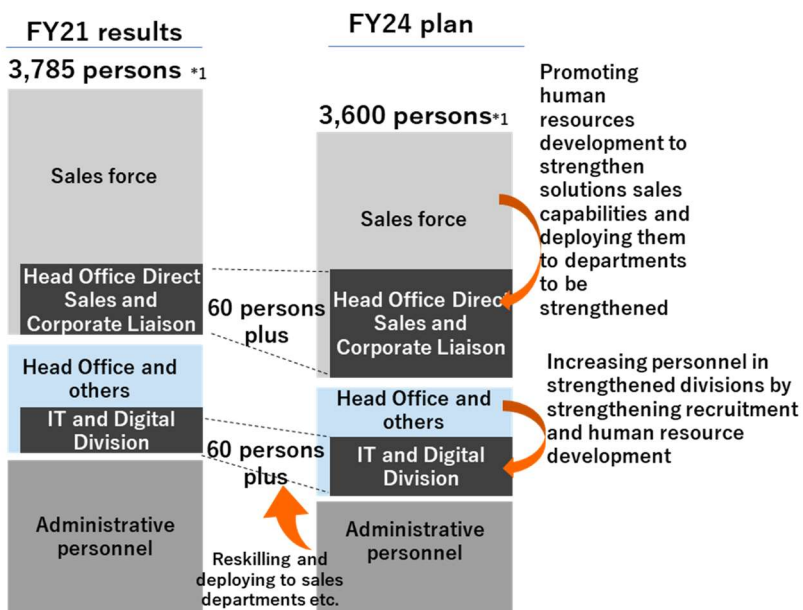
Training was previously conducted according to seniority and position, however we changed our training system this fiscal year to recognize the importance of training to match the skills of our employees. Skills are certified at the beginner, intermediate, and advanced levels, and training, self-development support, and placement provided to raise skill levels. We plan to increase the percentage of persons with advanced skills and high solutions sales abilities to 24% by the end of FY2024. As a specific example of training through placement, young employees will learn the basics, such as developing deep relationships with customers, in the Western and Central regions, and subsequently grow in regions with high growth potential and intense competition, such as the Eastern region. They will be placed in relationship-oriented regions as administrators. The curriculum is thus designed to fill the gap in competencies and skills. Rather than one-way communication from headquarters, we are working to ensure that each individual is aware of their own current state and the level to which they are aspiring. We are working to create a culture of autonomous action in which career ownership is pervasive.



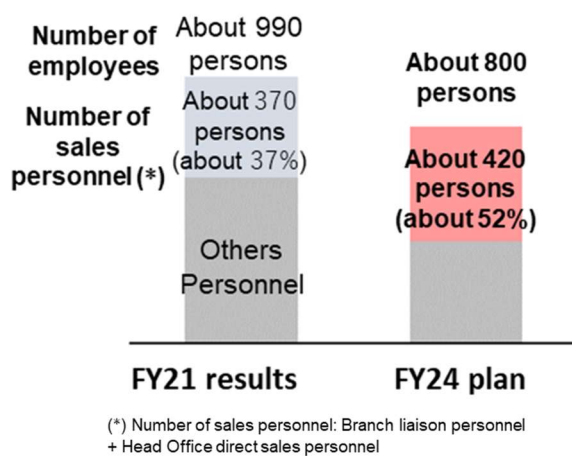
**Q: We are aware that in certain areas you may hire human resources from external sources. You are in the process of streamlining your staffing structure, but are you considering increasing staff numbers in future?**

A: We believe that the Bank of Yokohama and Higashi-Nippon Bank will be able to improve its overall productivity by shifting administrative personnel to sales and marketing departments through re-skilling while scaling back the total number of employees. There is therefore little need to increase the total number of personnel in the current system. If the holding company were to change its function as a holding company and expand the business of the Bank of Yokohama and Higashi-Nippon Bank as subsidiaries of the holding company, or if it were to take on new businesses in the context of deregulation, then we think there would be an increase in staffing levels.

**Personell structure plan  
( Bank Of Yokohama)**



**Personell structure plan  
( Higashi-Nippon Bank)**



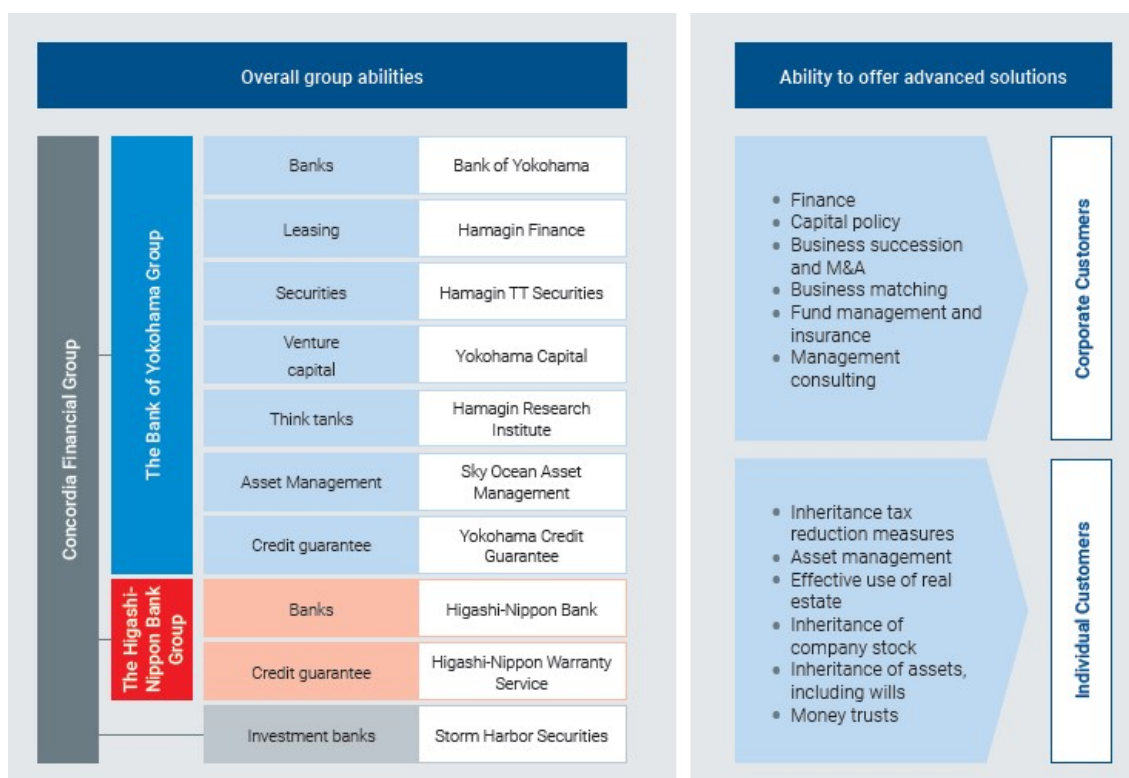
**Q: The holding company has only two subsidiaries, Bank of Yokohama and Higashi-Nippon Bank.**

**What are the strengths, and what problems do you see, in this structure?**

A: Our company was founded in 2016. At that time, deregulation had not progressed very far and there were few financial holding companies. Since then, we have made progress in rebuilding Higashi-Nippon Bank and have just recently restored it to profitability, so we are finally off to a good start. One strength is that, since the two banks are our only vehicles, the structure is easily understood, with bank governance and group governance closely aligned. Know-how and human resources of the Bank of Yokohama can be flexibly shifted to Higashi-Nippon Bank.

However, we recognize that there is little need to remain a holding company with only the two banks, and that the difficulty of using only two vehicles to further increase corporate value is an issue. In the future, it will be necessary to incorporate new vehicles in the Concordia Financial Group and thus further increase our corporate value. The Group could cover a wide range of businesses, think tanks, and non-financial areas that are extensions of the banking business. However, we would like to take a hard look at the non-financial sector, as we believe it will take time to monetize. We think that the only desirable businesses for us are those with an affinity with the banking industry.

<Group Structure Chart>



**Q: President Kataoka is both president of the holding company and president of the Bank of Yokohama. Is this the optimum system? Might the position of bank president be assigned separately in the future?**

A: When we were first established in 2016, the holding company president and Bank of Yokohama president were two different people, but we shifted to a governance structure led by the Bank of Yokohama. With the holding company and the Bank of Yokohama operating together as a single entity, in 2019 we shifted to a system with the two posts held by the same person. We think that if we have only the two vehicles, the Bank of Yokohama and Higashi-Nippon Bank, then a system in which one person holding both posts and being able to understand the state of the banks and operate the holding company is superior. This is because as a regional financial institution, it is essential that we operate integrated with the region. However, the current system is not the final form of the Concordia Financial Group. We believe that it needs to evolve. It will change in the future as we add more business lines and bring more subsidiaries under the holding company umbrella. We think that from a focus on bank management, we will shift to group management as the primary, and we should then separate the posts of holding company president and bank president. We would like to divide responsibility for the roles so that we can relate to all stakeholders in depth and improve our corporate value.

**Q: There are two securities firms with different business content among the affiliates. Is there a synergy with the bank? How will they be utilized?**

A: We have two companies, Hamagin TT Securities and Storm Harbor Securities.

The main business of Hamagin TT Securities will be with individual customers. We refer clients with high risk tolerance who seek high returns through aggressive investment to Hamagin TT Securities and offer suggestions to our clients to help them build appropriate portfolios. We have been working on this project for more than 10 years and we recognize that meaningful synergies have been generated.

Storm Harbor Securities is a business for corporate clients. We provide capital-related proposals to relatively small listed company customers. We do not have many results yet, but the pipeline is

developing.

However, we do not believe that we should remain in the same business lines in future. Customer needs are changing with the times and we will continue to evolve both companies by expanding functions to meet those needs.

**Q: Is there thought of management integration with another regional bank, utilizing the know-how gained from the revitalization of Higashi Nippon Bank?**

A: We believe that management integration is a means, not an end. If the goal is to improve the top line, there is not necessarily any need to integrate management. For example, we feel that results can be achieved by forming alliances with other banks and working together on projects.

We believe that management integration is one option if it provides advantages such as increased productivity and acquisition of functions consistent with the company's strategy, and if it contributes to increased corporate value. We recognize that it is necessary not only to improve management indices such as the ROE, OHR, and CET1, but also to gain the understanding of all our stakeholders.

**Q: What is the shareholder returns policy in the medium-term management plan?**

A: Our guideline for the dividend payout ratio is about 40% based on a progressive dividend. We are using this concept of a progressive dividend for the first time, but basically the idea is to not reduce dividends. We will conduct purchases of treasury shares flexibly and dynamically, taking into account business performance and market trends.

The plan has no guidelines for the total payout ratio, but since FY2017, we have returned at least 50%. When we use capital for projects that contribute to increasing corporate value, the total payout ratio may fall below 50%.

Shareholder Returns Policy

■ Shareholder returns policy

**Dividend**

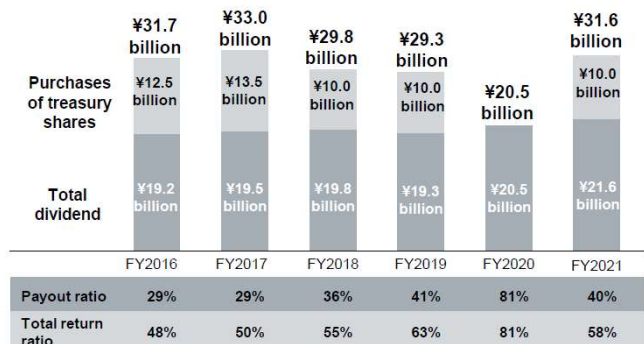
- Target the payout ratio of about 40%, with the basic principle of progressive dividends

**Purchases of treasury shares**

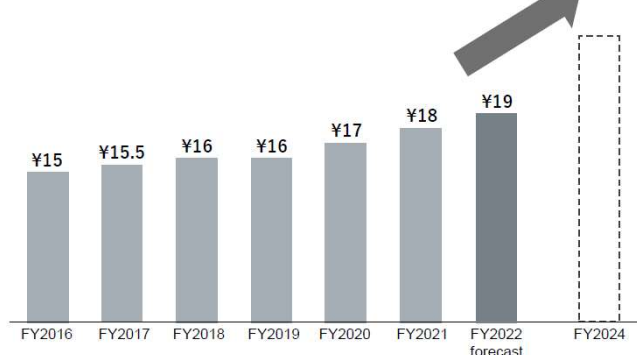
- Conduct purchases of treasury shares flexibly and expeditiously according to market conditions and business prospects



■ Shareholder return results



■ Dividend per share (DPS)



**Q: What are your thoughts on Concordia Financial Group's price-to-book ratio (PBR)? Also, you have included ROE as a target index in the medium-term management plan, but is it correct to assume that it is also set with the PBR in mind?**

A: We feel the weight of investors' interest in working to bring our PBR closer to 1 in addition to improving our ROE. We are aware of our PBR ratio, although it is not a target index in the plan. We believe that our PBR will also be increased by accumulating assets with high RORA and improving our ROE. However, we are not considering implementing measures just to increase our PBR.

The question of how to increase the stock price has been one of the points of discussion with the directors. We believe that not only business performance, but also brand and growth expectations, affect the stock price. In the second year of the medium-term management plan and beyond, with the understanding of our stakeholders, we will continue to take on challenges that exceed what is set forth in the medium-term management plan.

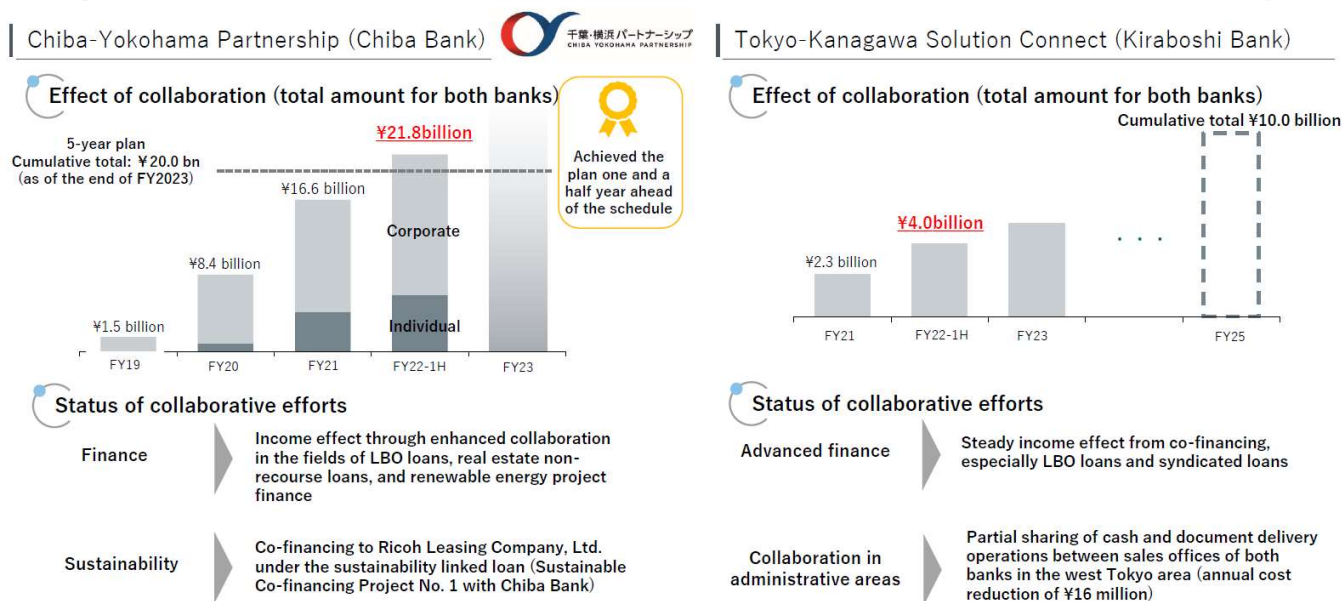


**Q: What are the benefits of the alliance with Chiba Bank and Kiraboshi Bank Ltd? What insights have you gained and in what areas do you plan to expand in the future?**

A: Quantitatively, there is a top-line effect. While a capital tie-up would involve a hierarchical relationship, a business alliance has the great advantage of being able to proceed on its merits. We have a high degree of freedom to work together where we can and to proceed independently where we see things differently. In addition, the company feels that the benefits are very significant. For example, relationships of trust are fostered through frequent meetings in each department and at each level of the organizations. Even outside the top line, we would like to utilize anything else that contributes to improved productivity, and to gradually expand the scope of our activities. For example, we share part of services for delivery of cash and documents with Kiraboshi Bank Ltd.

Effects of Alliances with Other Banks

**Effects of collaboration through co-financing and efficiency gains by mutually utilizing knowhow and strengths have expanded at a faster pace than planned**



**Q: What are some of the areas you have focused on since becoming president?**

A: Firstly, I have been focusing on maintaining our good start to the first fiscal year of the medium-term management plan over the entire fiscal year. Although it may seem that nothing new can be seen outside of the medium-term management plan, we have been working on the idea that it is most

important to proceed as planned, and with all employees on the same vector. At the same time, we believe that it is necessary to communicate thoroughly with investors, shareholders, customers, and employees in the first year, and we have been conducting dialogue with this in mind.

In order to increase corporate value, we will place greater focus on two points - how to rapidly demonstrate the growth potential of the company beyond that stated in the medium-term management plan, and development of human resources.

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