

CONCORDIA

Financial Group

Concordia Financial Group, Ltd.

IR Day (Medium-term Management Plan Briefing Session)

April 8, 2022

Speakers

Tatsuya Kataoka
Mitsuru Akiyoshi

Executive Officer, Bank of Yokohama Representative Director, President
Outside Director

Kataoka: Once again, thank you all for taking time out of your busy schedules today to join us for the Concordia Financial Group, Ltd.'s IR Day.

I would like to start with a few words if you'll allow me. I will succeed Oya as President of the Bank of Yokohama, effective April 1. In fact, after the shareholders' meeting, I will succeed President Oya as President, but at this time, I am still an Executive Officer of Concordia Financial Group.

Normally, it would make more sense for President Oya to explain the new medium-term plan, but I have talked with Oya, and we have agreed that since I will be responsible for completing the medium-term plan, I will speak today. I would like to thank you in advance for your kind attention.

I would like to begin with a 20-minute overview, followed by comments from Outside Director Akiyoshi, and then, if possible, we will move on to questions.

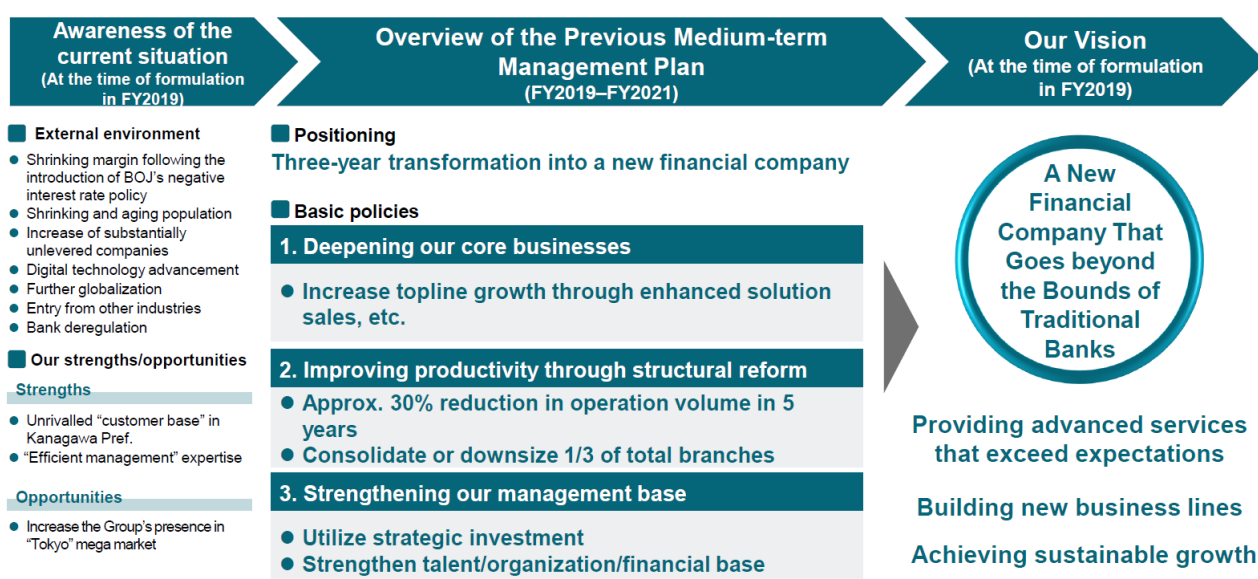
First, please turn the page and look at the table of contents.

I will first give a brief review of the past mid-term management plan, and then an overview of the new mid-term management plan, including the target indicators and our roadmap. We have attached reference materials, including the priority strategies, and I will be happy to discuss these in the Q&A session.

Let's begin.

Looking Back over the Previous Medium-term Management Plan (1) Overview

Formulation of three basic policies, positioning the plan as "three-year transformation into a new financial company"



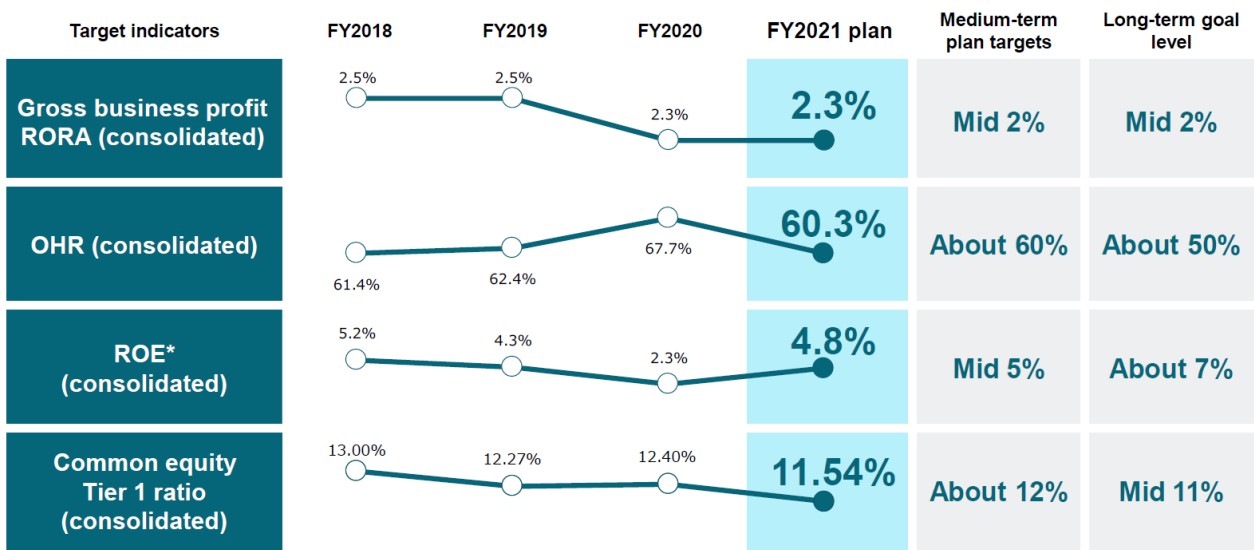
Please look at page two.

I'll briefly touch upon what we've accomplished with the past mid-term plan. As you can see at the top of the page, we saw these three years as a period of transformation to become a new financial company.

As Oya has told you several times, the goal of this mid-term plan was first to implement structural reforms and change the legacy of the company. We had three basic policies: deepening our core business, improving productivity through structural reforms, and strengthening our business foundation. I will explain each of the evaluations later, but for the past three years, we have been working under the general theme of becoming a new financial enterprise that transcends conventional banking.

Looking Back over the Previous Medium-term Management Plan (2) Results in Target Indicators

Targets for gross business profit RORA, OHR, and common equity Tier 1 ratio, excluding ROE, anticipated to be achieved



* Shareholders' equity basis

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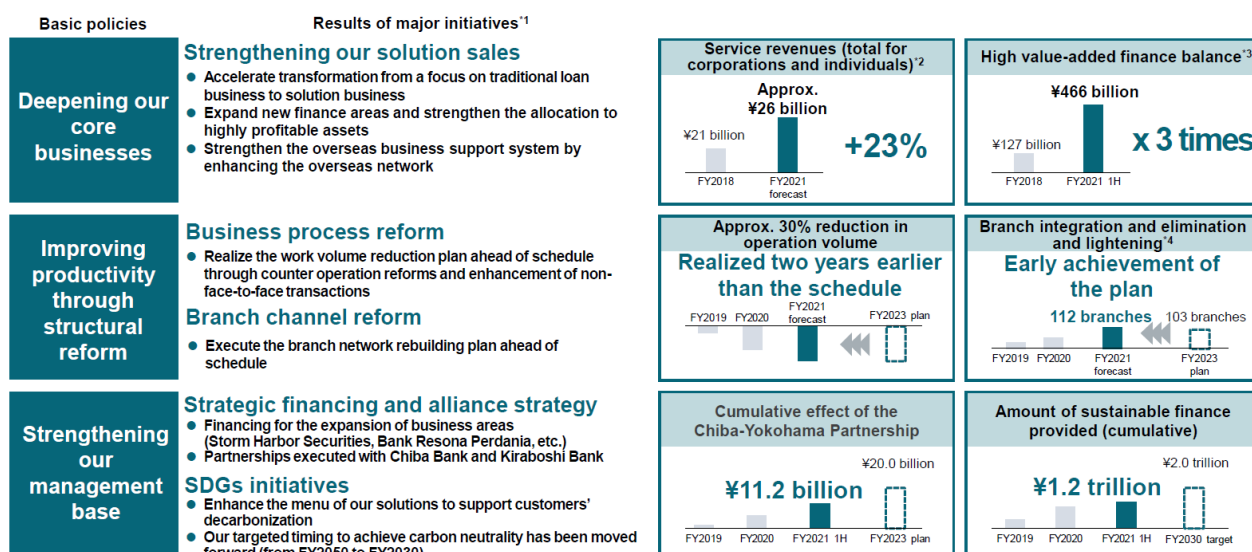
In the previous medium-term plan, we set four target indicators, one of which was gross business profit RORA. We aimed for the mid-2% range. Then OHR, with a target of about 60%, and the ROE where we aimed for the mid-5% range. We have also been working on the CET1 ratio for the past three years with the goal of 12% in the mid-term plan. I will not go into the details of the latest figures today, but we are currently expecting to roughly meet these targets.

Gross business profit RORA decreased slightly in FY2020 due in part to the market's shrinkage, but we expect to maintain a level in the mid-2% range.

OHR is set at 60.3% in the FY2021 plan, but we think that the rate might fall below that expectation. The ROE and CET1 ratio are also expected to be almost in line with the plan.

Looking Back over the Previous Medium-term Management Plan (3) Results in Measures and Achievements

“Transformation” pushed forward under the three basic policies, entering a phase of materialization of transformation effects in the new Medium-term Management Plan



^{*1} Mainly the results of the Bank of Yokohama ^{*2} A total of service revenues from corporations and individuals as defined later
^{*3} LBO loans (including MBOs,), capital loans non-recourse loans and non-Japanese loans ^{*4} Total for two banks
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Please turn to the next page.

I would like to briefly touch on the efforts that have been made regarding these target indicators, based on the three previously mentioned pillars.

Regarding the first one, the deepening of core business, we have a track record of initiatives, as shown here. The shift from a business centered on lending to a solutions business has been a focus of our efforts to raise the top line, along with the restructuring of our operations.

In addition to the above, we have strengthened our allocation to highly profitable assets such as LBO loans, MBOs, hybrid loans, and overseas investment projects, as mentioned in the second point. Service revenue from corporations and individuals increased by 23% in three years, as you can see on the graph on the right.

High value-added finance, which I will talk about later, is the sum of domestic structured finance and overseas investment projects, and the total in this area has roughly tripled over the past three years. Of course, we also offer senior loans, but additionally, we have been gradually expanding our high value-added loan business over the past three years.

The second pillar is productivity improvement through structural reforms. One is operational process reform, which refers to store operational reform. Specifically, we've set up tablets called AGENT where the customer enters information, and the operation, for example the opening of a bank account, is completed in that way.

We also have a quick counter system, where customers can deposit cash directly into the Bank, or we can also centralize back-office operations of the sales branches at the head office. We were basically able to save the workload of 800 people.

In addition, the Bank also reformed its store channel by consolidating and eliminating stores, relocating stores with high rents, and reducing the number of ATMs. This has had a significant effect.

If you take a look at the right side, both of these initiatives were initially supposed to take five years. In both cases, we have been able to succeed ahead of schedule, both in workload reduction and in store consolidation. Oya himself has worked on these issues particularly in a very proactive way.

Our third and last pillar is strengthening the management base. We allocated JPY50 billion for strategic investments in the previous medium-term plan, but we have not yet reached that sum. For example, we have invested in StormHarbor Japan, an investment bank, and in Resona Perdania Bank, to capture overseas growth. We have also developed partnerships with Chiba Bank and Kiraboshi Bank to leverage each other's strengths.

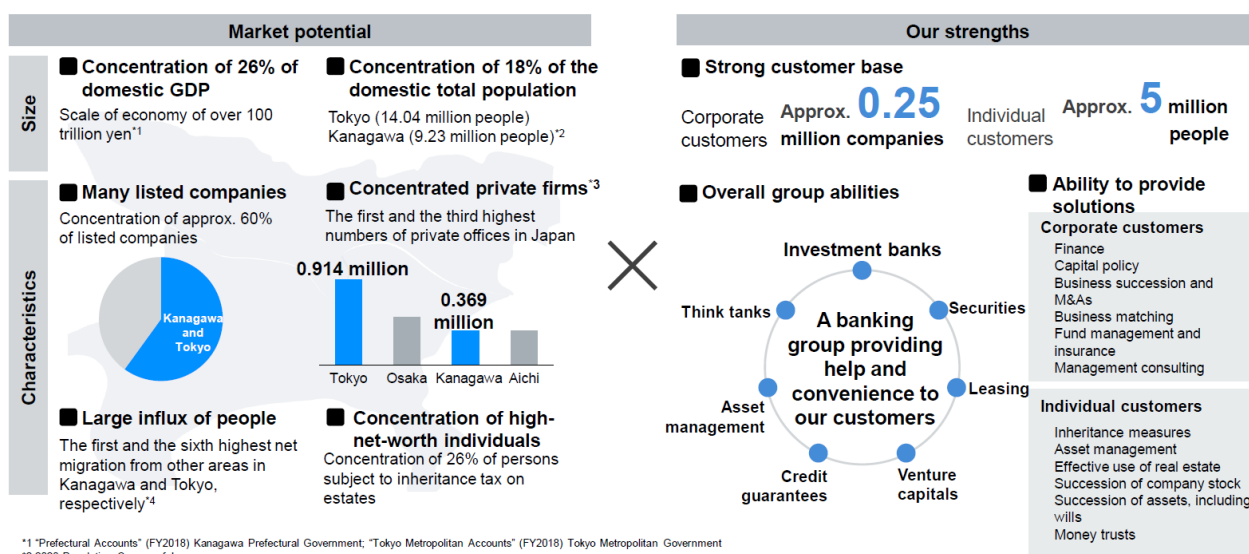
Finally, regarding the SDGs, which are now a social issue, we have been implementing our carbon neutral initiatives ahead of schedule in the previous mid-term plan.

On the right side, you can see the cumulative effect of the Chiba-Yokohama Partnership. We initially agreed with Chiba Bank to achieve JPY20 billion over five years but we are already forecasting JPY11.2 billion for FY2021, which is why we are in discussion with Chiba Bank to raise our target to JPY24 billion.

This was a recap of what we have done so far.

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



¹ "Prefectural Accounts" (FY2018) Kanagawa Prefectural Government; "Tokyo Metropolitan Accounts" (FY2018) Tokyo Metropolitan Government
² 2020 Population Census of Japan
³ Ministry of Internal Affairs and Communications (Economic Census for Business Frame, June 1, 2019)
⁴ 2021 Results from the Report on Internal Migration in Japan

Please turn to page five for the outline of our new mid-term plan, based on what we've already accomplished.

I have discussed the Bank's strengths and the potential of the Kanagawa region with analysts on several occasions, and the potential of the market has not changed that much.

Specifically, the characteristics of the area, especially the large number of listed companies and the very large inflow of population and social changes in Kanagawa Prefecture, have not changed in the past 10 years.

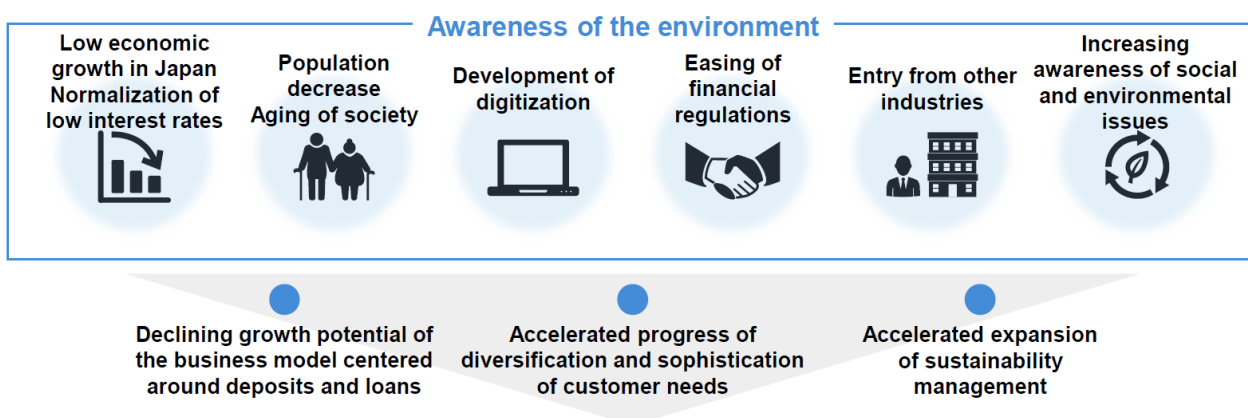
You can see our strengths on the right side of the slide. I have always said this in the past, and I am sorry for the repetition, but I believe that our customer base is very strong.

We have 250,000 corporate clients, divided between 180,000 for the Bank of Yokohama and about 60,000 for the Higashi-Nippon Bank. We also have about five million individual customers, and we consider the support of these customers to be one of the Bank's biggest strengths.

What is new is our ability to provide solutions, as you can see in the rectangles on the right. This is where we have made very significant progress over the past three years of the previous medium-term plan. We've made progress in the numbers, but also in our human resources with competent hires. We have discussed the current mid-term plan considering these strengths.

Awareness of the Environment

Shape of "a new financial company" updated to respond to irreversible and accelerated environmental changes triggered by the coronavirus pandemic



Facing irreversible and accelerated environmental changes

Update the shape of "a new financial company" in our Our Vision

(Previous "Our Vision": A new financial company that goes beyond the bounds of traditional banks)

Please go to the next page.

The biggest change in our environment in the last year or two has been the item on the far right: increased awareness of social and environmental issues.

On this issue the world has evolved to a degree that we could not have imagined when we created the previous medium-term plan. Additionally, there has been the coronavirus crisis. From now on, we must take into account the pandemic and the aftermath. In that context, what kind of changes should be made to the new financial enterprise, whose establishment is our long-term goal? It was difficult to answer this question at first.

Our Vision of being a “solution company”



The next page shows our long-term vision, based on our awareness of our environment, which we have been discussing not only among management but also among all employees of the Bank.

In the past, we had been making plans in a rather top-down fashion, but we felt that it was very important for each employee to have a firm grasp of the vision and to put it into action. We have decided on where we are headed through surveys and real-life discussions.

The new long-term vision that we have set for ourselves as a regional financial institution is to become a solution company that is rooted in the community and is chosen by the community as a partner.

As I mentioned earlier, our solution capabilities have been further enhanced over the past three years. So, this is what we are aiming for. I would like to add a little more. The term solutions company may be very difficult to understand at first, but we are still the first point of contact for both individual and corporate clients. I believe that the most important thing is that first contact, for this to go well we must have the ability, skills, and weapons to solve all kinds of problems. This is what we mean by solutions company.

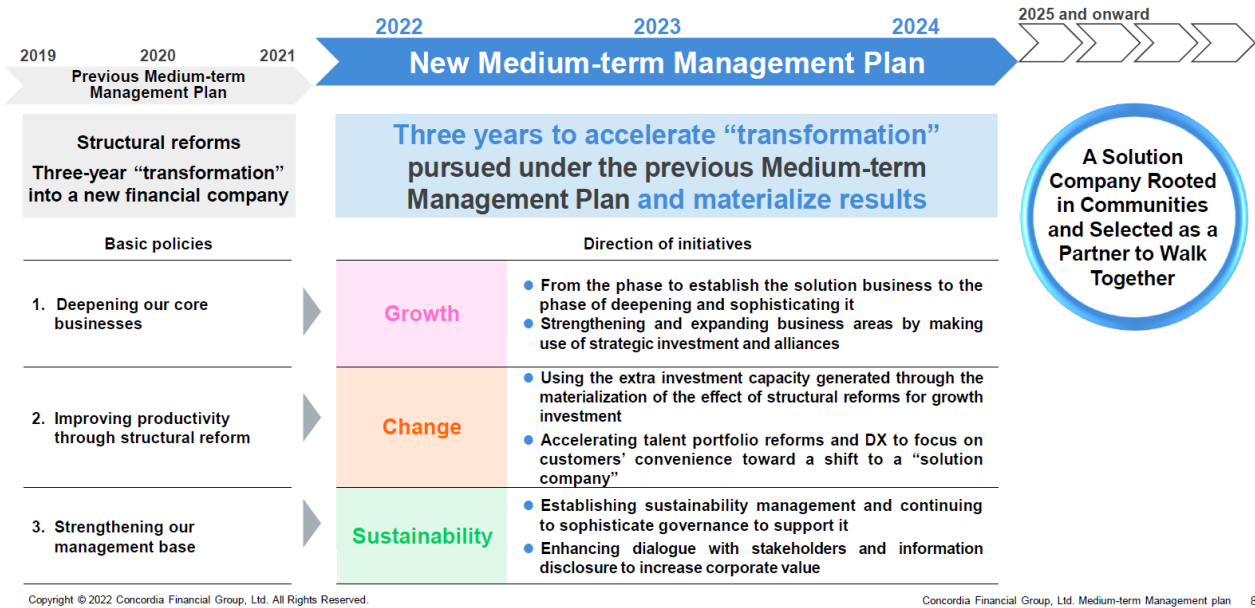
Let me share with you one distinctive point. During various discussions, among the values that should be shared by all executives and employees was the word pride. Until now we hadn’t used this kind of word.

Those who have been with us for a long time may have felt that the Bank of Yokohama had lost some of its former strengths. We’ve also talked about the awareness of being the number one regional bank. Such comments have come from our employees.

Once again, it is important for us, including management, to go back to the basics and not only make the plan, but also how to implement it. I am not talking about being the best in terms of numbers or anything like that, but I am talking about being very conscious of the fact that we are a regional financial institution and that we should take on the responsibility of being number one among the regional banks. This is the result of a bottom-up approach. We are now conscious of this from this medium-term management plan onward, and one of our management intentions is to reestablish ourselves in the areas where the Bank of Yokohama used to be strong.

Positioning of the New Medium-term Management Plan

Three years to accelerate transformation toward a shift to a “solution company” and materialize results



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Concordia Financial Group, Ltd. Medium-term Management plan 8

Please turn to the next page.

The next page is a summary of what I have just said. In this new medium-term management plan, we will focus on the next three-year period during which we will harvest the results of the structural reforms we have made.

There are three pillars. The first one is Growth. We want to further advance our solutions business, and to expand strategic investments, financing, and alliances to create stronger business lines as a holding company.

As for Change, we have already completed three years of structural reforms, but there is still room for more work, so we will continue to focus on this area. In addition, we have been focusing on human resource development over the past three years, and this is where we need to put even more effort, so we are now working to develop HR while further strengthening our talent management.

Another element of Change is DX. We will be working on how to provide value to our corporate and individual customers, as well as overseas customers, based on DX. We will continue to strive to improve the quality of our products and services.

And finally, the third pillar, Sustainability. This refers to Business in Sustainability, which encompasses everything that is related to Sustainability.

This part of our business has been changing dramatically, and we want to work on measures for Growth and Change with an awareness of Sustainability. Dialogue with stakeholders is mentioned at the very bottom. I have been in charge of IR for a long time, but recently I have been a little out of the loop. I think we need to make more solid contacts with analysts and investors.

Of course, we would like your advice if we are lacking in any areas, and we are not able to take care of everything, but we are aware of how important it is to engage in dialogue with our stakeholders, so we have decided to take the initiative this time. We have created the Corporate Communication Promotion Office to further increase our contact with you, our investors, and other stakeholders.

Overview of the New Medium-term Management Plan

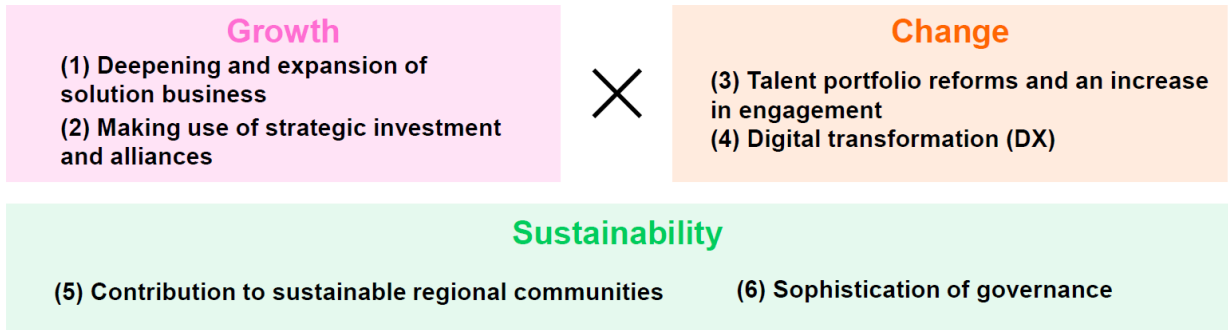
Our Vision

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

Positioning of the Medium-term Management Plan

Three years to accelerate transformation and materialize results

Basic themes and priority strategies



Page nine is a summary of what we have talked about now, so I will omit the explanation.

Target Indicators

Targeted levels in the new Medium-term Management Plan: About 6.0% for ROE; 50-54% for OHR; and mid 11% for common equity Tier 1 ratio

| Target indicators | | FY2021 plan | FY2024 target | Long-term goal level |
|---|---|---------------|-------------------------------|----------------------|
| ROE (consolidated)^{*1} | Profitability Aim to achieve profitability through steady growth of the bottom line and efficient capital management | 4.8% | About 6.0% | About 7.0% |
| OHR (consolidated) | Efficiency Aim to achieve efficiency through materialization of the effect of structural reforms and secure an extra capacity for growth investment | 60.3% | In the lower 50% range | About 50% |
| common equity Tier 1 ratio (consolidated)^{*2} | Soundness Secure an appropriate capital level keeping an eye on the finalization of Basel III | 11.54% | Mid 11% | Mid 11% |

^{*1} Shareholders' equity basis

^{*2} As for FY 2024 target and Our Vision level, finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)

Now, please look at page 10.

These are our numerical targets. This is probably the area you are most interested in. We have set ROE, OHR, and CET1 ratio as our management targets for this time.

The gross business profit RORA is of course important as an indicator, but it is also an internal trend, so we will use it only as an internal indicator and will use the previous three as the indicators to be presented externally to the public.

First, we are currently aiming for ROE of around 6% in FY2024, and we're aiming for 7% in the long term.

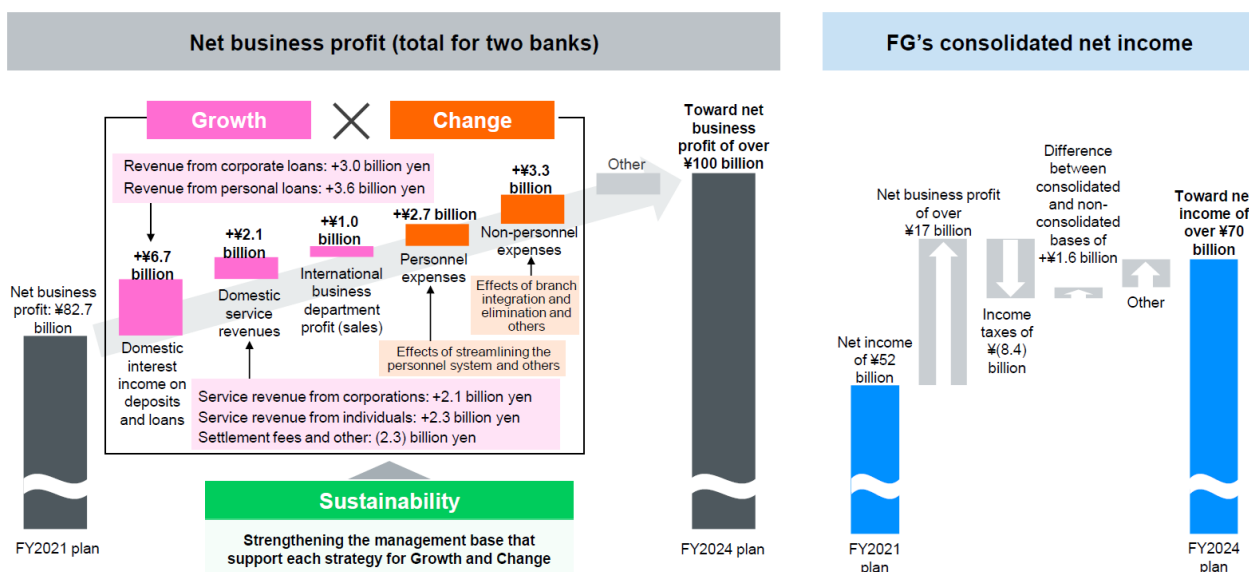
As I mentioned earlier, Concordia is one of the Bank of Yokohama's greatest strengths, and we would like to lower the OHR to the low 50% range.

And lastly, the CET1 ratio, which indicates health, is fixed in the mid-11% range. We would like to work toward a CET1 ratio in the mid-11% range for the next three years, although we would like to consider this figure on a fully implemented basis.

In particular, our ROE is not as good as that of megabanks, but in order to achieve our long-term target of 7%, we should first of all make sure that the home market is well served by small and medium-sized enterprises, including senior loans, and that they are able to maintain their profitability. We will continue to make solid progress in financing.

In addition, we will also look for growth opportunities in Tokyo, Kawasaki, and Yokohama, where we can take risks in a more balanced manner, including loans to wealthy individuals. In addition, I believe that 6% is not an unreasonable level, but one that we can aim for as we move into the area of high value-added financing, which is a financing area beyond the conventional framework in which we have accumulated expertise. Of course, there are many difficulties, but I feel that we are on the right track.

Roadmap (1) Net Business Profit and FG Consolidated Net Income
Aiming to realize net business profit of 100 billion yen and the bottom line of 70 billion yen by strengthening the solution business and materialization of structural reforms



Please turn to the next page.

This is the roadmap to implement the changes. I apologize for not being able to show you the detailed actual numbers for each bar graph today, but first, let's look at real net business profits.

To achieve the 6% target for FY2024, we are aiming for a real net business profit of JPY100 billion. The numbers are JPY90 billion for the Bank of Yokohama and JPY10 billion for Higashi-Nippon Bank.

As you can see here, the waterfall up to this point includes interest on domestic deposits and loans, domestic services. As for this part, especially for service transactions, the figures for corporations and individuals are plus JPY2.1 billion and JPY2.3 billion, respectively. The Bank of Yokohama and the Higashi-Nippon Bank have both recently been increasing their services, and this figure is based on such factors.

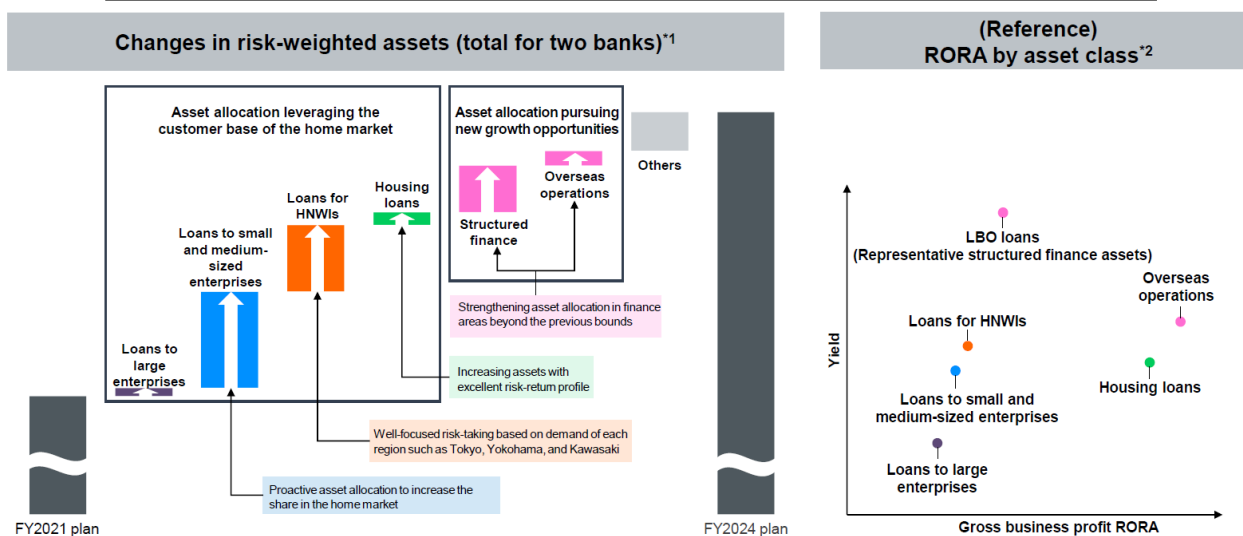
However, due to the reduction of inter-bank fees, there was a slight decrease in the original income from settlement fees, which is a negative. But if you look further to the right, you will see personnel expenses. We aim to streamline the personnel structure. In terms of actual headcount, the Bank of Yokohama has reduced its headcount from 3,600 to 3,400, and Higashi-Nippon Bank has reduced its headcount from 990 to about 800. We are aiming for the same level of performance in cost of equipment and store integration.

If you look at the far right, you will see the bottom line. The current forecast for FY2021 is approximately JPY52 billion, but we are working to raise this to JPY70 billion.

The credit cost portion of the plan is based on the expectation that it will probably settle down to some extent in this first or second year, but the current plan is based on the following levels: JPY70 billion in total, with JPY65 billion at the Bank of Yokohama, and JPY5 billion at Higashi-Nippon Bank.

Roadmap (2) Risk-weighted Assets

Strengthening risk-taking in areas beyond the previous bounds, in addition to asset allocation in the home market



^{*1} Before the finalization of Basel III (as of FY2021)

^{*2} As of December 31, 2021

I have been talking about asset allocation for a while now, but please see page 12 for the specifics.

I'm not going to go into detail about this, but as far as where we are going to put our efforts and where we are going to put our assets, you can see on the left side, we want to increase our market share in the home market, with small business loans. We will make sure small businesses are doing well in our home market, especially in Kanagawa Prefecture.

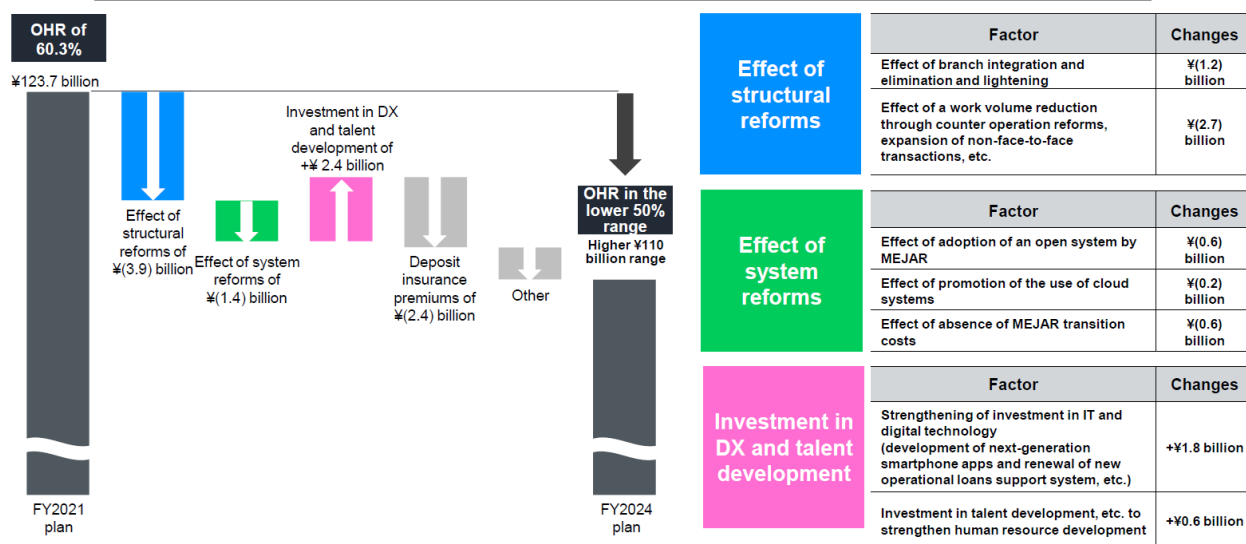
In addition, we will focus on loans for asset owners in Tokyo, Yokohama, and Kawasaki, where there are still needs and a market. If you look at the right side, you will see that there is a field of finance that goes beyond the conventional framework, such as structured finance and overseas investment projects. These overseas investment projects include non-Japanese corporate syndicated loans and the like.

On the right side, you can see the relationship between gross business profit RORA and yield. We want to focus on the area where both are relatively high. To be clear, this is by no means a shift of assets to higher and higher revenue, but rather a two-pronged approach. We are a regional financial institution, so one of the things we are trying to do is to increase the significance of our presence in the Kanagawa region while being firmly committed to the local community.

To get additional revenue, we are also going to work on structured finance with high yields, such as the gross business profit RORA as shown here. Some may say that we are only concerned about profitability, but we are active on these two fronts. We are based in Kanagawa Prefecture, so the key point is to make sure that we are able to provide loans to customers in Kanagawa Prefecture, especially seniors.

Roadmap (3) Expenses

Generating growth investment funds through materialization of structural reform results, etc., leading to OHR in the lower 50% range



Lastly, on page 13, is the expenses section.

Of course, we are serious about all of this, but I think it is especially important for the Bank of Yokohama to do this well and to the fullest, since this has been one of our strengths up to now.

In terms of the effects of structural reforms, on the right side, there is still room for further reductions of approximately JPY1.2 billion through store consolidation and streamlining, and approximately JPY2.7 billion through store operational reforms.

As for the system reform effect, the MEJAR system is scheduled to launch in January 2024, which will result in a negative impact of JPY600 million. In addition, we are already gradually moving forward, but in peripheral areas other than the accounting system, such as departmental systems, we want to make the base as cloud based as possible and take advantage of the effects associated with cloud computing. Also, MEJAR amortization has been completed, which means that the Higashi-Nippon Bank is finally starting to see the effects of the system integration. I know some of you may say that it is too late, but it is finally coming out, and there has been a considerable reduction in amortization here, so we can expect a reduction effect here as well.

Of course, we will use the effect of these reductions for investments in human resources, IT, and digitalization, but we would like to keep the ratio in the low 50% range.

I am sorry, I know this was very rushed, but I have explained the main points of the new medium-term plan. I will be happy to answer any comments or questions you may have, including on our various priority strategies, and I look forward to discussing them with you.

Thank you very much.

Moderator: Next, Mr. Akiyoshi, Outside Director, will comment on the evaluation of the mid-term management plan.

Mr. Akiyoshi, please.

Akiyoshi: I am Akiyoshi, an Outside Director. I would like to talk about the participation and involvement of outside directors in the process of formulating this medium-term management plan, and how it is evaluated.

This mid-term management plan, which was first discussed at the Board of Directors meeting in June last year, has been the subject of very active discussions between outside directors and so-called executive officers, not only at regular monthly meetings but also at frequent extraordinary meetings of the Board of Directors.

Concordia Financial Group's Board of Directors, in fact, since last fiscal year, has been proceeding in the form of integrated management with The Bank of Yokohama. The current medium-term plan has also been discussed in the context of this integrated management. The three outside directors of Concordia Financial, three of whom are present today, and the two outside directors of The Bank of Yokohama, in total five people, each with a completely different background, career, and knowledge, and from a variety of perspectives, are working on this medium-term management plan. We understand that the project has been completed based on the active opinions of the participants.

As President Kataoka mentioned earlier, the first step was to look back. After confirming the changes in the external environment, we then discussed the direction we should aim for in the future, as well as the strategies, numerical plans, capital plans, and capital strategies of each department.

As an outside director, there are two points that I am particularly aware of.

The first point is that before we immediately start discussing each strategy, we first discussed the long-term vision that can be shared among directors and officers. This was a very strong suggestion from the outside directors.

Secondly, when a medium-term plan is created, it tends to focus on quantitative targets, and this tends to be preceded by a plan that is based on numbers. To avoid this, we were very concerned about finishing the plan in the form of an actionable medium-term plan while maintaining a balance with the long-term vision.

First, in light of the current drastic changes in the external environment, we believe it is very important to share our long-term vision with our directors and officers. The company aimed to create a concrete plan to determine what should be done and what should be accomplished.

As a result of our proposal, the executive side conducted a questionnaire survey of all employees, as mentioned earlier, as well as very specific interviews and discussions with branch managers, section managers, and other so-called management personnel.

I was also surprised to learn that the response rate to this survey was over 80% at the Bank of Yokohama and 95% at Higashi-Nippon Bank. We have learned that people in the field are extremely aware of the new medium-term management plan.

I hope you will understand that this is not just a top-down discussion of what management has come up with, but a discussion in which the employees also participated. This discussion shows that this company is a solutions company that is rooted in a community that chooses us as a partner. We've thought a lot about these words and discussed them many times. We believe that this is a very good start for us.

Second, when a mid-term plan is created, the numbers tend to come first, and the discussion tends to focus on what should be done to reach those numbers. I think ROE is a typical example of this. I believe that it is our mission to raise the ROE to 7%, which we have been advocating for a long time. Considering the current financial environment, to achieve the 7% target, the portfolio would have to be created with a very different risk profile, or investments would have to be made through other means that have not been included in the long-term vision. We have to make sure we don't fall into that kind of situation.

We have been very careful in our discussions on this topic, as we believe that we need to focus on what is grounded and feasible. As a result, I understand that the project was not suddenly dropped from the top-down but was built up mainly by the sales department on the frontline. Management then added input in the final stages of the project, based on the three-year vision.

In this way, we received a great number of candid opinions from the outside directors, and at times the discussions became heated and went well beyond the scheduled time. As a result, the mid-term plan was created in a collaborative way.

I also know that a medium-term plan is not something that ends when it is created but is simply a beginning. This is obvious. We recognize the importance of putting soul into this medium-term plan in the future, and for that purpose, it is very important to make sure that the front-line employees who will implement this plan understand the contents of this plan and share our goal. I am asking the President and his management team to share this message, by all means.

During these three years, we will further ensure our growth, mainly in the solutions business. We need to focus on human resources and DX.

By accelerating these changes, we have a very important mission to become an indispensable financial group for the communities we aim to serve, and as a result, contribute to the sustainable development of vibrant local communities. We have high expectations for this, and since we are participating in the medium-term management plan for the first time, we believe that we have to take responsibility for the implementation of the plan, and we will make every effort to achieve this goal.

That's all from me.

[END]