

# CONCORDIA

Financial Group

**Concordia Financial Group, Ltd.**

IR Day

February 27, 2023

**[Speakers]**

Tatsuya Kataoka	President and Representative Director /Representative Director, President of The Bank of Yokohama, Ltd.
Nobuo Onodera	Director/Director and Executive Officer of The Bank of Yokohama, Ltd.
Chie Kida	Deputy General Manager, Corporate Planning Department, Group Sustainability Committee
Mitsuru Akiyoshi	Outside Director
Yoshinobu Yamada	Outside Director
Mami Yoda	Outside Director

## Presentation

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**Kataoka:** Thank you for taking time out of your busy schedules to participate in our IR Day today. I would like to make a few remarks at the opening of IR Day.

As you are all aware, we launched our mid-term business plan in April last year, and our long-term goal is to become a solutions company rooted in communities and selected as a partner to walk together.

This mid-term business plan has three pillars: growth, change, and sustainability. Today, we would like to take some time to talk about climate change Initiatives and governance in the third theme, Sustainability, followed by an exchange of opinions. I would like to ask for your cooperation.

As for our efforts to address climate change, we established the Group Sustainability Committee Secretariat in the Corporate Planning Department at the same time as the start of this mid-term business plan. In the sales division, the sales strategy department and the solutions sales department have also created specialized groups to accelerate efforts to promote sustainability.

We have recently conducted a scenario analysis based on the TCFD recommendations to visualize our business risks due to climate change, and are focusing on customer engagement and providing solutions.

One particular topic is about Scope 3, Category 15, Investments and Loans. While many banks are still in the process of implementing this initiative, we have been working to raise the level to a relatively advanced level.

To be more specific, we conducted calculations of GHG emissions for approximately 90% or more of our domestic corporate lending clients. Later, Ms. Kida, who serves as Deputy General Manager of the Group Sustainability Committee Secretariat, would like to talk to you about our efforts in this regard.

Then, the second theme today is about governance. Highly effective corporate governance is essential for the Group's sustainable growth and enhancement of corporate value over the medium to long term. Today we will hear from the three outside directors.

Concordia Financial Group has seven directors. Of these, three are independent outside directors. Each of them will be introduced later. Of them, Mr. Akiyoshi is very familiar with corporate management and has a wealth of experience and knowledge, having served as Vice President and Representative Director of Marubeni Corporation and President and Representative Director of Mizuho Marubeni Leasing Corporation.

Mr. Yamada, who you may know better than I do, has been active as a bank analyst and has expertise not only in financial analysis but also in DX-related issues. In this context, we are also receiving advice from him.

Ms. Yoda was engaged in credit ratings and research about business companies and others and is currently teaching at a university as a specialist in business administration.

I hope that the outside directors will explain our group's governance today from the perspective of their position to supervise management in response to the request from shareholders. I would like to exchange opinions frankly about the issue.

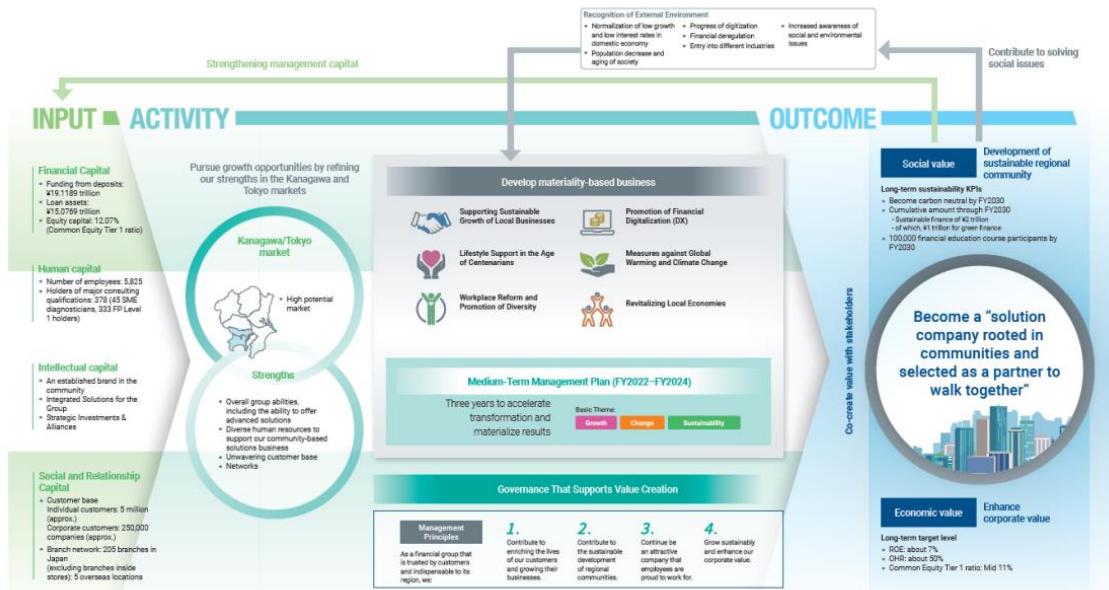
Today, we have taken these two themes for this IR Day, and will continue to actively hold IR Days based on various themes in the future. I know you are all busy, but I hope that you will take advantage of this opportunity to learn more about our group and give us your opinions and advice.

Thank you in advance today.

# [Climate Change Initiatives]

## Value Creation Process

Enhancing corporate value and realizing sustainable community development through value co-creation



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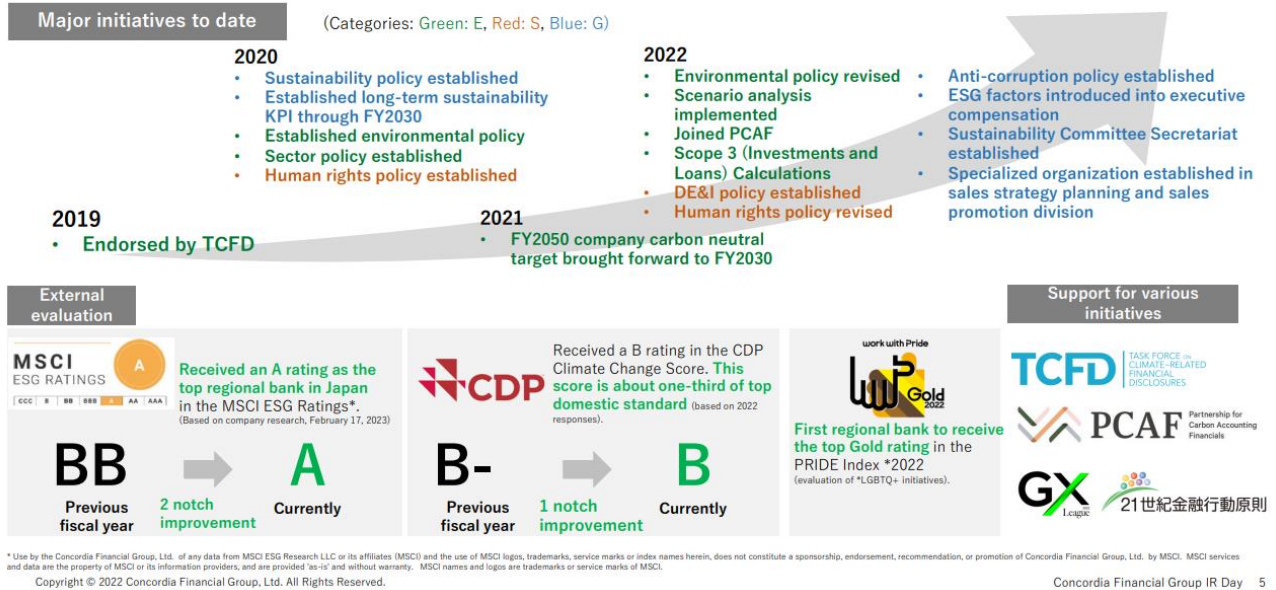
### Kida:

Please see page four of the presentation materials at hand.

Here is an overall picture of our sustainability management. Toward our long-term goal of becoming a solutions company, we will enhance corporate value and realize sustainable development of local communities by developing materiality-based businesses and creating value together with our stakeholders. Now, I would like to explain in detail what kind of sustainability efforts we have made.

## Major Sustainability Initiatives

### Accelerating Sustainability Efforts and Improving External Evaluations



This slide lists the main initiatives since we endorsed the TCFD in FY2019.

As a result of our efforts to strengthen our initiatives, we improved our external evaluation this fiscal year and received an A rating in MSCI’s ESG ratings, the top position among Japan’s regional banks. We have also improved our score in CDP’s Climate Change Score, which is in the top third of the country.

As mentioned earlier, the key points for FY2022 are the implementation of scenario analysis and joining the PCAF, leading to the calculation of GHG emissions for investments and loans in Scope 3. I will explain about it later again.

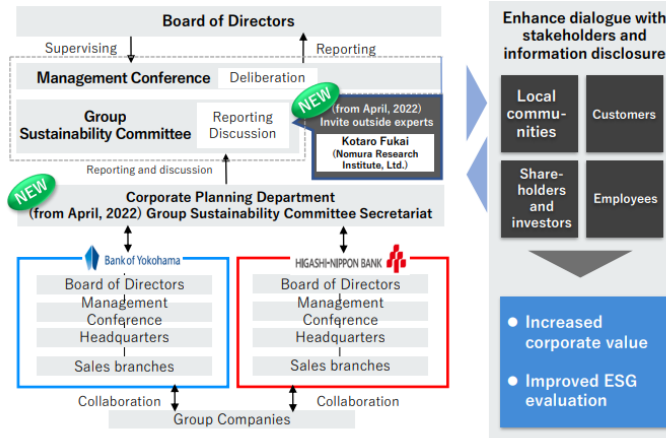
## Sustainability Management

### Improving our Organization to Achieve Highly Effective Sustainability Management

#### Group Sustainability Policy

- Based on our management philosophy, we will achieve sustainable enhancement of corporate value and contribute to the sustainable development of society by solving social issues through our core business, and by engaging in activities that contribute to regional communities. Furthermore, we will engage in dialogue with stakeholders and proactively disclose information.

#### Sustainability promotion structure



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#### Long-term sustainability KPIs

- We have established sustainability long-term KPIs through FY2030 as an action plan based on the Group Sustainability Policy.

<b>Sustainable finance</b> Cumulative amount of financing <b>2 trillion yen</b> Of which, Green finance <b>1 trillion yen</b>	<b>Company Carbon neutral</b>	Number of financial education course participants <b>100,000</b>
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#### A remuneration system for directors and corporate auditors that contributes to a medium to long-term increase in corporate value

- From April 2022, we have implemented a system that reflects ESG factors in executive compensation.

Type	Composition ratio	Payment criteria
Basic salary	66%	• Payable according to the position
Short-term performance-linked remuneration	17%	• The remuneration paid is the standard amount for each position plus an amount that reflects company performance and an evaluation based on the business performance of the individual director.
Stock remuneration	17%	• Consists of Trust I (distributed at retirement) and Trust II (distributed at the end of the mid-term management plan) • Trust II pays according to the standard amount for each position and reflects a performance-linked coefficient. • The performance-linked coefficient depends on the achievement of performance goals in the medium-term management plan. <b>The final performance-linked coefficient is determined based on external ESG evaluation indicators and non-financial items addressed in the mid-term management plan.</b>

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Next, I would like to talk about our sustainability promotion system.

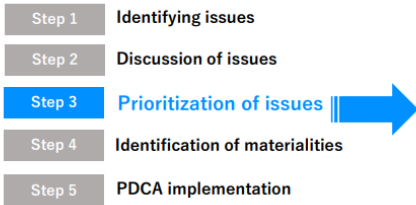
As mentioned by the President earlier, the secretariat of the Group Sustainability Committee was established in April 2022, the first year of the mid-term business plan, and the dedicated persons were assigned to this committee, and the number of them has been increased. We have invited Mr. Fukai of Nomura Research Institute as an outside expert, and have held four meetings of the Group Sustainability Committee so far during the current fiscal year. The committee meetings are chaired by President Kataoka and attended by executives and department heads, and they discussed a variety of topics this fiscal year.

In addition, the governance aspect has been strengthened by incorporating ESG factors in the executive compensation system shown at the bottom right of the document.

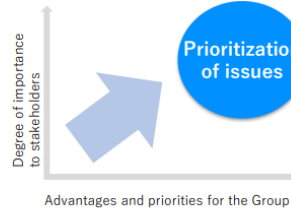
## Materialities

Six materialities have been identified as important management issues.  
They have been incorporated into the mid-term plan and the relevant KPIs established.

### The materiality identification process



- ✓ Comprehensive identification of social issues based on various ESG issues and issues of importance to society and stakeholders.
- ✓ Evaluation of priority of issues through analysis based on the two axes of superiority and priority\*1 for the Group and importance\*2 for stakeholders.



- \*1 Evaluated from the following perspectives:
- 1) Degree of contribution to problem-solving for regional companies and to regional revitalization
  - 2) Degree of relevance to Group strengths and advantages in the external environment
  - 3) Contribution to enhancement of the Group's corporate value
- \*2 Evaluated from the following perspectives:
- 1) Medium to long-term impact on stakeholders (social and economic value)
  - 2) Stakeholders' contribution to sustainability

### The six materialities

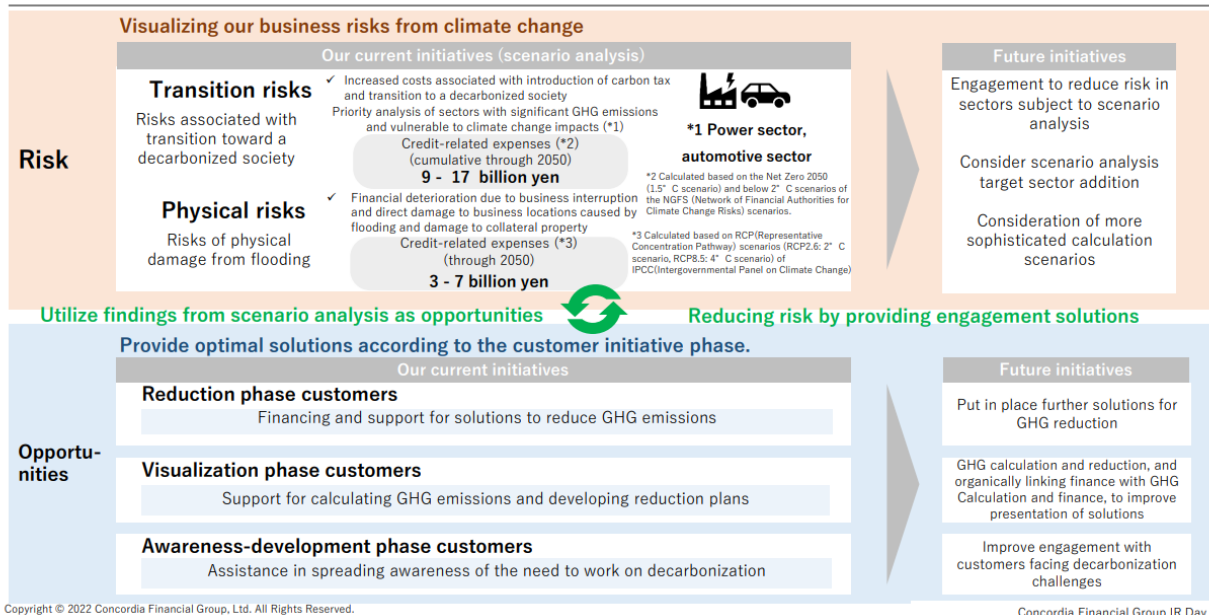


Identify opportunities and risks for each materiality, incorporate them into the mid-term management plan, and set KPIs (see p. 17 for details).

Next, I will discuss materiality, the core point of sustainability management.

In addition to the advantages and priorities for the Group, we have identified six materiality issues from the perspective of their importance to our stakeholders. In conjunction with the mid-term business plan, we have set the KPIs for each materiality issue and are working to resolve these issues.

## Organically linking risks and opportunities to help customers decarbonize



I would like to look at our strategy to solve one of the materiality issues, global warming and climate change initiatives, in terms of risks and opportunities.

Please look at page eight. First, regarding the risks in the upper section, we conduct a scenario analysis to understand our business risks. For the transition risk, we have prioritized sectors that are vulnerable to climate change, and for the physical risk, we have analyzed the risk of flood damage.

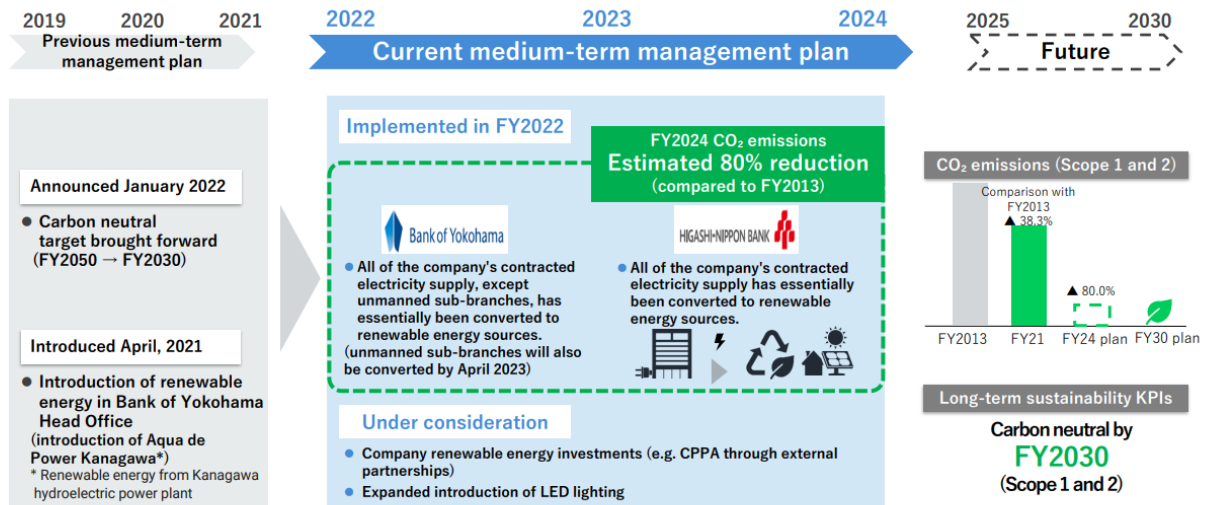
Based on the results of the analyses, we will promote engagement to reduce the risks in the target sectors, and we will further work on upgrading our scenario analyses in the future.

Next, please look at the opportunities in the lower part of the page. We will use the knowledge gained from the scenario analyses to strengthen engagement. We will share the issues with our customers and provide the best solutions according to the phase of the project. In the future, we intend to strengthen our finance to further expand our solutions menu and encourage decarbonization efforts.

By organically linking the risks and opportunities, we will help our customers decarbonize their businesses and work with them to achieve sustainable growth.



## Significant reductions in CO<sub>2</sub> emissions from switching to essentially renewable energy sources for electricity



Next, I would like to discuss our decarbonization efforts. Please see page nine.

First, I would like to talk about our Scope 1 and 2 initiatives.

In FY2022, both The Bank of Yokohama and HIGASHI-NIPPON BANK are in the process of switching to substantially renewable energy sources for their own contracted electricity. We are now making steady progress toward carbon neutrality by FY2030. In the future, we would like to consider investing in renewable energy on our own.

More than 90% of domestic corporate lending calculated. Recognized need to address three issues.

Calculated approximately 6.8 trillion yen of approximately 7.5 trillion yen in total domestic corporate loans (*1) (over 90% coverage).	
	Total
GHG emissions	4.0
Scope 1 and 2 (Mt)	
Data quality score (*2)	3.8
Scope 1 and 2	
Loan balance (trillion yen)	6.85
Carbon intensity (GHG emissions/loan balance)	
Scope 1 and 2 (t/million yen)	0.58
Number of clients in calculation	28,220
Coverage ratio (loan balance for calculated clients/total loan balance) Scope 1 and 2	93%

- \*1 Domestic corporate lending and project finance for the fiscal year ended March 31, 2022. Overseas corporate loans and customers for whom we have insufficient financial data are not included.  
 \*2 Data quality score: GHG emissions data quality on a 5-point scale. The closer to 1, the higher the quality. The closer to 5, the more estimates are used (see p.18 for details).  
 (prerequisites)  
 • GHG emissions based on data disclosed by companies, CDP data Estimates made using PCAF emission coefficients if data not available,  
 • Calculation results may change significantly in future due to expansion of customers' emissions calculations, changes in PCAF calculation standards, and changes in industry classification.

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**Issue 1**

**Priority needs to be given to sectors with high GHG emissions. (see NZBA (\*3))**

(\*3) NZBA: Net-Zero Banking Alliance International initiative by banks aiming to become carbon neutral by 2050.

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**Issue 2**

**Sectors that have traditionally engaged need to further focus their efforts.**

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**Issue 3**

**Visualization of customer GHG emissions is not moving forward. (quality of data is low)**

Next, please see page 10.

On the left side, we have disclosed the results of the calculation of our Scope 3 investment, which is the main theme of today's presentation. Here are the results of Scope 1 and 2 calculations for GHG emissions in our domestic corporate lending. The calculations are based on the emission factor of PCAF, or the Partnership for Carbon Accounting Financials, which we joined this fiscal year. Overall, GHG emissions are 4 million tons with a data quality score of 3.8.

The data quality score of PCAF is a five-grade scale that indicates the quality of the emissions data. The closer the score to 1, the higher the quality of the data since we have used more actual measurements, and the closer the score to 5, the more estimates we have used.

On the right side, we have listed our future challenges for reducing our Scope 3 emissions. The details of each will be explained in the subsequent pages.

'Electricity', 'Coal', and 'Oil and Gas' were selected as priority sectors for reduction of GHG emissions.

**Issue 1**

**Priority needs to be given to sectors with high GHG emissions. (see NZBA (\*1))**

(\*1) NZBA: Net-Zero Banking Alliance International initiative by banks aiming to become carbon neutral by 2050

↓

**Addressing the challenge: GHG emissions reduction priority sectors selected.**

Electricity

Coal

Oil and Gas

- The 'Electricity', 'Coal', and 'Oil and Gas' sectors, designated as carbon intensive sectors (\*2) by the NZBA, generally have high GHG emissions, and they have therefore been selected as 'GHG Emissions Reduction Priority Sectors'.
- The 3-sector total is limited to approximately 250 companies, for which GHG emissions visualization and reductions will be supported with detailed engagement with each individual company.**

(\*2) Carbon intensive sectors: Electricity, coal, oil and gas, transportation, aluminum, steel, cement, commercial and residential real estate, agriculture

TCFD sector classification	Total	Electricity	Coal	Oil and Gas	Auto-mobiles and Parts
GHG emissions Scope 1 and 2 (Mt)	4.0	1.1	-	0.1	0.1
Data quality score (*2) Scope 1 and 2	3.8	3.1	-	3.2	3.7
Loan balance (trillion yen)	6.85	0.14	0	0.02	0.30
Carbon intensity (GHG emissions/loan balance) Scope 1 and 2 (t/million yen)	0.58	7.79	-	5.10	0.37
Number of clients in calculation	28,220	159	0	77	626
Coverage ratio (loan balance for calculated clients/total loan balance) Scope 1 and 2	93%	96%	-	92%	99%

\*2 Data quality score: GHG emissions data quality on a 5-point scale. The closer to 1, the higher the quality; the closer to 5, the more estimates are used (see p.18 for details). (prerequisites)

- Domestic corporate lending and project finance for the fiscal year ended March 31, 2022 is targeted. Overseas corporate loans and customers for whom we have insufficient financial data are not included.
- GHG emissions based on data disclosed by companies, CDP data. Estimates made using PCAF emission coefficients if data not available.
- Calculation results may change significantly in future due to the expansion of customers' emissions calculations, changes in PCAF calculation standards, and changes in industry classification.

Please see page 11. The first challenge is that priority needs to be given to sectors with high GHG emissions.

To address the issue, we referred to the Net-Zero Banking Alliance, or NZBA, as an international initiative, and selected electricity, coal, and oil and gas, which are generally considered high GHG emitting industries, as the priority sectors for reducing GHG emissions. We will support the visualization and reduction of GHG emissions through detailed engagement with each individual company so that they can set a path toward their interim reduction targets.

'Automobiles and Parts' has been selected as a priority sector for engagement.

**Issue 2**

Sectors with which we have been engaged previously.

**Responding to Challenges: Selecting priority sectors for engagement**

**Automobiles and Parts**

- The 'Automobiles and Parts' sector has previously been subject to scenario analysis of transition risks and engagement on the outlook for the automotive industry.
- The sector has a broad base and decarbonization initiatives will take a long time. It was therefore selected as a Priority Sector for Engagement to continue to improve efforts in this area.
- We expect to penetrate the entire supply chain. We will promote engagement with customers located upstream to help visualize GHG emissions and develop reduction goals.

TCFD sector classification	Total	Electricity	Coal	Oil and Gas	Auto mobiles and Parts
GHG emissions Scope 1 and 2 (Mt)	4.0	1.1	-	0.1	0.1
Data quality score (*2) Scope 1 and 2	3.8	3.1	-	3.2	3.7
Loan balance (trillion yen)	6.85	0.14	0	0.02	0.30
Carbon intensity (GHG emissions/loan balance) Scope 1 and 2 (t/million yen)	0.58	7.79	-	5.10	0.37
Number of clients in calculation	28,220	159	0	77	626
Coverage ratio (loan balance for calculated clients/total loan balance) Scope 1 and 2	93%	96%	-	92%	99%

**Engagement with automotive suppliers**

- ✓ Discussions between management of several first-tier subcontractors for internal combustion engines and exterior components and executives from the Bank of Yokohama's sales division on the CASE (\*) theme.

\*CASE: Technological innovation in new areas such as automotive IoT, self-driving vehicles, car sharing, and electric vehicles

Providing optimal solutions for customer climate change initiatives

On page 12, I would like to discuss the second challenge.

It means that for the sectors that we have been engaged with, we need to focus our efforts even more intensively. As a response, we have selected the automotive and parts sector as the priority sector for engagement.

Please see the table on the right side. Although the amount of emissions is not very high, the sector has a very broad base, and it will take a long time to conduct decarbonization initiatives, and it is also a sector where we have been working on a transition risk scenario analysis and engagement. Therefore, we believe that even deeper engagement is necessary.

We will promote engagement with upstream customers first with the expectation that it will permeate the entire supply chain. We would also like to support the visualization of GHG emissions and the establishment of reduction targets.

### Supporting customers to reach the visualization phase of their GHG emissions reductions

**Issue 3**      Visualization of customer GHG emissions is not moving forward. (quality of data is low)

**Responding to the challenge: Helping all other sectors move up from the awareness-development phase to the visualization phase.**

Air cargo transport	Air passenger transport	Maritime	Rail transport	Trucking service	Metals, mining	Chemicals
Building materials	Capital goods	Real estate management and development	Beverages	Agriculture	Packaged foods and meat	Paper, forest products

(sector classification based on TCFD)

TCFD sector classification	Total	Listed		Unlisted and project finance	
			Ratio		Ratio
GHG emissions Scope 1 and 2 (Mt)	4.0	1.0	26%	2.9	73%
Data quality score (*) Scope 1 and 2	3.8	2.9	-	3.9	-
Loan balance (trillion yen)	6.85	1.06	15%	5.78	84%
Carbon intensity (GHG emissions/loan balance) Scope 1 and 2 (t/million yen)	0.58	1.02	-	0.50	-
Number of clients in calculation	28,220	488	1%	27,732	98%

Support for GHG emissions visualization

➔

**Support by us**

	Solutions menu
Reduction phase	<ul style="list-style-type: none"> <li>Providing solutions to achieve sustainability goals</li> </ul>
Visualization phase	<ul style="list-style-type: none"> <li>Visualizing customer GHG emissions</li> <li>Setting sustainability goals</li> </ul>
Awareness-development phase	<ul style="list-style-type: none"> <li>Linking business activities to sustainability</li> </ul>

Reduction phase	<ul style="list-style-type: none"> <li>Sustainability-linked loans</li> <li>SDG green loans</li> <li>GHG emission reduction support</li> <li>Positive impact finance</li> </ul>
Visualization phase	<ul style="list-style-type: none"> <li>Support from calculating GHG emissions - developing reduction plans</li> <li>Support for GHG emissions visualization</li> <li>Simplified CO<sub>2</sub> emissions calculation (Hamagin Research Institute)</li> </ul>
Awareness-development phase	<ul style="list-style-type: none"> <li>SDG Friends Loans</li> <li>SDG Friends Loan Next</li> <li>Business feasibility assessments for SDGs</li> <li>SDG Friends Leases (Hamagin Finance)</li> <li>Step loans</li> </ul>

\*2 Data quality score: GHG emissions data quality on a 5-point scale  
The closer to 1, the higher the quality; the closer to 5, the more estimates are used (see reference material).  
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Please see the next page. This is the third issue.

As you can see from the calculation results this time, there has been no progress in visualizing the GHG emissions of our customers. As for the data quality, I mentioned earlier that the overall data quality is 3.8, but the median is 3, so as far as quality is concerned, it is not quite sufficient yet. This is due to the low weight of disclosed data, so it is necessary for customers to first calculate and disclose their emissions. As the use of estimates is reduced, this data quality will increase.

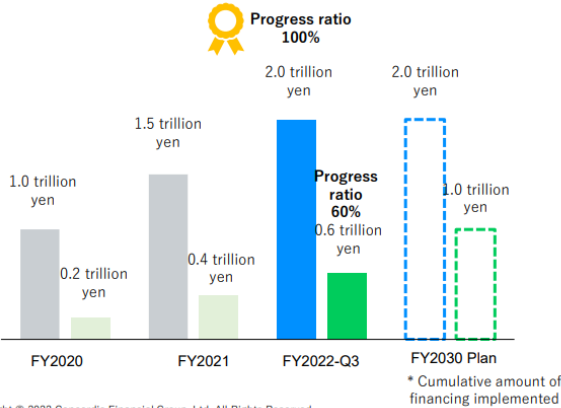
The starting point for reducing emissions is for customers to understand their emission amounts. We would like to support the visualization phase in sectors other than the priority sectors so that as many customers as possible can start calculating their emissions, which is a prerequisite for their reduction targets and plans.

## Improved Financing to Help Customers Decarbonize

### Total value of sustainable finance implemented (cumulative)

- ✓ Achieve long-term KPIs for sustainable finance
- ✓ Consider improving green finance in the future

■ Sustainable finance  
■ Proportion of green finance



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### Expanding sustainable finance

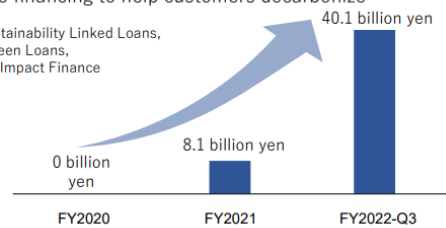
- ✓ Expanding our lineup in response to the steps of corporate initiatives



### Results of improved financing (in single fiscal year)

- ✓ Improve financing to help customers decarbonize

■ SDG Sustainability Linked Loans,  
 SDG Green Loans,  
 Positive Impact Finance



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Please see the next page. I will explain the progress of our finance solutions and the direction we are heading.

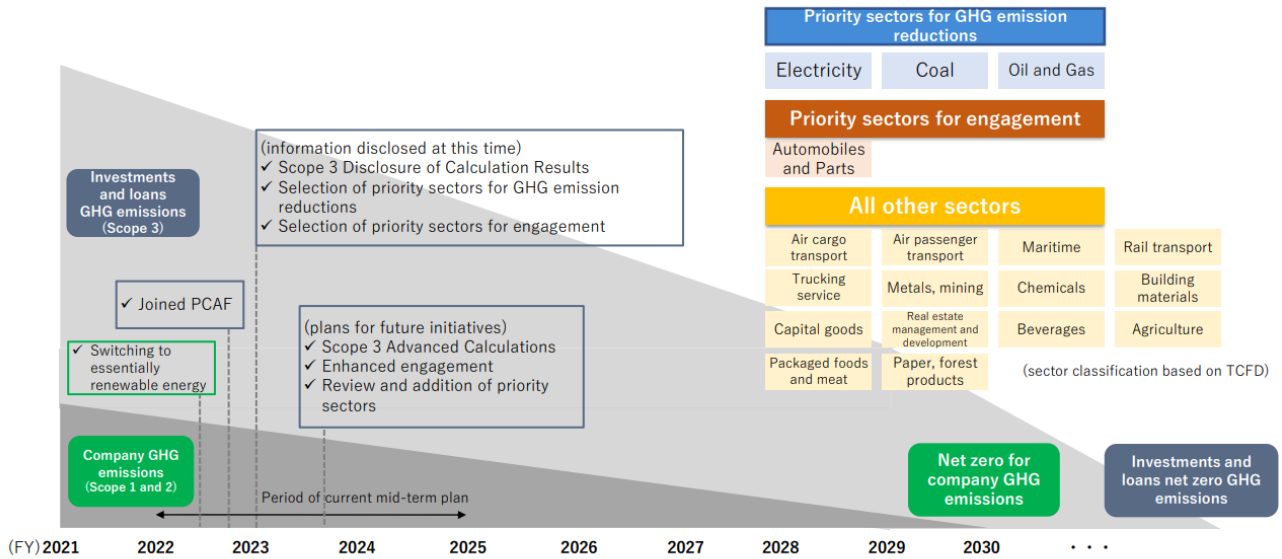
With respect to sustainable finance, we have achieved our goal of JPY2 trillion in Q3 of FY2022, thanks to the large number of customers who have used our services. Starting with the SDGs friends loans, which were developed to raise awareness of sustainability in 2019, we began offering sustainability linked loans, green Loans, and positive impact finance in FY2021. These are more advanced areas than the SDGs friends loans.

As a result of our efforts to strengthen financing that leads to customers' decarbonization, we have achieved a significant increase in the amount of loans executed in a single fiscal year, as you can see in the most recent results.

We believe that we must grow our finance solutions in the future. To serve as a driver for that purpose, we intend to strengthen energetically the finance that contributes to decarbonization.

For the details of each solution, please look at the reference materials.

**In order to achieve net zero, accelerate our own GHG emissions reduction initiatives and those of the companies we invest in and lend to.**



Please see the next page. I have explained our approach to sustainability and decarbonization, but the ultimate goal is to achieve net zero.

Not to mention strengthening the engagement, we should make the Scope 3 calculation more sophisticated. Including the review of the priority sectors, we believe it is important to clear each of the issues we have set forth in order to achieve net zero for our company and our customers.

We will continue to accelerate our efforts to reduce GHG emissions and make progress toward achieving net zero emissions.

That's all from me. Thank you.

## 【Corporate Governance】

### Profile of outside directors



**Mitsuru  
Akiyoshi**

Year appointed	Profile
2015	Executive Vice President and Representative Director , Marubeni Corporation CEO , Food & Consumer Products Group
2019	President and Representative Director , MG Leasing Corporation (now Mizuho Marubeni Leasing Corporation) <b>Director of the Company (to present)</b> Auditor,International Petroleum Exploration Coporation(now INPEX Corporation)(to present)
2022	Consultant to Mizuho Marubeni Leasing Corporation ( to present)



**Yoshinobu  
Yamada**

Year appointed	Profile
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	<b>Director of the Conpany (to present)</b>



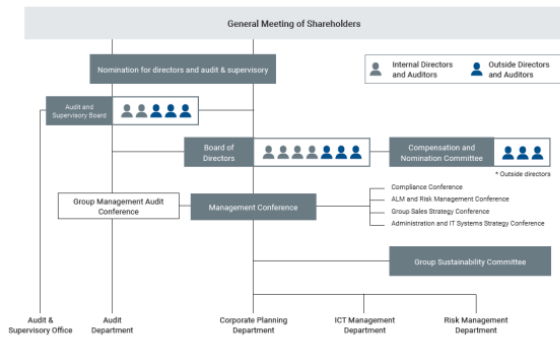
**Mami  
Yoda**

Year appointed	Profile
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 <b>Director of the company(to present)</b> Professor,Department of English Language,Culture,and communication, Faculty of Arts and Sciences,Sagami Women's University(to present)
2022	Professor,Graduate School of Social Entrepreneurship,Sagami Women's University(to present) <b>Director,the Bank of Yokohama,Ltd.(to present)</b>



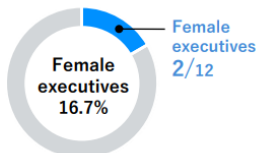
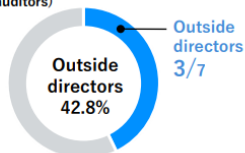
## ( Reference ) Corporate Governance

### Corporate Governance System



### A governance structure that ensures independence and diversity

- ✓ 3 independent outside directors appointed among 7 directors
- ✓ 2 female executives appointed among 12 executive (7 directors and 5 auditors)



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### Expertise and experience of directors, Audit & Supervisory Board members and executive officers

- ✓ The Company discloses a skills matrix 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

Name	Position	Expertise & experience					
		Corporate management & organizational operation	Regional sales	Legal affairs & risk management	Finance & accounting	International & market operations	ICT & digital (DX)
Tatsuya Kataoka	President and Representative Director	●	●		●	●	
Yoshiyuki Oishi	Representative Director	●	●	●	●		
Yoshiaki Suzuki	Director		●		●		●
Nobuo Onodera	Director		●		●		●
Mitsuru Akiyoshi	Director <small>(Outside)</small>	●		●	●	●	●
Yoshinobu Yamada	Director <small>(Outside)</small>			●	●	●	●
Mami Yoda	Director <small>(Outside)</small> <small>Female</small>	●		●	●	●	●
Kazuhiro Maehara	Full-time Audit & Supervisory Board Member		●	●	●		
Mitsuhiro Hara	Audit & Supervisory Board Member		●	●	●		
Keiichiro Hashimoto	Audit & Supervisory Board Member <small>(Outside)</small>	●		●	●	●	●
Selichi Fusamura	Audit & Supervisory Board Member <small>(Outside)</small>	●		●	●		
Mayumi Noguchi	Audit & Supervisory Board Member <small>(Outside)</small> <small>Female</small>			●	●		
Yutaro Koshiba	Executive Officer		●	●	●	●	
Keigo Makino	Executive Officer		●	●	●	●	
Tomoki Arai	Executive Officer		●	●	●	●	
Toshihiko Onuki	Executive Officer		●	●	●	●	
Kazuhiro Sukegawa	Executive Officer		●	●	●	●	
Toshiya Kubota	Executive Officer		●	●	●	●	

Expertise and experience that the Company needs

- ◆ "Regional sales," which is essential in light of the subsidiaries' business model as regional financial institutions
- ◆ "Corporate management & organizational operation," "legal affairs & risk management," and "Finance & accounting," all of which are expertise universally required for corporate management
- ◆ "International & market operations" and "ICT & digital (DX)," both of which are highly specialized expertise required to respond to changing management environment

Concordia Financial Group IR Day 25

**Akiyoshi:** Thank you for joining us today. I would like to briefly explain the current status and assessment of the Company's governance.

On page 25 of the materials, you will find our corporate governance structure. It is on the upper left.

As President Kataoka mentioned earlier, in order to ensure the independence of our Board of Directors, three of the seven Board members are independent outside directors and three of the five Audit & Supervisory Board members are outside members.

In addition, as noted on the right side, a skills matrix is disclosed starting this year. As you can see, the composition of the Board of Directors is a combination of the internal directors who are familiar with the Group's operations and the outside directors with diverse backgrounds.

We understand that the current Board of Directors well satisfies the level required by the Corporate Governance Code. However, as you are aware, we also understand that in order to respond to the current fast-paced changes in the environment and to achieve further growth, we will be required to ensure further diversity and to further develop our professional skills.

Currently, Concordia Financial Group's Board of Directors operates in unison with the Board of Directors of The Bank of Yokohama, or BOY. In addition, we, the FG Directors, participate in BOY's management meetings as observers, and we are actively making such efforts to prevent information gaps between the so-called executive side and the outside directors.

We understand that the information provided to us, the outside directors, for deliberation by all directors is prepared well. In addition to prior explanations by the departments in charge of the matters to be discussed, we also visit the sales branches of BOY and HNB from time to time to hear directly from the employees there about the situation on the sales floor.

In addition to collaboration among the Representative Directors, Audit & Supervisory Board members, the internal audit department, and accounting auditors, we also provide opportunities for direct meetings and exchanges of opinions between the outside directors and the top managers of each group company.

As a result, I believe that discussions at Board of Directors meetings are more active than in the past, and that discussions related to strategy have become more substantial.

However, since we believe that we must continue to further enhance the Board of Directors, we believe that it is desirable for the FG Board of Directors to focus their discussions on strategic and major themes, such as what we should do to enhance corporate value over the medium to long term, while the subsidiary banks focus their deliberations on so-called business execution-related topics.

Lastly, I would like to talk about the Compensation and Nomination Committee.

In order to ensure fairness and transparency in our management structure, we have established the Compensation and Nomination Committee consisting solely of the outside directors. The personnel matters of top management and other executives, as well as compensation for executives, are deliberated by the Compensation and Nomination Committee before entering into the decision-making process of the Board of Directors.

One of the important duties of the outside directors is to oversee operations in accordance with the succession plan. We, the outside directors, continue to conduct direct interviews with the candidates and the targets we have already interviewed about 40 people.

We have had lively discussions with the candidates and the targets at every meeting, and we appreciate the valuable opportunity to confirm and recognize their true feelings, personalities, and problem awareness through the interviews.

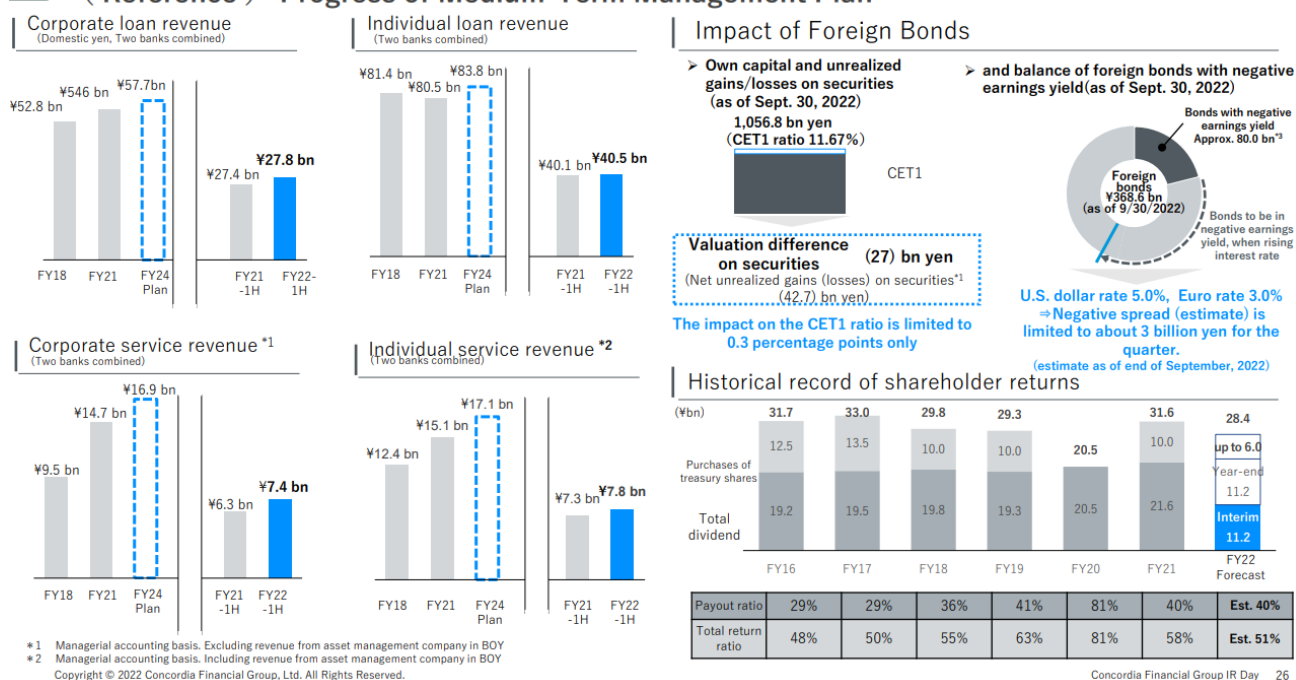
As you are aware, the compensation system for executives is designed to function as an appropriate incentive to improve corporate value over the medium to long term. In particular, we believe that the performance-linked portion of stock compensation is very unique in that it incorporates ESG external evaluation indicators and non-financial items, in addition to the performance targets of the mid-term business plan.

We are also in the process of comparing objective data with other financial institutions to verify that the incentives are appropriate for the market.

As such, we, as outside directors, are required to continue to improve the effectiveness of governance, and we intend to further enhance and improve the Board of Directors.

That is all from me.

## (Reference) Progress of Medium-Term Management Plan



**Yamada:** This is Yamada. Thank you. I would like to talk about three points regarding the progress of the mid-term business plan that we have started.

First of all, the main theme of the mid-term business plan is to become a solutions company, and I would like to talk about how we are actually doing. As you can see on page 26, revenue from corporate loans, revenue from personal loans, corporate client service revenue, and individual client service revenue are all rising steadily.

This is about why we are making such progress. As for corporate customers, the previous mid-term plan was the start of our transformation into a solutions company. In the previous mid-term plan, we hired professional human resources, mainly for direct sales at the headquarters, and spread various kinds of expertise mainly at the headquarters. Now the sales branches share the expertise.

As branch officials in charge of corporate sales learn such expertise, they can expand advanced solutions to their customers. Therefore, we believe our performance will still grow. I have heard that people often ask us if this will peak at some point, but I feel that it will still continue to grow. The link between the previous mid-term plan and the new mid-term plan is working well, and we are able to look at things from a very long-term perspective.

Loans have also been growing, and as you know, the average loan balance in Q3 grew about 7% YoY. The reason why is that we have been very successful in listening to the various needs related to solutions, and enhancing and providing the solutions. We can expect more on this, especially since we are now entering a world with interest rates. We see a very successful interaction between lending by solutions and client service transactions.

Next, please look at the right side of the page. This is not to say that there are not challenges. This is the loss on revaluation of marketable securities that you often mention to us. Here are the figures as of September 30, 2022, the end of H1 of the current year. The CET1 ratio is 11.67%, but as you all know, if there had been no loss on revaluation of securities, the ratio would have been about 12%, not 11.67%, which would have been 0.3 percentage point better. That means the impact of the evaluation loss was 0.3%.

Even if the write-down of securities increases in the future, the impact on equity capital will not be significant. The impact was almost the same for Q3. Then, even if, for example, losses from the revaluation of government bonds increase, the impact on capital adequacy should not be too great, but it should rather be minimal.

However, as shown on the right side, the most important part of the foreign debt portion is loss-making bonds. Some may consider the loss-making portion to be significant, but I think we can calculate that the actual impact is about JPY3 billion for a half-year period.

This is an annual theme for the Board of Directors to discuss how to invest in securities, and we are gradually reducing the valuation loss by recording a monthly loss on the sale of securities.

Another way to reduce, but not eliminate, the losses is foreign currency deposits. We are also discussing how to increase foreign currency deposits and how to provide incentives in this regard.

Next, in terms of shareholder returns, we recently announced a share buyback plan for JPY6 billion. This has two meanings. The first is that the amount itself was almost in line with market expectations, which may not have been particularly surprising, but we did what we had to do.

The second is to make sure that our guidance is achieved. Losses on the sale of foreign bonds are being made gradually and are being worked on to the extent that they do not affect the guidance. We believe we can tell you that the total return ratio will be about 50%.

In addition, we have changed the dividend policy to a progressive dividend method in the current mid-term business plan, and we are now moving in the direction of increasing dividends, which we believe will also be well received.

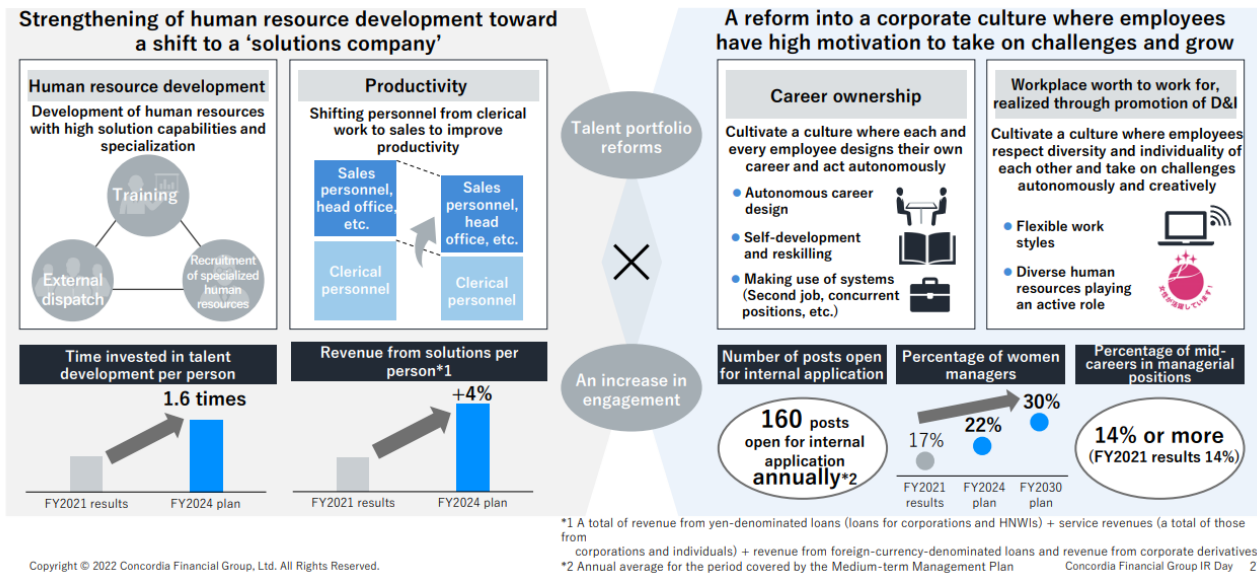
In order to meet the market's evaluation, it is necessary to steadily increase ROE. Then we believe it is necessary to steadily reduce the valuation losses on marketable securities.

Finally, there are IR enhancements. I believe the quality of IR is gradually improving, and we recently received an award for excellence at the Nikkei Integrated Report Awards. There are a number of companies that received the award for excellence, but among regional banks, we are the only one, and I think that many things are getting better.

However, I do not believe that this is sufficient, and we should make steady efforts to strengthen the IR functions, including through this kind of IR Day opportunities.

## ( Reference ) Talent Portfolio Reforms and an Increase in Engagement

Initiatives aimed at strengthening of human resource development and corporate culture reforms



**Yoda:** This is Yoda. Thank you. I used to be a buy-side equity analyst and then worked for a rating agency, so I have sat on the participant side, but this is my first time as a speaker. I am a bit nervous, but I would like to talk about some topics to you.

I will discuss human capital management initiatives, which are becoming increasingly important these days.

I would like to mention three main points. The first is how the outside directors were involved in the human resources issue in the formulation process of the current mid-term business plan as part of the plan's highlights, which is written in the materials. Second, how we perceive the content of the human resource development and culture reforms that we are aiming for in the mid-term plan. And finally, I would like to talk about how I am personally involved in diversity, equity, and inclusion efforts.

First, I would like to discuss the involvement of the outside directors in the process of formulating the mid-term business plan that began this fiscal year. We spent the previous fiscal year in developing the current mid-term business plan, and even before the plan was formulated, the outside directors repeatedly made proposals to the executive side.

That is, we want the process of developing the mid-term business plan, which comes only once every three years, to be a process of co-creation with employees as much as possible.

As for the background to this, as I mentioned earlier, we are shifting to a value-added, solutions-oriented strategy, and we believe it is extremely important to increase the number of highly engaged employees who are able to take the initiative. To this end, we felt it was important not to make the mid-term plan on a top-down basis, not completely coming down from above, but to make it incorporate a process in which employees could contribute to its formulation, even if only a little.

In response to our recommendations, the executive side actually conducted employee surveys and interviews with executives to listen to the voices on business sites. The results were shared with the Board of Directors and have been invaluable in helping us understand the possibilities and challenges the employees are seeing from their business sites.

The two-way communication between management and employees that began during the mid-term business plan formulation process has taken root under President Kataoka's leadership.

As you are probably aware, President Kataoka, together with President Oishi of Higashi-Nippon Bank, has been involved in the restructuring of HNB with an emphasis on dialogue. Since assuming the position of President of Concordia, he has been actively communicating both internally and externally about the importance of human resource development and employee engagement, and he has actually been involved in a variety of activities.

Starting this fiscal year, top management officials from both BOY and HNB have begun to visit sales branches and hold discussions with the employees there, especially younger employees. Such efforts are being strengthened.

For young employees, having a direct dialogue with the management team members, who had seemed to be existing far higher than they are, can be stimulating in itself, and through such communication, the management team listens carefully to the opinions of the employees. We aim to create such a climate where the thoughts on human resource development and other issues can directly and firmly be conveyed to management. We appreciate that employee engagement will increase through such efforts.

Next, regarding our recognition of the content of the mid-term business plan, as you can see in this document, BOY has set a KPI of increasing the time invested in human resource development by 1.6 times in the three years. We appreciate this as a sign of the organization's strong commitment to human development.

The time for solutions sales and reskilling is steadily increasing. I believe that the awareness of the importance of developing human resources and continuing to learn is steadily increasing, albeit gradually, throughout the entire organization, including the sales frontlines.

I believe that human resource development is an extremely important management issue for the realization of a solutions company in the future, and as an Outside Director, I will continue to monitor the implementation of each measure closely.

Finally, I will talk about my own personal involvement in diversity, equity, and inclusion. As shown in this document, BOY has set a KPI of increasing the ratio of female managers from 17% to 22% during this mid-term business plan period.

Since the number of female management role models is limited, I have participated in a selective training program called TSUBAKI, which aims to nurture female managers, and have given lectures. I also participate in roundtable discussions with Ms. Noguchi, a female Audit & Supervisory Board member.

I have had the opportunities to talk with some of the trainees, and I have the impression that they are all highly motivated and very promising in their future endeavors. If there is anything I can do to help, I will continue to actively participate.

I have briefly discussed human capital management. The mobility of human resources, especially among young people, is currently in progress, not limited to the banking industry. In order to execute the mid-term business plan and increase our corporate value over the medium to long term in such environment, we must respond to the growth aspirations of our employees, and at the same time, we must establish a system for employees' wellbeing, reform our culture, and create an organizational climate in which each employee can maximize his or her abilities and play an active role.

As an Outside Director, I will continue to discuss the issue thoroughly and at the same time monitor the measures to be taken.

That is all from me.