

CONCORDIA

Financial Group

Concordia Financial Group, Ltd.

IR Day

October 5, 2023

[Speakers]

Tatsuya Kataoka	President and Representative Director/Representative Director, President of The Bank of Yokohama, Ltd.
Nobuo Onodera	Director/Representative Director, Managing Executive Officer of The Bank of Yokohama, Ltd.
Toshiya Kubota	Executive Officer/Director, Managing Executive Officer of Higashi-Nippon Bank, Ltd.
Hiroaki Suzuki	Director and Executive Officer, The Bank of Yokohama, Ltd.

Kataoka: Good morning, ladies and gentlemen. Thank you very much for taking time out of your busy schedule today to participate in Concordia Financial Group's IR Day.

We are now at the halfway point of our medium-term management plan, which was launched in 2022.

Our medium-term management plan has three pillars.

Regarding the first pillar, growth, we have steadily increased the number of individual and corporate partners by deepening and upgrading our solutions business. As a result, we have developed the capability to draw out the potential needs of our customers. As Suzuki will explain later, we are now in a position to generate solution revenues.

Regarding the second pillar, change, as I have mentioned in the past at IR Day, we started the Group Human Resource Strategy in April this year. Our activities are based on the three pillars of human resource development, organizational development, and environmental development, and the results of these activities are gradually beginning to bear fruit. We have made some progress in improving each individual's solution skills and reskilling.

Regarding the third pillar, sustainability, to be more specific, in the areas of sustainable finance and environmental finance, we are making much faster progress than we initially set out to do. This is partly due to our own efforts, but I believe it is also due to the fact that the needs of our customers have increased significantly.

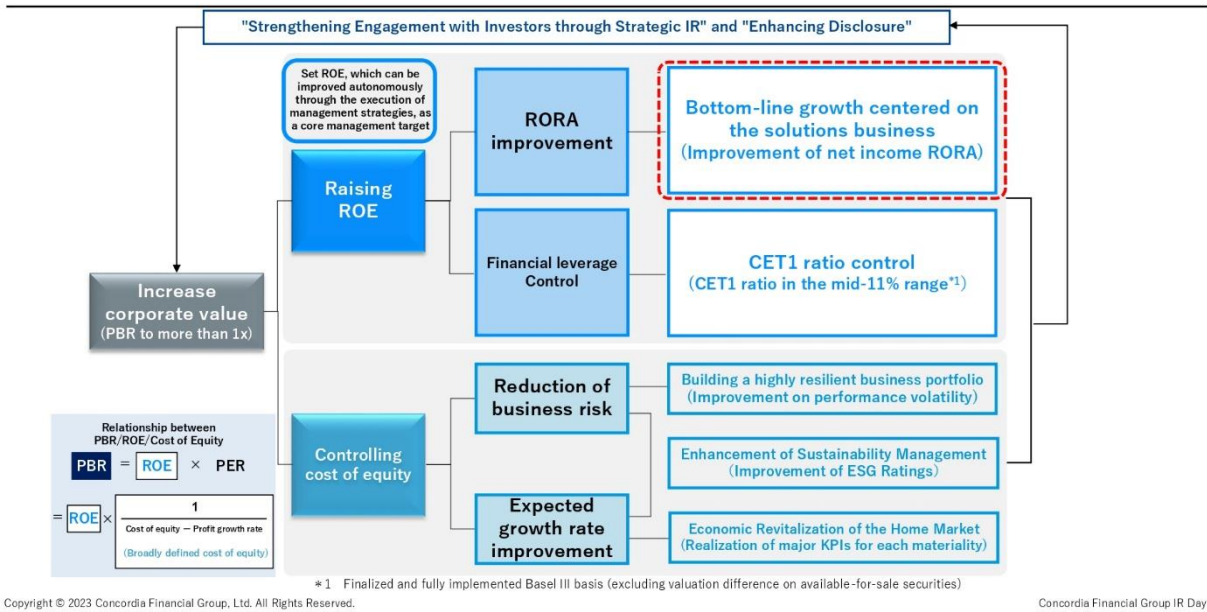
In addition, we are currently working to improve the disclosure and sophistication of information on sustainable management. There are several ESG indicators, and we have just been selected for inclusion in two new indices. Looking back over the past year and a half, I feel that we are progressing step by step.

At the last Information Meeting in May, we discussed the direction of our efforts to enhance corporate value. Each division is now working on the issues mentioned based on recognizing issues in the logic tree and the response policy.

In particular, as specific measures to improve ROE, we are working on strengthening asset allocation to improve risk-return and enhancing service revenues in order to increase profitability. We are doing this by strengthening our solutions business, and the director in charge of this area will talk about it in detail today.

Direction of initiatives to improve corporate value (PBR logic tree)

Improving RORA by strengthening solution business as a key driver for enhancing corporate value

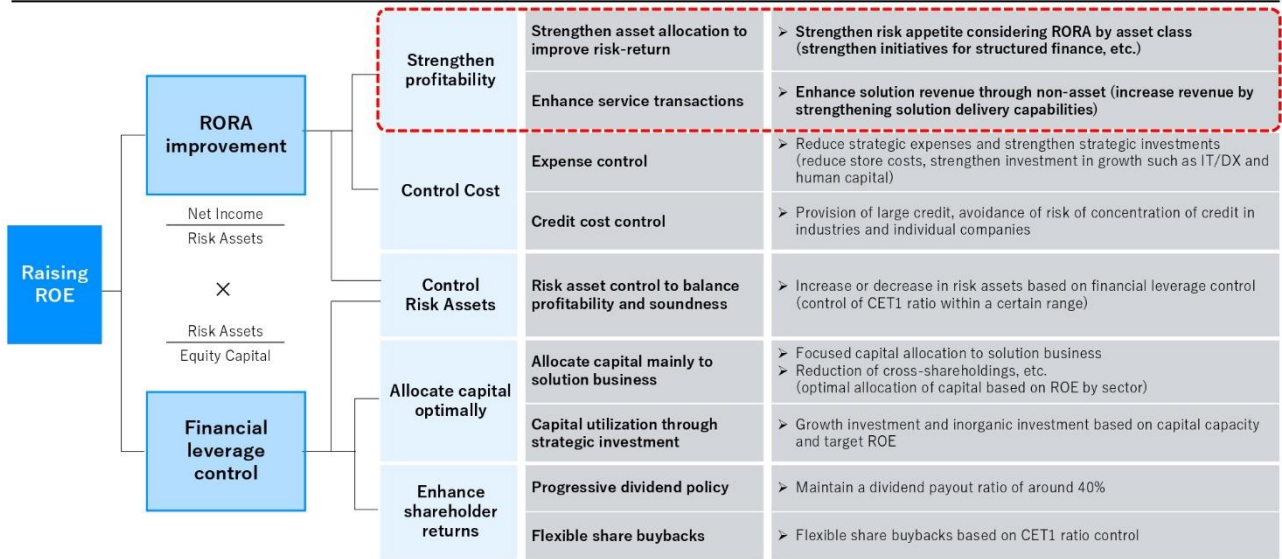


Suzuki: Thank you very much. First of all, please refer to page three on the bottom right.

This is the PBR logic tree I explained at the Large Meeting in May this year. Concordia Financial Group places particular emphasis on improving ROE in order to increase corporate value and PBR, and we are currently working to improve RORA with a focus on strengthening our solutions business.

Direction of initiatives to improve corporate value (ROE logic tree)

To improve RORA, focus on expanding high-performing assets and strengthening service transactions

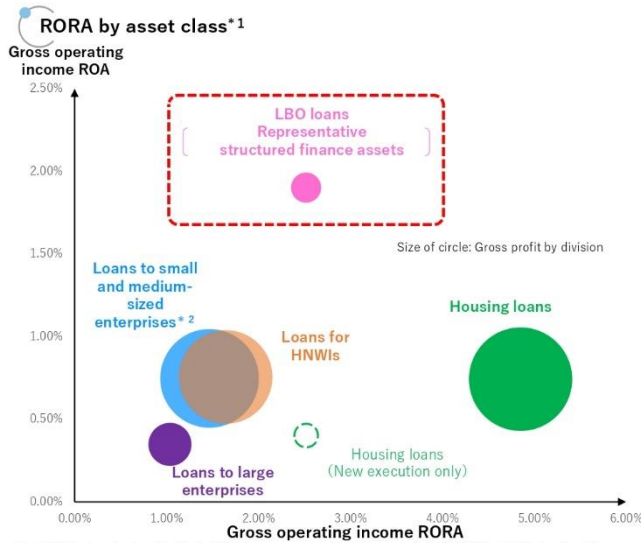


Please turn to page four. As mentioned earlier, one of our initiatives to improve RORA is strengthening our profitability.

As you can see at the top of the page, we are making particular efforts to enhance profitability by expanding assets with favorable risk-return profiles, such as structured finance, and by strengthening our ability to provide solutions to enhance service revenues.

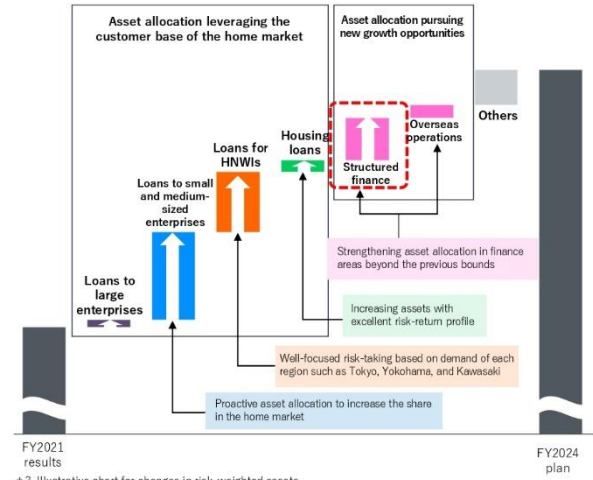
Direction of initiatives to improve corporate value (Strengthen asset allocation to improve risk-return)

High-value-added financing in corporate solution businesses serves as a driver for improving RORA



*1 RORA for loan fund profits (Bank of Yokohama, non-consolidated basis, end of FY 2022 Basel III finalized basis)
 *2 Excluding structured finance and overseas investment projects
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Illustrative chart for changes in risk-weighted assets*3



*3 Illustrative chart for changes in risk-weighted assets

Now, please turn to page five.

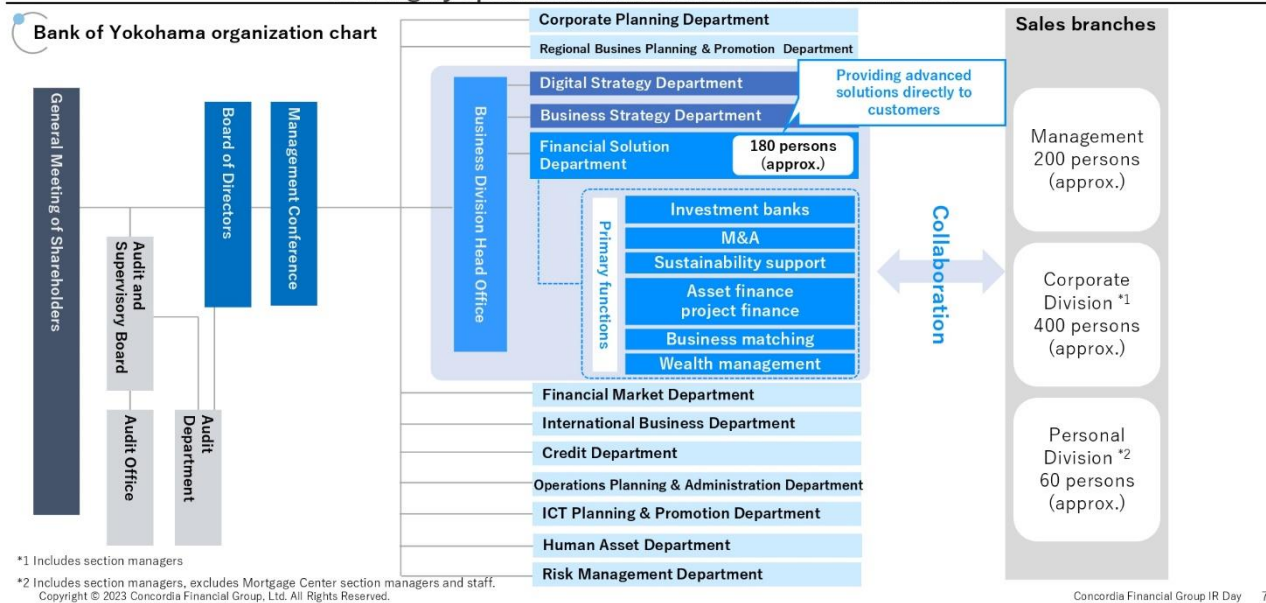
The graph on the left shows RORA by asset class. As indicated, the profitability of structured finance, of which LBO loans are a representative asset, is very high compared to other assets.

This graph shows only loan income, so the profitability is even higher if actual service income is added.

The next graph on the right side is an image of the future increase and decrease in risk-weighted assets. In addition to loans to small- and medium sized enterprises and to wealthy individuals, we plan to continue to increase structured finance, which is a high-value-added asset, and today I would like to focus on our efforts in this area.

Solutions Provision System

Build a system for provision of solutions that integrates headquarters with highly specialized functions with sales branches



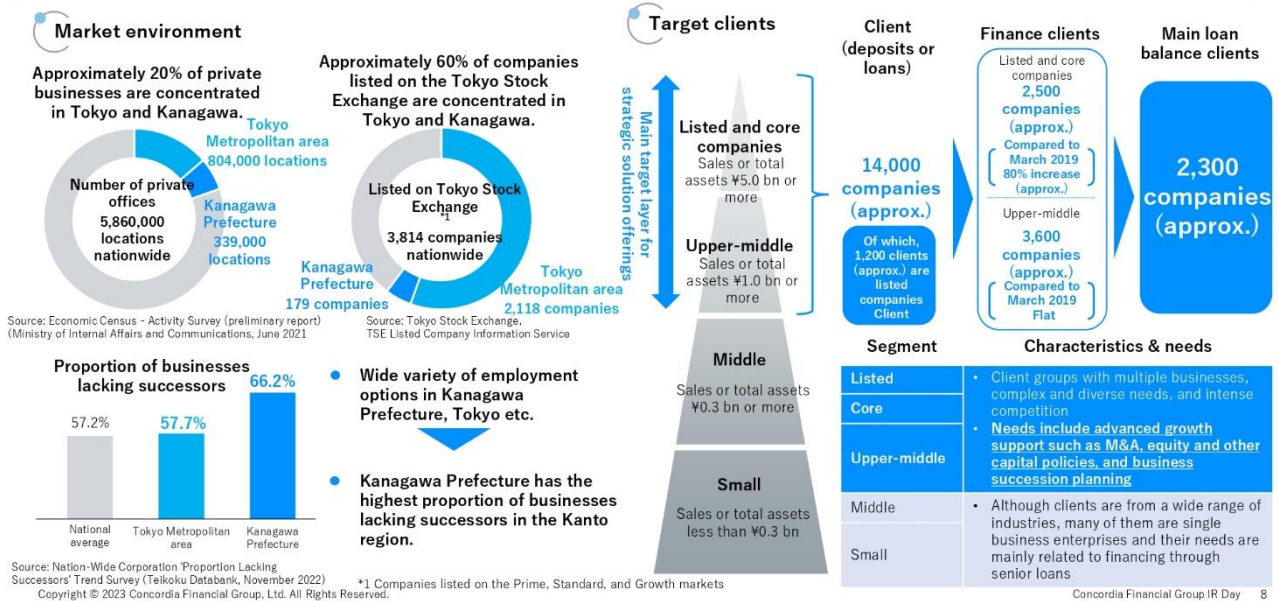
Please take a look at page seven. First of all, I would like to explain the Bank of Yokohama's solution provision structure.

In April 2019, the Bank of Yokohama established the financial solution department in order to meet the increasingly diverse and sophisticated needs of our business partners. The financial solution department, which is the direct sales arm of the head office, is staffed with approximately 180 personnel with advanced knowledge of providing solutions, such as investment banking services.

On the other hand, on the right side, 600 employees are engaged in sales activities in the corporate division, including branch manager-level supervisors and section managers at sales branches. Based on the strong relationships with clients at the branches, we provide a variety of solutions in cooperation with the head office.

Market Environment and Target Customers

Providing strategic solutions with a focus on top customer segments in the home market



Now, please turn to page eight. As a review of our business areas, Kanagawa and Tokyo are extremely promising markets with a large concentration of business offices and listed companies.

As shown on the lower left of this page, Kanagawa Prefecture has the highest rate of successor absence in the Tokyo metropolitan area. Therefore, we recognize that the demand for business succession and M&A is relatively high compared to other regional areas.

In this market, we mainly target listed, core, and upper-middle companies that have strong demand for more advanced solutions. In this segment, there are approximately 1,200 listed companies. The right-hand side of the chart shows that our main customers in this segment are about 2,300 companies, including approximately 1,200 listed companies and 14,000 companies with outstanding loans.

We believe that this customer base and our strong relationships with our customers are our strengths, and we use this base to secure opportunities to provide strategic solutions.

Provision of Strategic Solutions

Providing solutions deeply involved in management strategies for the top level of corporate management

Strengthening the provision of strategic solutions

Strengthen provision of strategic solutions that are deeply involved in customers' management strategies etc. and become the first partner for customers



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Summary of strategic solutions

Management strategy	Needs	Solution examples
Business strategy	Growth and business expansion	LBO loans M&A advising (buying) Consulting (Hamagin Research Institute) DX support
Revitalization and succession strategies	Business recovery support asset succession	M&A advising (selling) Business succession consulting
Capital strategy	Capital policy, including fund procurement and financial improvement for business expansion	Capital loans Preference stock Equity finance (fund utilization)
Financial strategy		Syndicated loan arrangement Covenant financing
Sustainability strategy	Sustainability initiatives	Externally assessed sustainable finance Sustainable business matching

Increased opportunities to provide structured finance such as LBO loans

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Please turn to page nine. This page shows the types of strategic solutions that we are currently working on.

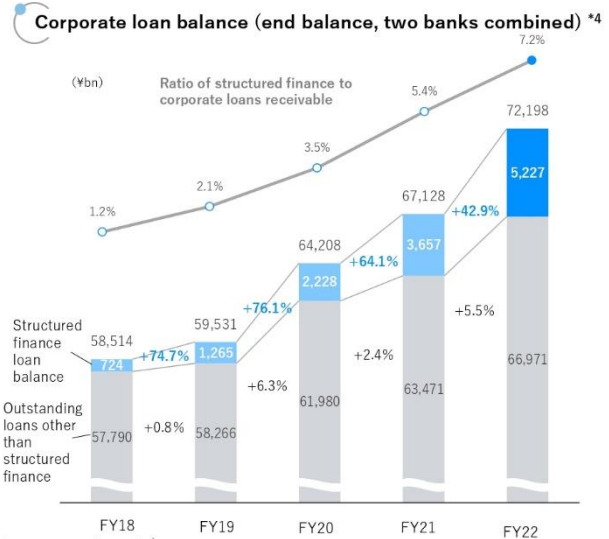
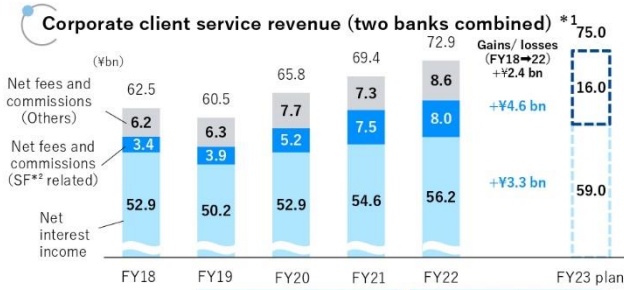
As shown on the left side, we have positioned solutions that are deeply involved in management strategies, such as business, capital, and financial strategies that contribute to the enhancement of our client's corporate value as strategic solutions, and we have been strengthening our efforts in this area since the previous medium-term management plan.

As a result of our efforts to strengthen the provision of such strategic solutions, the number of opportunities to provide solutions, including structured finance such as LBO loans and M&A advisory services, has increased considerably.

We have also been able to increase the balance of loans, mainly senior loans, to slightly smaller customers by identifying various business issues through business assessments. We believe there is still ample room for further growth in this area.

Corporate Division Revenues etc.

Strengthen high-RORA structured finance contributing to improved profitability



*1 Managerial accounting basis. Excluding loans for asset management companies
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*2 Structured finance (LBO loans, Real estate non-recourse loans, etc.)
*3 RORA for loan fund profits (Bank of Yokohama, non-consolidated basis, end of FY2022, Basel III finalized basis).

*4 Excluding loans for asset management companies
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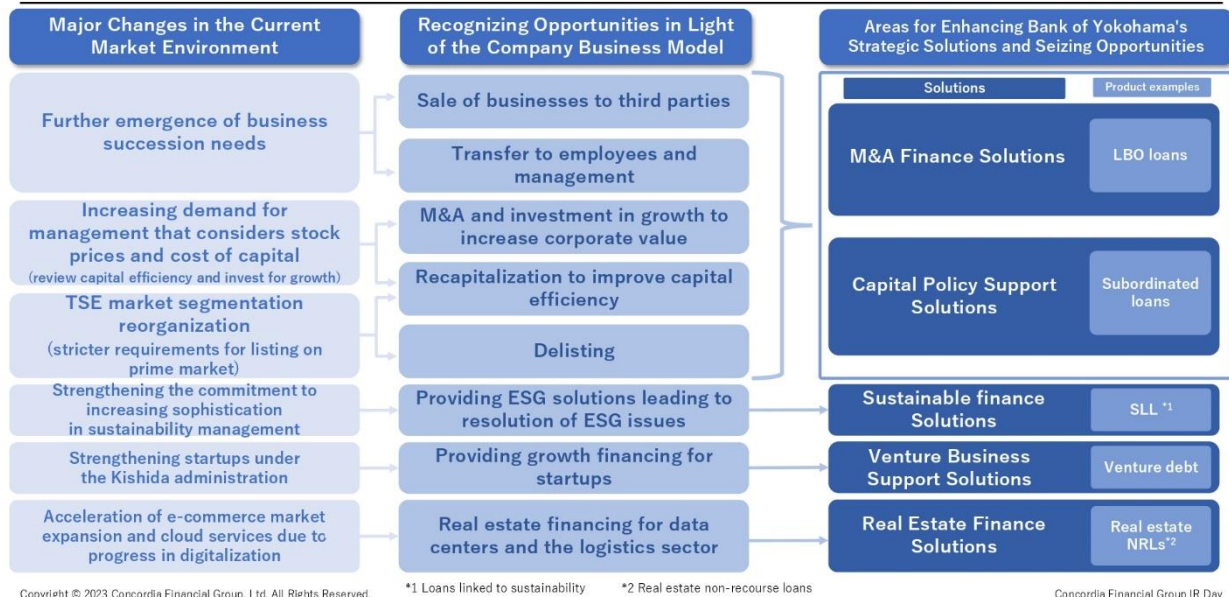
Please turn to page 10. As a result of our efforts to strengthen the provision of strategic solutions, the balance of structured finance is steadily increasing along with corporate lending, and corporate division revenues are also steadily increasing.

One of the reasons for this growth is the growth of our staff. We also believe that one of the reasons for this growth is that our efforts have become more widespread among our clients.

RORA for structured finance is significantly higher than RORA for the corporate division as a whole. The current situation is that structured finance is making a considerable contribution to the improvement of earnings and profitability of the corporate division.

Direction of Strategic Solutions Enhancement

Strengthening strategic solutions areas by seizing opportunities arising from changes in the environment



Now, please turn to page 11. This page shows the direction in which we intend to enhance our strategic solutions in the future.

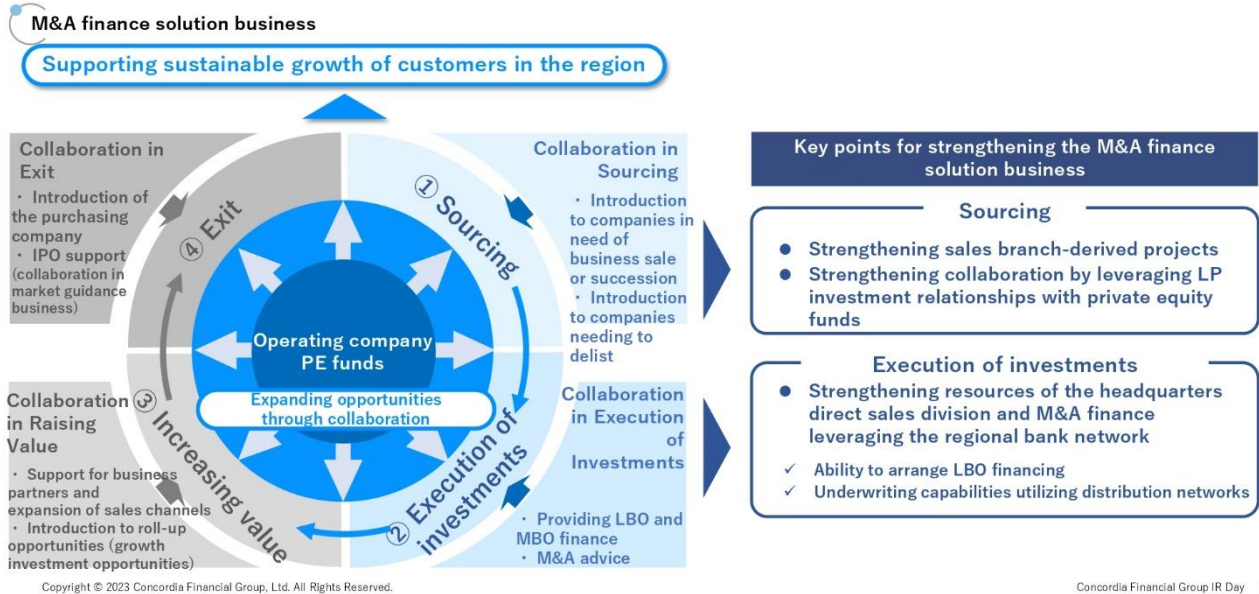
As shown on the left side of the page, there has been a significant increase in the need for business succession, mainly among small- and medium-sized enterprises due to the absence of successors. In addition, the TSE has requested management to be aware of stock prices and cost of capital, as well as the reorganization of market segments and the response to the Carbon Zero initiative. These changes in the business environment are driving the diversification and sophistication of our clients' needs.

In response to the growing demands and changes in the business environment, we are particularly focusing on the five areas shown on the right side of this page: M&A finance, capital policy support, sustainable finance, venture finance, and real estate finance.

In the following pages, I will explain our efforts in each of these areas.

M&A Finance Solutions

Work with business firms and PE funds to support sustainable growth of local customers



Please turn to page 12. This is finance-related to M&A. From the perspective of supporting the sustainable growth of our regional customers, we have been enhancing our M&A finance solutions business over the past few years.

As you can see on the left, various business opportunities exist in each phase, from sourcing to exit. The most important driver of our performance is LBO financing during the investment execution phase, which is a business that private equity funds, M&A funds, and other investors are conducting.

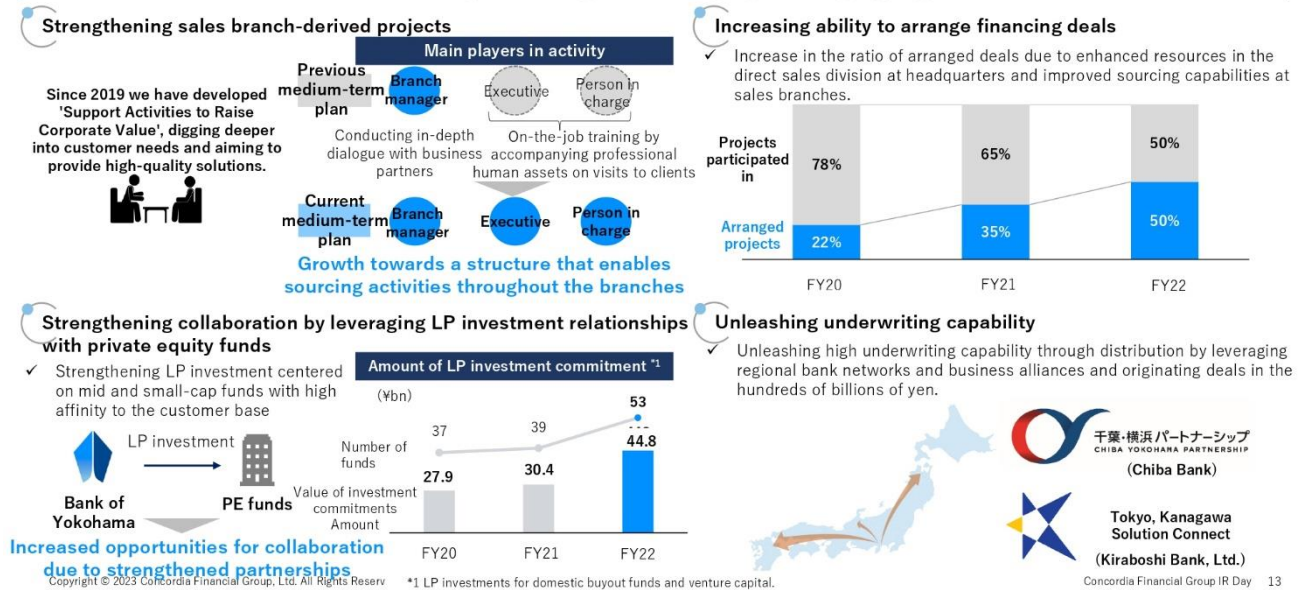
We work with private equity funds and M&A firms, of course. Still, recently, we have seen a considerable increase in the number of projects that originate with our clients, such as business succession, and we are actually putting considerable effort into this area.

As shown on the right, one of the key points for further enhancement of this business is to strengthen our network to enhance our sourcing capabilities and also to strengthen the personnel at our sales branches. The other is to strengthen our ability to arrange financing and, since the amount of financing can be quite large, to strengthen our ability to distribute it afterward.

M&A Finance Solutions (points to strengthen in sourcing and investment execution phases)

Strengthen sourcing channels from sales branches and funds.

Demonstrate enhanced ability to arrange financing by leveraging regional bank networks.



Please turn to page 13. This page shows our efforts so far to strengthen M&A financing.

We believe that to deeply understand and address our client's business challenges, it is necessary to have human resources with appropriate experience and knowledge to deal with such issues.

As a result of these activities over the past three years, the branch manager was the main person in charge at the beginning. However, through accompanying visits by the branch manager and the head office's specialist personnel, the level of the managers and staff in charge has improved considerably. The entire branch is now capable of catching strategic solution needs.

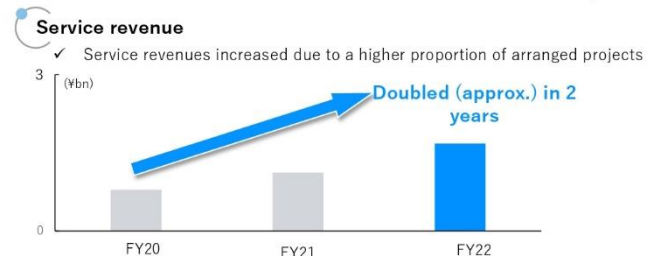
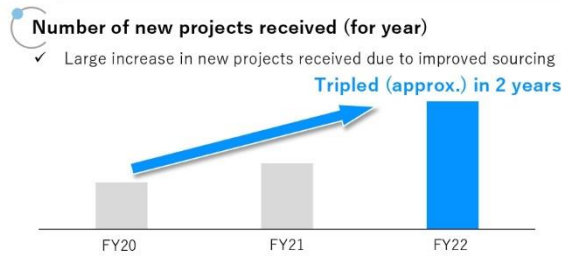
For this reason, in the current medium-term management plan, we have changed the name of our activities to "Corporate Value Enhancement Support Activities" and have expanded the scope of our activities to include not only branch managers but also section managers and those in charge, as well as those at the end of the line.

As shown on the lower left, we are also working to strengthen our relationship with private equity funds, with which there is a high potential for collaboration through investment. We have also dispatched personnel to some of these funds to accumulate knowledge and strengthen the sourcing of projects.

As shown in the upper right-hand corner, the percentage of LBO loan transactions arranged has increased up to 50% as a result of these efforts to strengthen sourcing and the effect of increasing the number of staff in the financial solution department of the head office.

Then there is the bottom right. Since the amount of money involved in M&A finance can be quite large per deal, we believe that risk diversification is extremely important. We are now in the process of developing a system that facilitates distribution by utilizing the network of regional banks, and we are currently able to arrange deals worth several tens of billions of yen per deal.

M&A Finance Solutions (state of LBO loans initiative (Bank of Yokohama))
Both balance and profitability have risen due to the increase in the number of new deals received and the proportion of deals arranged.



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Now, please turn to page 14.

As you can see on the upper left, the number of new projects we have received has tripled in the past two years, thanks in part to the efforts mentioned earlier. As a result, we have been able to close more deals, and the loan balance has been steadily increasing.

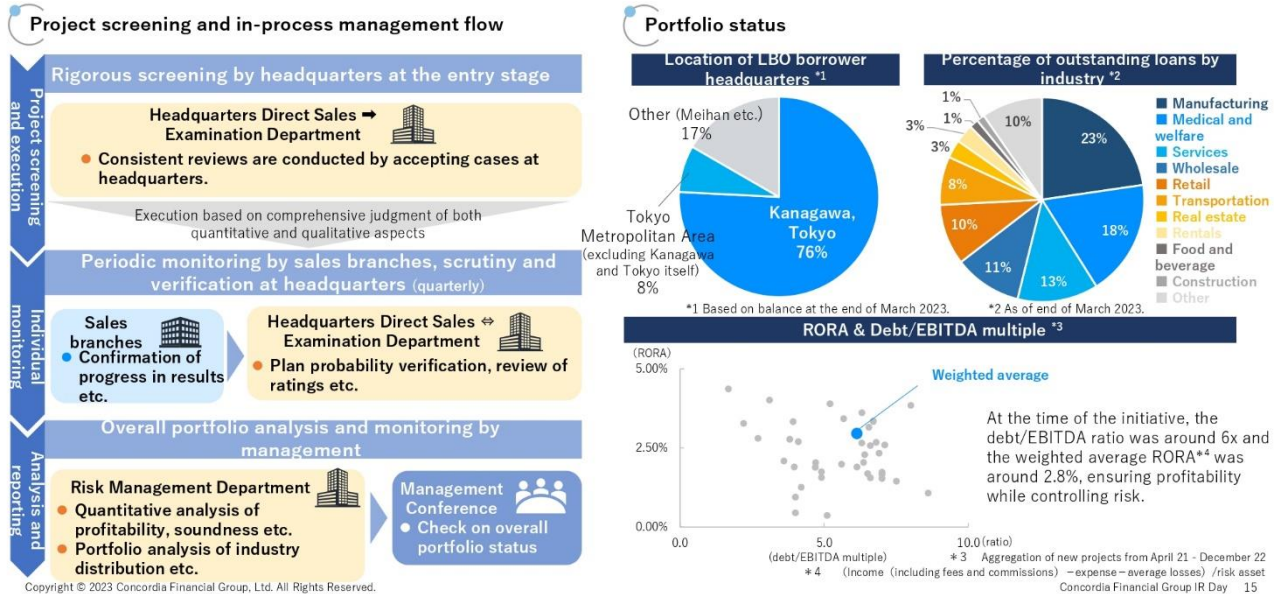
Today, *the Nikkei* newspaper happened to report that the balance of loans outstanding will reach JPY190 billion by March 2025, which is well within our target range.

The right side of the slide shows profitability. As mentioned on the previous page, the ratio of arranged projects has increased, and the number of projects in which we can control profitability is increasing. Service revenues are also expanding, and RORA is also on an upward trend.

I feel that these results are a testament to the value of the daily relationships that our sales branches have with customers, not to mention the strengthening of the head office functions. We would like to grow further by expanding this business to more customers by promoting initiatives in which the head office and sales branches work in unison, sharing knowledge and success stories, and further promoting human resource development.

M&A Finance Solutions (LBO loans review and risk management)

Appropriately controlling risk through rigorous screening, in-process management, and portfolio analysis



Now, please turn to page 15. On the other hand, it is also true that this LBO loan is more risky than senior loans. For this reason, our sales department is not only promoting sales but also placing considerable emphasis on entrance screening and credit management after the loan has been executed.

The figure on the left illustrates the flow of credit management for project screening and credit management in the process. Specifically, we have established a system in which sales branches, headquarters, and management work in unison to screen and manage credit. The financial solution department at the head office accepts all incoming credit applications so that the screening process does not become blurred. The credit department then conducts the screening, and the loan is booked to the sales branches at the execution stage.

The screening process is based on both quantitative and qualitative criteria, such as cash flow and sponsorship. We have been reviewing our screening criteria occasionally to make them stricter in light of industry trends and the economic environment.

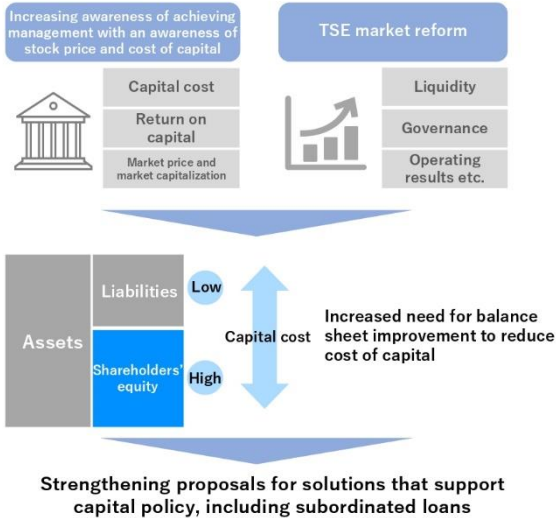
For LBO loans, exit is extremely important, and we place the same level of importance on credit management in the process as we do on the entrance process. Specifically, quarterly, the performance of individual companies is first monitored at sales branches and then verified by the headquarters. The overall portfolio is then summarized and monitored regularly by the Management Conference.

As shown on the right, we focus on customers in the Kanagawa and Tokyo areas, which are home markets where we can see their faces, and we also diversify the types of business. We operate under a system that ensures profitability while maintaining firm discipline in our projects.

Capital Policy Support Solutions

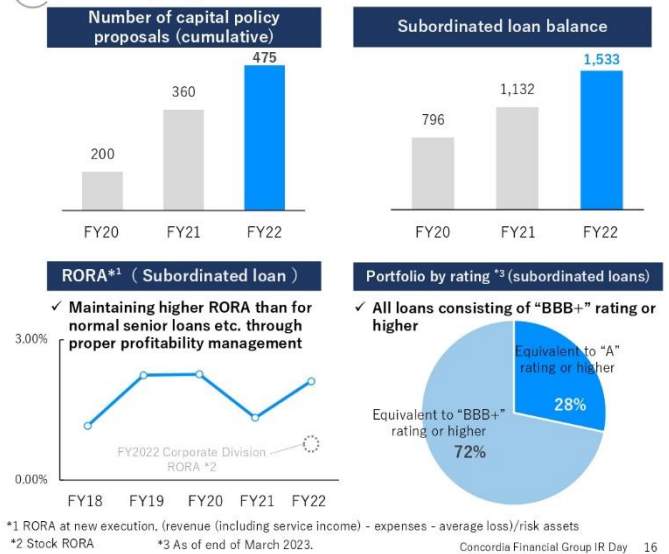
Strengthening capital policy support solutions for listed companies in order to improve capital efficiency and increase corporate value

Changes in External Environment and Customer Needs



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Capital Policy Support Solutions Results



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Please turn to page 16. The second is a capital policy support solution. One of our unique features is that our business area is located in the Tokyo metropolitan area, and we have transactions with more than 1,000 listed companies. Compared to other regional banks, we believe that one of our strengths is that we have a large client base of listed companies and, as a core bank, we have a relationship that allows us to talk with the management level.

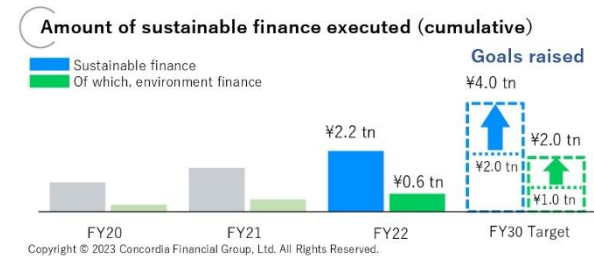
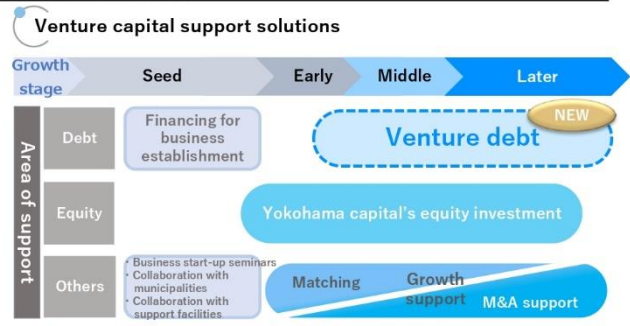
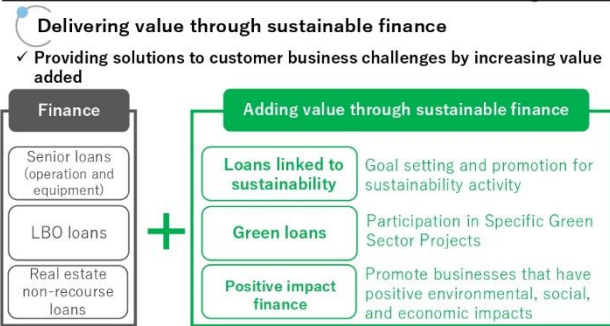
As you are all aware, there has been a growing trend among listed companies over the past few years to review the balance of capital and liabilities, particularly to improve capital efficiency, in response to the TSE's request for management to be more conscious of share prices and the cost of capital.

In this area, we are strengthening our proposals for solutions, including subordinated loans, and the balance of our subordinated loan portfolio is growing steadily. It's currently over JPY150 billion.

RORAs are also maintaining a high level, which is one of the leading sectors that pulls in the revenues of the sales division.

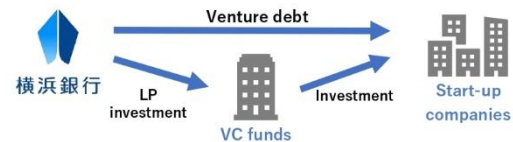
Sustainable Finance Solutions and Venture Business Support Solutions

Providing high-value-added solutions combining incorporating sustainable finance.
 Launching venture debt initiatives.



Venture debt initiatives

- Primarily sourcing for middle and later destinations, focused on investment targets of Bank of Yokohama LP investment target fund



Please turn to page 17.

I would like to explain about the rapidly growing sustainability-related business in recent years.

Customers are becoming more sophisticated in their sustainability management, and the need for sustainable finance is also increasing. Recently, we have been seeing cases where not only value-added sustainable finance is added to senior loans, but structured finance such as LBO loans are also combined with such sustainable finance.

As for the amount of sustainable finance, we have seen a steady increase and doubled our target from JPY2 trillion to JPY4 trillion.

On the right side, the Japanese government has recently identified the fostering of start-up companies as an important measure for the realization of new capitalism, and we are also working to strengthen our support for venture businesses from the perspective of identifying future core business partners.

We have been supporting start-ups through investments from Yokohama Capital, a subsidiary specializing in investment, and from this fiscal year, we are also working on venture debt.

Currently, we are sourcing investments mainly from funds in which LPs have invested. Although we have not yet achieved any results, we have received inquiries from several dozen companies in the past half year. We are now working toward structuring deals in H2.

Real Estate Finance Solutions

Increasing loan balance by strengthening financing that grasps real estate demand in the Tokyo metropolitan area, particularly for logistics facilities.

Real estate non-recourse loan performance

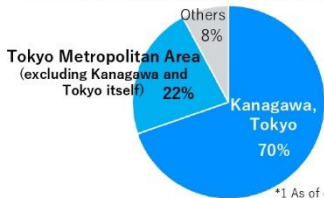
Number of projects executed and percentage of projects arranged

- ✓ Doubling (approx.) the number of deals executed while maintaining a high proportion of arranged deals



Location of subject property *1

- ✓ Capturing real estate demand in the Tokyo metropolitan area, primarily in the home market



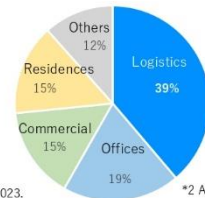
*1 As of end of March 2023.

Balance of real estate non-recourse loans

- ✓ Increase in balance, mainly for logistics facilities



- ✓ Distributed as 40% (approx.) logistics and the remainder as 20% or less.



*2 As of end of March 2023.

External environment and opportunities to provide solutions

Changes to date

- ✓ E-commerce market expansion due to progress in digitalization



- ✓ Increased demand for logistics facilities, especially in the Tokyo metropolitan area



Future outlook

- ✓ Changes in demand in response to logistics industry 2024 issues



New relay base facilities

- ✓ Increased demand for data centers due to the spread and expansion of cloud services



Shift to advanced facilities



Strengthening provision of financing solutions for logistics facilities and data centers, where demand is expected to increase

Please turn to page 18. This is an explanation of real estate finance.

We have been accumulating assets in response to the demand for the construction of logistics facilities, especially against the backdrop of the expansion of the e-commerce market. In this area, we are focusing on projects that can be arranged in our home market while diversifying our asset classes.

We plan to continue our efforts in this field while firmly capturing the demand that accompanies changes in the environment, such as changes in demand in the logistics industry and the expansion of demand for data centers in line with the spread of cloud services.

Reference - Case Studies

Summary

- Sales branch representatives interview main clients about growth issues and collaborate with headquarters.
- M&A proposals are made to funds that have the resources and expertise to realize the company's growth strategy.
- Collaboration on adding the value of sustainability finance to LBO loans.

Sourcing of this project

Industry - Manufacture and sale of chocolate confectionery
Features - With over 20 years of business experience, manufacture and sale of chocolate products using fair trade*1 raw materials. The company sells its products on its e-commerce website and in brick-and-mortar stores. Main business partners.

- ① **Sales branches**
 - Building a **strong relationship as a major bank**
 - Even during the pandemic, we were a growing company with strong sales through the e-commerce site, with increased sales and profits. During repeated visits by **branch staff, we heard from the president about the challenges we face for further company development.**
- ② **Collaboration**
 - **Bank visits in collaboration with the sales branch**
 - **M&A transfer in the growth strategy was proposed on a small scale and opinions exchanged.**
- ③ **Headquarters**
 - Matching by bidding from funds was proposed from the perspective of maximizing stock price, and the significance of this proposal was shared and given form.

Schematic Diagram of the Project



*1 Initiatives to support economic independence of producers through ongoing trade at fair prices in products made in developing countries.
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Please turn to page 19. I would like to introduce an actual example of our strategic solution offerings.

This is a case in which we supported the growth strategy of a chocolate confectionery manufacturer and distributor, for which we are the main bank, to move to a new growth stage. Basically, small- and medium-sized companies.

The first is that the relationship with the customer is the basis of the proposal opportunity. Second, the sensitivity of the sales branch staff worked well with the cooperation of the head office. Third, we believe that we were able to provide customers with added value beyond just loans.

We had a very strong relationship with this customer, who was one of our main customers, and the starting point was when the president of the branch asked us to help him further grow his company.

We then acted as M&A advisory, introducing a private equity fund as a business partner for the growth strategy. We also provided an LBO loan to the SPC to be the business transfer recipient.

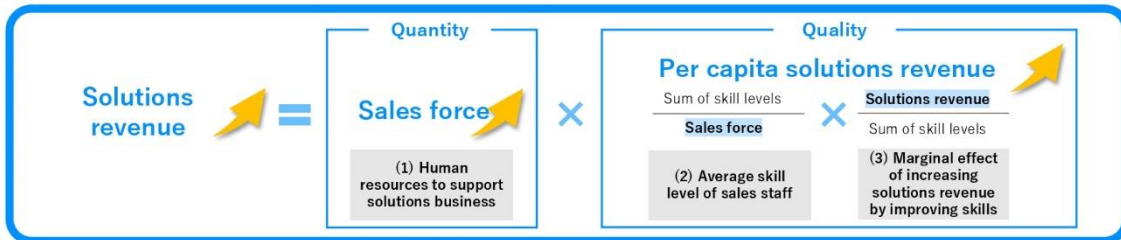
This customer has a goal of spreading fair trade chocolate around the world, so by setting a target value for activities to solve environmental problems, or the so-called sustainability performance target, in the LBO loan, we were able to create an incentive for this activity. In addition, we had the opportunity to propose our wellness management services to the president of our company, who received the proceeds of this transfer.

I have explained this case as a representative example of our efforts to solve a customer's management issues.

Developing Human Resources to Strengthen Profitability of Solutions

Increasing the number of direct sales personnel at headquarters, improving skill levels, and optimizing allocation of human assets according to the characteristics of the sales area.

Solutions revenue enhancement approach



Key points in human resource development for strengthening solution profitability

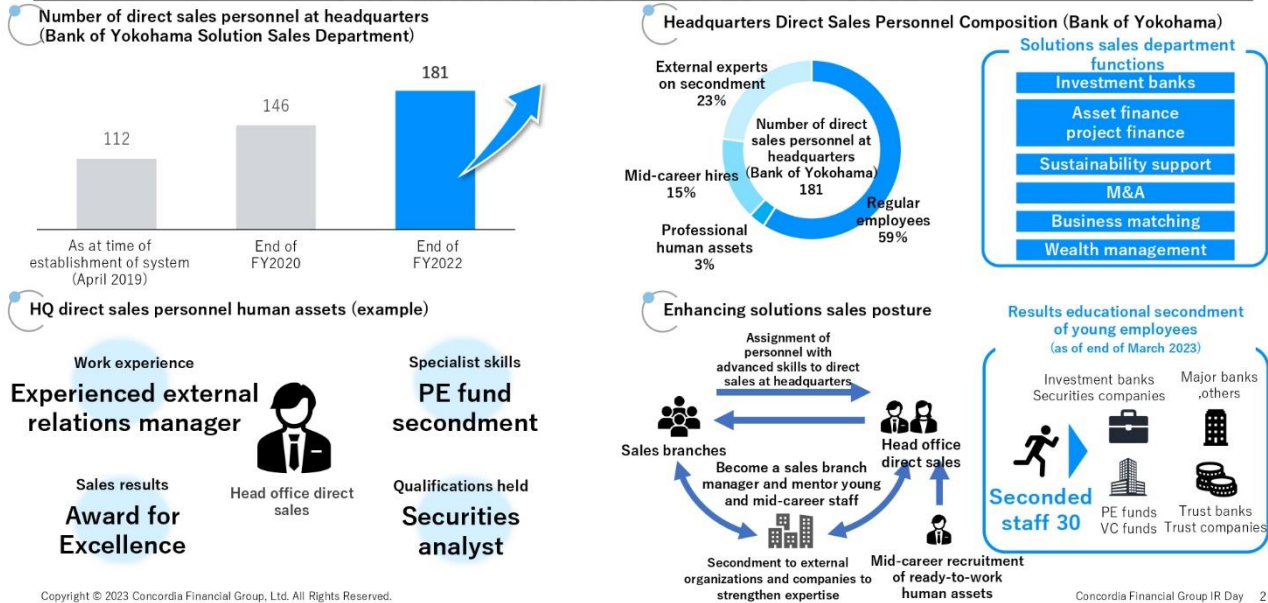


Please turn to page 20. I would now like to explain our efforts to develop human resources in order to sustainably improve our profitability through the provision of solutions.

We recognize that in order to increase solution revenues, it is important to develop human resources by increasing the number and improving the quality of our salespeople. In particular, we are currently working on three initiatives: increasing the number of direct sales personnel at headquarters, improving the skill level of all sales personnel, and optimally allocating human resources according to the characteristics of each sales area.

Developing Human Resources to Strengthen Profitability of Solutions - Strengthening Head Office Direct Sales Division

Increasing direct sales staff at headquarters by improving expertise through cross-disciplinary learning and hiring highly specialized mid-career human assets.



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Please turn to page 21. Since its establishment in April 2019, the financial solution department, which is responsible for direct sales at the headquarters, has continuously increased its staff and has been staffed from the beginning with particularly talented people, both in terms of performance and ability, selected from within the Bank.

As shown in the upper right-hand corner, approximately 60% of the staff in the financial solution department are professionals. In comparison, 40% are mid-career hires, including professionals from foreign investment banks and seconded from accounting firms and other organizations. We are promoting our sales activities while utilizing such advanced knowledge.

As shown in the lower right-hand corner, as a way to strengthen our human resources, we have seconded employees to outside financial institutions and private equity funds to further enhance their expertise and to recruit career professionals who are capable of making an immediate impact.

Currently, we are dispatching more than a dozen young employees to the financial institutions and private equity funds I mentioned earlier for training.

Using the skill certification system to effectively develop human assets and raise quantity and quality of solutions sales personnel

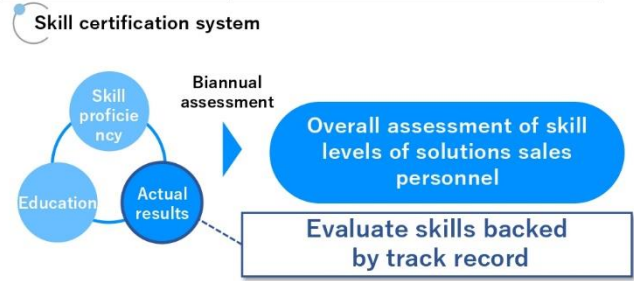
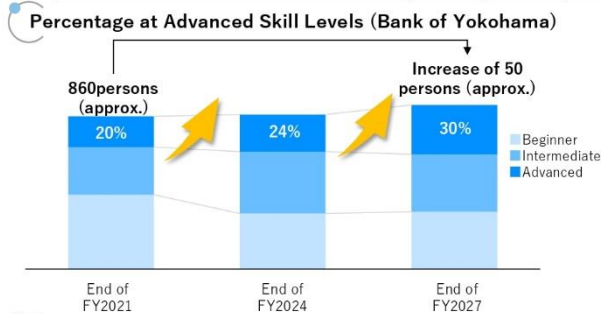
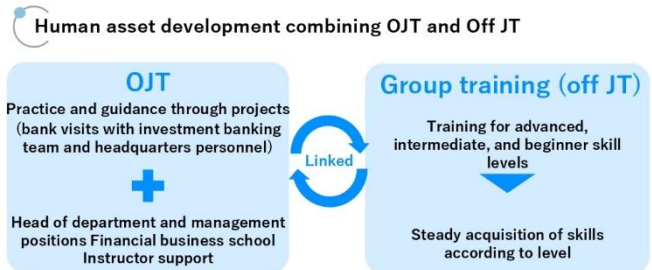


Illustration of human resources with high solutions sales capabilities (example)

- Annual solutions revenue: **300 million yen (approx.)**
- Business experience: **at 3 sales branches**
- Person with advanced skills
- Number of strategic solutions provided: **5**
- Qualifications: **Small and medium enterprise management consultant**



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Please turn to page 22. I would like to explain about improving the skill level of sales personnel.

We are planning to increase the number of sales personnel by about 50, and at the same time, we are working on improving their quality and plan to raise the percentage of advanced skill level personnel to about 30%.

We believe that the key to improving skill levels is to firmly define the necessary skills through a skill certification system, visualize their proficiency status, and provide education and training opportunities according to that proficiency status.

We evaluate the skill level of our staff members semiannually based on their skill proficiency level and performance. The point of our skills certification system is that we also evaluate performance. It means that we do not make senior personnel merely headstrong.

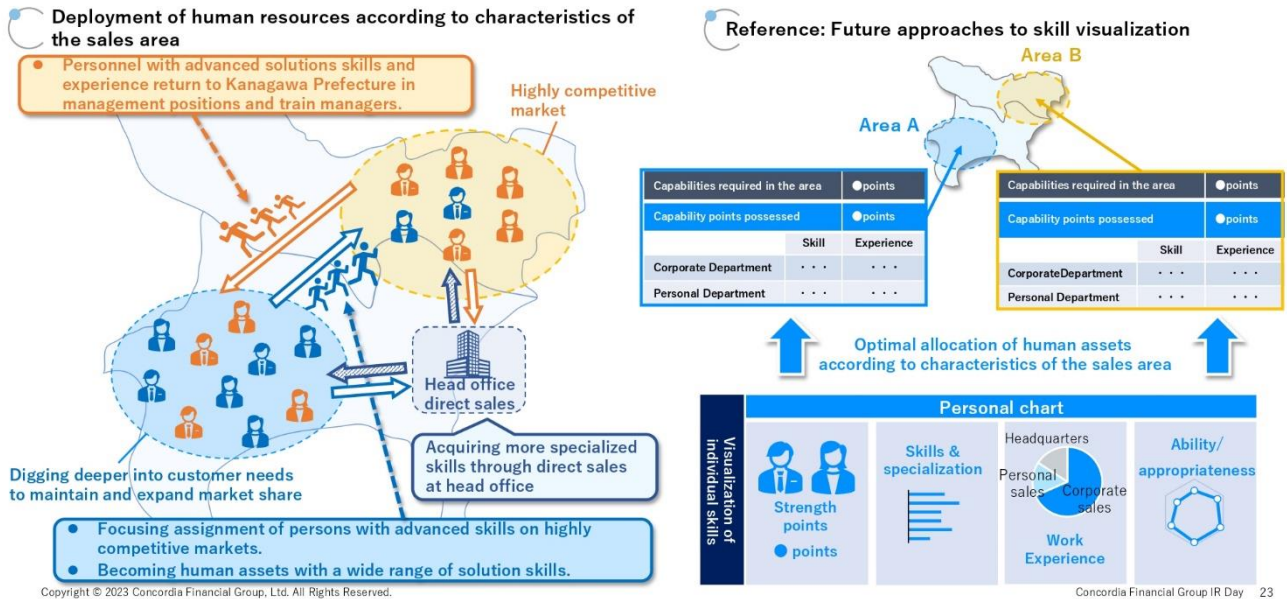
We are now working to evaluate skill levels by linking them to the ability to earn revenue through the provision of solutions.

In terms of human resource development, we are, of course, conducting thorough training, but we are also placing particular emphasis on on-the-job training. For example, we have them visit with our investment banking team members to experience how to meet various customers' needs.

In addition to accompanying the head office's Financial Solution Department staff, we have divided our sales areas into seven, each of which has a director in charge of sales. We are now in the process of putting this knowledge down to the younger and mid-career employees.

Developing Human Resources to Strengthen Profitability of Solutions - Optimal Allocation of Human Assets According to Sales Area Characteristics

Focusing assignment of persons with advanced skills on growth areas so that experienced human assets train staff for management positions



Please see page 23. Lastly, I would like to conclude the Bank of Yokohama part of my presentation by explaining the optimal allocation of resources.

We are working to develop human resources with a wide range of solution skills by placing highly skilled personnel in high-growth and highly competitive markets.

Initiatives are underway to secure profitability while fostering human resources through acquiring experience and skills through practical work experience by allocating resources with an emphasis on direct sales departments in Tokyo and Yokohama, markets with relatively high growth potential and, intense competition and highly specialized headquarters.

These human resources will become managers and will, in turn, be deployed to the market in Kanagawa Prefecture, where they will train younger employees. We are now in the process of strengthening our efforts to circulate human resources in this way.

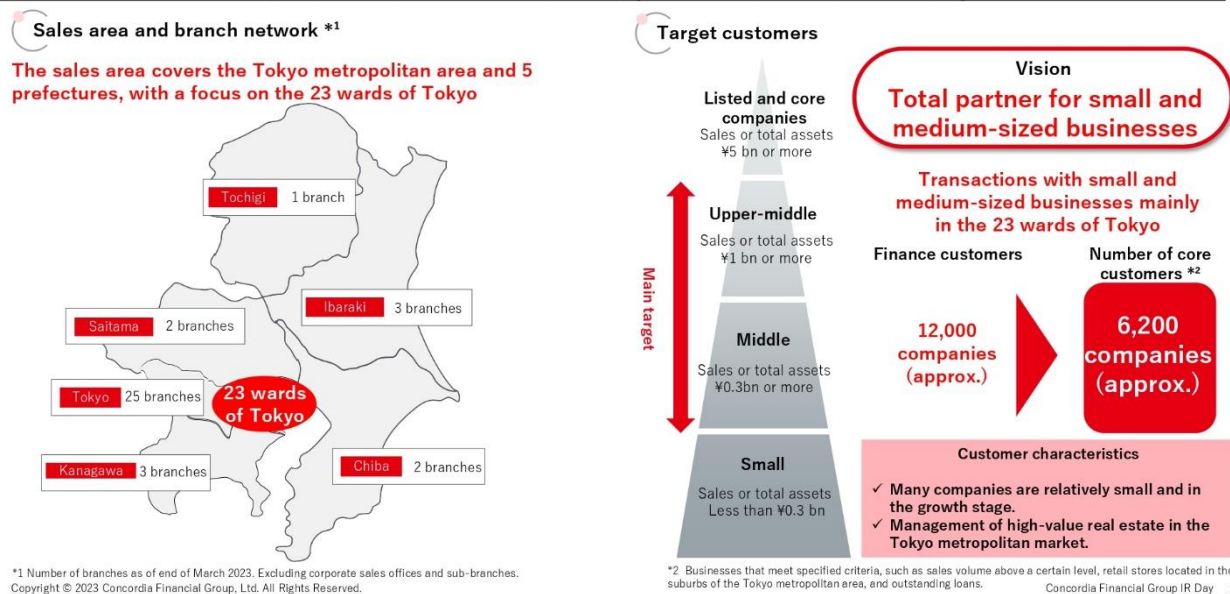
To enhance our sales capabilities by optimizing the allocation of resources and securing training opportunities simultaneously, we are currently working on visualizing skills by utilizing the Bank's internal talent management system.

I apologize for the length of this presentation, but this will conclude my explanation of the Bank of Yokohama's initiatives.

Kubota: Next, I would like to explain the initiatives of Higashi-Nippon Bank, which is strengthening its solutions business to improve RORA.

Sales Area and Target Customers

To become a “total partner for small and medium-sized enterprises” by strengthening transactions with small and medium-sized enterprises in the 23 wards of Tokyo



Please turn to page 25. First of all, I will explain Higashi-Nippon Bank's business area and target customers. We are working to become a total partner for SMEs by strengthening transactions with SMEs in the Tokyo metropolitan area.

Our sales area and network of branches cover Tokyo and five prefectures, and 25 of our 36 branches are concentrated in the Tokyo metropolitan area.

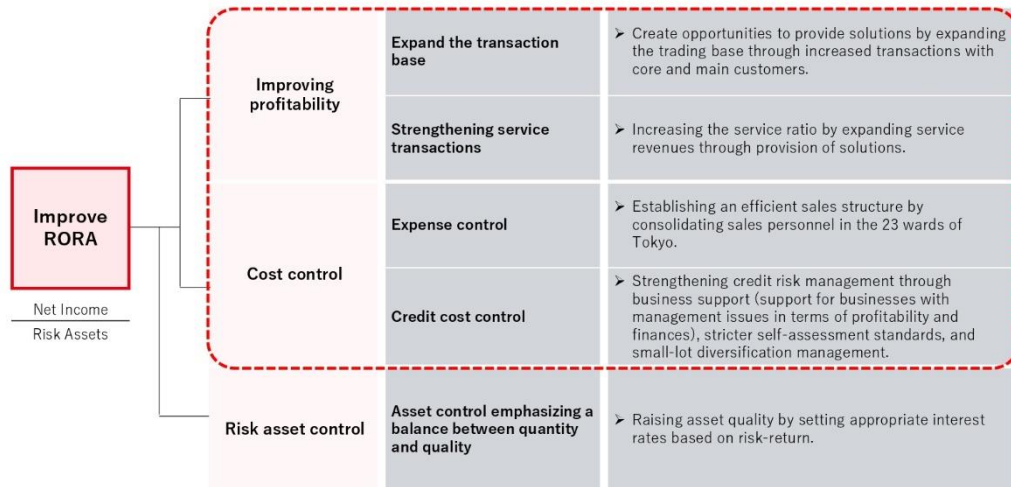
Next, our target customers. Our target customers are smaller than the Bank of Yokohama, middle customers with sales or total assets of JPY300 million or more, and upper middle customers with sales or total assets of JPY5 billion or less.

Aiming to be a total partner for small- and medium-sized enterprises, the bank specializes in small- and medium-sized enterprise loans and apartment loans, mainly in the Tokyo metropolitan area, and has 12,000 customers. Of these, 6,200 are core customers, defined as those with sales of JPY300 million or more.

Initiatives to Improve RORA

Promote initiatives such as strengthening profitability and cost control to improve RORA

Initiatives to Improve RORA



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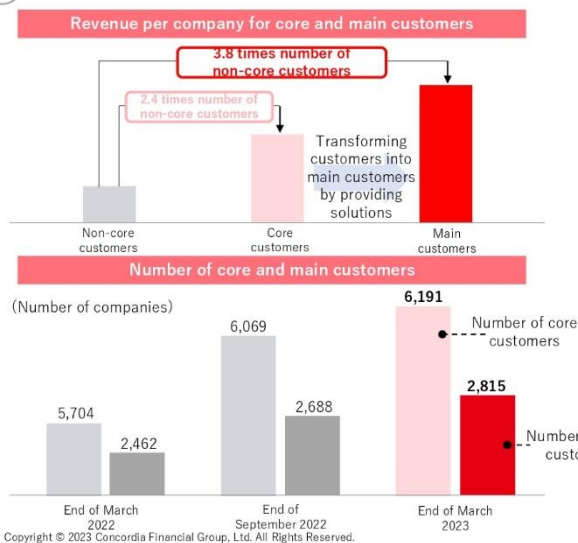
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I will explain in detail our efforts to improve RORA on page 27 and beyond.

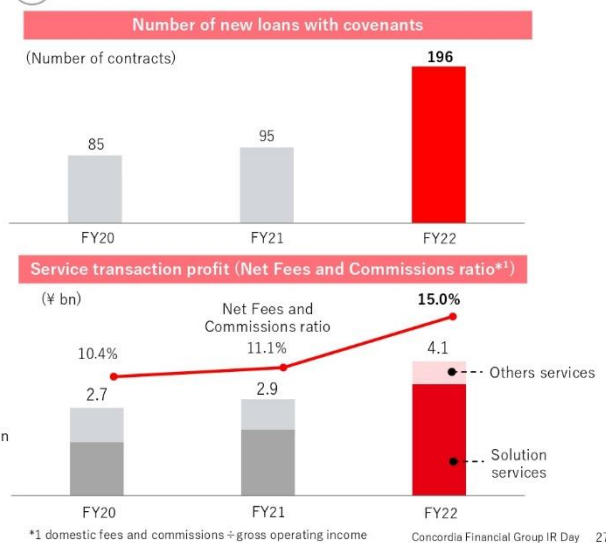
Improving Profitability

Strengthening service transactions by creating opportunities to provide solutions through expansion of the transaction base

Expand the trading base by increasing core and main customers



Strengthen service transactions by providing solutions



Please turn to page 27. Please look at the left side. In order to strengthen our profitability, we are working to expand our business base by strengthening our core and main customers.

Since our core and main customers are concentrated in our business, we have more opportunities to provide solutions to them.

As a result, the amount of revenue per client is naturally high, with core clients receiving 2.4-fold more revenue than non-core clients and main clients receiving 3.8-fold more revenue than non-core clients.

We have steadily increased the number of core and main customers each fiscal year. Our strategy is to increase the number of opportunities to provide solutions by expanding this number.

Please see the right side. This is the enhancement of service transactions through the provision of solutions. We believe there are two types of services: credit-based and non-credit-based. We have been strengthening credit-related services first by utilizing covenanted loans for difficult projects and then by investing in the knowledge and human resources of the Bank of Yokohama.

As a result, we were able to provide 95 loans with covenants in FY2021, and in FY2022, we were able to further increase this number to 196 loans totaling JPY64.7 billion. Regarding this area, we believe that the growth has been steady.

Regarding profit on fees and commissions, it increased from JPY2.9 billion in FY2021 to JPY4.1 billion in FY2022, and the ratio of fees and commissions to gross business profit has expanded from 11.1% to 15%.

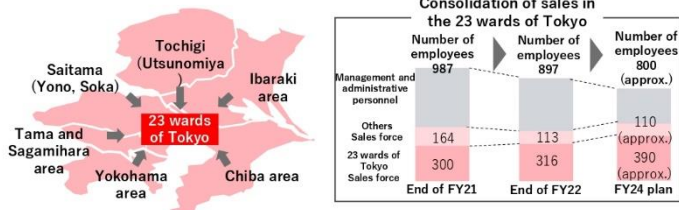
While service profit has grown steadily, we recognize that there are some issues to be addressed. Of the JPY4.1 billion, approximately 80% is for credit-related services such as covenant loans, and the non-asset portion of non-credit-related services is still at 20%.

We believe that credit-related services will probably reach their limits at some point, so we are injecting human resources and knowledge from the Bank of Yokohama to build up non-credit-related services, such as M&A and business succession, to broaden the range of proposals to customers and create a system that can generate stable earnings.

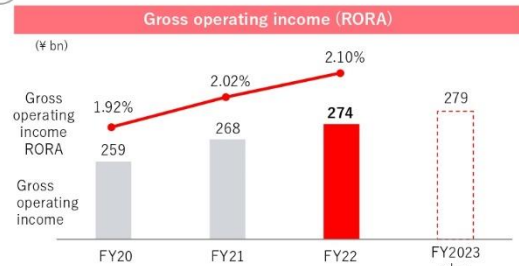
Cost Controls and Performance Trends

Steady improvement in performance and RORA due to stronger profitability and cost controls

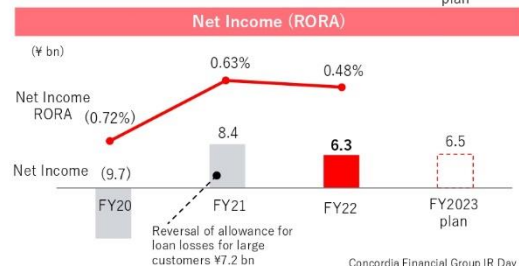
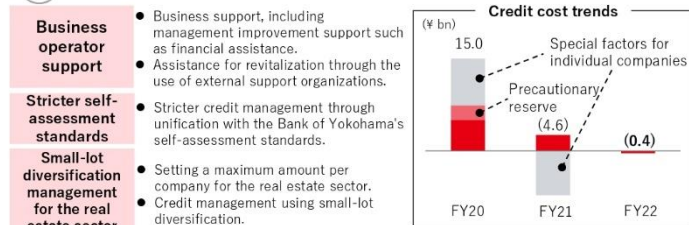
Building an efficient sales structure by consolidating sales personnel in the 23 wards of Tokyo



Performance trends



Credit cost control by strengthening credit risk management



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Please turn to page 28. Cost control and performance trends. We are in the process of steadily improving our business performance and RORA by strengthening profitability and controlling costs.

We are building an efficient sales structure by concentrating our sales force in the metropolitan area. To focus on the metropolitan market, we are concentrating on personnel generated by consolidating branches in the metropolitan area. Although the natural attrition of employees is progressing, we are strengthening our sales structure in the Tokyo metropolitan area by consolidating sales personnel in the metropolitan area.

With respect to strengthening credit risk management and controlling credit costs, we are working to support businesses. Zero-zero loans have also started to be repaid. We have set up a specialized unit in the credit department to provide solid support for core businesses.

Regarding the tightening of self-assessment standards, we have introduced the Bank of Yokohama's self-assessment standards and are strengthening credit management.

As a result, as you can see in the table on the right, gross business profit grew steadily to JPY27.4 billion in FY2022. Gross business profit RORA has also been growing steadily, from 2.02% to 2.1%.

Net income was JPY6.3 billion, although special factors affected credit costs, and I think it has returned to the normal level in FY2022. Net income RORA is also 0.48%. We would like to contribute to Concordia by firmly growing this business.

We would like to focus on SME loans and APARON within Concordia to strengthen our solutions to solve our client's issues and achieve sustainable growth.

This concludes my presentation.

Kataoka : Again, thank you for joining us today.

Today, the director in charge of the solutions business, particularly IR for the corporate solutions business, provided us with an explanation. I think there was a question earlier about the sustainability of the solutions business. Although all questions were answered by Suzuki and then by Kubota, I would like to talk a bit about my impression of the situation.

In the previous question regarding the importance of customer relationships, one thing that I feel is unique after working for the past year and a half is that most of our business partners. However, some of them are listed companies and are family businesses. In this context, I feel a great deal of anxiety regarding business succession in the coming era.

Recently, our customers have received DMs from various sources regarding M&A, and we have noticed that the number of customers who want to consult with banks, stimulated by these DMs, has been increasing dramatically. I am unsure if this can be called one of our strengths, but we dispatch 600 employees, including former employees, to 400 customers.

We receive information about what is going on inside the company that we cannot see from the outside through our alumni, seconded employees, and transferred employees. I imagined that this was the case at other banks as well, but I am aware that the percentage is quite high, especially since we transferred a large number of employees to other banks when we reduced the number of employees from 7,000 to 3,500 in the past. Compared to other banks, we are not a megabank, but we are well-penetrated with our target customers. I feel that there is still plenty of room for us to dig deeper into the solutions business.

This time, we held an IR Day regarding our solutions business, but we would also like to hold individual briefings and other events in response to your expectations and requests. The opportunity to discuss with you all in this manner is a great learning experience for us, and we would like to hear your opinions and requests.

Thank you very much for your time today.