

Concordia Financial Group

IR Day

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CONCORDIA
Financial Group

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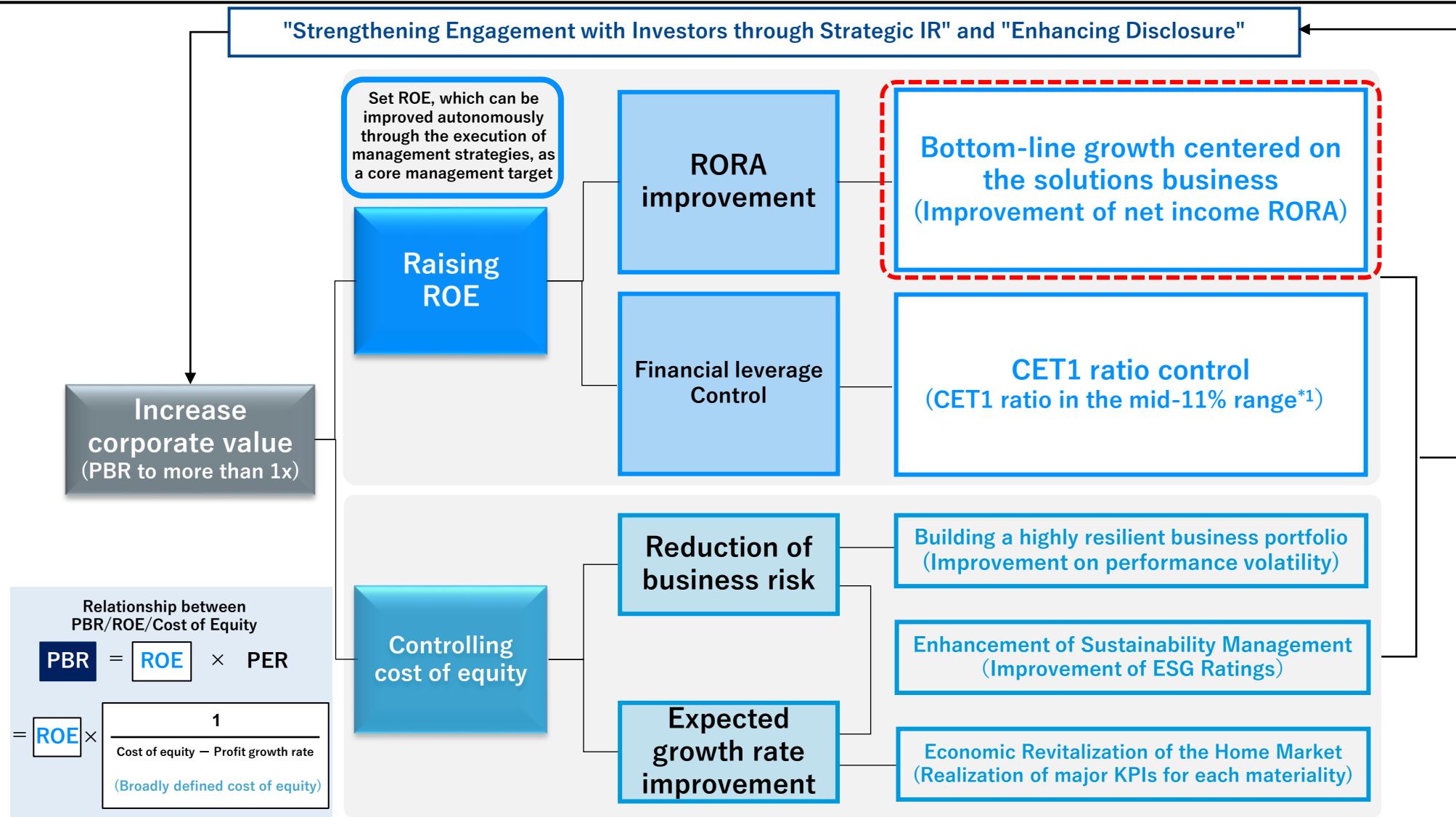
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Strengthening Solution Business to Improve RORA (Higashi-Nippon Bank)

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

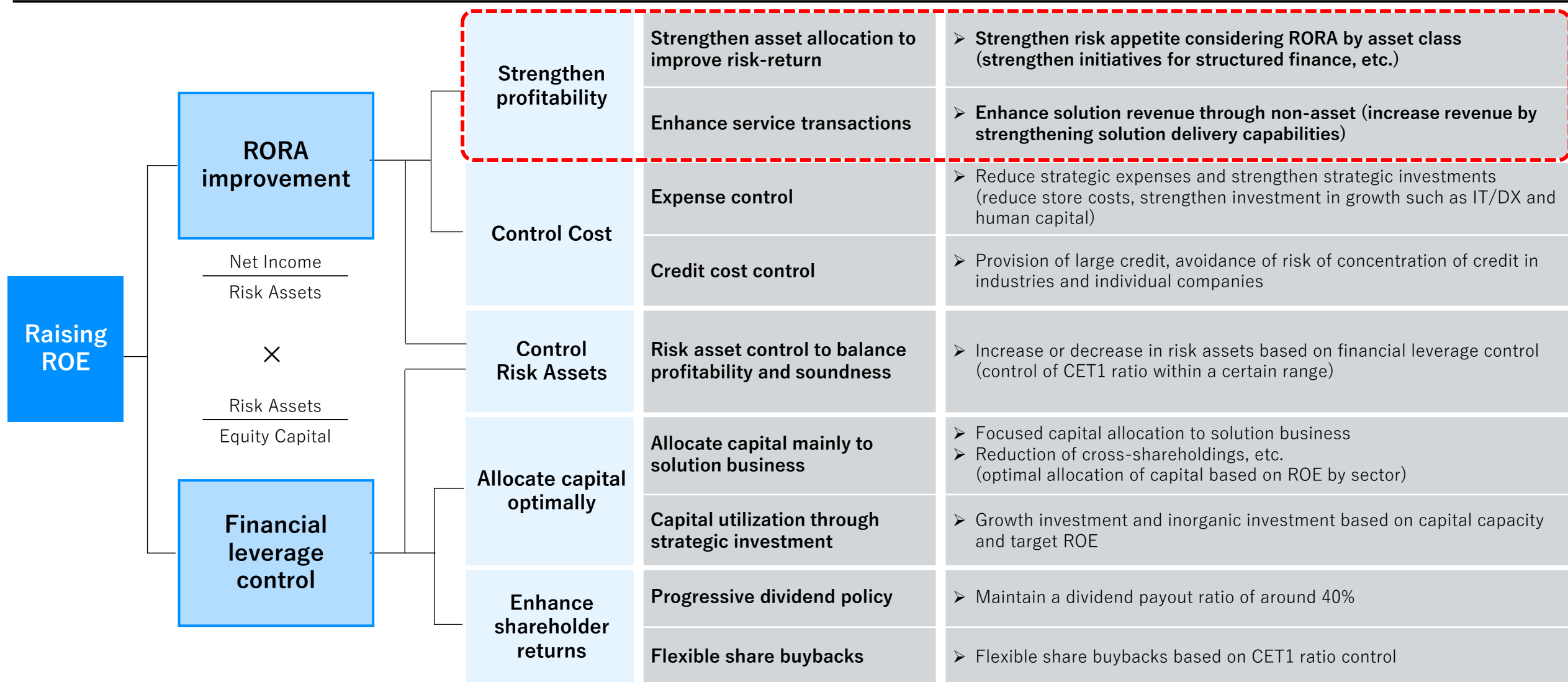
Improving RORA by strengthening solution business as a key driver for enhancing corporate value



*1 Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)

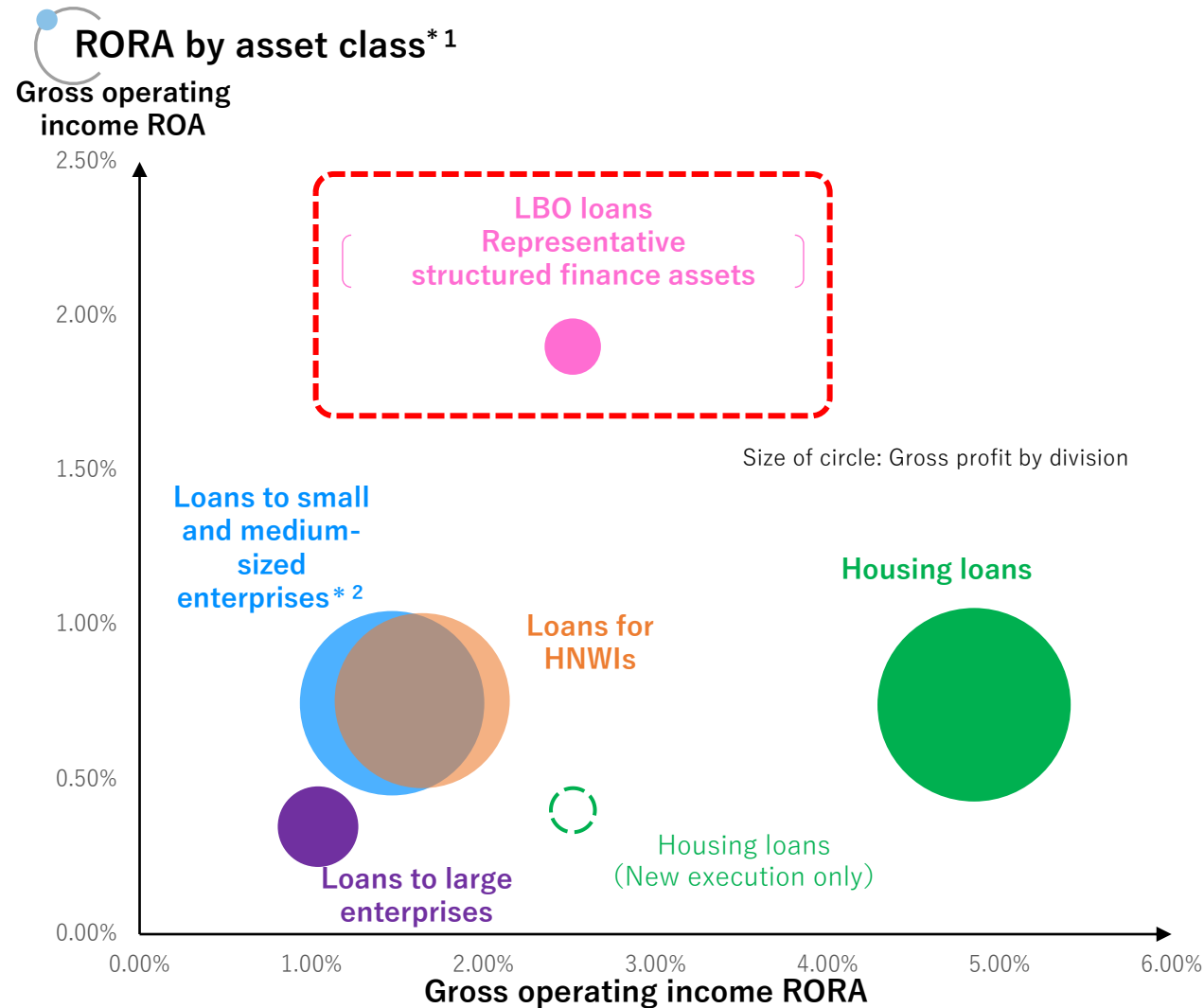
Direction of initiatives to improve corporate value (ROE logic tree)

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

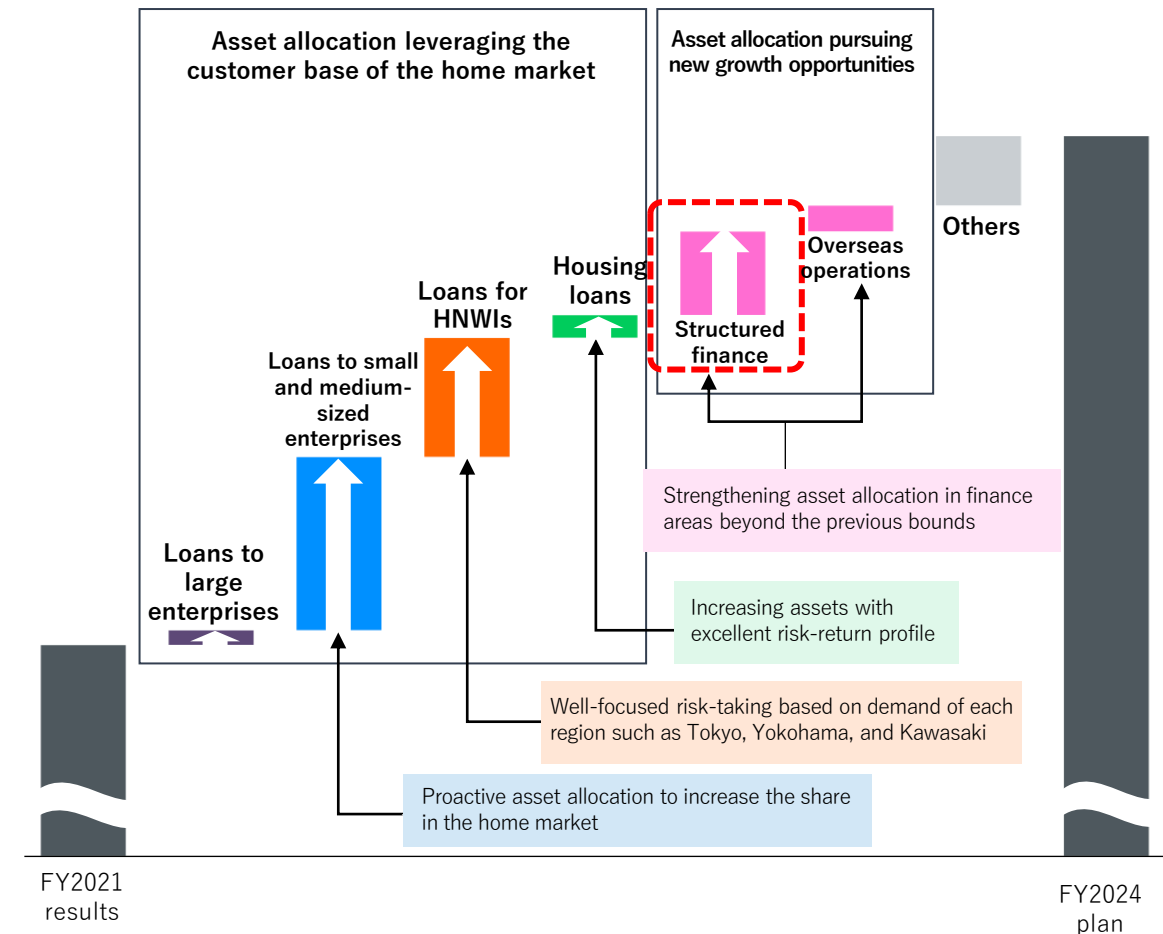


Direction of initiatives to improve corporate value (Strengthen asset allocation to improve risk-return)

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



Illustrative chart for changes in risk-weighted assets*3



*1 RORA for loan fund profits (Bank of Yokohama, non-consolidated basis, end of FY 2022 Basel III finalized basis)

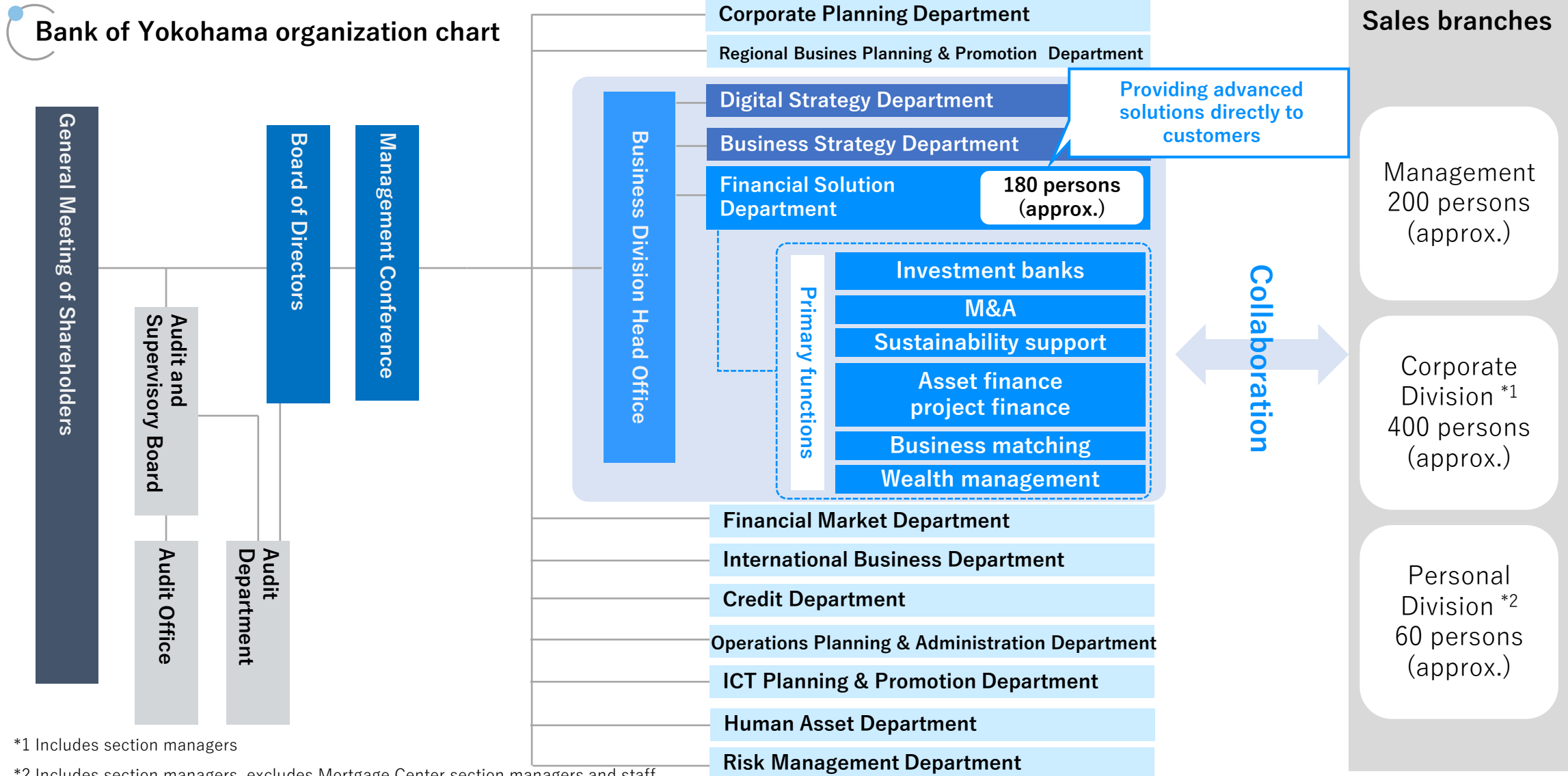
*2 Excluding structured finance and overseas investment projects
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*3 Illustrative chart for changes in risk-weighted assets

Solution Business (Corporate Division)

Solutions Provision System

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



*1 Includes section managers

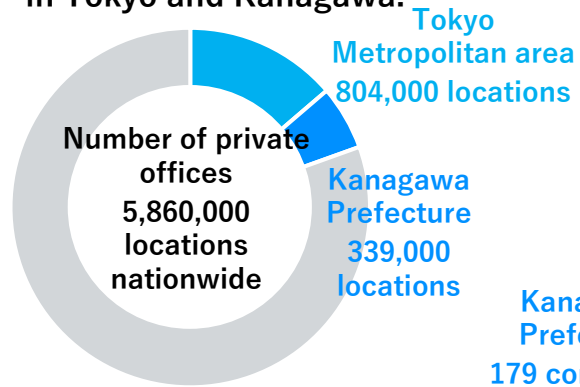
*2 Includes section managers, excludes Mortgage Center section managers and staff.
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Market Environment and Target Customers

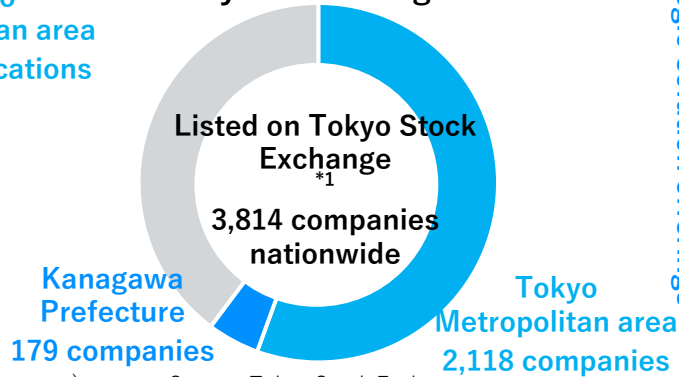
Providing strategic solutions with a focus on top customer segments in the home market

Market environment

Approximately 20% of private businesses are concentrated in Tokyo and Kanagawa.



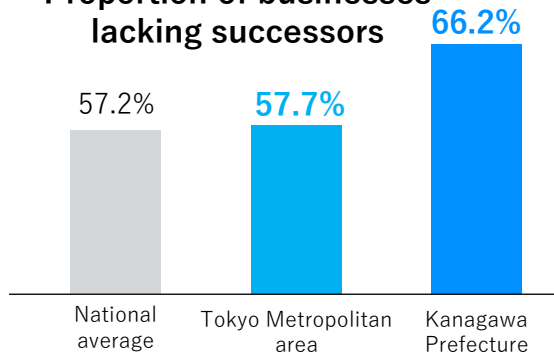
Approximately 60% of companies listed on the Tokyo Stock Exchange are concentrated in Tokyo and Kanagawa.



Source: Economic Census - Activity Survey (preliminary report) (Ministry of Internal Affairs and Communications, June 2021)

Source: Tokyo Stock Exchange, TSE Listed Company Information Service

Proportion of businesses lacking successors



Source: Nation-Wide Corporation 'Proportion Lacking Successors' Trend Survey (Teikoku Databank, November 2022)

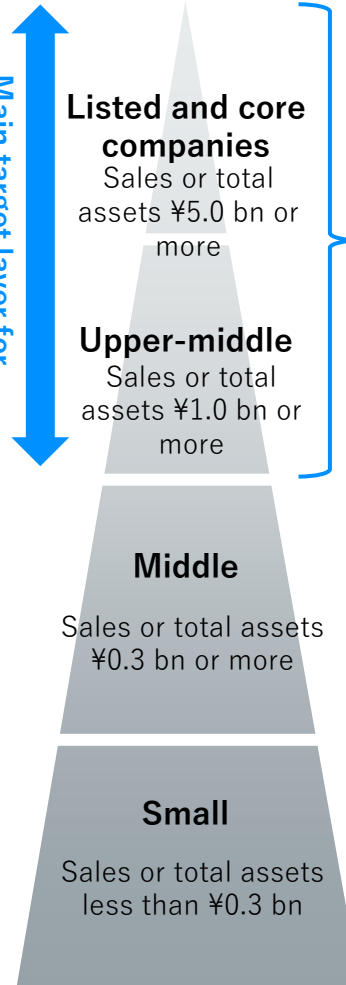
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- Wide variety of employment options in Kanagawa Prefecture, Tokyo etc.
- Kanagawa Prefecture has the highest proportion of businesses lacking successors in the Kanto region.

*1 Companies listed on the Prime, Standard, and Growth markets

Target clients

Main target layer for strategic solution offerings



Client (deposits or loans)

14,000 companies (approx.)

Of which, 1,200 clients (approx.) are listed companies Client

Segment

Listed
Core
Upper-middle
Middle
Small

Finance clients

Listed and core companies
2,500 companies (approx.)
Compared to March 2019 80% increase (approx.)

Upper-middle
3,600 companies (approx.)
Compared to March 2019 Flat

Characteristics & needs

- Client groups with multiple businesses, complex and diverse needs, and intense competition
- Needs include advanced growth support such as M&A, equity and other capital policies, and business succession planning
- Although clients are from a wide range of industries, many of them are single business enterprises and their needs are mainly related to financing through senior loans

Main loan balance clients

2,300 companies (approx.)

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



Summary of strategic solutions

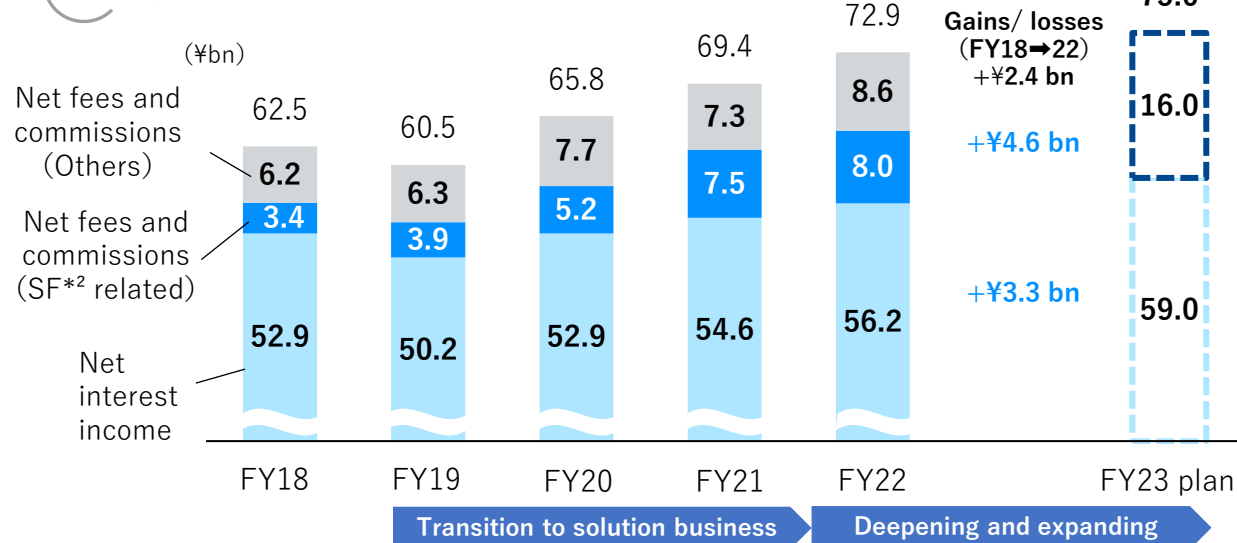
Management strategy	Needs	Solution examples
Business strategy	Growth and business expansion	LBO loans M&A advising (buying) Consulting (Hamagin Research Institute) DX support
Revitalization and succession strategies	Business recovery support asset succession	M&A advising (selling) Business succession 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

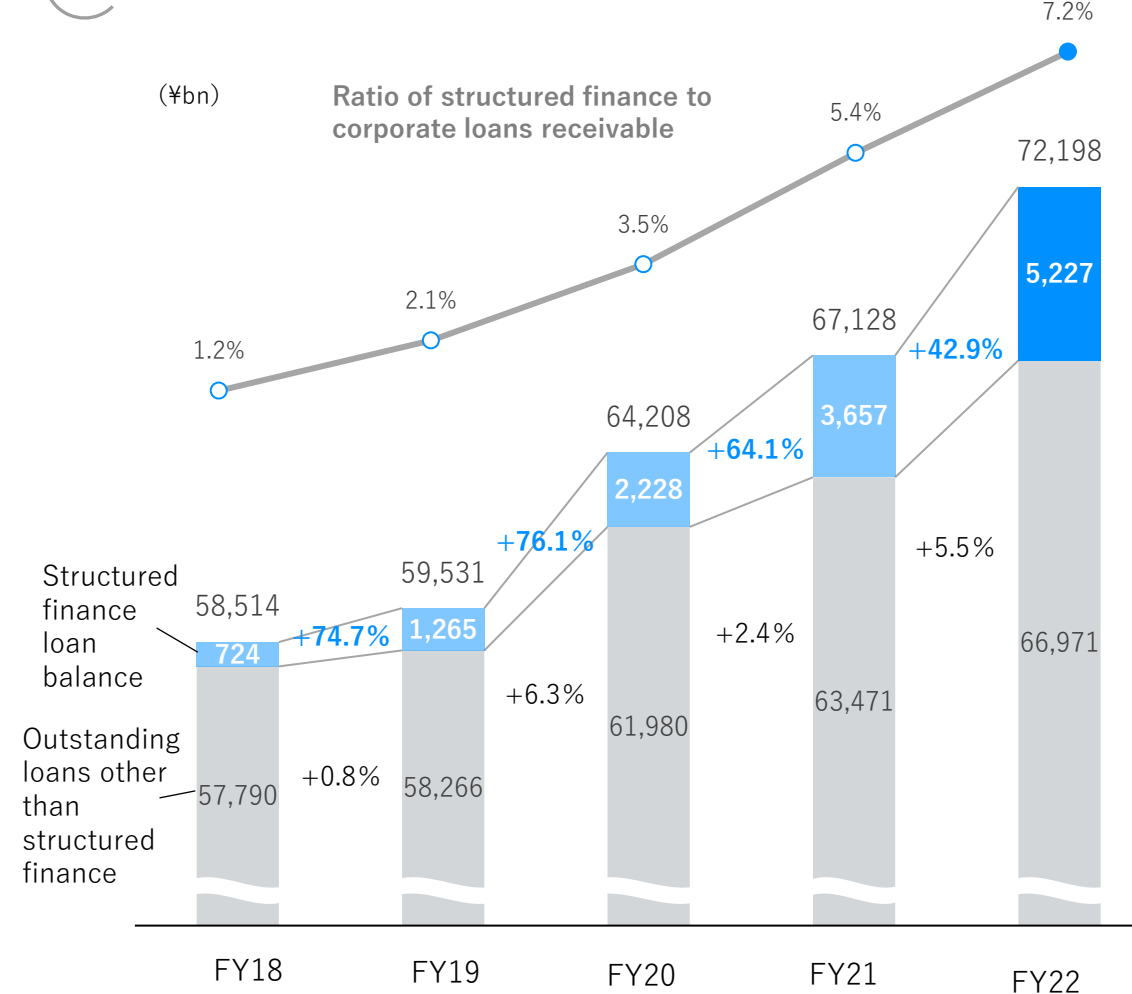
Corporate Division Revenues etc.

Strengthen high-RORA structured finance contributing to improved profitability

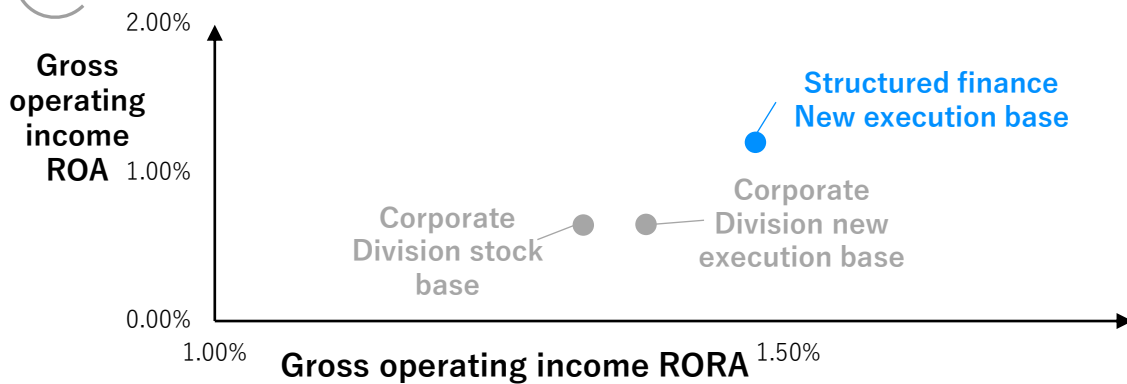
Corporate client service revenue (two banks combined) *1



Corporate loan balance (end balance, two banks combined) *4



Corporate client service RORA *3



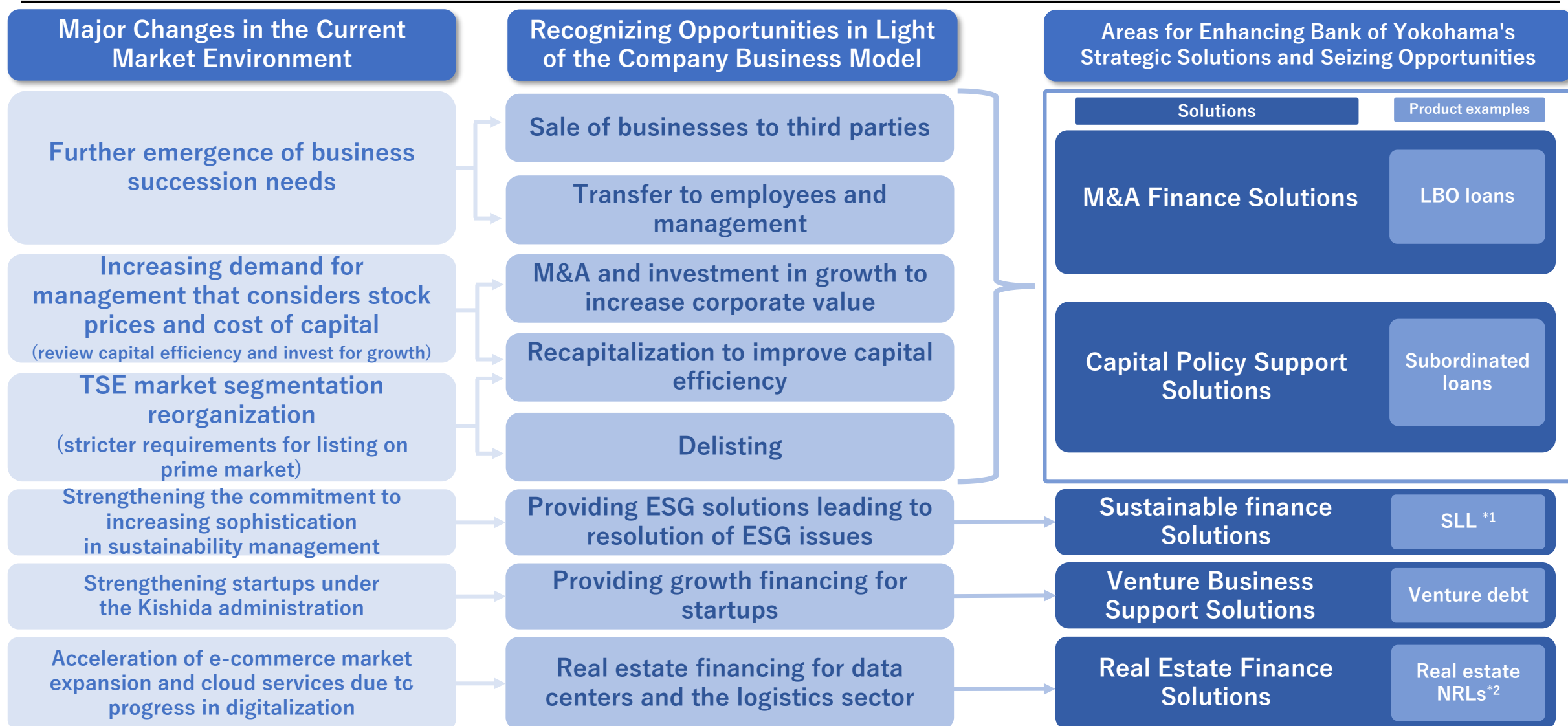
*1 Managerial accounting basis. Excluding loans for asset management companies
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*2 Structured finance (LBO loans, Real estate non-recourse loans, etc.)
*3 RORA for loan fund profits (Bank of Yokohama, non-consolidated basis, end of FY2022 Basel III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

*4 Excluding loans for asset management companies

Direction of Strategic Solutions Enhancement

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

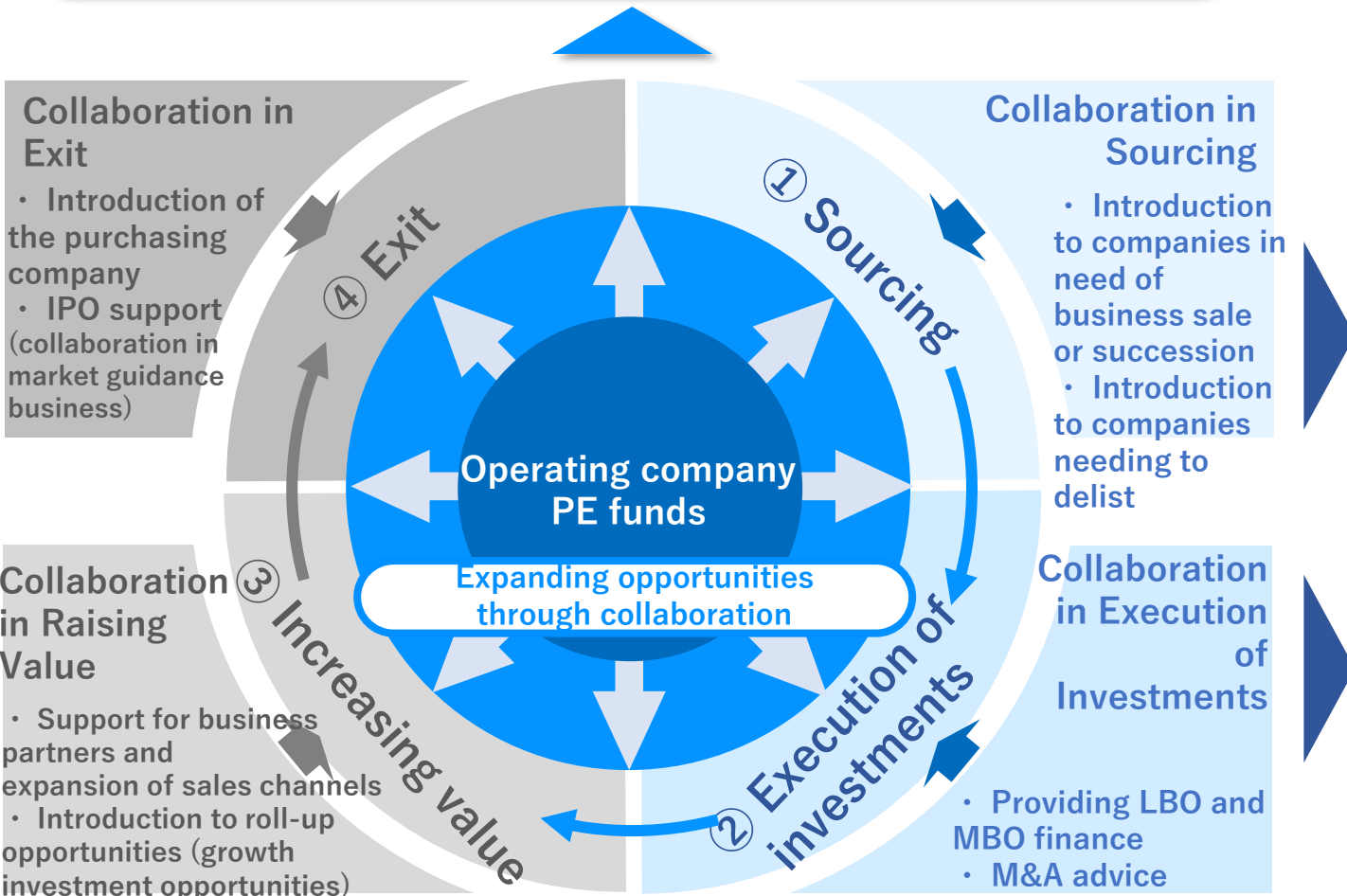


M&A Finance Solutions

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

M&A finance solution business

Supporting sustainable growth of customers in the region



Key points for strengthening the M&A finance solution business

Sourcing

- Strengthening sales branch-derived projects
- Strengthening collaboration by leveraging LP investment relationships with private equity funds

Execution of investments

- Strengthening resources of the headquarters direct sales division and M&A finance leveraging the regional bank network
- ✓ Ability to arrange LBO financing
- ✓ Underwriting capabilities utilizing distribution networks

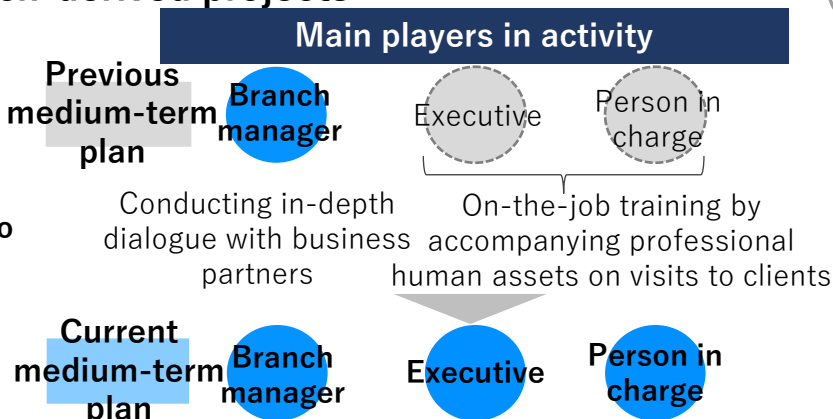
M&A Finance Solutions (points to strengthen in sourcing and investment execution phases)

Strengthen sourcing channels from sales branches and funds.

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

Strengthening sales branch-derived projects

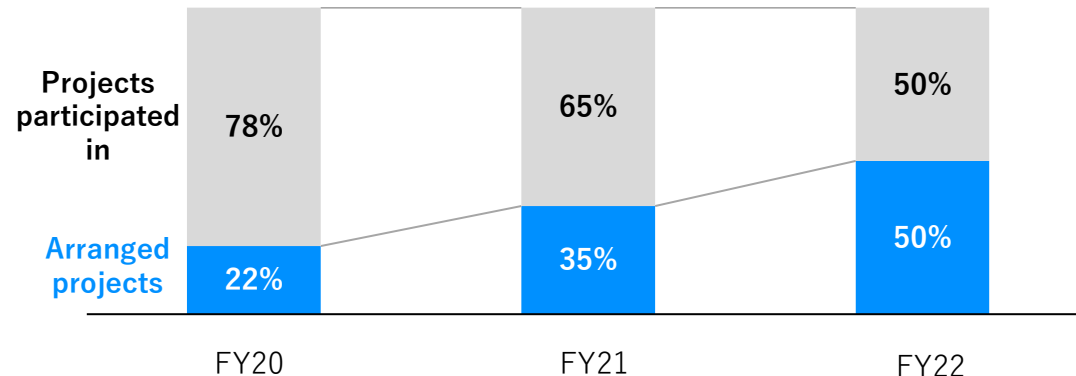
Since 2019 we have developed 'Support Activities to Raise Corporate Value', digging deeper into customer needs and aiming to provide high-quality solutions.



Growth towards a structure that enables sourcing activities throughout the branches

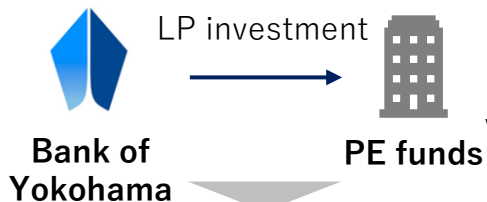
Increasing ability to arrange financing deals

✓ Increase in the ratio of arranged deals due to enhanced resources in the direct sales division at headquarters and improved sourcing capabilities at sales branches.

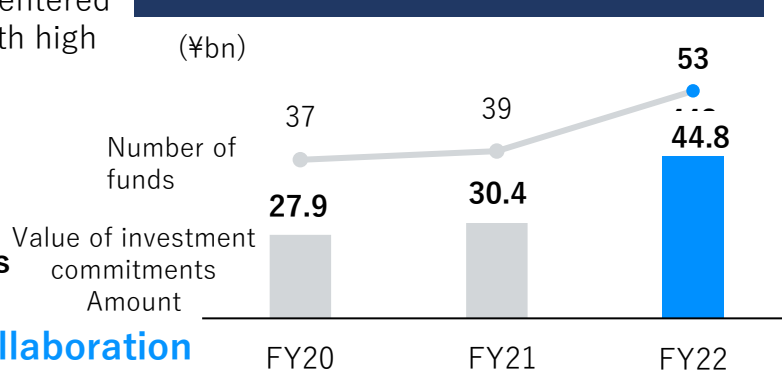


Strengthening collaboration by leveraging LP investment relationships with private equity funds

✓ Strengthening LP investment centered on mid and small-cap funds with high affinity to the customer base

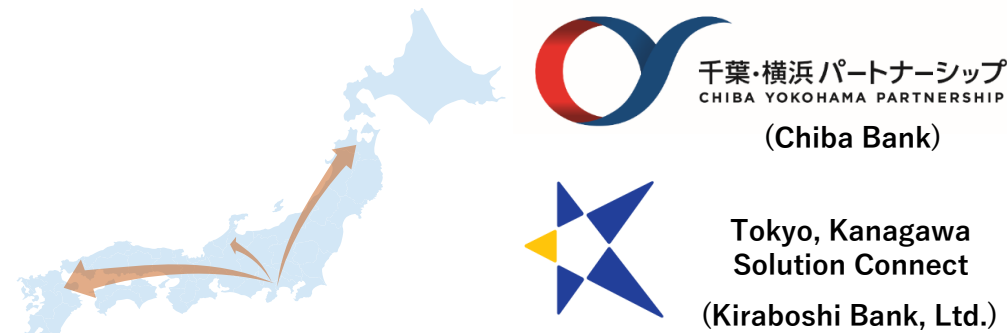


Amount of LP investment commitment *1



Unleashing underwriting capability

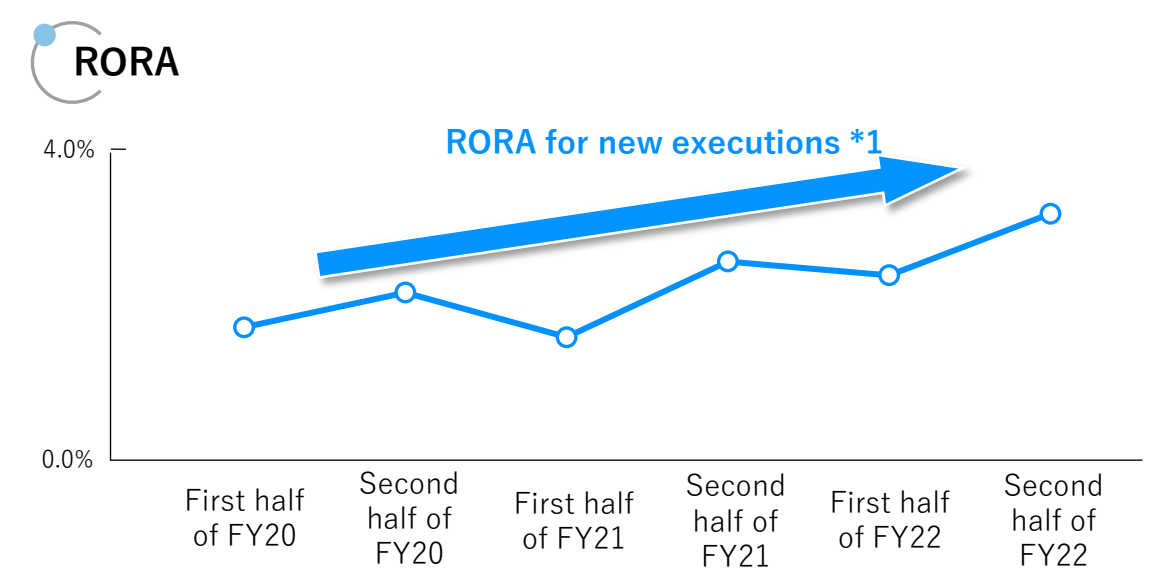
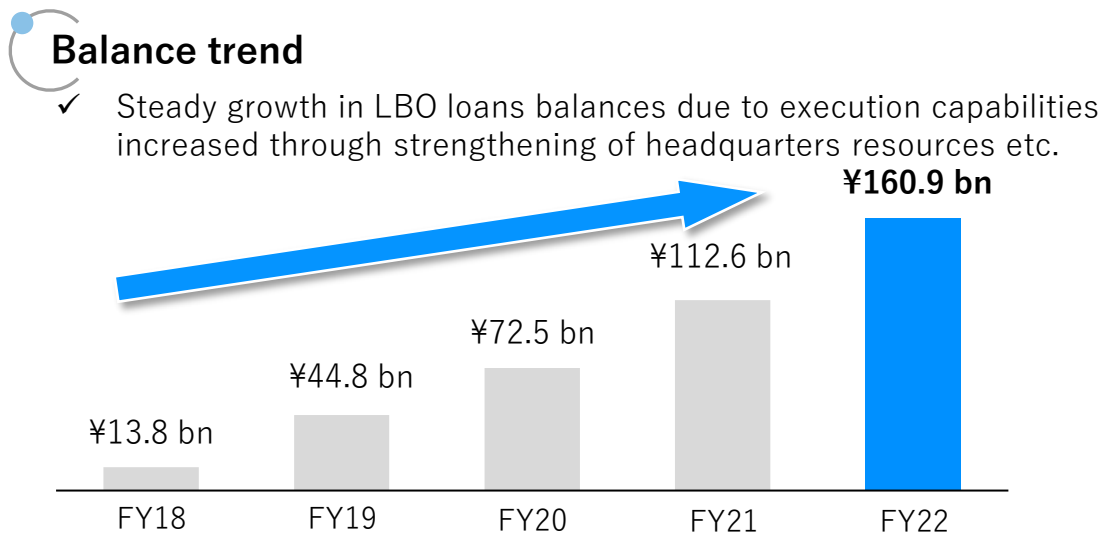
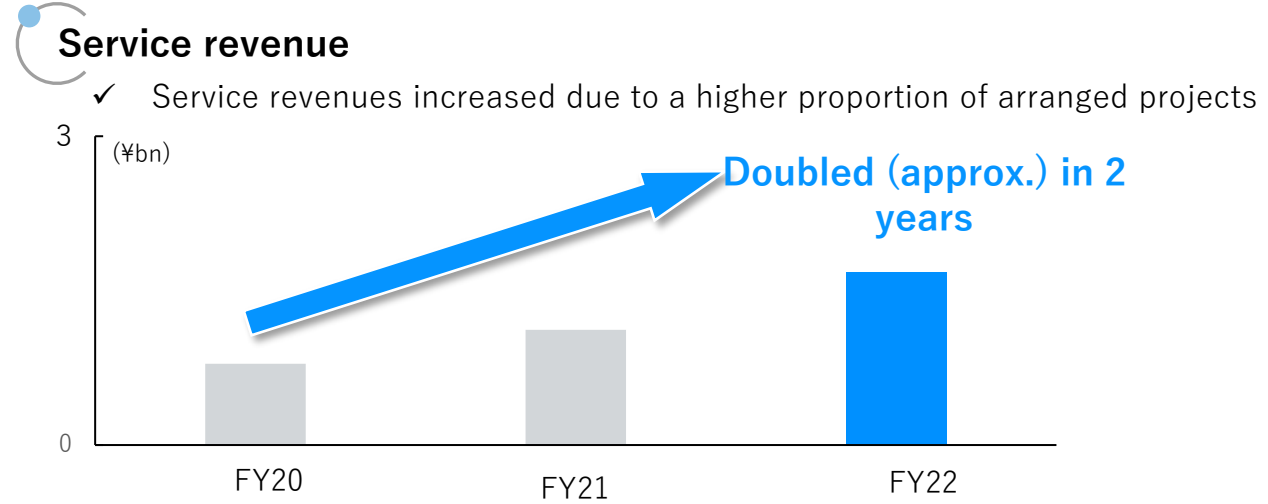
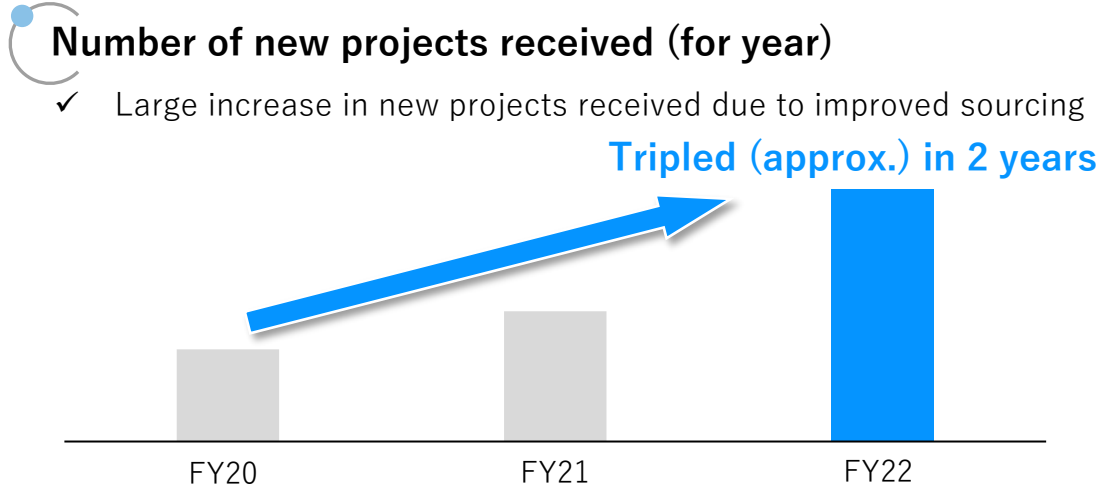
✓ Unleashing high underwriting capability through distribution by leveraging regional bank networks and business alliances and originating deals in the hundreds of billions of yen.



Increased opportunities for collaboration due to strengthened partnerships

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.

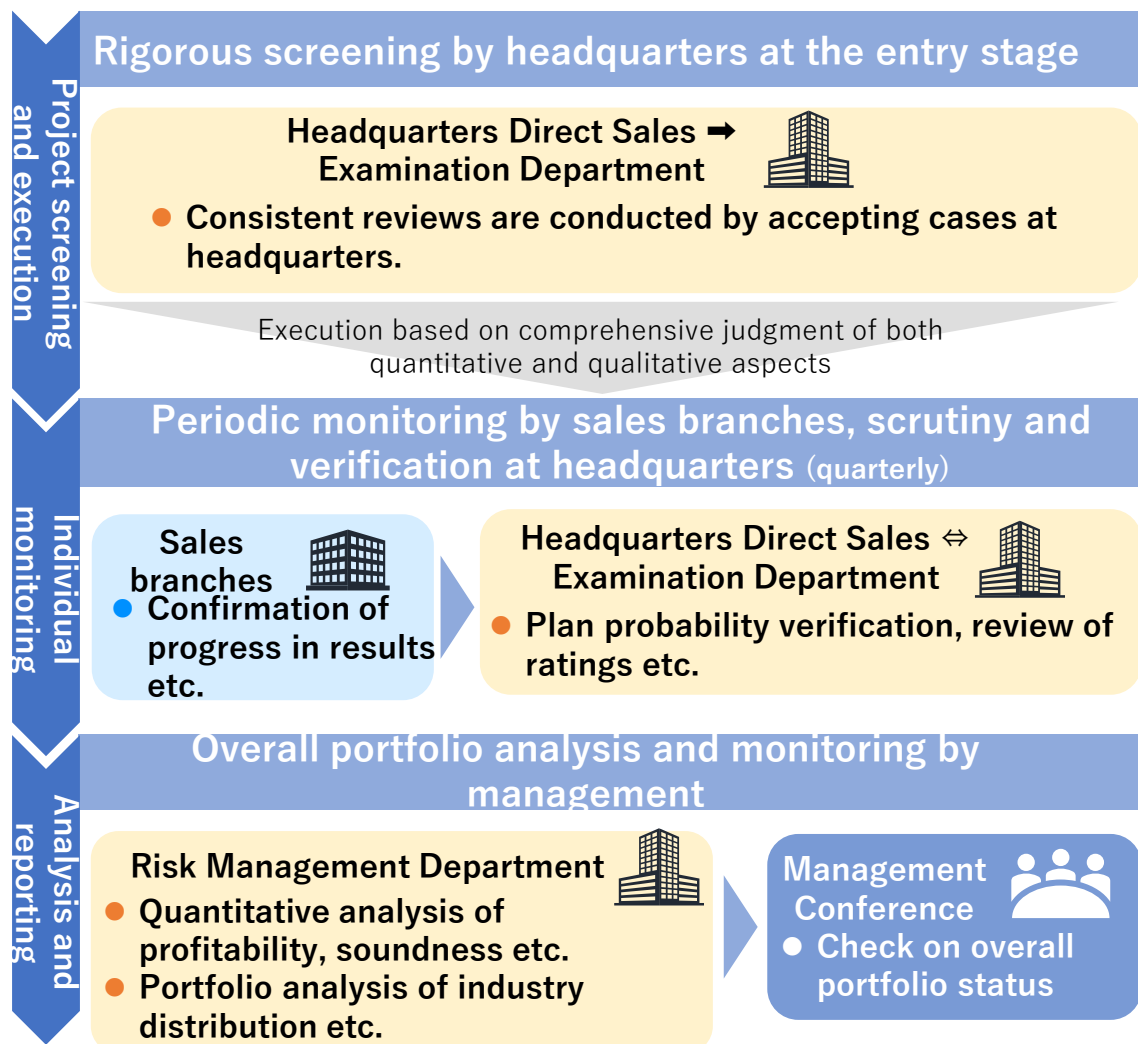


*1 (revenue (including service income) - expenses - average loss)/risk assets

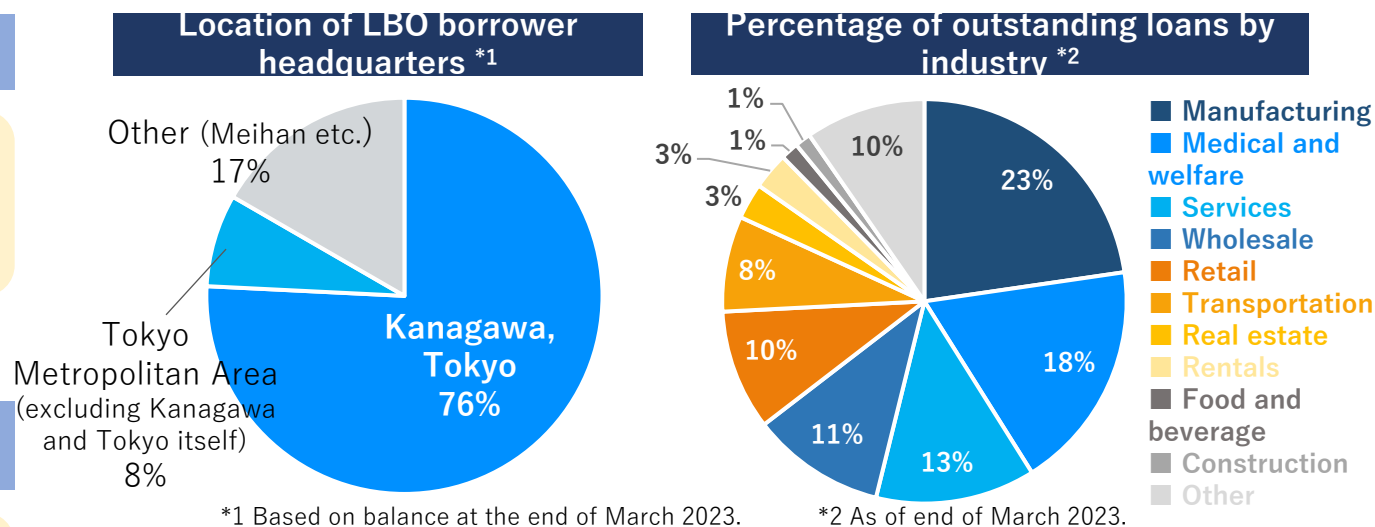
M&A Finance Solutions (LBO loans review and risk management)

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

Project screening and in-process management flow



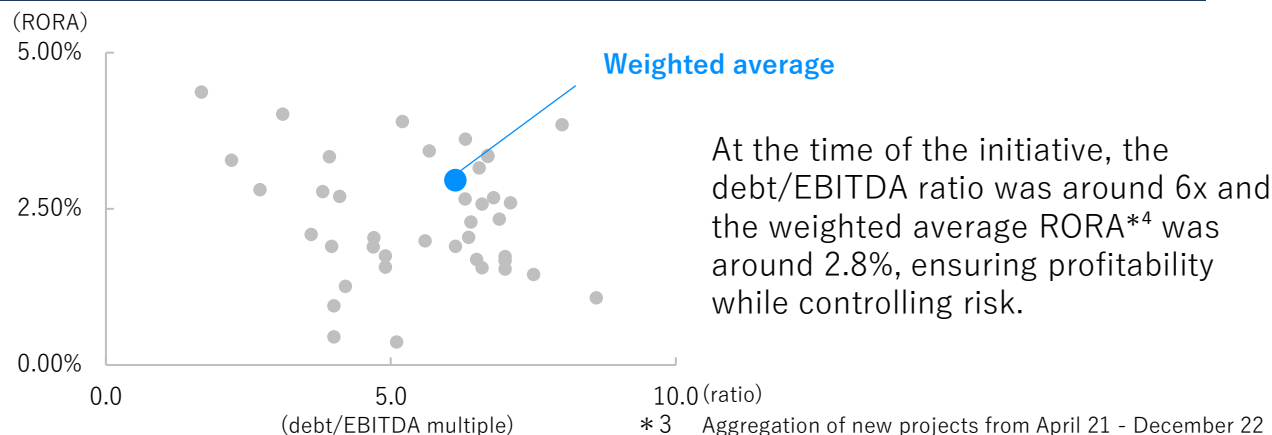
Portfolio status



*1 Based on balance at the end of March 2023.

*2 As of end of March 2023.

RORA & Debt/EBITDA multiple *3



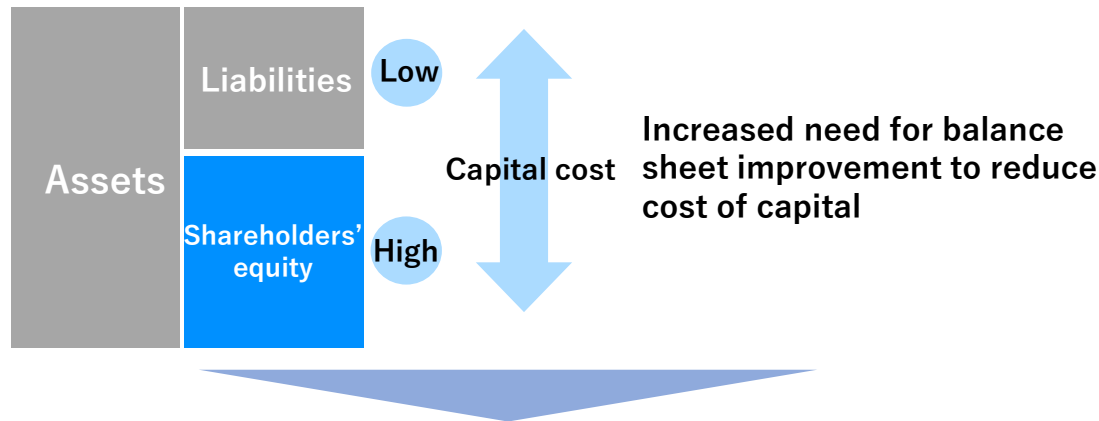
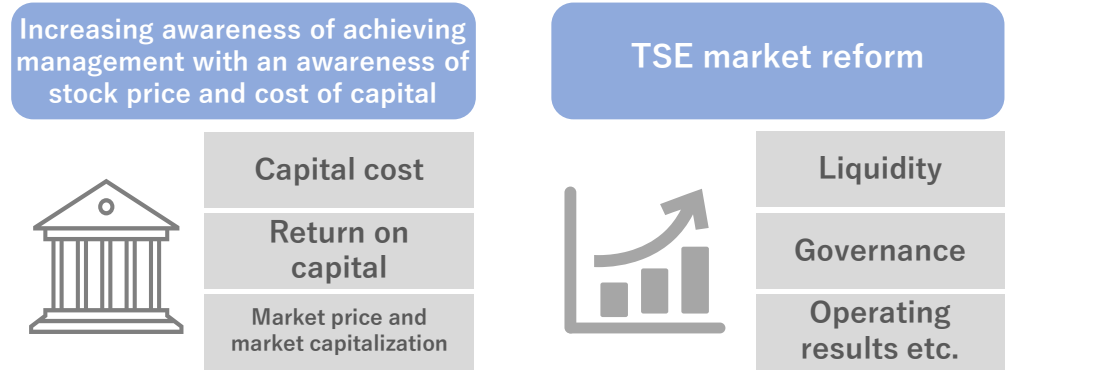
*3 Aggregation of new projects from April 21 - December 22

*4 (Income (including fees and commissions) - expense - average losses) / risk asset

Capital Policy Support Solutions

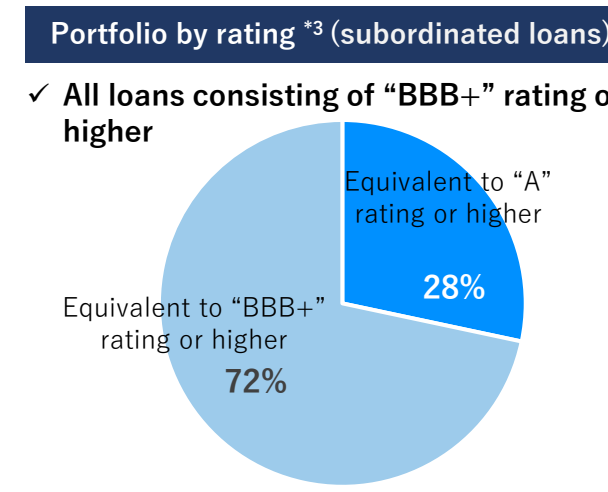
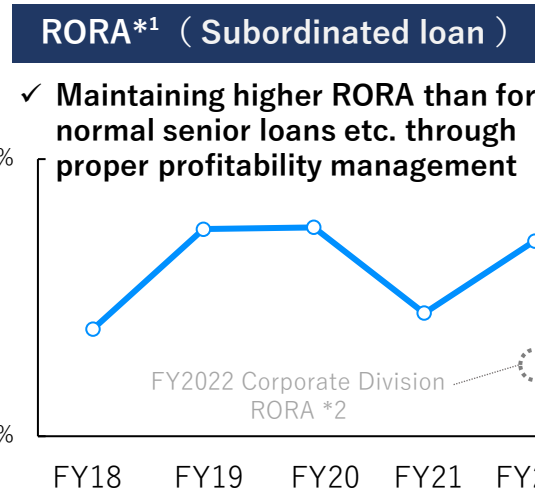
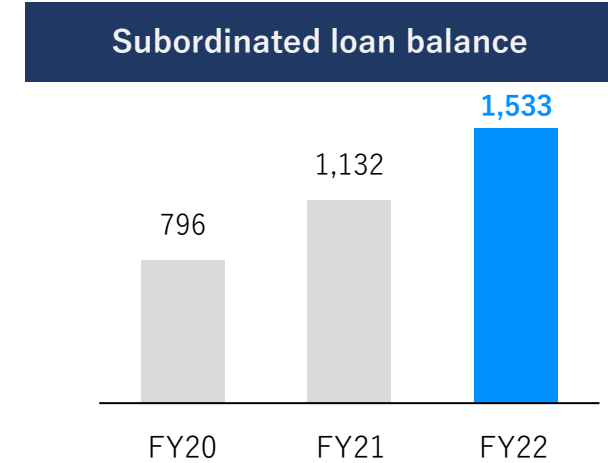
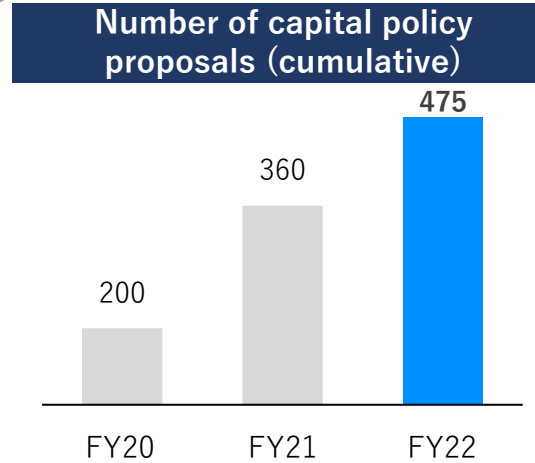
Strengthening capital policy support solutions for listed companies in order to improve capital efficiency and increase corporate value

Changes in External Environment and Customer Needs



Strengthening proposals for solutions that support capital policy, including subordinated loans

Capital Policy Support Solutions Results



*1 RORA at new execution, (revenue (including service income) - expenses - average loss)/risk assets

*2 Stock RORA

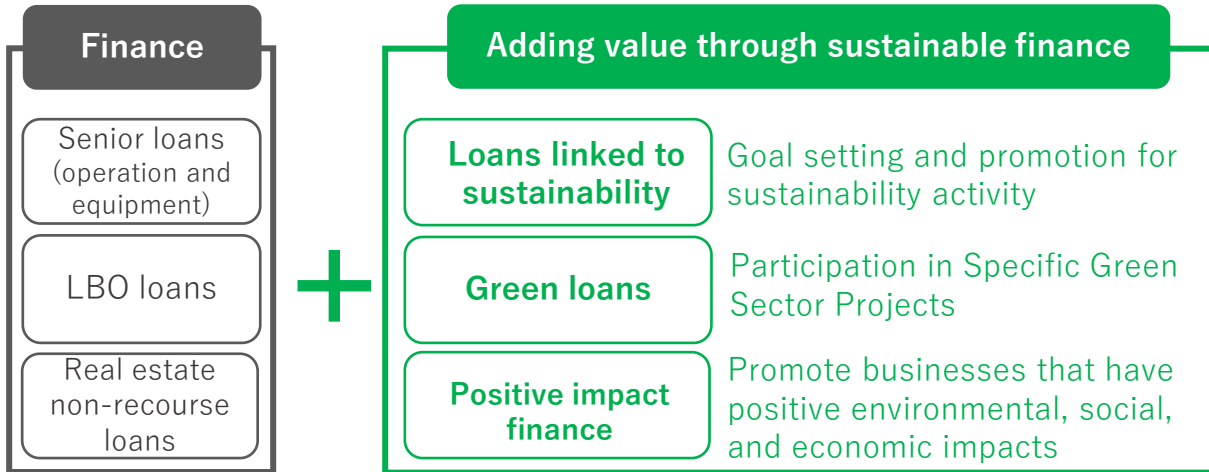
*3 As of end of March 2023.

Sustainable Finance Solutions and Venture Business Support Solutions

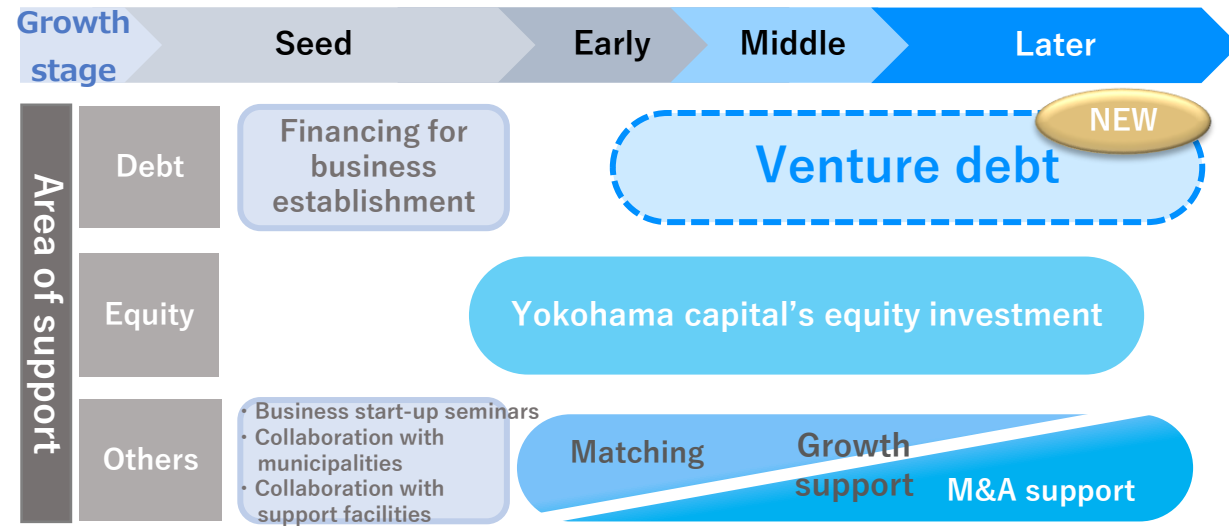
Providing high-value-added solutions combining incorporating sustainable finance.
 Launching venture debt initiatives.

Delivering value through sustainable finance

- ✓ Providing solutions to customer business challenges by increasing value added



Venture capital support solutions

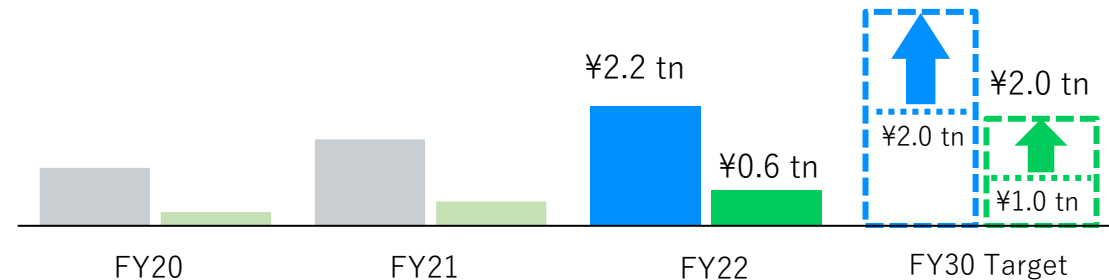


Amount of sustainable finance executed (cumulative)

- Sustainable finance
- Of which, environment finance

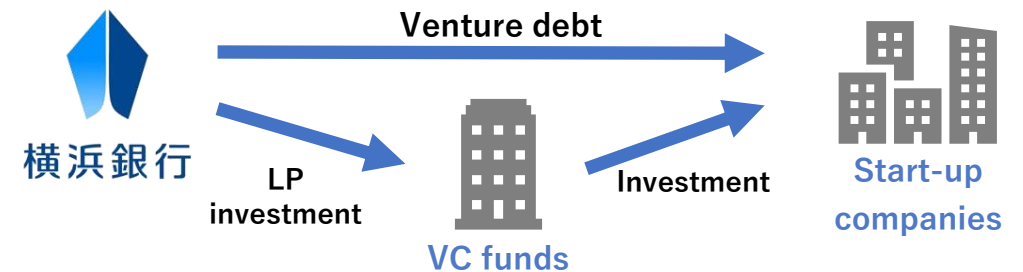
Goals raised

¥4.0 tn



Venture debt initiatives

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



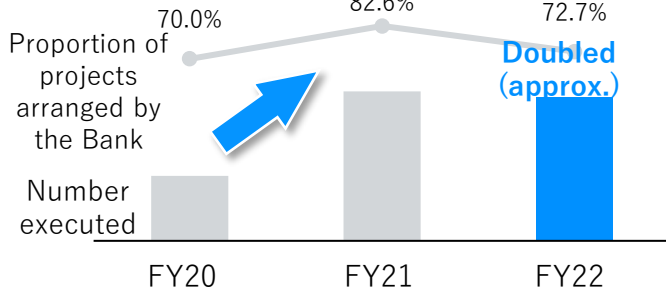
Real Estate Finance Solutions

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

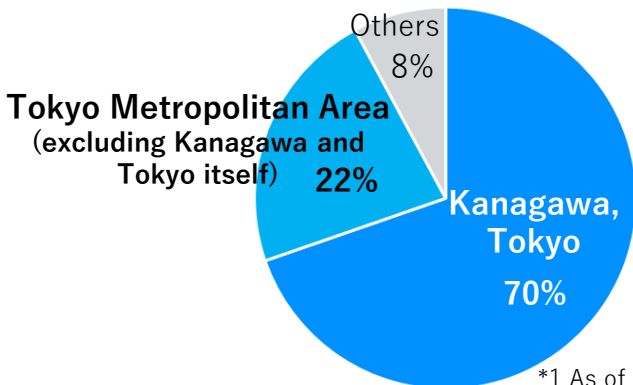
Number of projects executed and percentage of projects arranged

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



Location of subject property *1

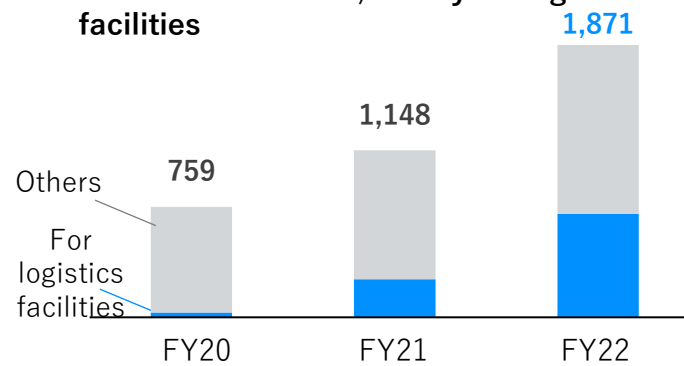
- ✓ Capturing real estate demand in the Tokyo metropolitan area, primarily in the home market



*1 As of end of March 2023.

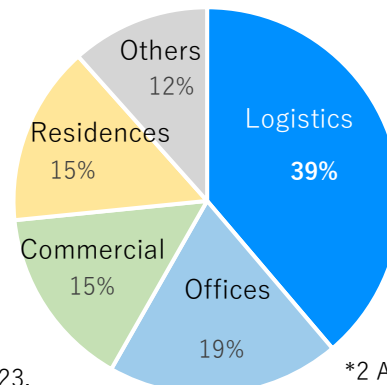
Balance of real estate non-recourse loans

- ✓ Increase in balance, mainly for logistics facilities



Percentage by asset type *2

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



*2 As of end of March 2023.

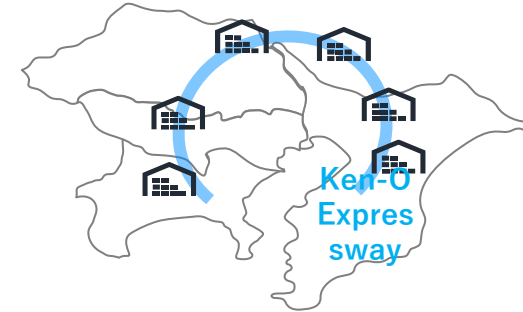
External environment and opportunities to provide solutions

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



Shift to advanced facilities



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



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

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.**

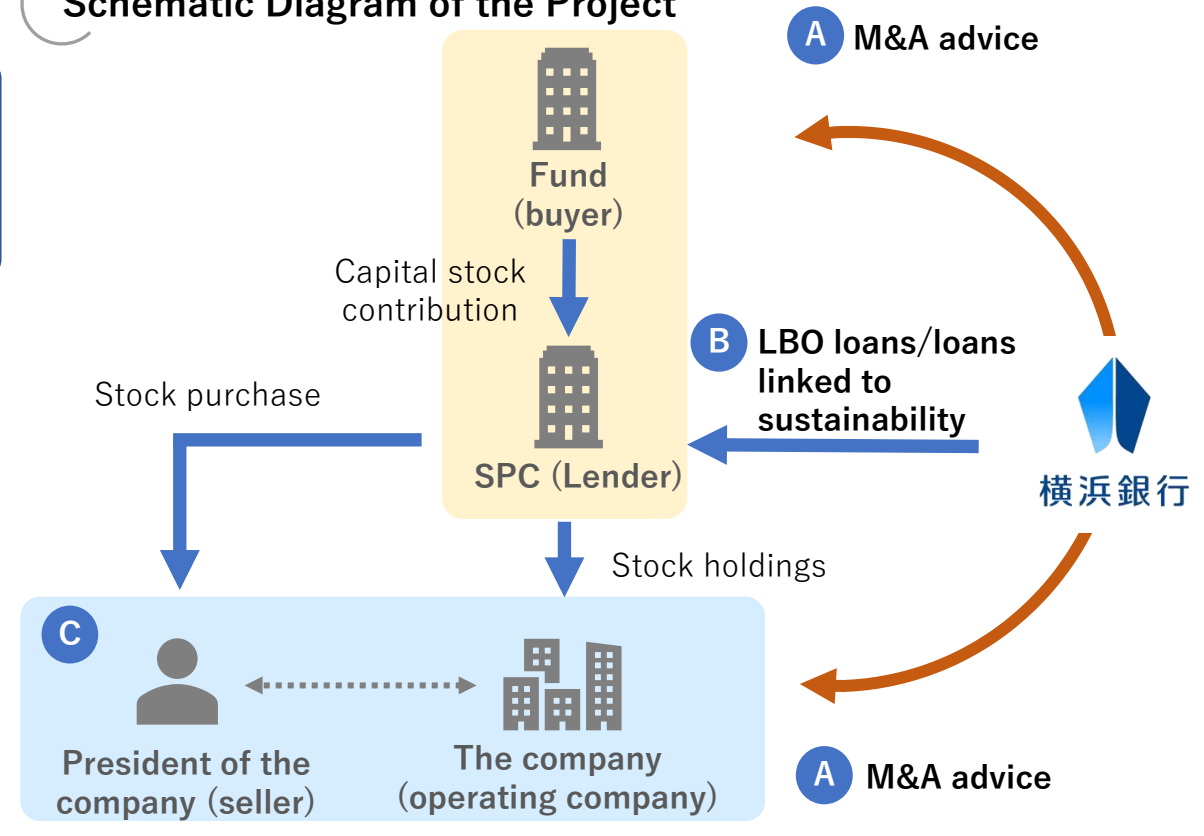
② **Collaboration**

- **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



Bank's primary role

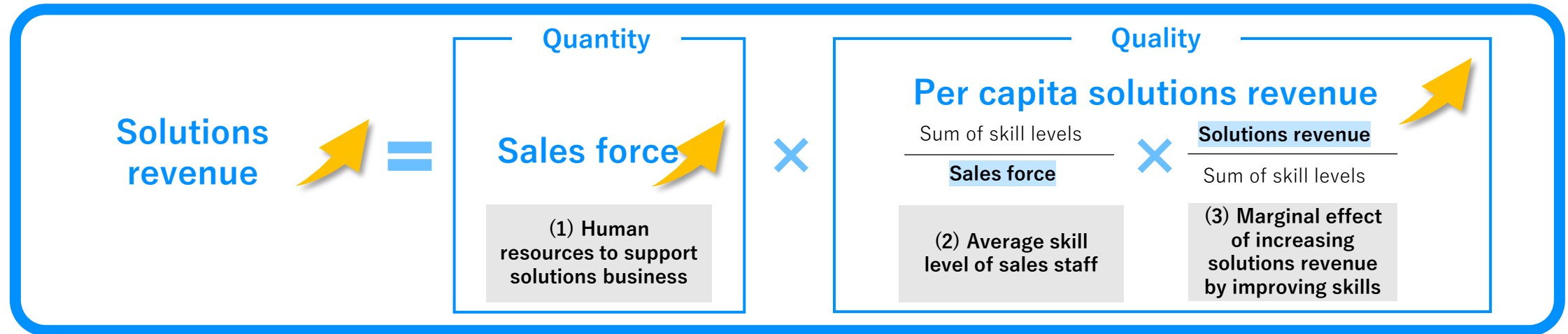
- A** Providing M&A advisory services.
- B** Cooperating on LBO loans with loans linked to sustainability.
- C** Proposing wealth management services to the seller.

*1 Initiatives to support economic independence of producers through ongoing trade at fair prices in products made in developing countries.
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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

Strengthening headquarters direct sales division

✓ Number of direct sales personnel at headquarters

Proportion of sales personnel with advanced skill levels

20%

(FY2021 result)

30%

(FY2027 plan)

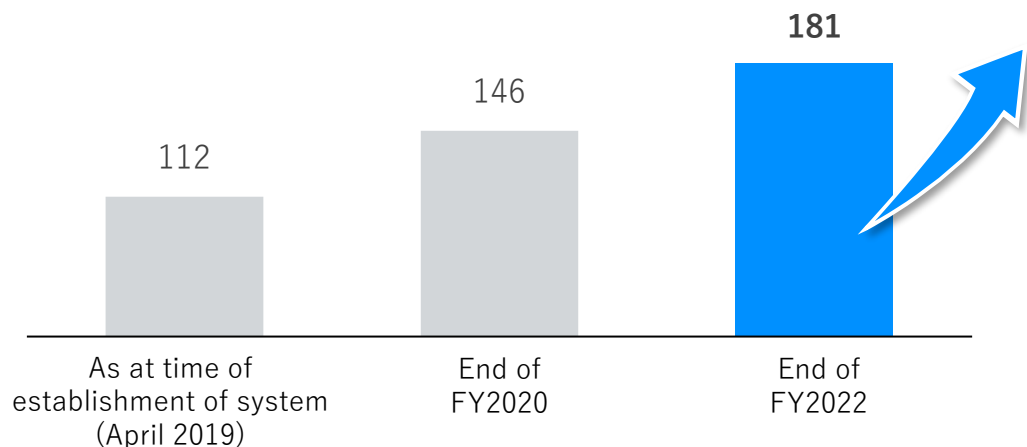
Optimal allocation of human assets according to characteristics of the sales area

✓ Focusing allocation of persons with advanced skills on growth regions

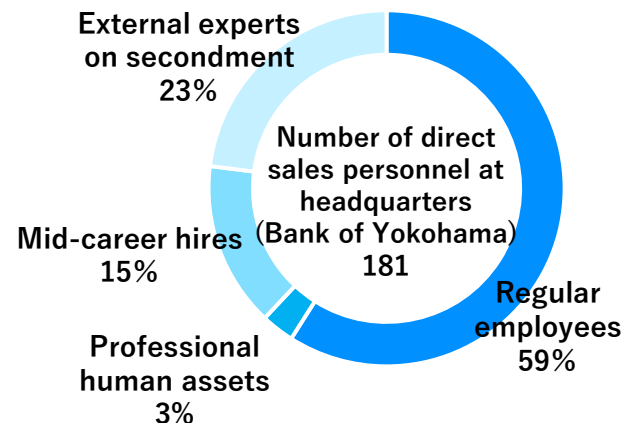
Developing Human Resources to Strengthen Profitability of Solutions - Strengthening Head Office Direct Sales Division

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

Number of direct sales personnel at headquarters (Bank of Yokohama Solution Sales Department)



Headquarters Direct Sales Personnel Composition (Bank of Yokohama)



Solutions sales department functions

- Investment banks
- Asset finance project finance
- Sustainability support
- M&A
- Business matching
- Wealth management

HQ direct sales personnel human assets (example)

Work experience
Experienced external relations manager

Specialist skills
PE fund secondment

Qualifications held
Securities analyst

Sales results
Award for Excellence

Head office direct sales

Enhancing solutions sales posture



Results educational secondment of young employees (as of end of March 2023)

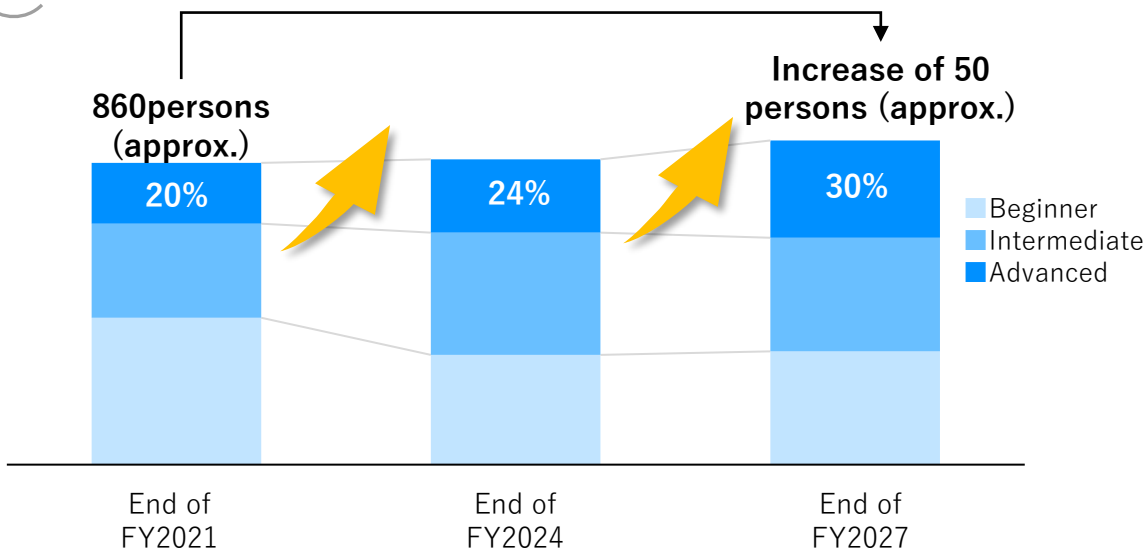
Seconded staff 30

- Investment banks
- Securities companies
- Major banks, others
- PE funds
- VC funds
- Trust banks
- Trust companies

Developing Human Resources to Strengthen Profitability of Solutions - Improving Sales Representative Skill Levels

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

Percentage at Advanced Skill Levels (Bank of Yokohama)



Skill certification system

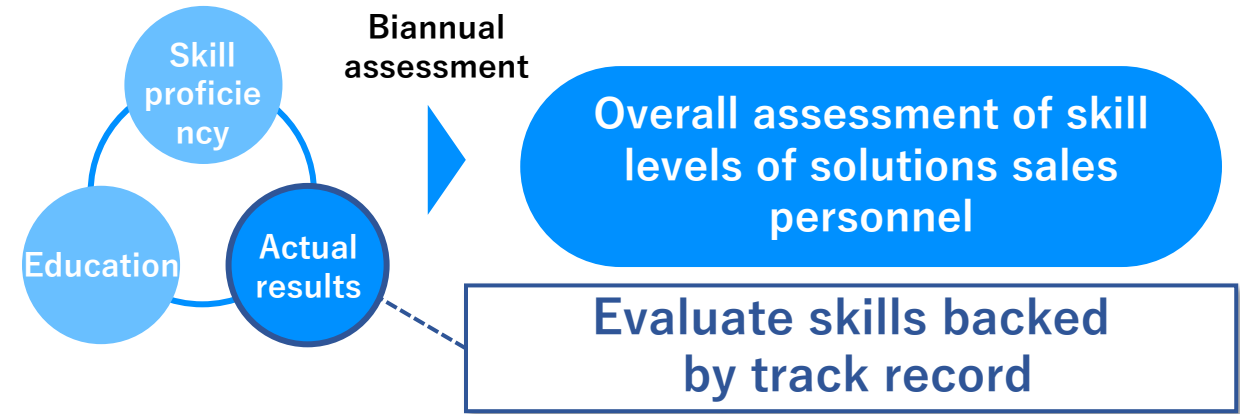


Illustration of human resources with high solutions sales capabilities (example)

Annual solutions revenue
300 million yen (approx.)

Business experience
at 3 sales branches

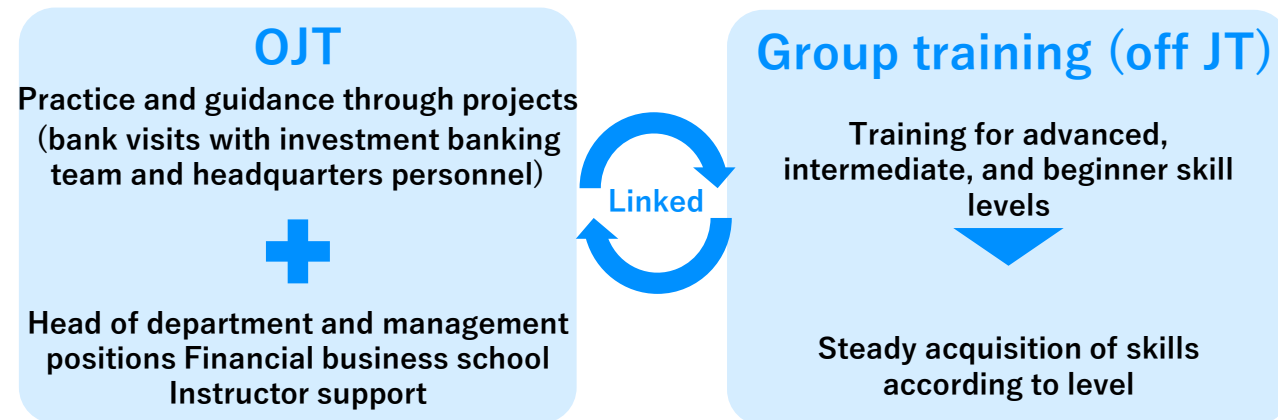


Person with advanced skills

Number of strategic solutions provided
5

Qualifications
Small and medium enterprise management consultant

Human asset development combining OJT and Off JT



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

Deployment of human resources according to characteristics of the sales area

- Personnel with advanced solutions skills and experience return to Kanagawa Prefecture in management positions and train managers.

Highly competitive market

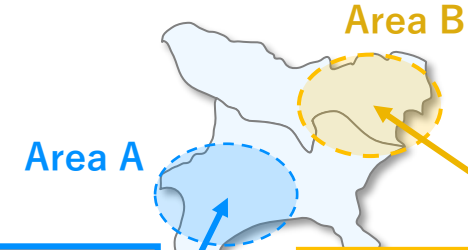


Acquiring more specialized skills through direct sales at head office

Digging deeper into customer needs to maintain and expand market share

- Focusing assignment of persons with advanced skills on highly competitive markets.
- Becoming human assets with a wide range of solution skills.

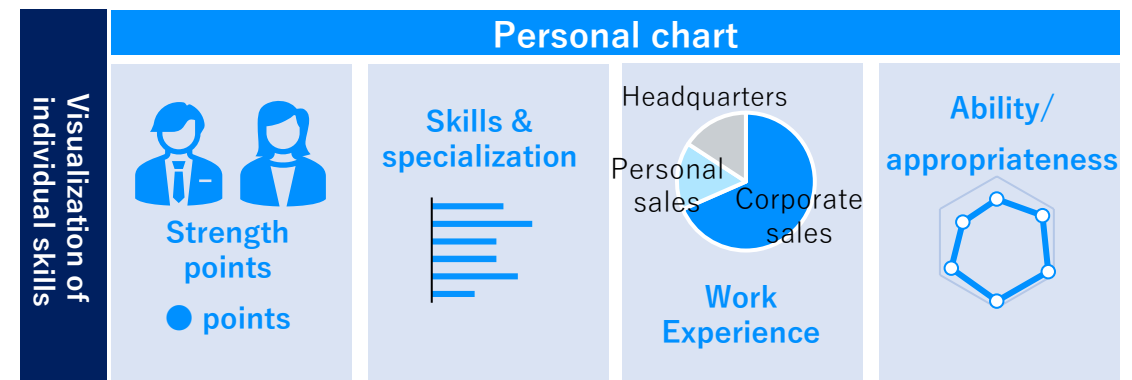
Reference: Future approaches to skill visualization



Capabilities required in the area			●points
Capability points possessed			●points
	Skill	Experience	
Corporate Department	
Personal Department	

Capabilities required in the area			●points
Capability points possessed			●points
	Skill	Experience	
CorporateDepartment	
Personal Department	

Optimal allocation of human assets according to characteristics of the sales area



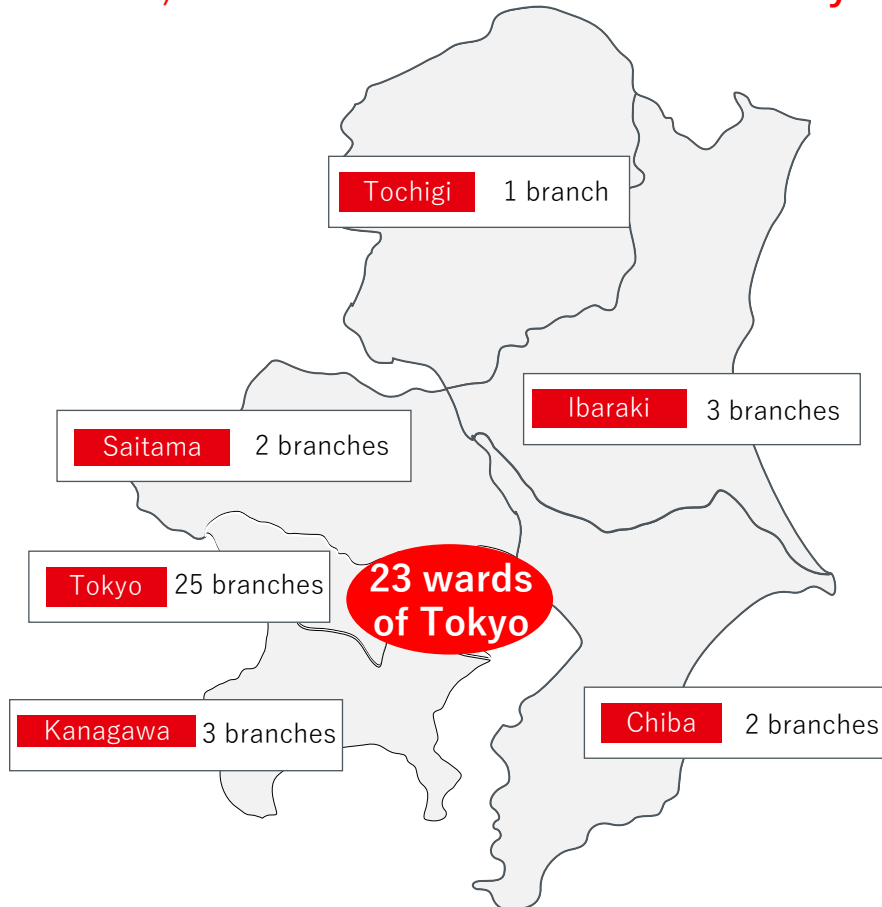
Strengthening Solution Business to Improve RORA (Higashi-Nippon Bank)

Sales Area and Target Customers

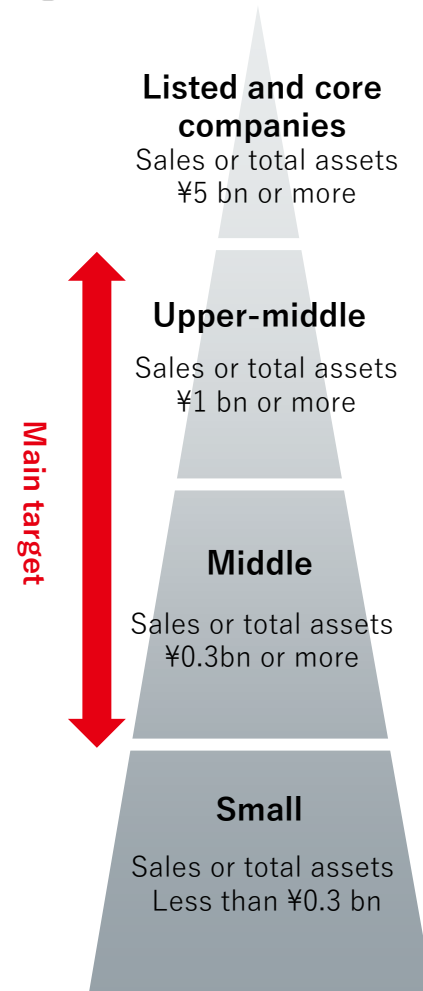
To become a “total partner for small and medium-sized enterprises” by strengthening transactions with small and medium-sized enterprises in the 23 wards of Tokyo

Sales area and branch network *1

The sales area covers the Tokyo metropolitan area and 5 prefectures, with a focus on the 23 wards of Tokyo



Target customers



Vision
Total partner for small and medium-sized businesses

Transactions with small and medium-sized businesses mainly in the 23 wards of Tokyo

Finance customers

12,000 companies (approx.)

Number of core customers *2

6,200 companies (approx.)

Customer characteristics

- ✓ Many companies are relatively small and in the growth stage.
- ✓ Management of high-value real estate in the Tokyo metropolitan market.

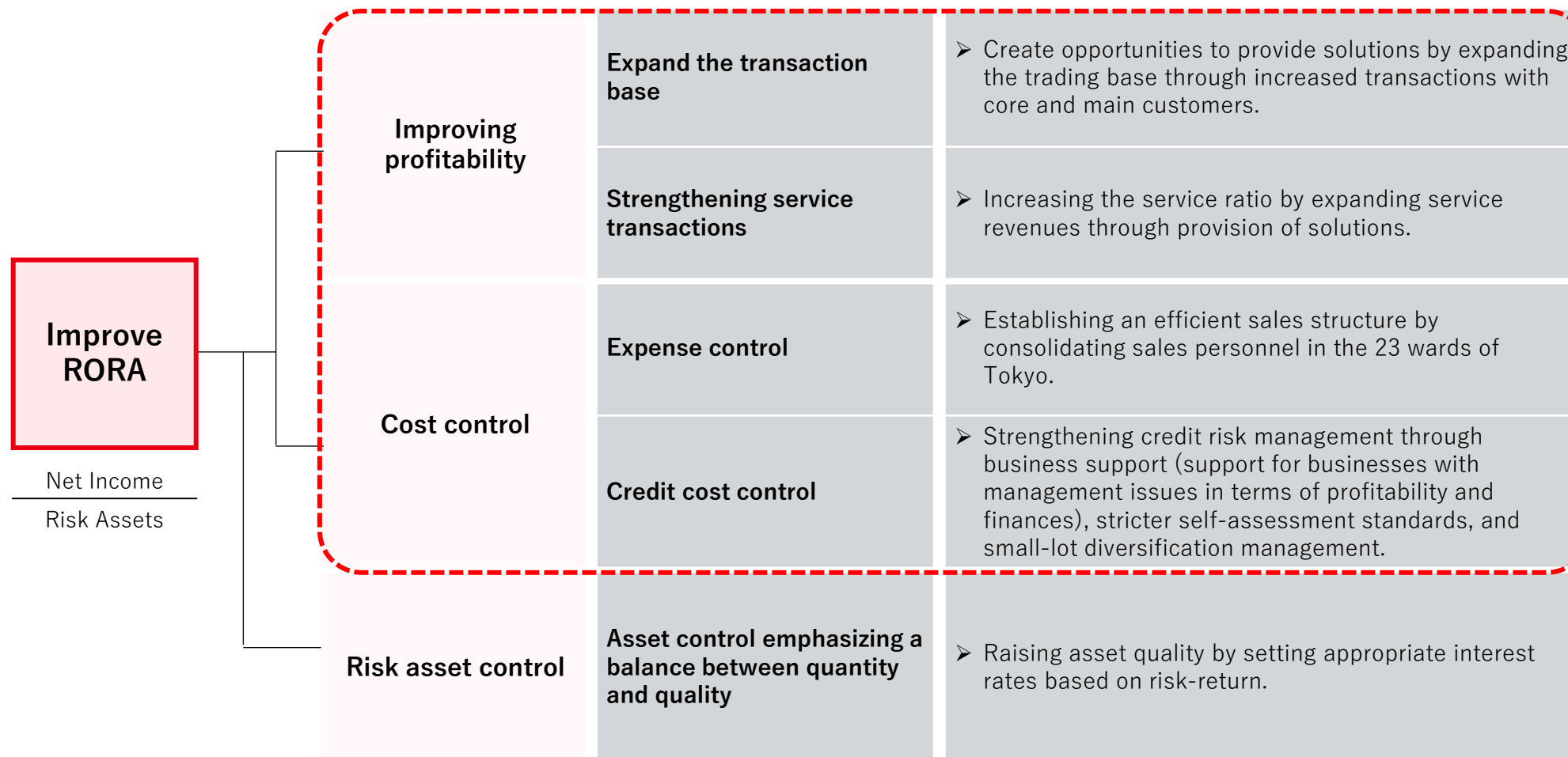
*1 Number of branches as of end of March 2023. Excluding corporate sales offices and sub-branches. Copyright © 2023 Concordia Financial Group, Ltd. All Rights Reserved.

*2 Businesses that meet specified criteria, such as sales volume above a certain level, retail stores located in the suburbs of the Tokyo metropolitan area, and outstanding loans.

Initiatives to Improve RORA

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

Initiatives to Improve RORA

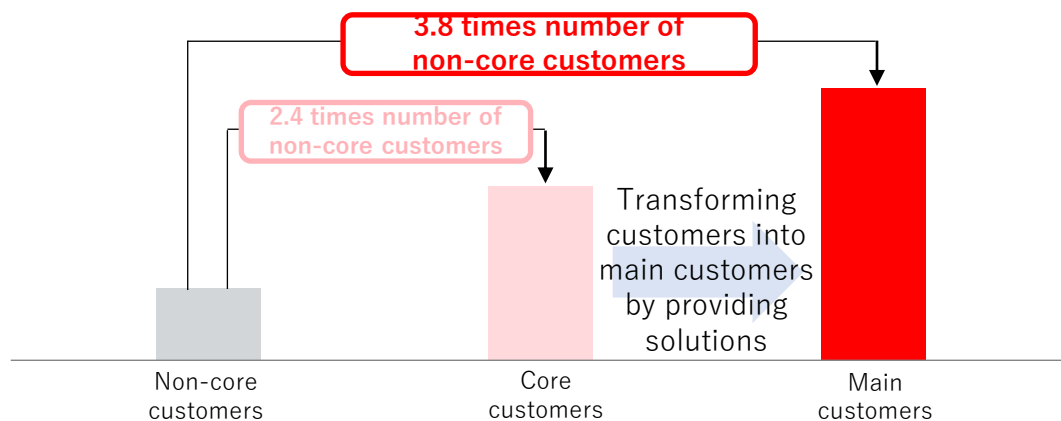


Improving Profitability

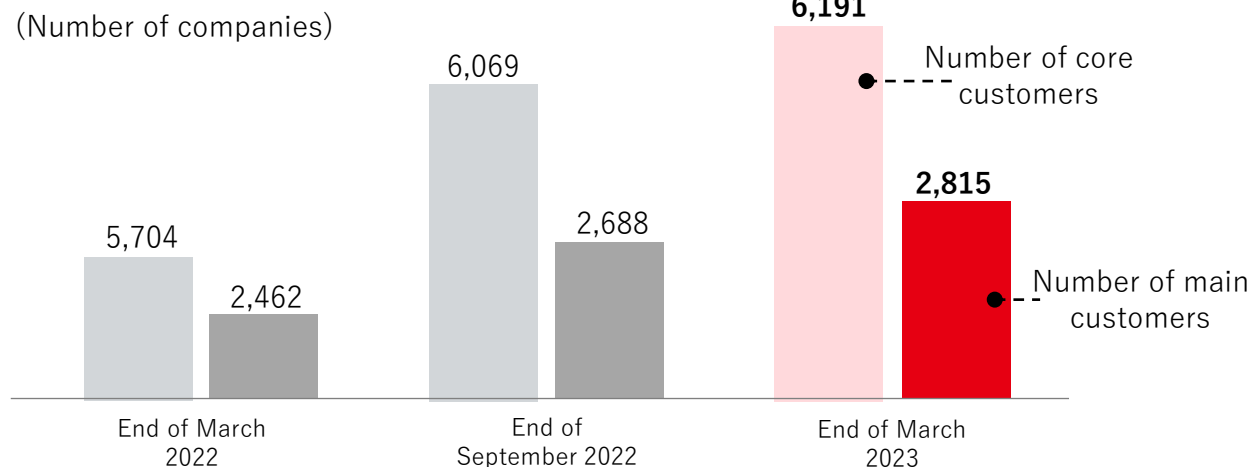
Strengthening service transactions by creating opportunities to provide solutions through expansion of the transaction base

Expand the trading base by increasing core and main customers

Revenue per company for core and main customers

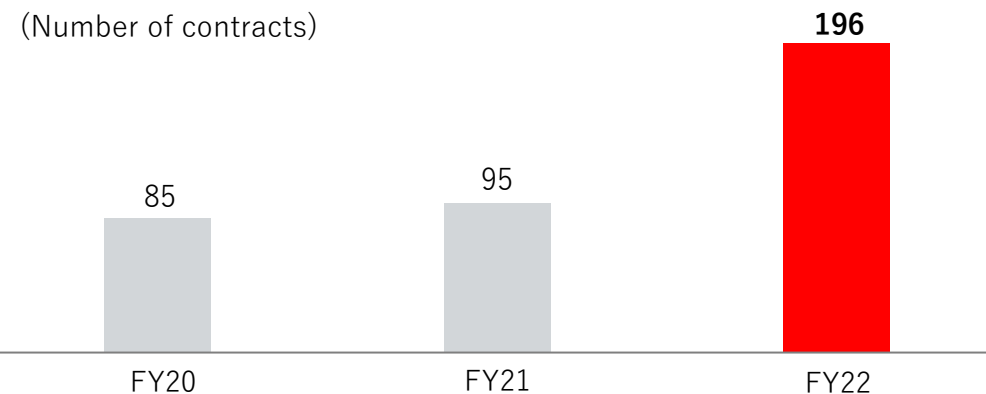


Number of core and main customers

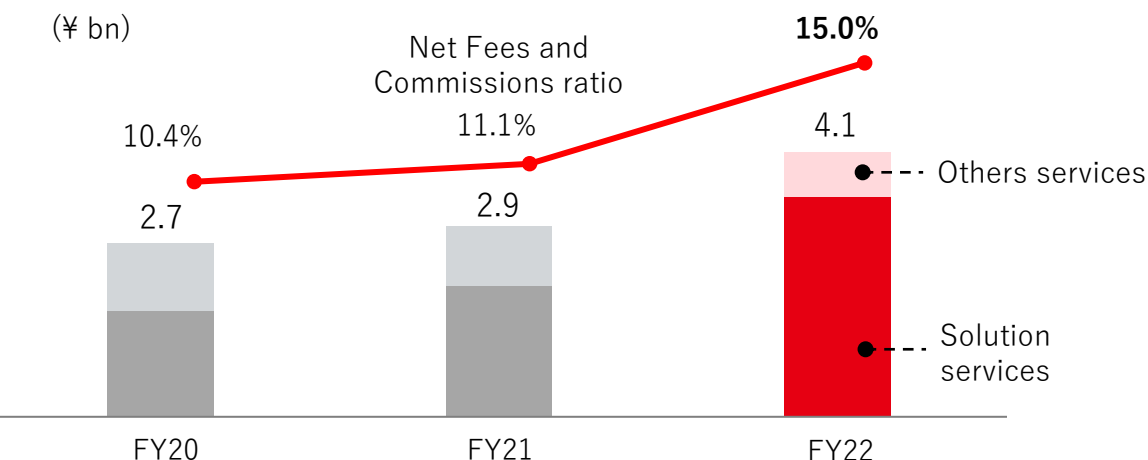


Strengthen service transactions by providing solutions

Number of new loans with covenants



Service transaction profit (Net Fees and Commissions ratio*1)

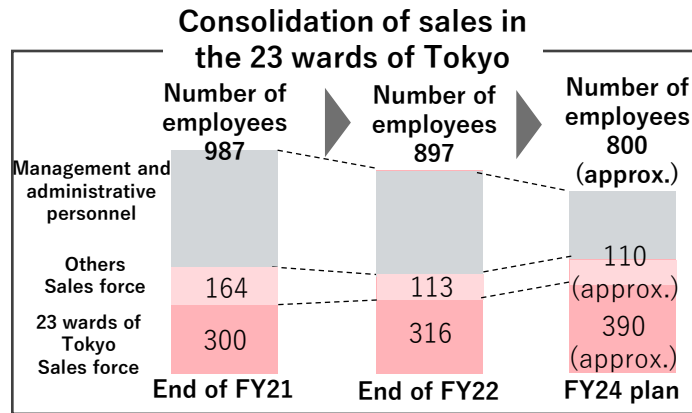


*1 domestic fees and commissions ÷ gross operating income

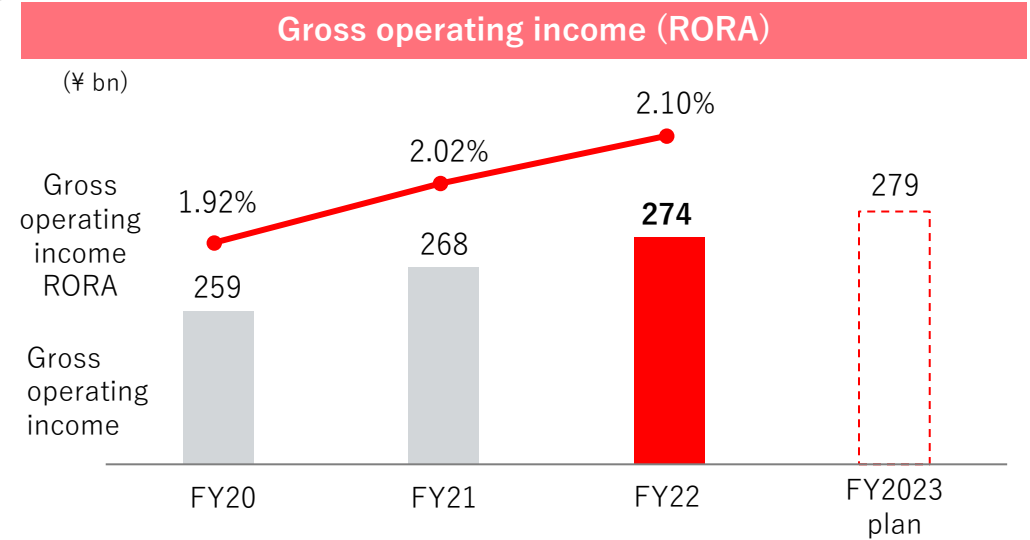
Cost Controls and Performance Trends

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

Business operator support

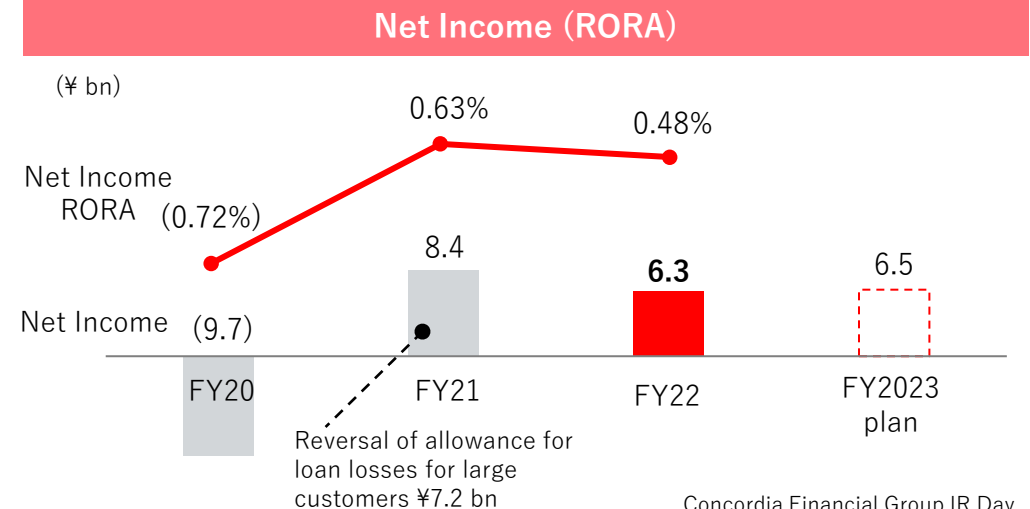
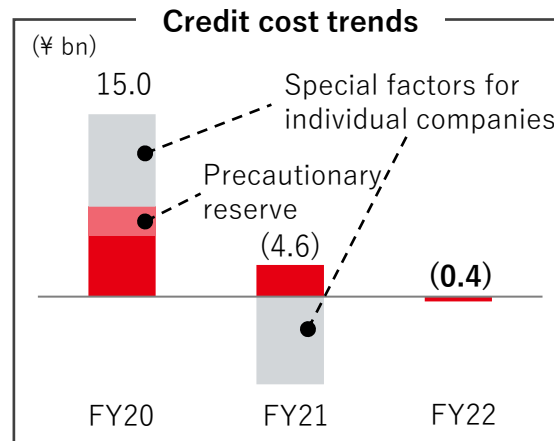
- Business support, including management improvement support such as financial assistance.
- Assistance for revitalization through the use of external support organizations.

Stricter self-assessment standards

- Stricter credit management through unification with the Bank of Yokohama's self-assessment standards.

Small-lot diversification management for the real estate sector

- Setting a maximum amount per company for the real estate sector.
- Credit management using small-lot diversification.



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