

# Concordia Financial Group

## IR Day

Feb 29, 2024

**CONCORDIA**  
Financial Group



Bank of Yokohama

HIGASHI-NIPPON BANK



KANAGAWA BANK

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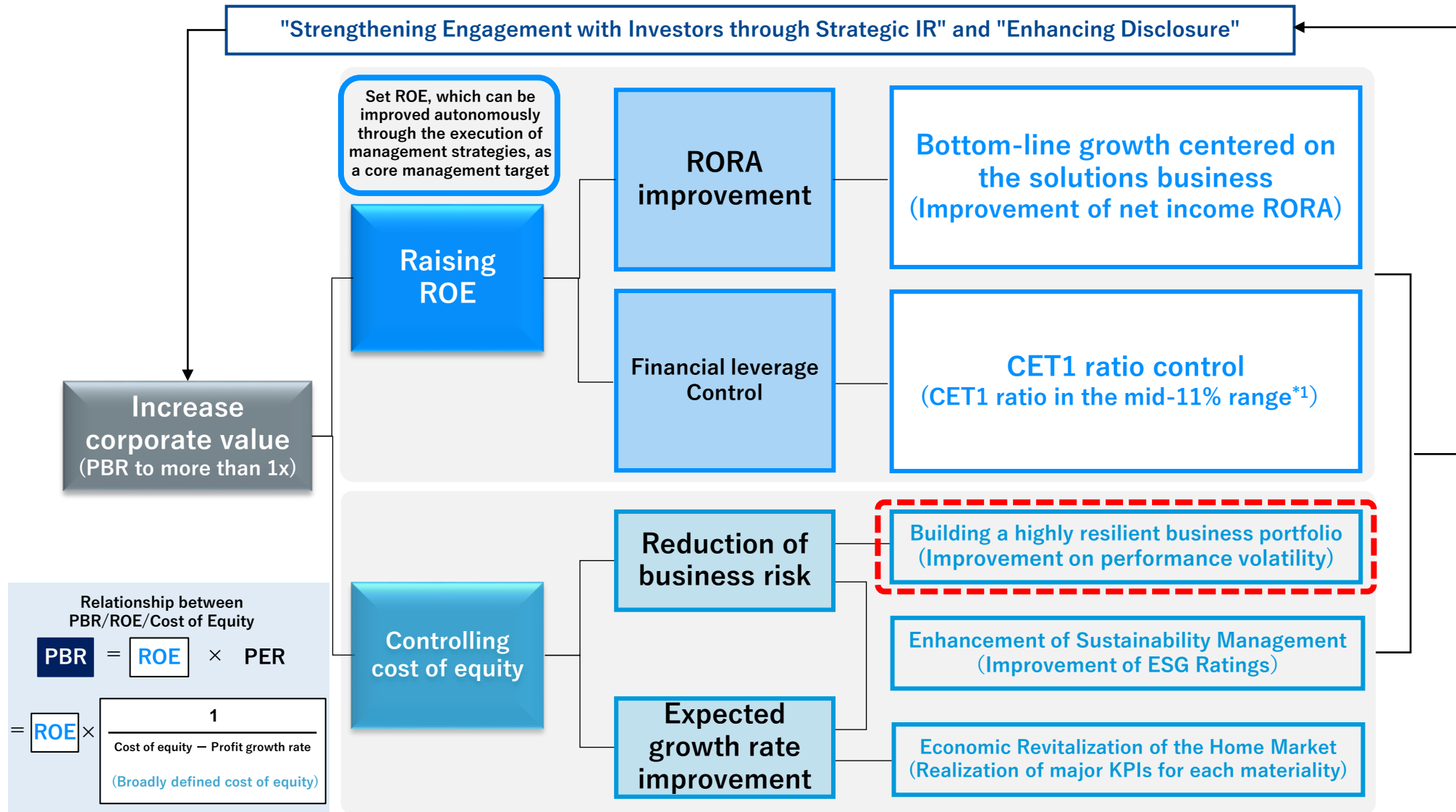
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## Governance That Supports Increasing Corporate Value

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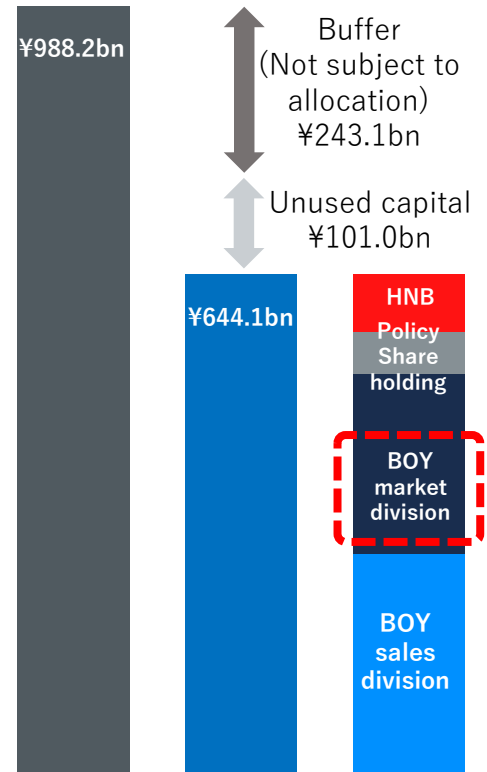
## Aiming to Control Shareholder Capital Costs by Improving Performance Volatility in the Market Division



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

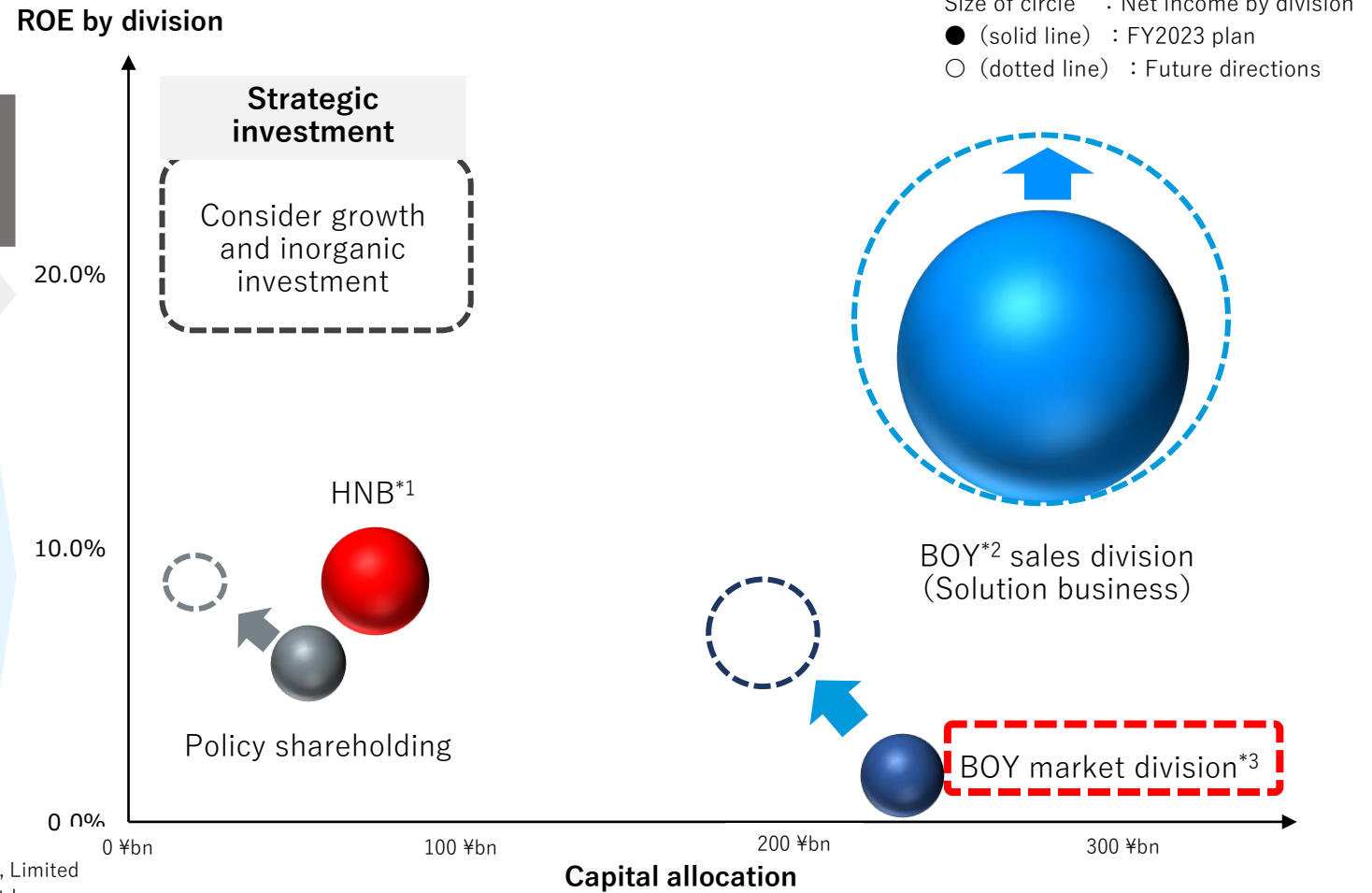
## The Bank of Yokohama Recognizes that Improving Capital Efficiency is an Issue in its Market Division

### Direction of capital allocation (FY2023 plan)



- ✓ Set up a buffer so that real equity capital is not exceeded during times of stress
- ✓ Pursue growth through strategic investment that takes into account capital capacity, etc.
- ✓ Focus on allocating capital to the solution business based on ROE by division
- ✓ Improve capital efficiency in the market sector and policy shareholdings

### ROE by division and capital allocation (Image)



\*1 The Higashi-Nippon Bank, Limited

\*2 The Bank of Yokohama, Ltd.

\*3 Income from securities management, income from trading with customers such as derivatives, etc.. Excluding securities capital gains/ losses and securities held to maturity

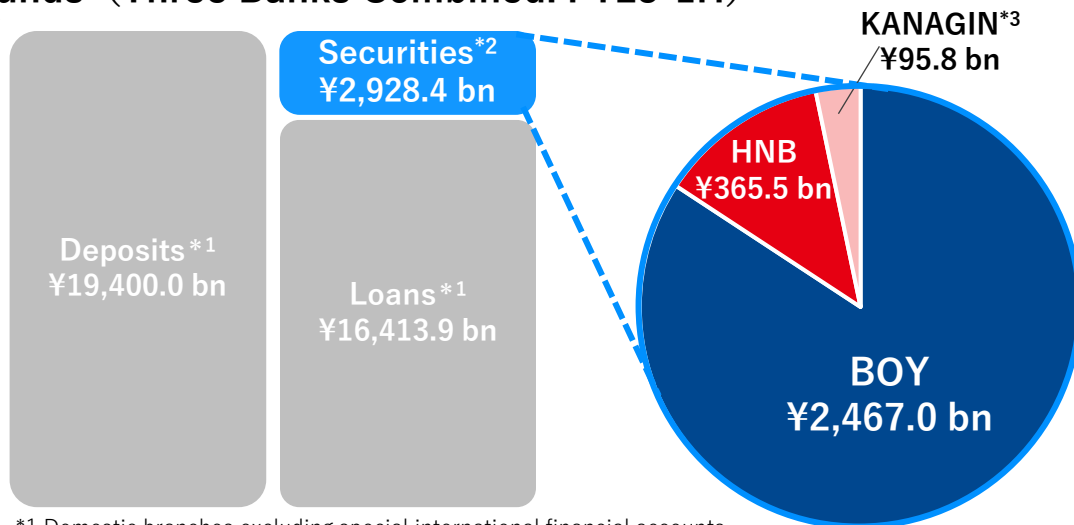
# Restructure securities portfolio (Bank of Yokohama)

Unless otherwise stated, subsequent figures are for the Bank of Yokohama.

# Positioning of Securities Management

## To Secure Stable Income as a Means of Managing the Deposit and Loan Gap

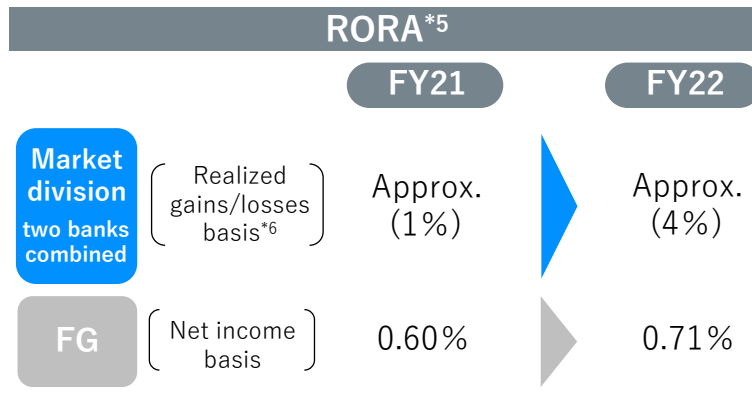
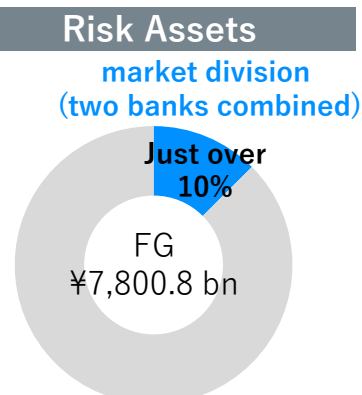
### Funds (Three Banks Combined. FY23-1H)



\*1 Domestic branches excluding special international financial accounts.

\*2 Including policy shareholding \*3 THE KANAGAWA BANK, Ltd.

### Risk Assets (Mar-23) , RORA, and ROE

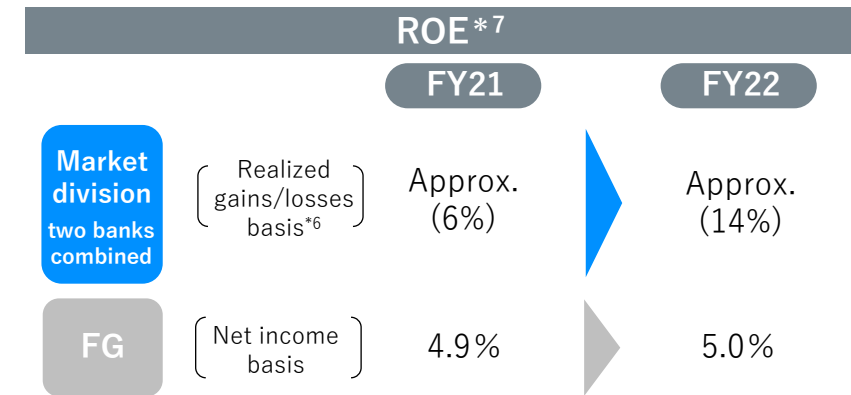


### Trends in Market Division revenue (Three Banks Combined)

(¥ bn)

	FY20	FY21	FY22	FY23-1H
Gross operating income	190.7	211.6	208.5	93.7
<b>Market Division financial gains/losses</b>	<b>0.8</b>	<b>12.3</b>	<b>1.3</b>	<b>(12.0)</b>
Interest and dividend income, etc.	18.5	19.0	16.8	10.6
Capital income	(17.6)	(6.6)	(15.4)	(22.7)
BOY	(2.2)	8.5	(2.1)	(13.8)
HNB	2.6	3.3	3.1	1.5
KANAGIN	0.4	0.4	0.4	0.2
<b>Market Division realized gains/losses*4</b>	<b>28.0</b>	<b>(16.7)</b>	<b>(39.1)</b>	<b>6.0</b>

\*4 Realized gains/losses = financial gains/losses + change in valuation gains/losses (excluding securities held-to-maturity, excluding cross shareholdings)



\*5 The RORA of the Market Division is on a management accounting basis.

\*7 The ROE of the Market Division is based on allocated capital (excluding policy shareholding), and the ROE of the entire FG is based on shareholder equity.

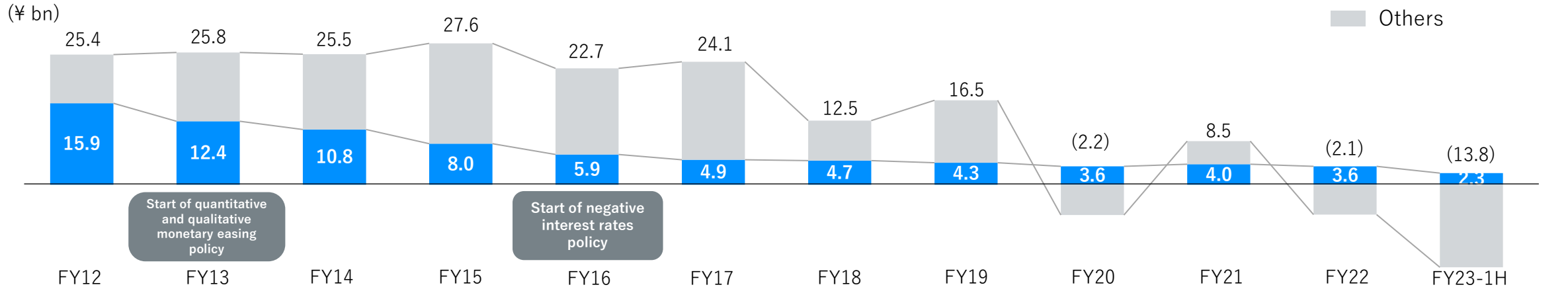
\*6 After Deducting Expenses

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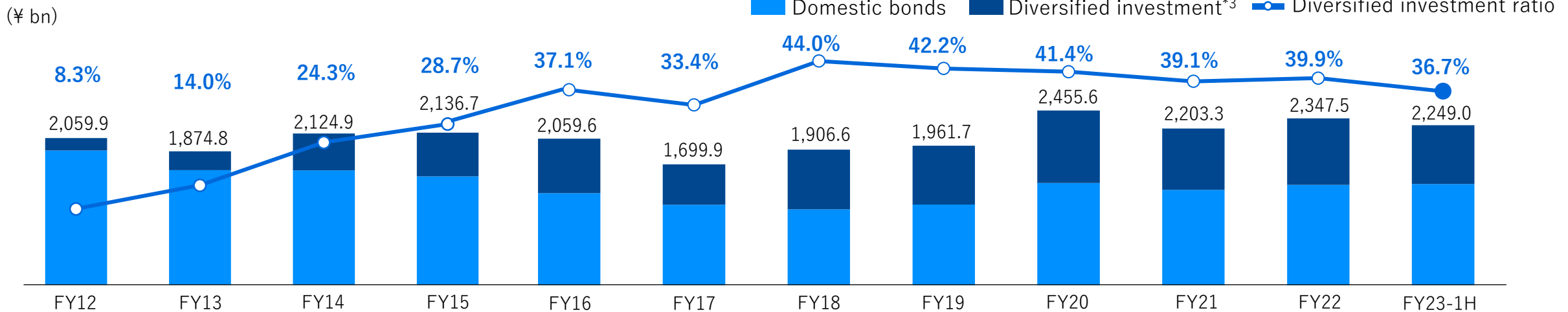
# Trends in Financial gains/losses and Amount of Securities Funds

## Increase Diversified Investment Ratio in Response to Declining Yen Bond Income in the Low Interest Rate Environment

### Trends in financial gains/losses\*1



### Trends in amount of securities funds (excluding policy shareholding)\*1\*2



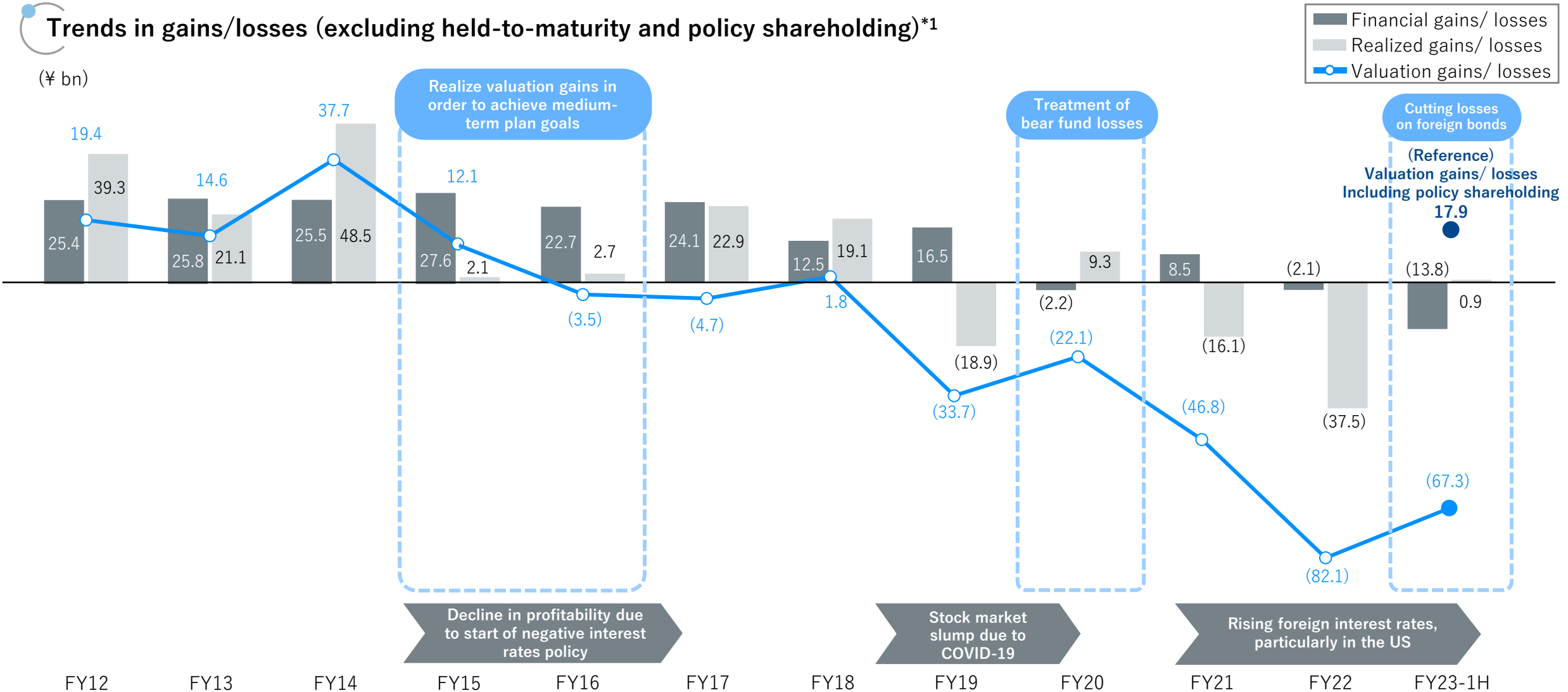
\*1 FY12-15 is on a management accounting basis.

\*2 Excluding shares and investments in subsidiaries and affiliated companies.

\*3 Diversified investments in foreign bonds, stocks, J-REITs, etc.

# Trends in gains/losses (Financial gains/ losses, Realized gains/ losses, Valuation Gains/ Losses)

Rising Unrealized Losses Due to Realization of valuation gains to Achieve Financial Goals and Due to Rapid Changes in the Interest Rate Environment



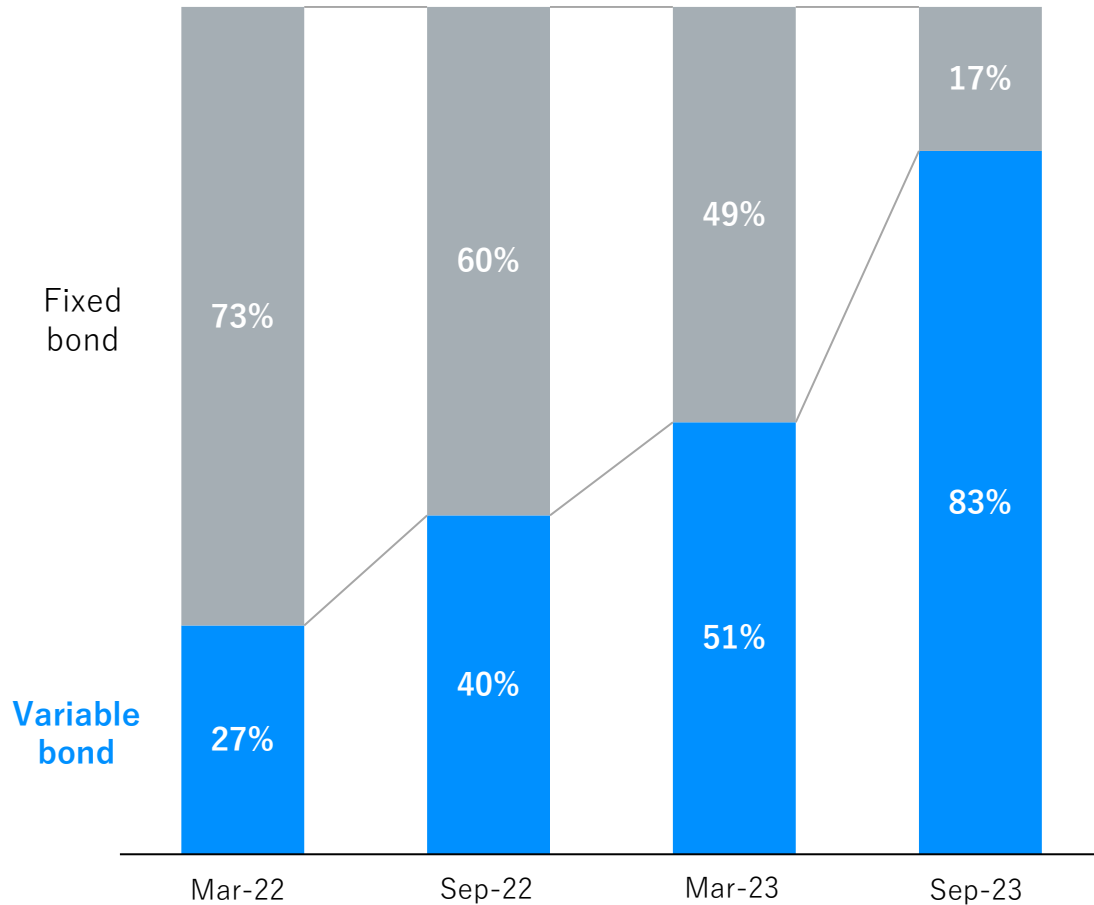
\*1 FY12-15 is on a management accounting basis.



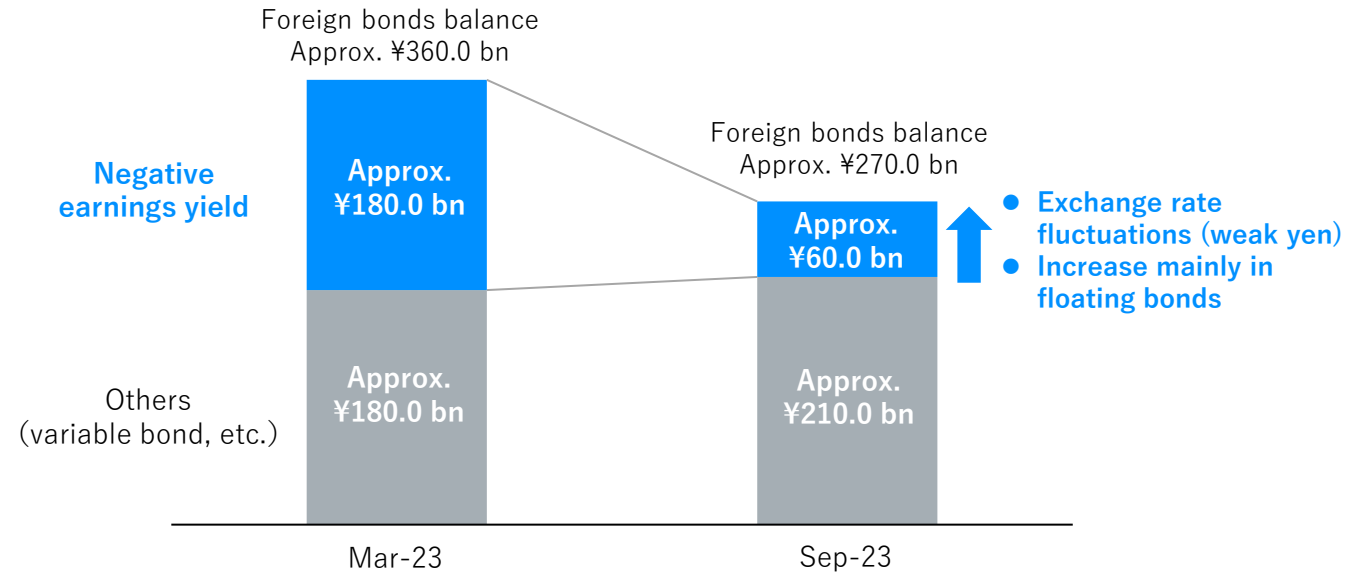
# Response to negative-spread foreign bonds

## Positive Foreign Bond Income Thanks to Increased Ratio of Floating Bonds and to Cutting Losses on Foreign Bonds

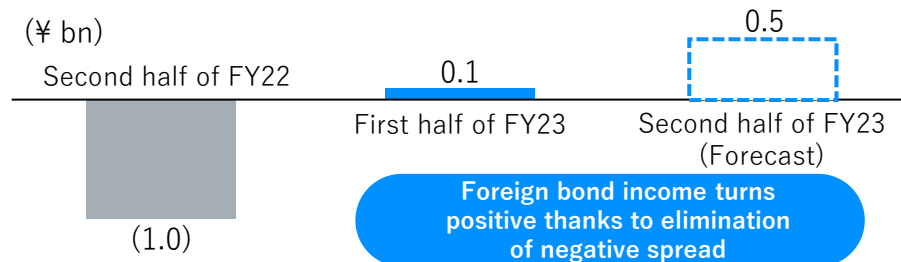
Floating bond ratio for foreign bonds (spot)



Response to negative-spread foreign bonds

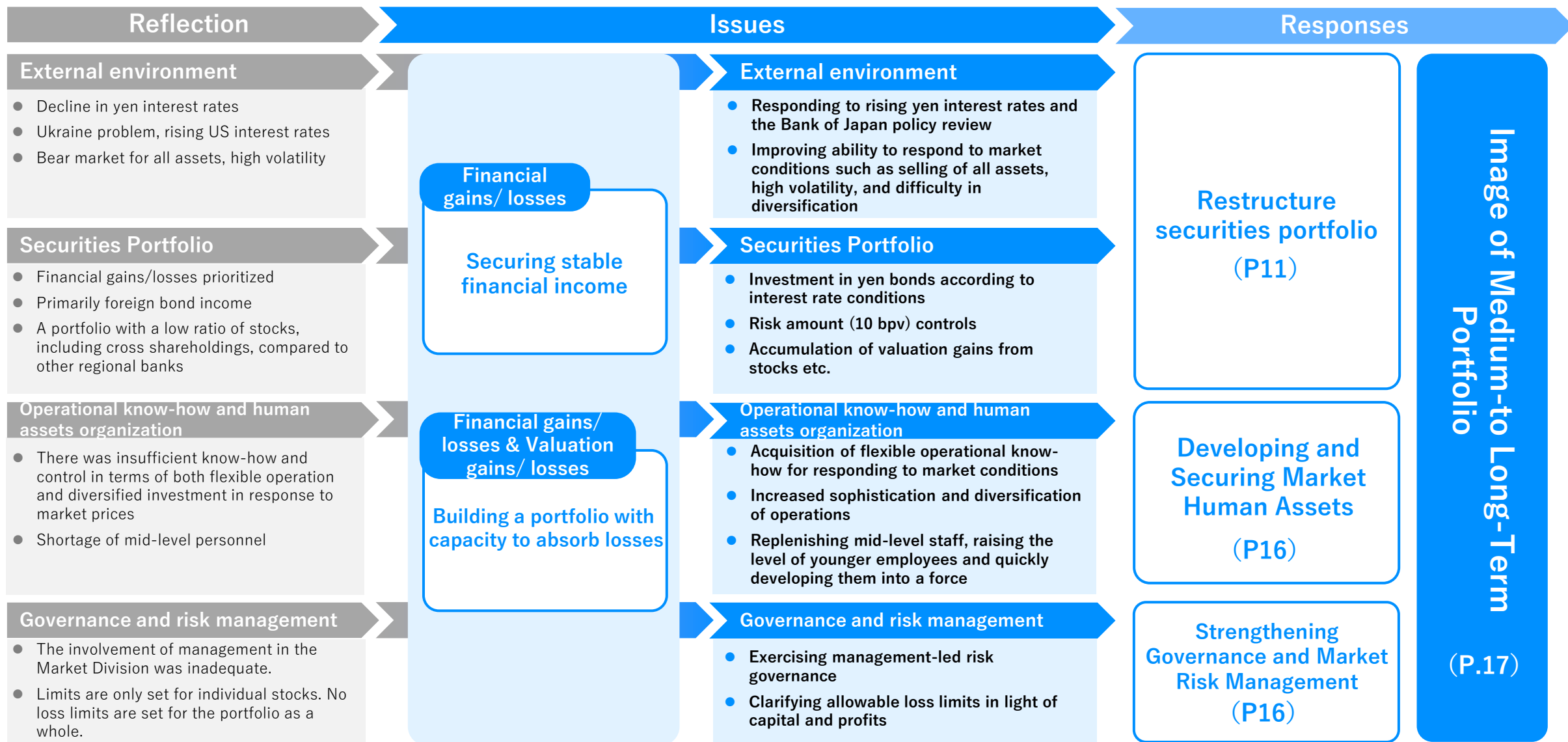


Trends in foreign bond (spot) income earnings<sup>\*1</sup>



# Issues and Responses

## Strengthening Measures to Secure Stable Financial Income and to Build a Portfolio Able to Absorb Losses



# Restructure securities portfolio (3-Tier Management of Financial, Realized, and Valuation)

## Starting Purpose-Based Portfolio Management Divided Into Three Layers: Financial, Realized, and Valuation

### Purpose-Based Portfolio Management Divided Into Three Layers

#### Issues

Financial gains/ losses

Securing stable financial income

Realized gains/ losses

Strengthening risk control to ensure stable realized gains

Valuation gains/ losses

Improving valuation gains/losses

Building a portfolio with capacity to absorb losses

#### Purpose-Based Portfolio Management Divided Into Three Layers

The policy of restructuring securities portfolio

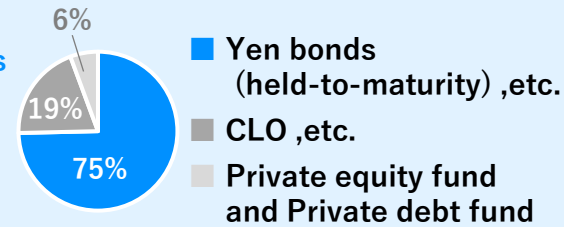
##### “Earn”

Portfolio Aimed at **Securing Financial Gains**\*1

Securing financial income based on individual investment strategies

Term-end balance of funds (FY23-1H)

Financial Portfolio  
¥1,160.0 bn



- Investment in yen bonds (held-to-maturity) according to interest rate conditions
- Securing spread income based on buying and holding CLOs

##### “Protect” and “Attack”

Portfolio Aimed at **Maximizing Realized Gains**\*2

Flexible market-based operations and diversified investment to maximize realized gains

Term-end balance of funds (FY23-1H)

Realized Portfolio  
¥1,160.0 bn



- Agile portfolio operations
- Risk control

##### “Save”

Portfolio Aimed at **Securing Valuation Gains**\*3

Accumulating valuation gains from long-term investments, mainly in stocks

Term-end balance of funds (FY23-1H)

Valuation Portfolio  
¥11.0 bn



- Accumulation of valuation gains through long-term equity investments (Investment Trusts) with time variance

\*1 Hereinafter referred to as “Financial Portfolio”. \*2 Hereinafter referred to as “Realized Portfolio”.

\*3 Hereinafter referred to as “Valuation Portfolio”.

\*4 Excluding CLO

\*5 Newly started long-term diversified investment

# Restructure securities portfolio (Financial Portfolio)

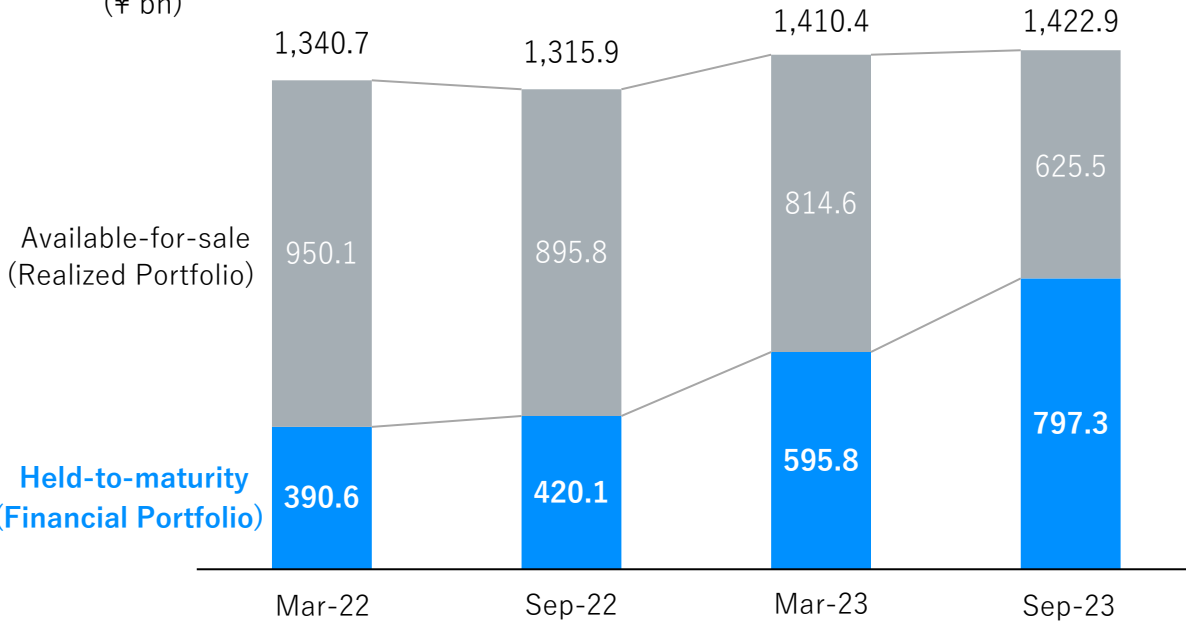
## Increasing Balance of Yen Bonds (held-to-maturity) and CLOs (variable bonds) in Light of Rising Interest Rates

“Earn”

**Financial Portfolio\*1** : Securing financial income based on individual investment strategies

### Yen bonds (held-to-maturity)

(¥ bn)



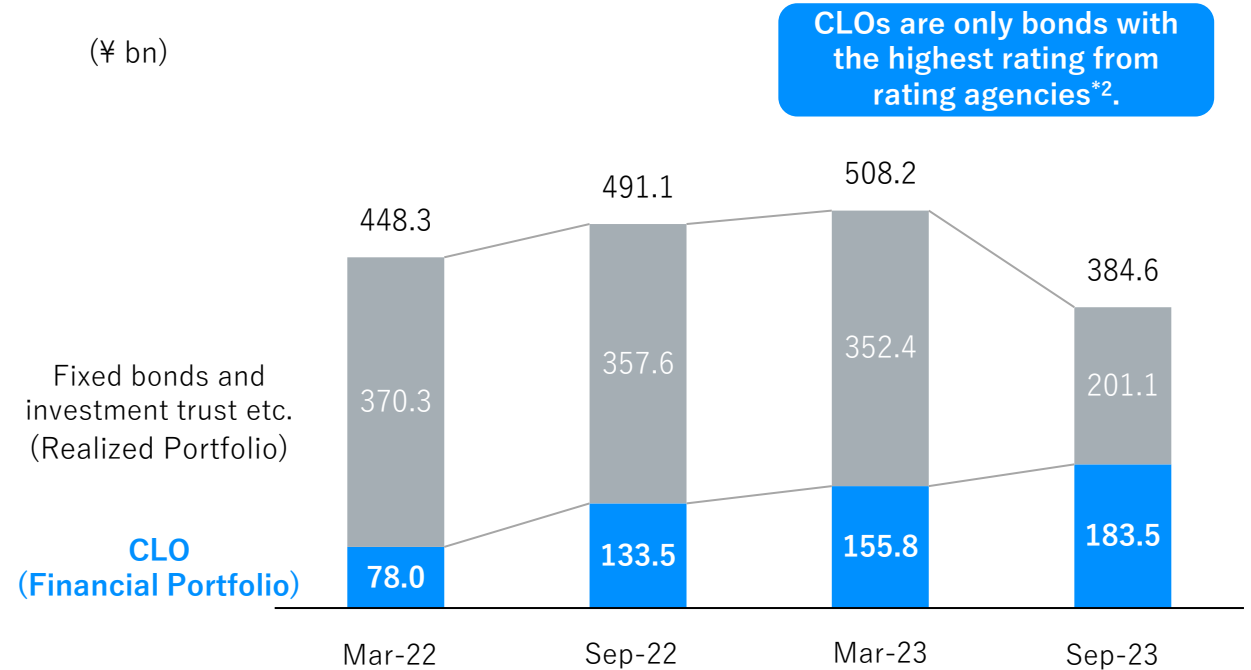
(Reference)  
Funds of Yen bonds  
(Three banks  
combined)

1,614.4      1,582.6      1,668.0      1,767.1

\*1 Portfolio Aimed at Securing Financial Gains

### Foreign bonds (CLO)

(¥ bn)



(Reference)  
Funds of Foreign  
bonds  
(Three banks  
combined)

466.9      509.0      523.9      411.8

\*2 Moody's or S&P

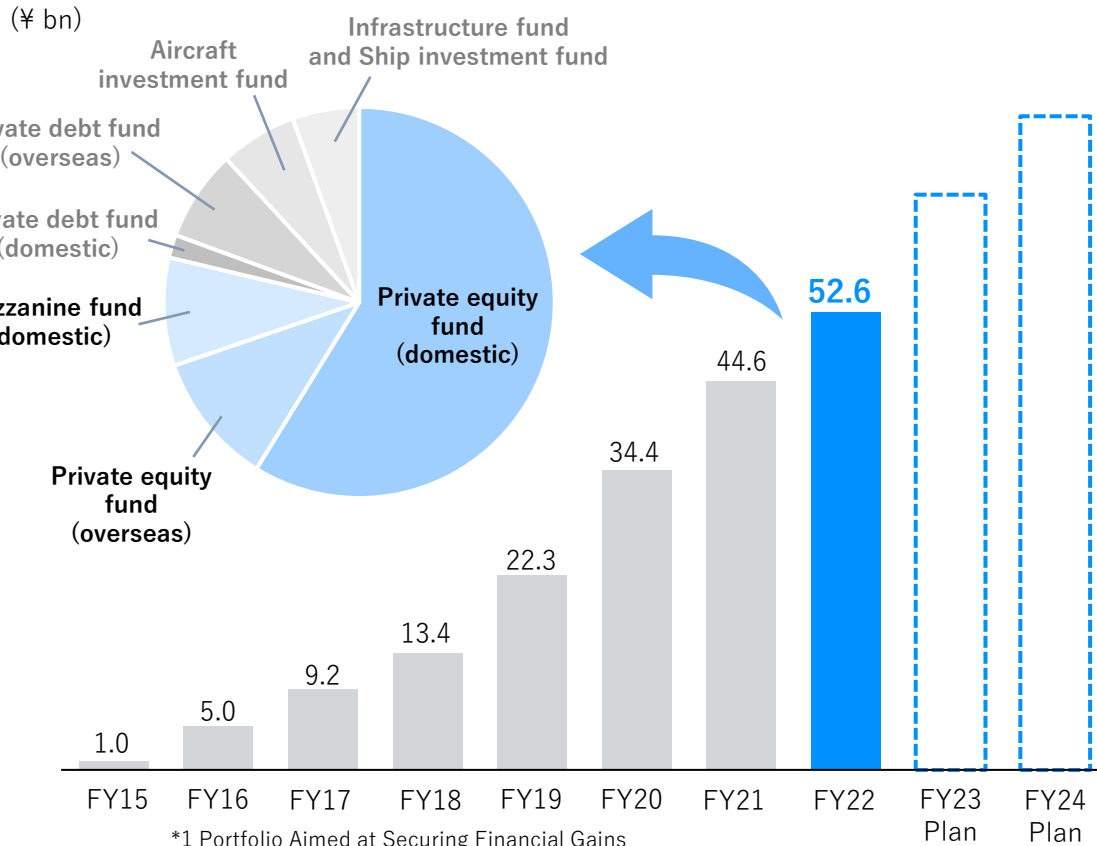
# Restructure securities portfolio (Financial Portfolio)

Strengthening Alternative Investments to Diversify Operations. The Quantity of Exits from the Fund Has Increased, Turning the Financial Gains and Losses into the Black, Becoming a Stable Source of Revenue Going Forward

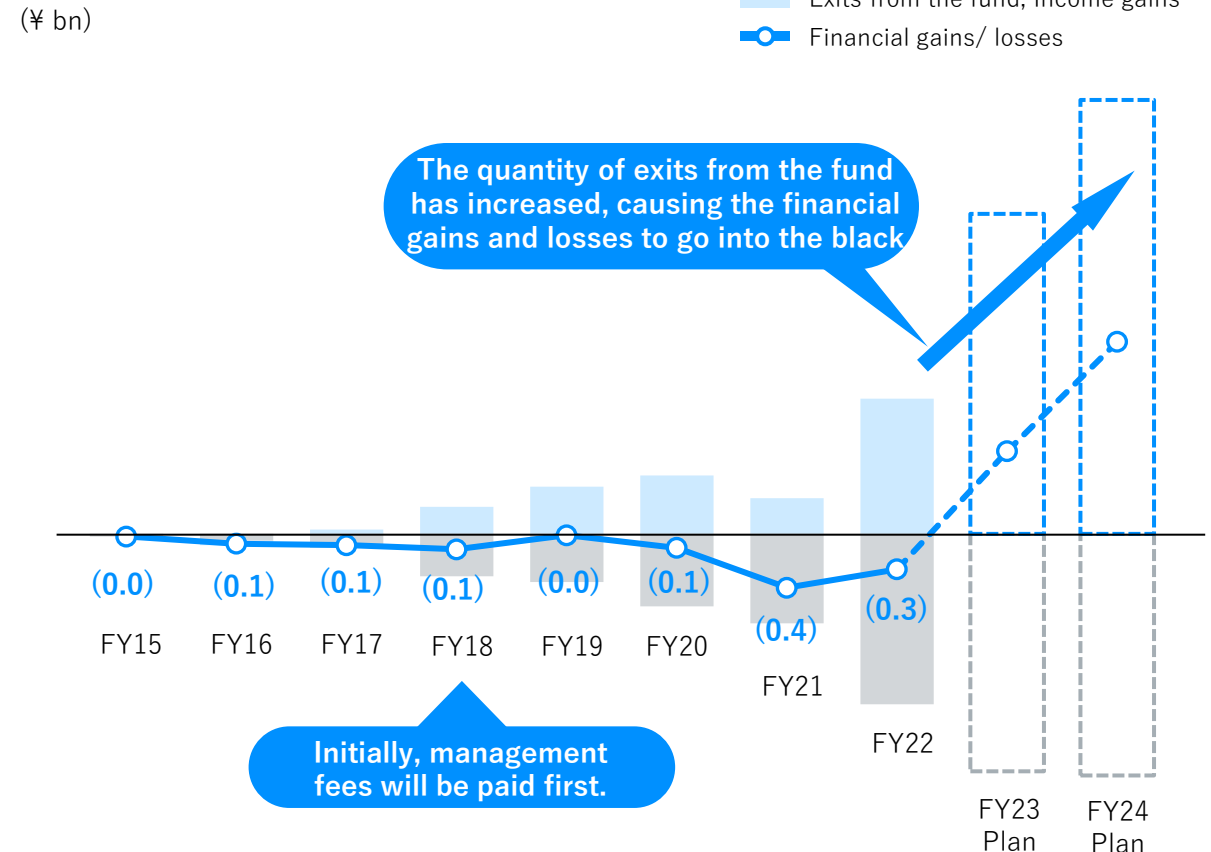
“Earn”

Financial Portfolio\*1 : Securing financial income based on individual investment strategies

## Total aggregate investment amount of investment funds



## Investment fund financial income



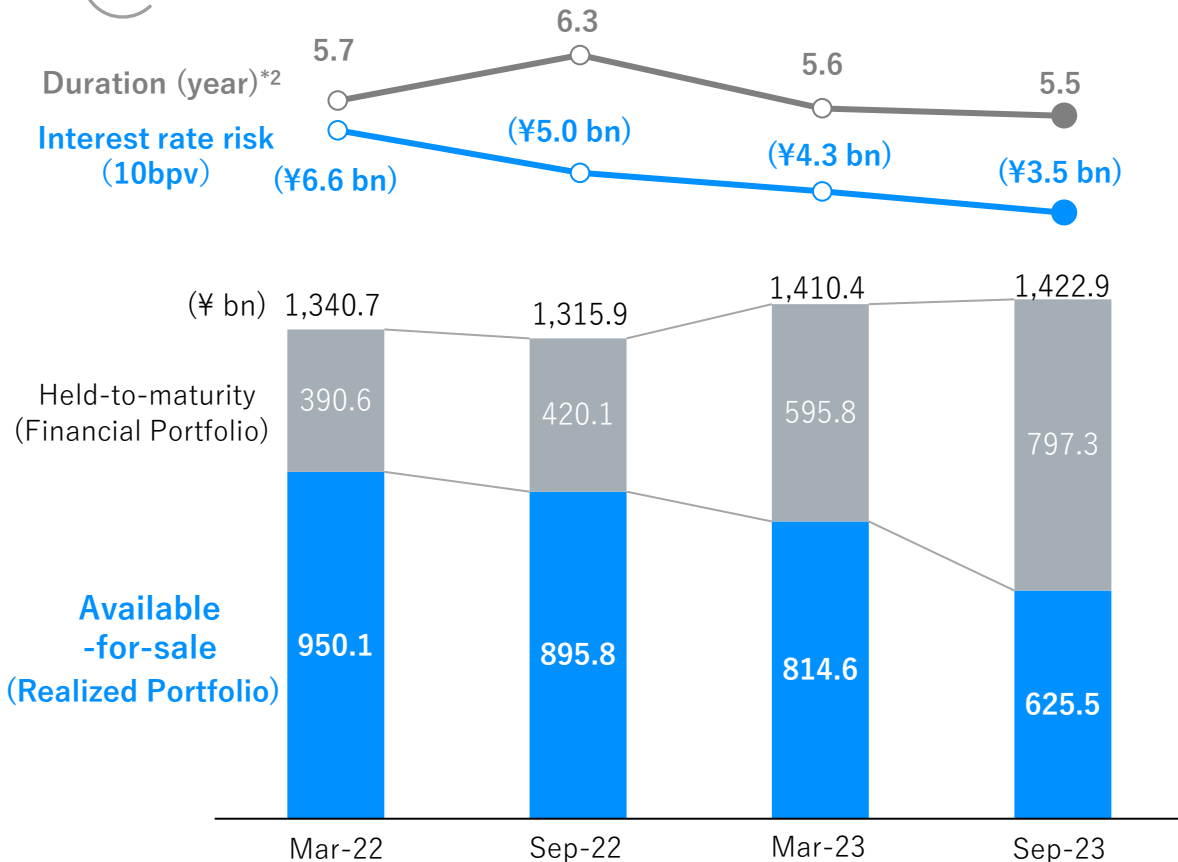
# Restructure securities portfolio (Realized Portfolio)

Reduce the Amount of Funds and Risk in Order to Enable Flexible Operations in Response to Changes in the Interest Rate Environment

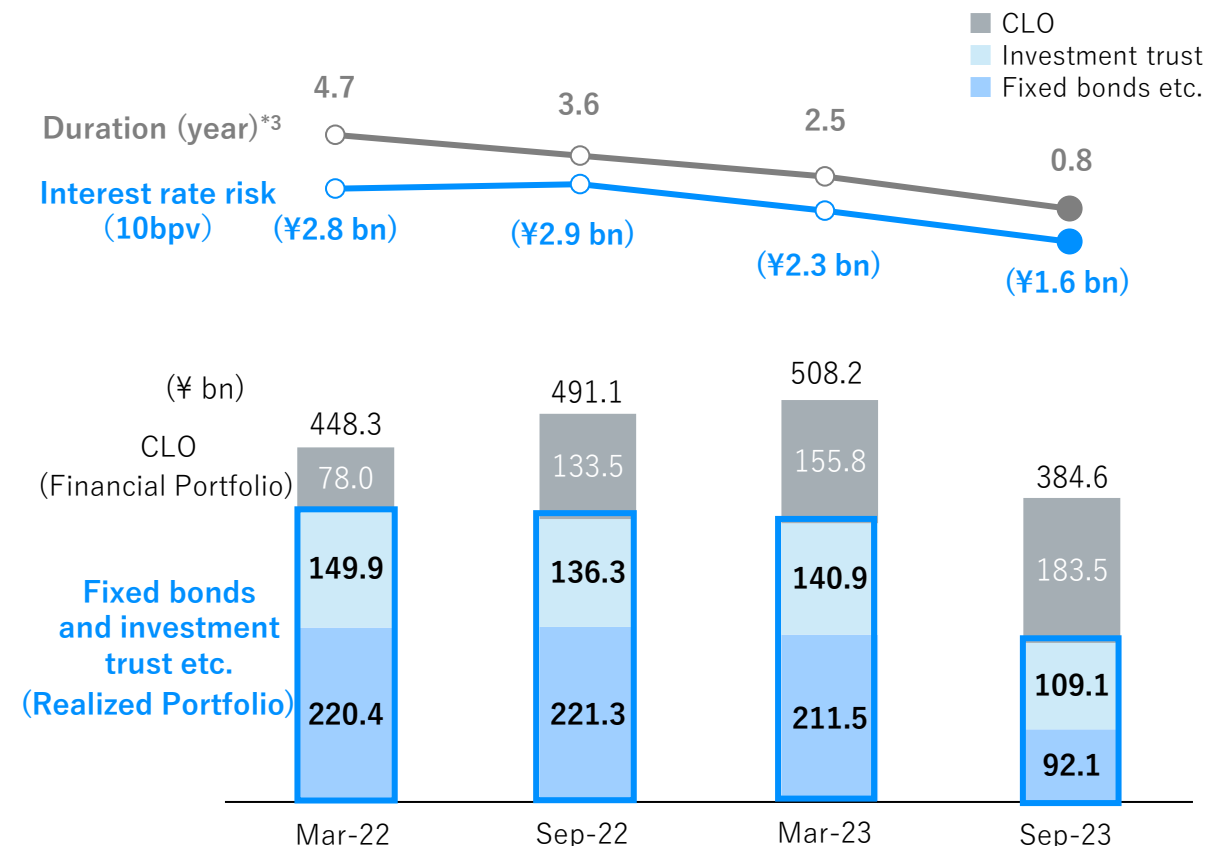
“Protect” and “Attack”

**Realized Portfolio**\*1 : Flexible market-based operations and diversified investment to maximize realized gains

## Domestic bond (available-for-sale)



## Foreign bond (fixed bonds and investment trust etc.)



\*1 Portfolio Aimed at Maximizing Realized Gains

\*2 Excluding held-to-maturity

\*3 Including CLO. Excluding investment trust

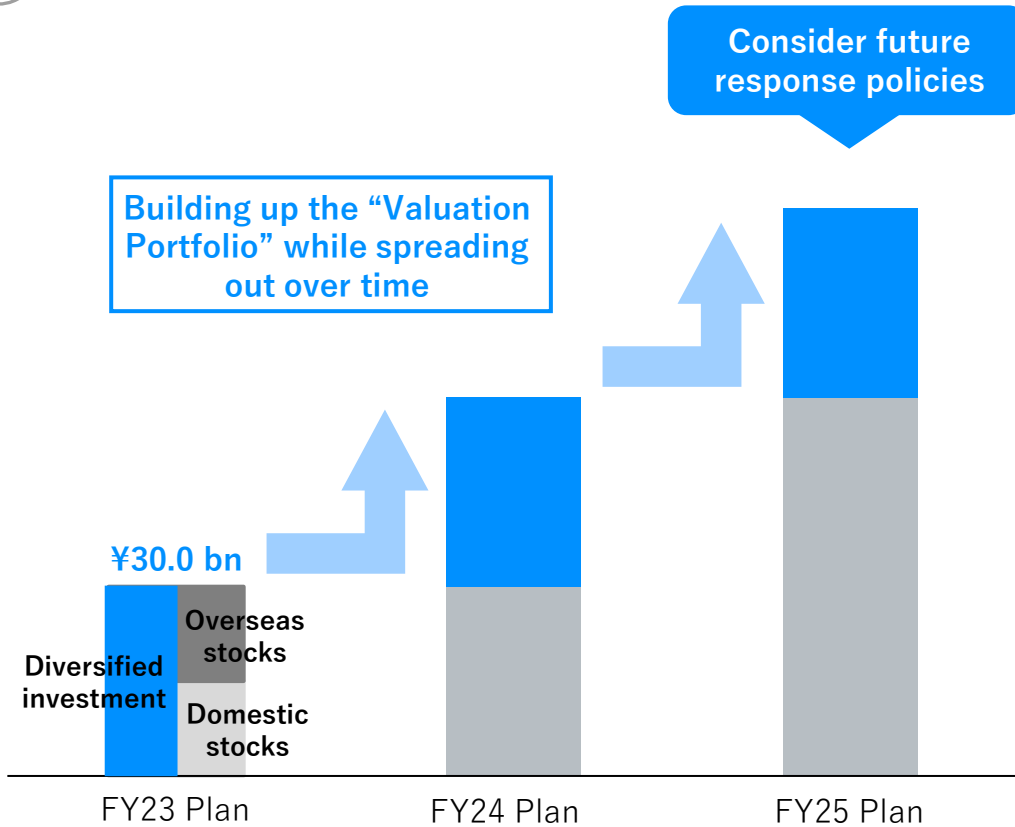
# Restructure securities portfolio (Valuation Portfolio)

Start of Investment in Domestic and Foreign Stocks (investment trusts) to Accumulate valuation gain

“Save”

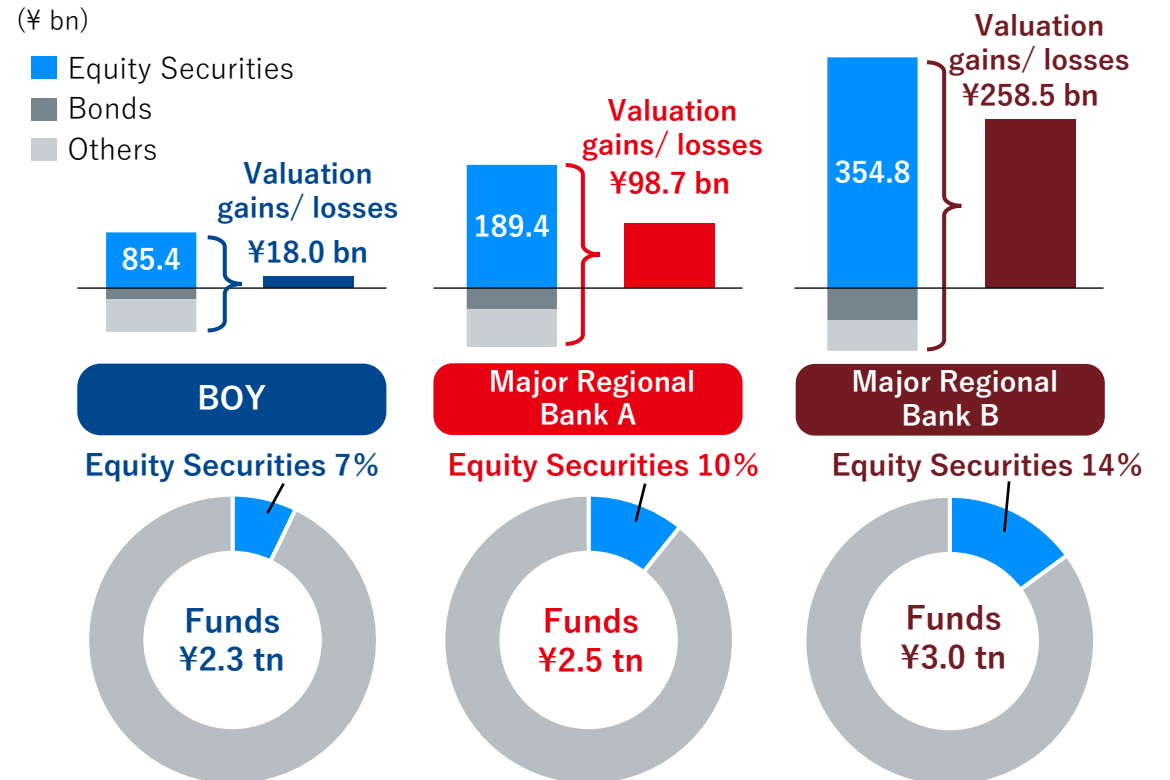
**Valuation Portfolio<sup>\*1</sup> : Accumulating valuation gains** from long-term investments, mainly in stocks

Accumulation of domestic and foreign stocks (investment trusts)



\*1 Portfolio Aimed at Securing Valuation Gains

Comparison of valuation gains and losses on securities (including policy shareholding) with other banks<sup>\*2\*3</sup>

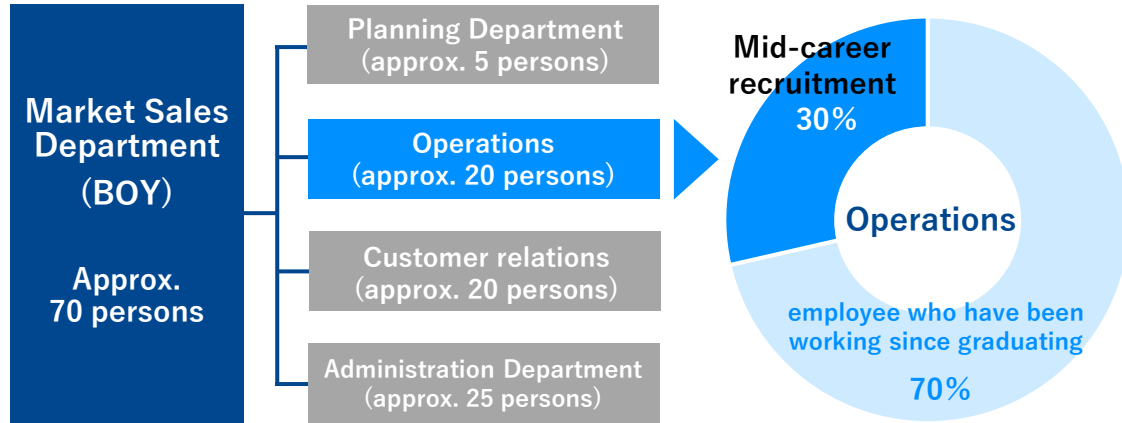


\*2 valuation gains/losses exclude bonds held-to-maturity; amount of funds includes bonds held-to-maturity (standards as of end of September 2023, non-consolidated basis).

\*3 Compiled from company disclosures

## Strengthening Efforts to Build a Sustainable Organizational Structure and to Reduce Volatility

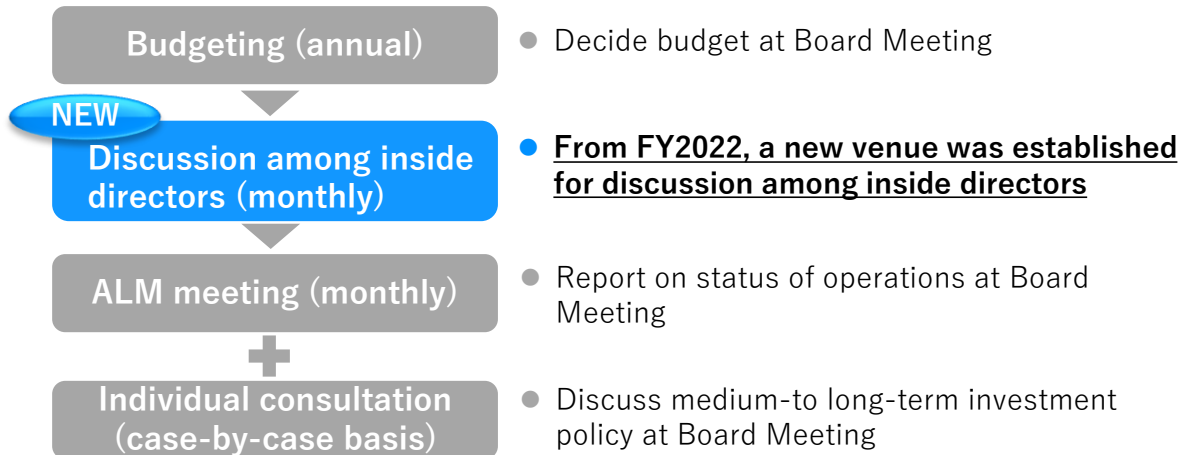
### Developing and Securing Market Human Assets\*<sup>1</sup>



\*1 As of February 1, 2024

### Strengthening Governance and Market Risk Management

#### Strengthening board member involvement in the Market Division



#### Strengthening the Market Division structure

- Actively recruiting trainees**
  - Development of trainee nurturing program (Rotate Market Division groups)
- Securing experienced personnel**
  - Actively recruit people with experience in investment departments at major banks etc.
  - Secure human assets with professional skills through individualized treatment of senior staff.
- Utilizing external knowledge**
  - Operational performance third-party evaluation and operation advice
  - Participation in educational programs at external financial institutions and secondment to external institutions for training

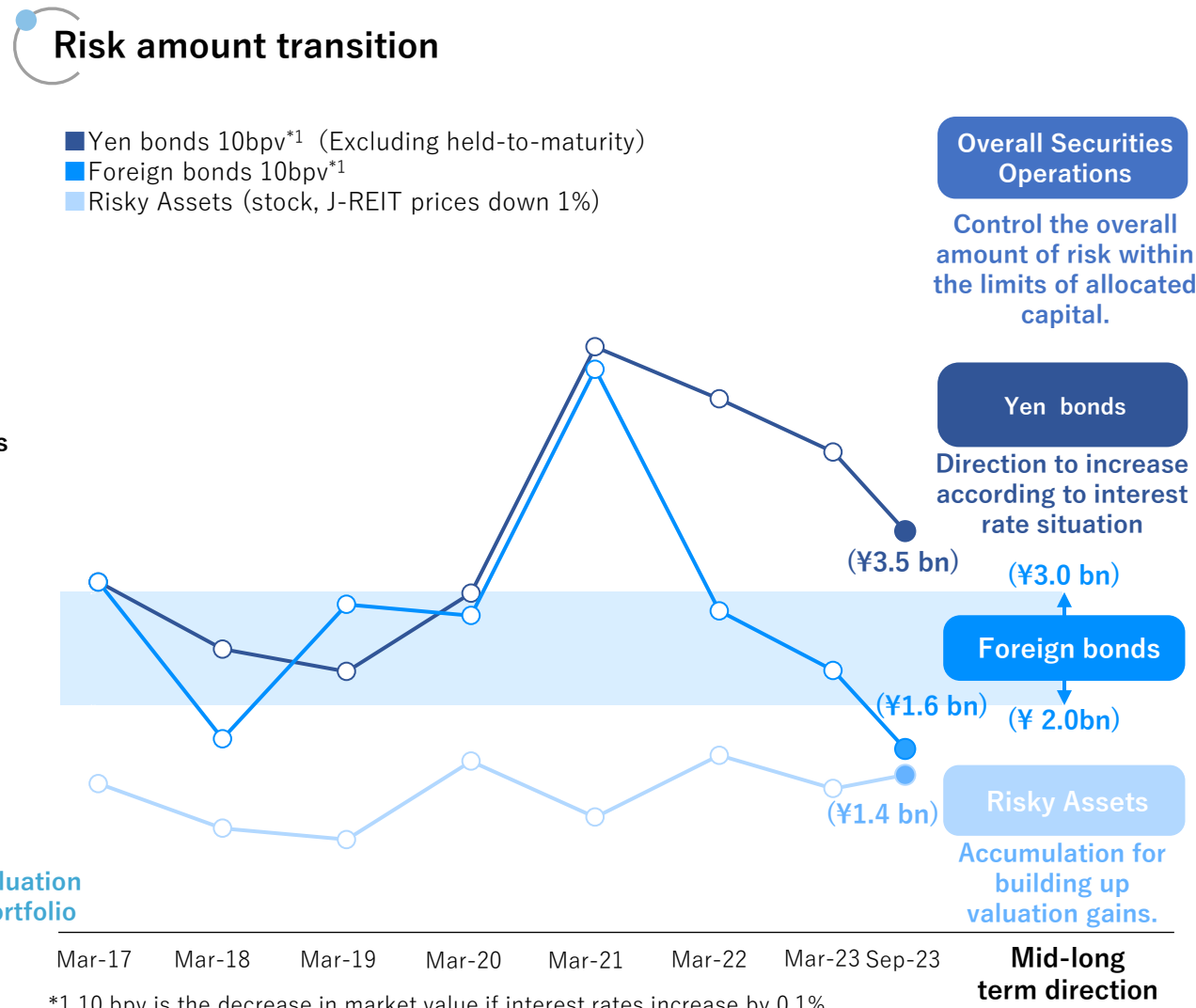
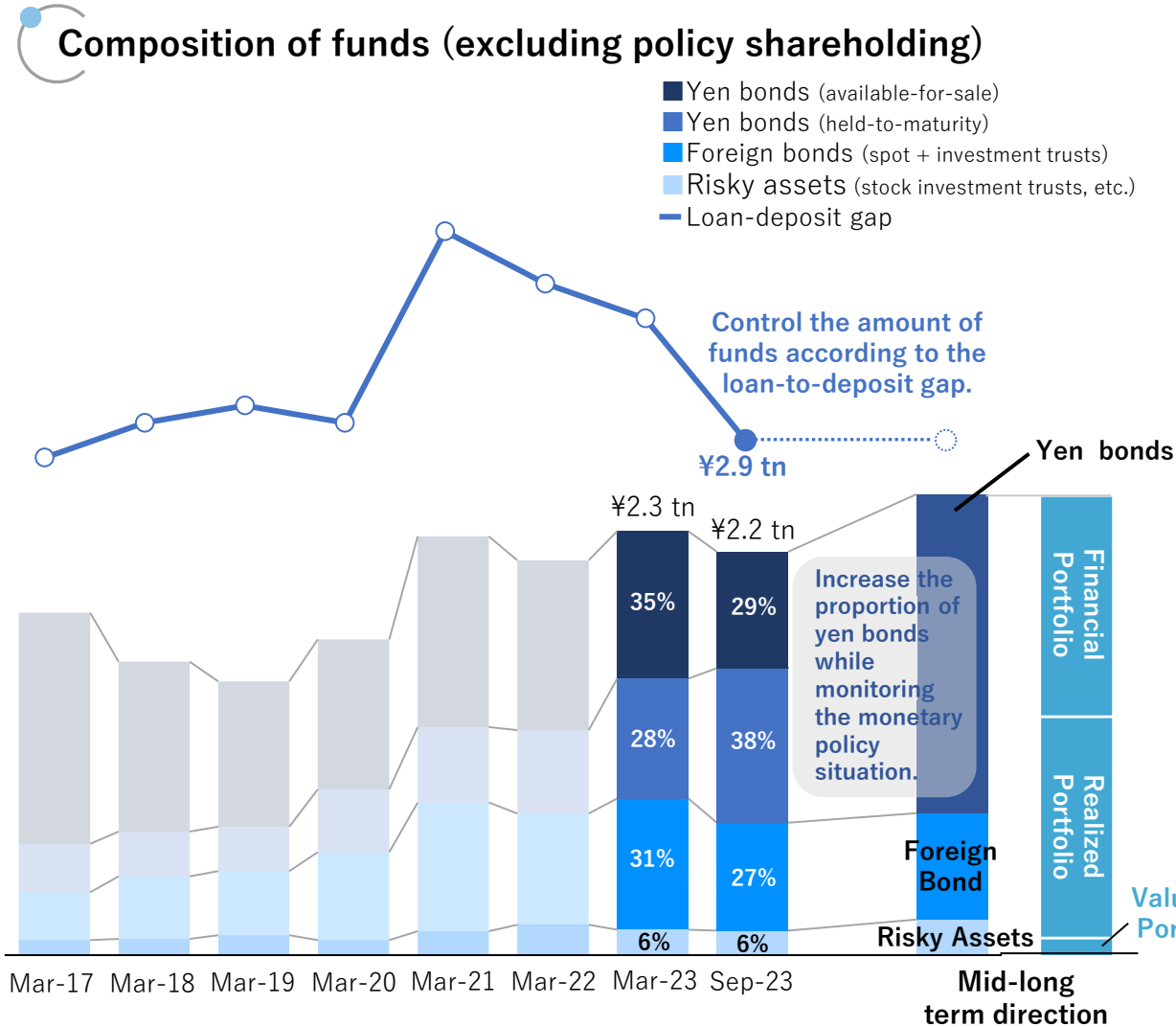
#### Setting new risk limits on valuation gains (losses)

- Individual issue Warning point**
  - Limits on the percentage of unrealized loss relative to book value for each issue
  - Policies about limit being exceeded discussed at ALM meeting
- NEW Point to cut losses**
  - In the event a limit is exceeded, immediately minimize the risk and decide on the subsequent policy at a ALM meeting
- NEW Tolerable loss limit**
  - In principle, the amount of valuation gains (losses) on marketable securities should not exceed the limit
  - In the event a limit is exceeded, immediately operate to keep the amount of valuation gains (losses) within the tolerable loss limit and decide on the subsequent policy at the ALM meeting



# Image of Medium-to Long-Term Portfolio (fund composition ratio, risk amount)

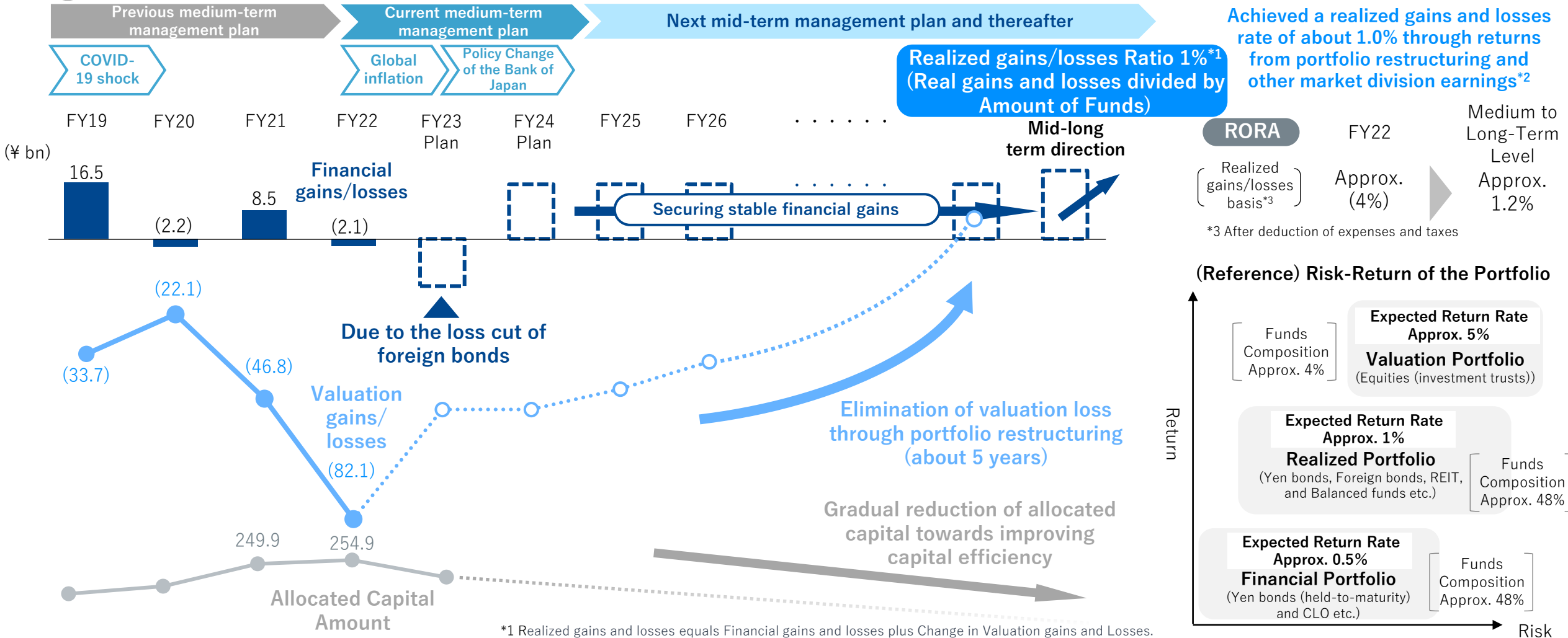
## Change Asset Allocation While Controlling the Amount of Funds and Risk in an Integrated Manner



# Image of Medium-to Long-Term Portfolio (Market Division gains/losses)

Realizing a Market Division Realized gains/losses Ratio of 1% by Securing Stable Financial Gains and by Eliminating Valuation Losses

## Image of Market Division Profit and Loss (excluding policy shareholding)



\*1 Realized gains and losses equals Financial gains and losses plus Change in Valuation gains and Losses.

\*2 Derivative Earnings etc.

# **Governance That Supports Increasing Corporate Value**

## 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 (currently Mizuho Marubeni Leasing Corporation) <b>Outside director of the Company (currently)</b> Outside Audit & Supervisory Board Member of INPEX Corporation and Teikoku Oil (currently, INPEX Corporation) (currently)
2022	Advisor (Part-time), Mizuho Marubeni Leasing Corporation (currently)



**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>Outside director of the Company (currently)</b>

## Profile of outside directors



**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>Outside director of the Company (currently)</b>
2022	Professor, Department of English Language, Culture, and communication, Faculty of Arts and Sciences, Sagami Women's University (currently) Professor, Graduate School of Social Entrepreneurship, Sagami Women's University (currently) <b>Director (non-executive), the Bank of Yokohama, Ltd. (currently)</b>



**Shigeru  
Ishii**

Year appointed	Profile
2001	President and Representative Director, Sony Bank, Inc.
2016	President and Representative Director, Sony Financial Holdings, Inc.
2018	President and Representative Director, Sony Financial Ventures, Inc.
2021	<b>Outside Director, the Bank of Yokohama, Ltd. (currently)</b>
2023	Outside Director, Sumitomo Life Insurance Company (currently)

# Annual Theme of the Board Meeting, Succession Plan

## Annual Theme of the Board Meeting

- ✓ The Board Meeting has established annual theme focusing on strategies to increase corporate value over the medium- to long-term, and thus enrich strategic discussions.

### Primary annual theme (FY2022)

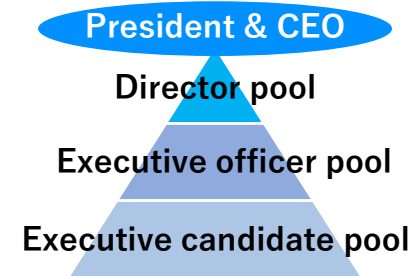
- Discussion points and directions for advancement for Risk Appetite Framework (RAF)
- Group human resources strategy
- Direction of medium-to long-term securities operations
- Regional bank platform strategy

### Annual theme (FY2023)

May 2023	Disclosure Policy for Securities Reports and Corporate Governance Reports Revision of cross shareholding reduction policy
July	Medium- to long-term direction of group businesses (leasing business, think tank business)
September	Medium- to long-term direction of group businesses (securities business, investment fund business/general)
October	Strategies for effective use of capital surplus (1st time)
November	Progress follow-up based on market securities portfolio restructuring policy
December	Direction of international strategy Strategies for effective use of capital surplus (2nd time)
January 2024	Direction of efforts to increase individual shareholders

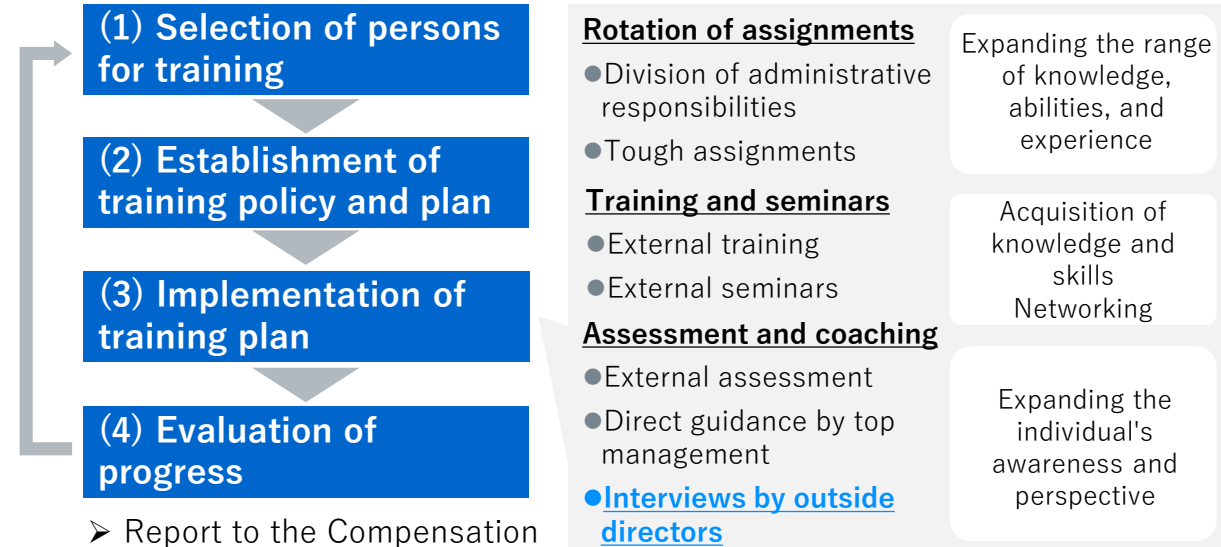
## Succession plan

- ✓ Monitoring the status of formulation and operation by the Compensation and Personnel Committee (composed solely of outside directors)
- ✓ Improving the effectiveness of the succession plan through interviews with candidates by outside directors



- Selection of president and CEO candidates from each pool
- Select and systematically train the target group taking into account the composition of the Board Meeting.

### Succession plan process



- Report to the Compensation and Personnel Committee (composed solely of outside directors)

**FY2022: 31 candidates**  
**FY2023: 21 candidates**

# Evaluation of Board Meeting Effectiveness

## Evaluation of Board Meeting Effectiveness

### Evaluation of Board Meeting effectiveness

- ✓ The Board Meeting analyzes and self-evaluates its effectiveness, and based on the results of this evaluation, deliberates and shares issues to be addressed and enhancements to further improve its effectiveness.

(1) Third-party survey

(2) Interviews with directors and Audit & Supervisory Board members

(3) Self-evaluation

(4) Establishing themes for initiatives

#### Main evaluation items

- Composition of Board Meeting
- Operation of the Board Meeting
- Discussions at board meetings
- Support system for directors and members of Audit & Supervisory Board etc.

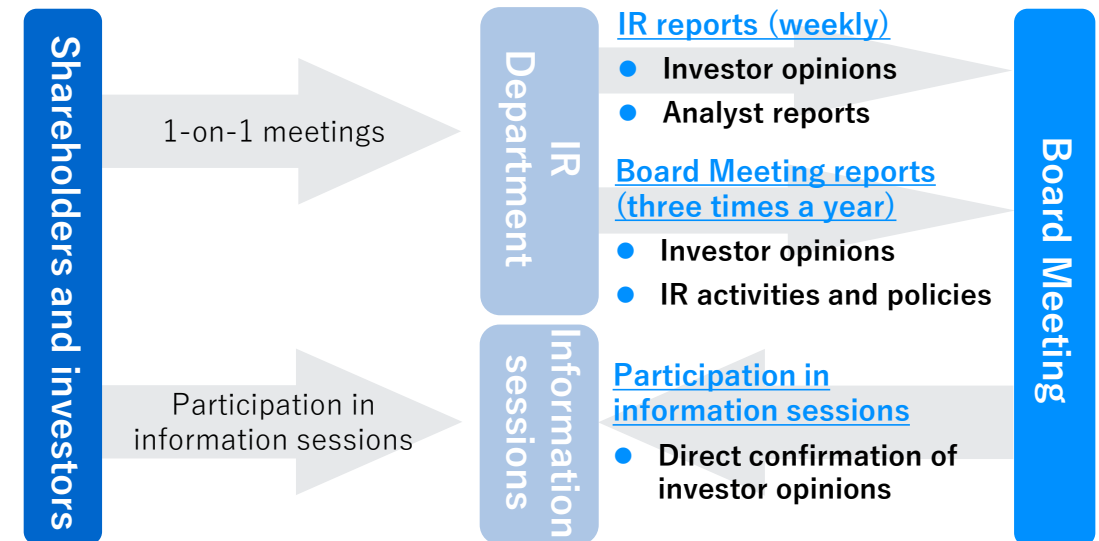
### Themes for action to improve the effectiveness of the Board Meeting in FY2023

1. Strengthening discussions about medium- to long-term strategies to increase corporate value
2. Raising the level of operations of the Board Meeting and making it more efficient.
3. Improving monitoring functions
4. Strengthening stakeholder communication **NEW**

### Strengthening stakeholder communication

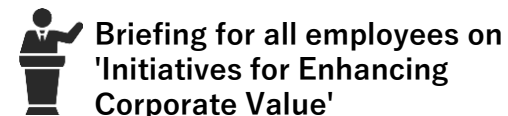
#### Shareholders and investors

- ✓ In addition to monitoring efforts to enhance constructive dialogue with shareholders and investors and information disclosure to them, directors (including outside directors) directly confirm their opinions through participation in briefing sessions.



#### Employees

- ✓ Status of expanding communication opportunities with employees, taking in the feedback in the opinions obtained, and reflecting this in management policies



# Activities of outside directors Enhancing Deliberations of the Board Meeting

(inside and outside directors of the Concordia Financial Group and the Bank of Yokohama participated.)

## Sales Branches inspections

- ✓ In order to deepen the understanding of subsidiary bank operations and sales sites, operations at Sales Branches are observed and interviews and discussions are held with regional headquarters managers and branch managers.

Year	Primary achievements of observation
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FY20	<ul style="list-style-type: none"> <li>Eastern Regional Headquarters</li> <li>Tsurumi Branch</li> <li>Kanda Branch</li> <li>Shinjyuku Branch</li> </ul>
FY21	<ul style="list-style-type: none"> <li>Tokyo Branch</li> <li>Kawasaki Regional Headquarters</li> <li>Musashikosugi Branch</li> <li>Azumabashi Branch</li> <li>Kashiwa Branch</li> <li>Shibuya Branch</li> </ul>
FY22	<ul style="list-style-type: none"> <li>Head Office District Headquarters</li> <li>Kencho Branch</li> <li>Southern Regional Headquarters</li> <li>Yokosuka Branch</li> <li>Ueno Branch</li> <li>Senju Branch</li> <li>Toneri Branch</li> </ul>
FY23	<ul style="list-style-type: none"> <li>Hamagin Finance</li> <li>Hamagin Research Institute</li> <li>Fuchu Branch</li> </ul>

Business Integration (Jun 2023)

- Head Office
- Kofukuji Branch
- Rokkakubashi Branch

## Directors' study sessions

- ✓ Participation in study sessions led by external experts on themes such as Digital/IT, Market/ALM, Sustainability, and Open Innovation.

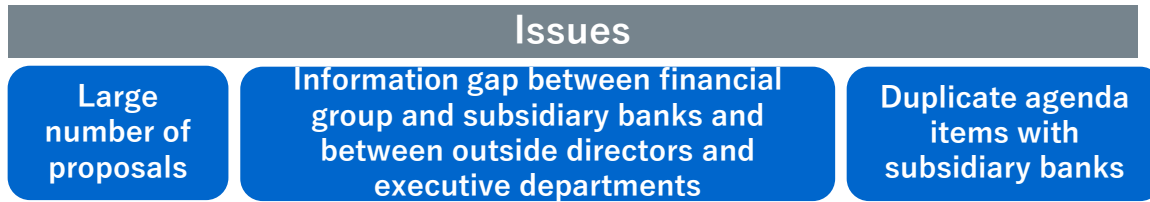
Year	Theme	Topic
May-23	Digital / IT	Interactive AI
Jul-23	Business Strategy	Industry trends for group businesses
	Market/ALM	Third-party evaluation of the Bank of Yokohama's operational performance
Aug-23	Digital / IT	Cybersecurity (system risk)
Sep-23	Open Innovation	Open innovation
	Sustainability	ESG rating
Oct-23	Business Strategy	Overview of new business at other banks
Nov-23	Market/ALM	ALM operation with yen interest rates rising
Dec-23	Sustainability	Biodiversity
	Digital / IT	Contingency plan for unexpected situations during full-scale "MEJAR" renewal
Jan-24	Market/ALM	Macro market trends for 2024
	Digital / IT	How technology will change the way we work in the future
Feb-24	Digital / IT	Cybersecurity (cyber exercises)
	Open Innovation	Open innovation



# Integrated Operation of the Board Meeting, Observer Participation in the Management Meeting, and Advance Briefings for the Board Meeting (eliminating the information gap)

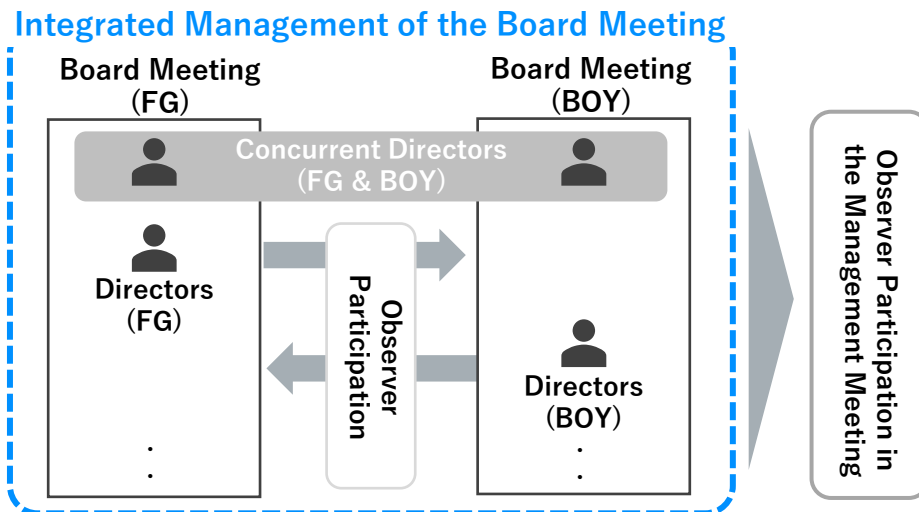
## Integrated Management of the Board Meeting and Observer Participation as in the Management Meeting

- ✓ Integrated management of the Concordia Financial Group and the Bank of Yokohama's Board Meeting will eliminate the information gap between the financial group and subsidiary banks; outside directors participating in management meetings as observers will eliminate the information gap with executive departments.



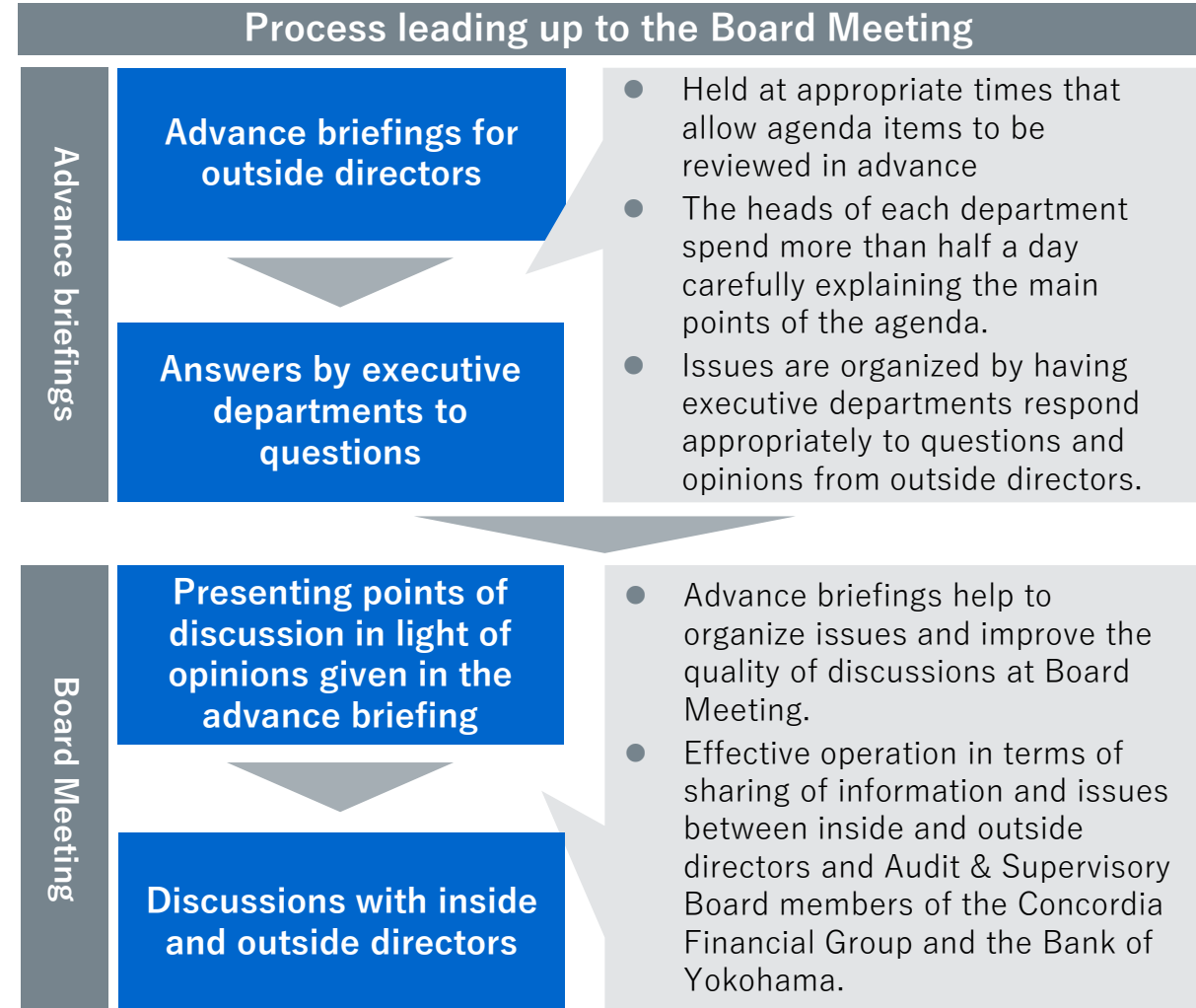
## Start of integrated management of Board Meeting and observer participation in management meetings (FY2021 -)

- Board Meetings of the holding company and subsidiary bank (the Bank of Yokohama) were held on the same day, with mutual observer participation. Observer participation in management meetings



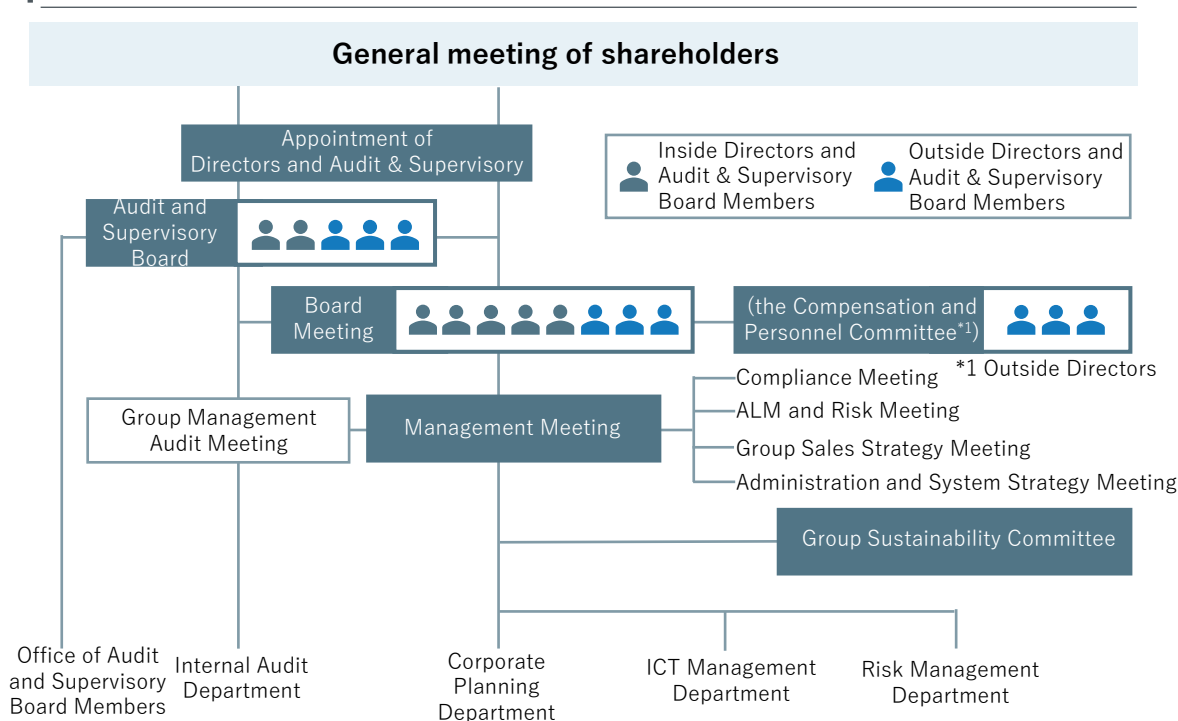
## Advance briefings for Board Meeting

- ✓ Through advance briefings at the appropriate time and time, issues can be sorted out with executive departments in advance, improving the quality of discussions and making Board Meeting more efficient.



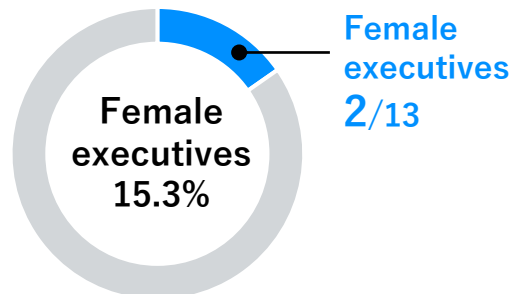
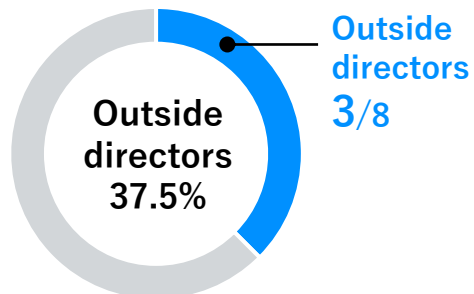
# (Reference) Corporate Governance

## Corporate Governance System



## Ensuring Independence and Diversity

- ✓ 3 independent outside directors appointed among 8 directors
- ✓ 2 female executives appointed among 13 executive (8 directors and 5 auditors)



## 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	●	●	●	●		
Nobuo Onodera	Director	●	●		●		●
Tomoki Arai	Director		●		●	●	
Toshihiko Onuki	Director						●
Mitsuru Akiyoshi	Director <b>Outside</b>	●		●	●	●	●
Yoshinobu Yamada	Director <b>Outside</b>			●	●	●	●
Mami Yoda	Director <b>Outside</b> <b>Female</b>	●		●	●	●	
Kazuhiro Maehara	Full-time Audit & Supervisory Board Member		●	●	●		
Mitsuhiro Hara	Audit & Supervisory Board Member		●	●			
Keiichiro Hashimoto	Audit & Supervisory Board Member <b>Outside</b>	●		●	●	●	●
Seiichi Fusamura	Audit & Supervisory Board Member <b>Outside</b>	●		●			
Mayumi Noguchi	Audit & Supervisory Board Member <b>Outside</b> <b>Female</b>			●	●		
Yutaro Koshiba	Executive Officer		●	●			
Kazuhiro Sukegawa	Executive Officer		●				
Toshiya Kubota	Executive Officer		●				
Kazumi Nobe	Executive Officer <b>Female</b>			●	●		

### 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 response to changing management environment

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