

News Release

CONCORDIA
Financial Group

March 31, 2025

Company Name: Concordia Financial Group, Ltd.

Representative: Representative Director, President Tatsuya Kataoka

Code No. 7186, Prime Market, Tokyo Stock Exchange

Announcement of New Medium-Term Management Plan

Concordia Financial Group, Ltd. (Representative Director, President: Tatsuya Kataoka) formulated a new Medium-term Management Plan covering three years starting from FY2025.

In addition to medium- to long-term social issues such as population decrease and aging of society in Japan, the environment surrounding the Company is becoming increasingly uncertain due to factors such as changes in interest rates and economic conditions resulting from a shift of the monetary policy.

Under these circumstances, we have established the ideal state 10 years from now based on our long-term vision of “a solution company rooted in communities and selected as a partner to walk together,” and formulated a new Medium-term Management Plan based on the achievements and recognition of issues of the previous Medium-term Management Plan using a backcasting approach. We will achieve steady growth in the home market by implementing priority strategies in line with the basic themes advocated in the new Medium-term Management Plan, driving the expansion of our solution business and further strengthening of relationship banking.

1. Positioning of the new Medium-term Management Plan

In the new Medium-term Management Plan, we have positioned the period covered by the plan as “three years to make a leap into the future.” We will further deepen our existing initiatives and build a foundation for sustainable growth by expanding forward-looking growth investments and further strengthening the management structure.

2. Target indicators

We will set “ROE (TSE standards),” “profit attributable to owners of parent,” and “common equity Tier 1 ratio” as target indicators. Through steady earnings growth and efficient capital operations that maintain soundness, we aim to maximize profitability and achieve a ROE that exceeds the cost of capital (*1) by the final fiscal year of the new Medium-term Management Plan.

Target indicators	FY2027 target (final fiscal year)
ROE (TSE standards)	Over 9.0%
Profit attributable to owners of parent	Over ¥120 billion
Common equity Tier 1 ratio (*2)	About 11%

*1: Cost of capital recognized by the Company: 6-9%

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

3. Basic themes and priority strategies

The new Medium-term Management Plan sets forth six priority strategies based on the basic themes “Growth,” “Empowerment,” and “Sustainability.” While continuing with the strategies of the previous Medium-term Management Plan, we will clarify the new direction of enhancements toward sustainable growth and advance specific initiatives.

	Continue to reinforce strategies of the previous Medium-term Management Plan	Further strengthened strategies
Growth Priority Strategies ① Deepening and expansion of solution business ② Strategic investments and alliances	<ul style="list-style-type: none"> ■ Reinforcement of highly profitable assets through expansion of strategic solutions such as capital strategies ■ Expand loans to High-Net-Worth Individuals to meet real estate needs 	<ul style="list-style-type: none"> ■ Strengthen loans to small and medium sized businesses through further enhancement of relationship banking ■ Construct sticky deposits infrastructure ■ Expand functions through strategic investment and accelerate group growth
Empowerment Priority Strategies ③ Investment in talent ④ Improving productivity	<ul style="list-style-type: none"> ■ Strengthen human capital operations through increased sales personnel investment and secure highly specialized talent ■ Improve the convenience of digital and other channels 	<ul style="list-style-type: none"> ■ Further strengthen sales personnel and develop talent to support relationship banking ■ Improve productivity through a fundamental review of business processes
Sustainability Priority Strategies ⑤ Contribution to regional growth ⑥ Sophistication of group governance	<ul style="list-style-type: none"> ■ Expand sustainable finance ■ Enhance stakeholder communication 	<ul style="list-style-type: none"> ■ Further enhance engagement for customers' decarbonization ■ Sophisticate the governance system associated with the increase of group companies
Other	<ul style="list-style-type: none"> ■ Formulate policies to restructure securities portfolio and address priority issues (loss cut of foreign bonds) ■ Enhance business operations based on PBR logic tree ■ Spread awareness of RORA improvement 	<ul style="list-style-type: none"> ■ Improve securities investment real profit and loss ratio ■ Accelerate policy shareholding reduction ■ Expand scope for strategic investment and shareholder returns through revision of capital requirements

4. Capital policy

(1) Reducing policy shareholdings

To achieve optimal capital distribution, we will revise our policy on shareholding reduction targets and reduce the holding balance (market value) to less than 10% of the consolidated net assets by the end of March 2030.

(2) Review of capital level

We will expand the scope of capital utilization by lowering the target level for common equity Tier 1 ratio from mid 11% to about 11% in light of the capital resilience through improved earning capacity.

(3) Shareholder returns

The payout ratio will be around 40% based on progressive dividends. We will also purchase treasury shares in a flexible and agile manner, considering market trends, earnings forecasts, and other factors.

Backcasting from our ideal state 10 years from now and formulating the Medium-term Management Plan based on the recognition of issues



Overview of the New Medium-term Management Plan

Building a foundation for sustainable growth by expanding forward-looking growth investments and further strengthening the management structure

Three years to make a leap into the future

Basic Themes

Priority Strategies

Target indicators for FY2027

Growth

- (1) Deepening and Expansion of Solution Business
- (2) Strategic Investments and Alliances

Empowerment

- (3) Investment in Human Capital
- (4) Improving Productivity

Sustainability

- (5) Contribution to Regional Growth
- (6) Sophistication of Group Governance

Interest Rate Scenario: Policy Rate at 0.75% (From April 2026)

ROE
(TSE standard) **Over 9.0%**

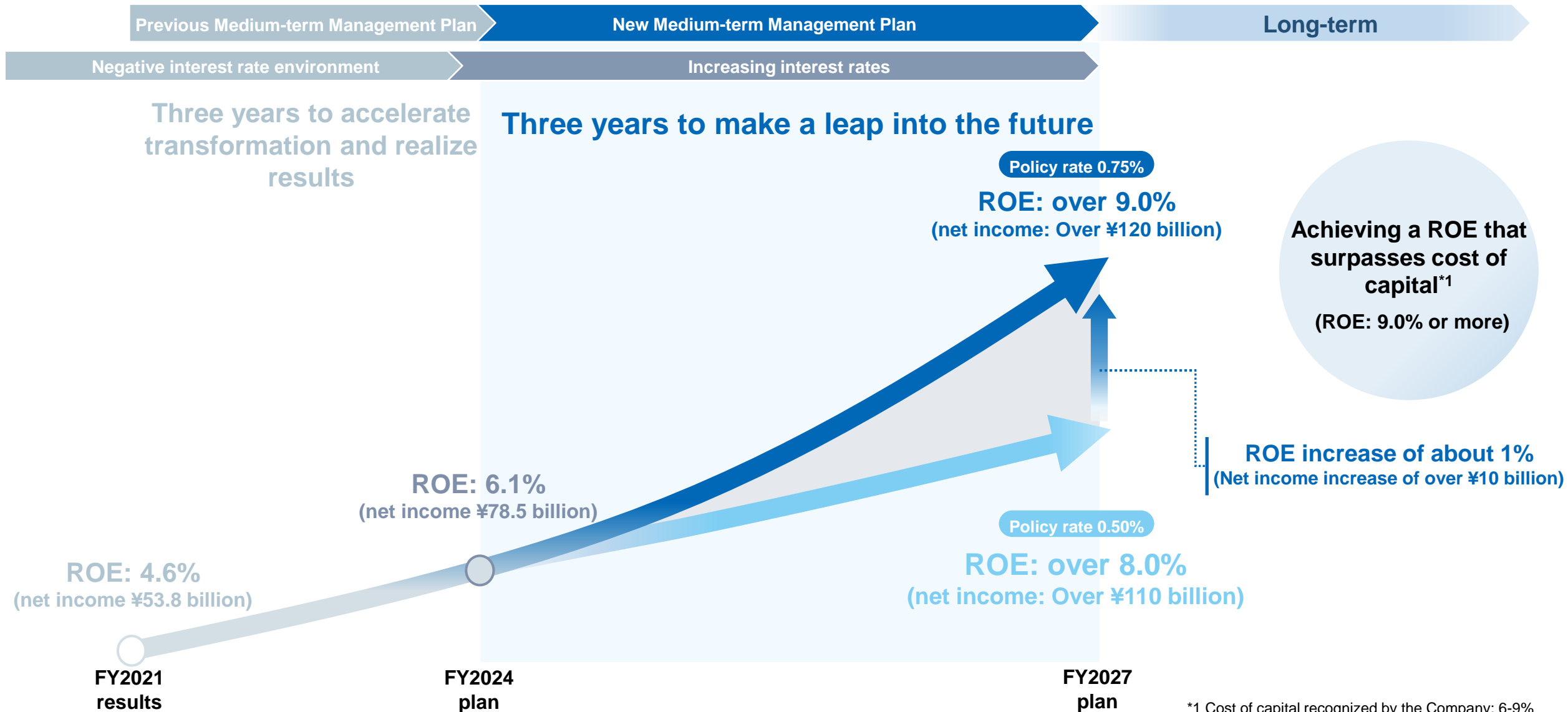
Profit attributable
to owners of
parent **Over ¥120 billion**

Common equity
Tier 1 ratio*1 **About 11%**

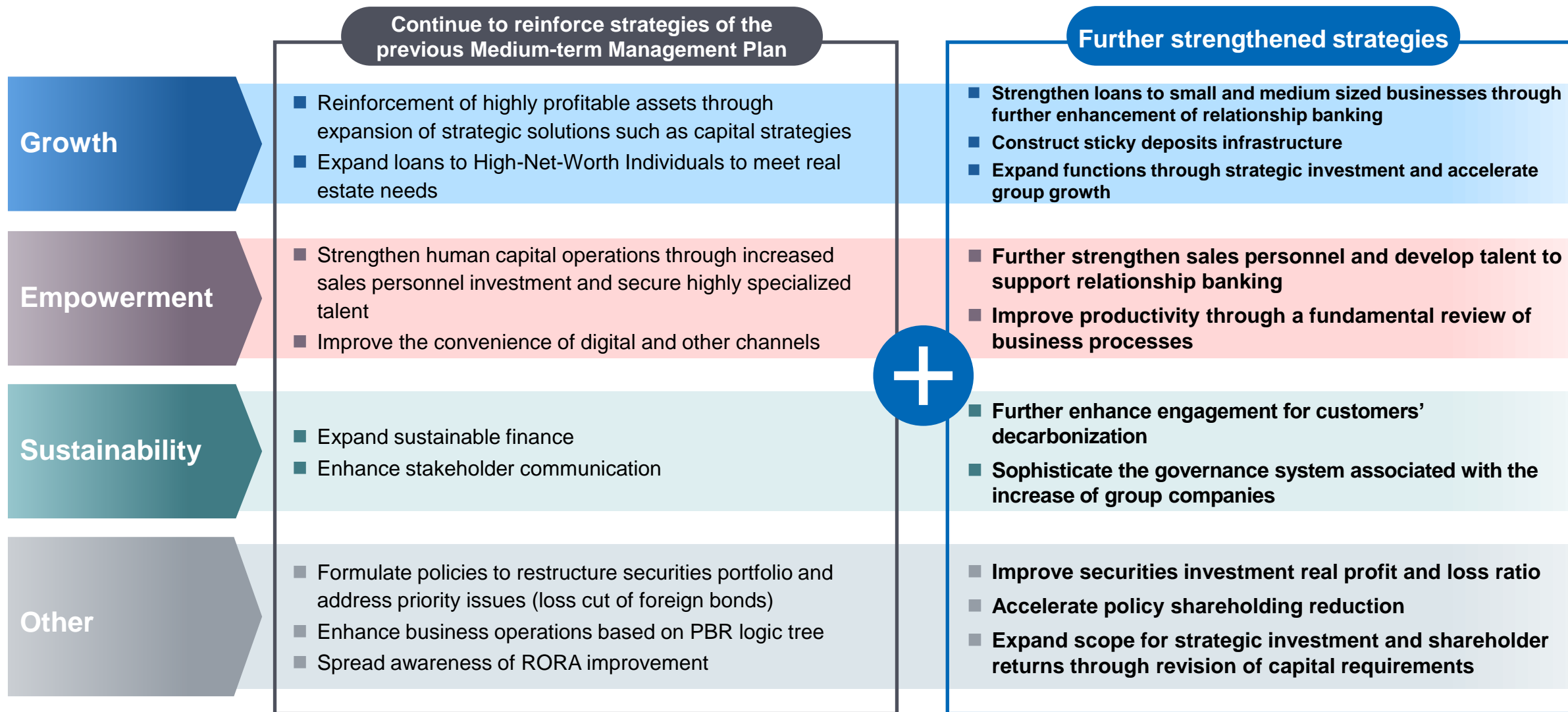
*1 Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)

Achieving a ROE that Surpasses Cost of Capital

ROE expected to surpass cost of capital in the final year of the Medium-term Management Plan



Continuing the strategy of the previous Medium-term Management Plan and Updating strategies for sustainable growth



Reduction of Policy Shareholding

**Reduction plan will be reviewed based on the progress of negotiations.
Reduce consolidated net assets ratio to less than 10% by the end of March 2030.**

Previously

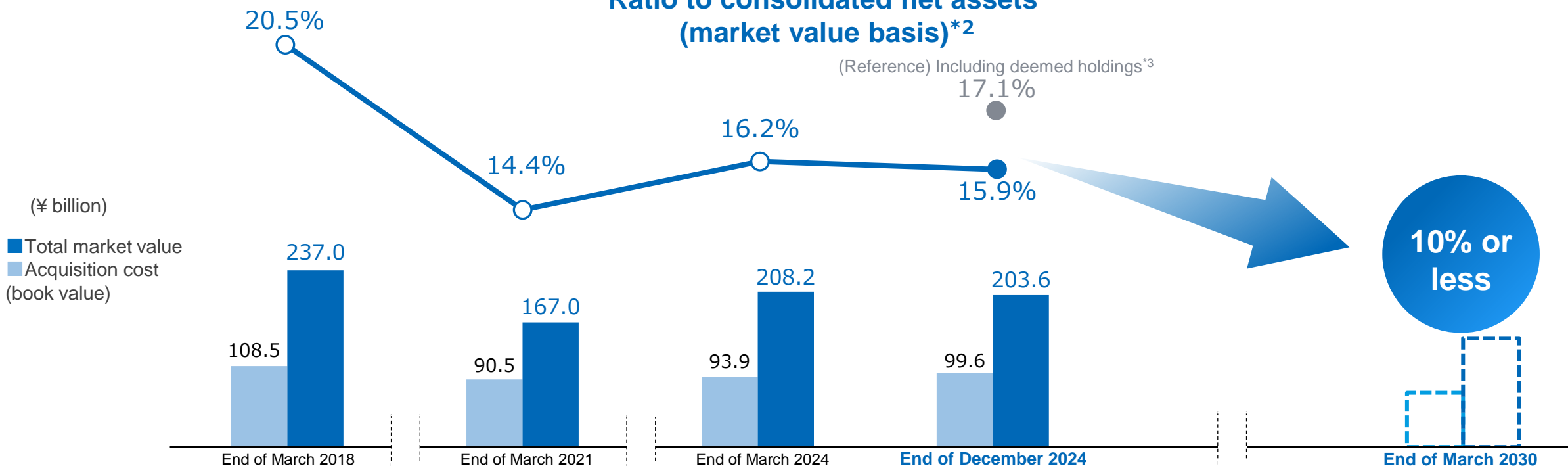
More than 10% reduction in book value by the end of March 2029
(compared to the end of March 2024)

New reduction plan

Reduce the balance (market value) of policy shareholdings to less than 10% of consolidated net assets by the end of March 2030*¹.
The transfer from policy shareholdings to net investment stocks will not be conducted.

Ratio to consolidated net assets (market value basis)*²

(Reference) Including deemed holdings*³



*¹ Total listed and unlisted stocks held by The Bank of Yokohama, the Higashi-Nippon Bank and THE KANAGAWA BANK. Shares reserved voting rights (no ownership rights) are excluded. Calculated by dividing policy shareholding (market value) by consolidated net assets.

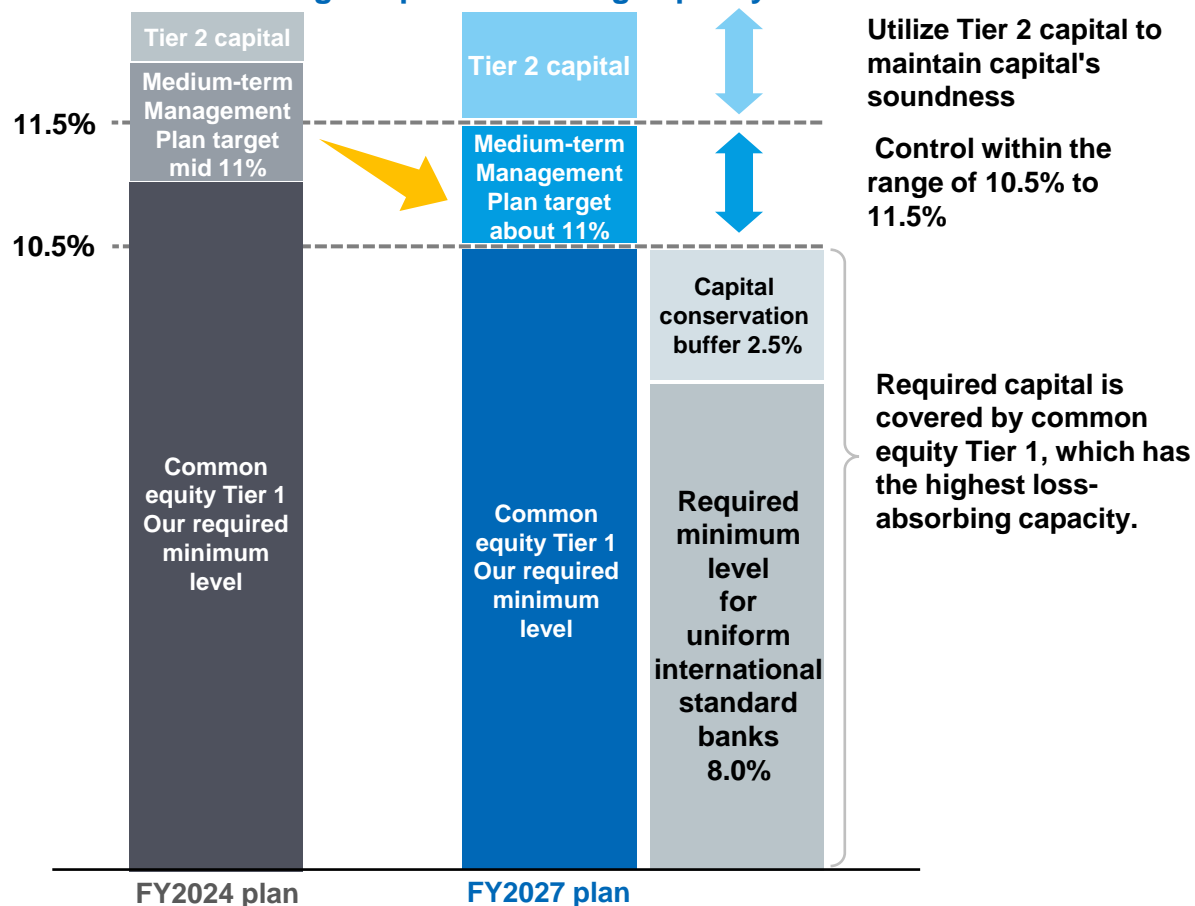
*² Figures up to the end of March 2023 do not include THE KANAGAWA BANK. Figures from March 2024 are for three banks combined, including THE KANAGAWA BANK.

*³ (Policy shareholding (market value) + shares reserved voting rights (no ownership rights) (market value)) ÷ consolidated net assets
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Expanding the scope of capital utilization by reviewing common equity Tier 1 ratio levels based on the resilience of capital

Capital level

The target level for common equity Tier 1 ratio*¹ has been lowered in light of the capital resilience through improved earning capacity.

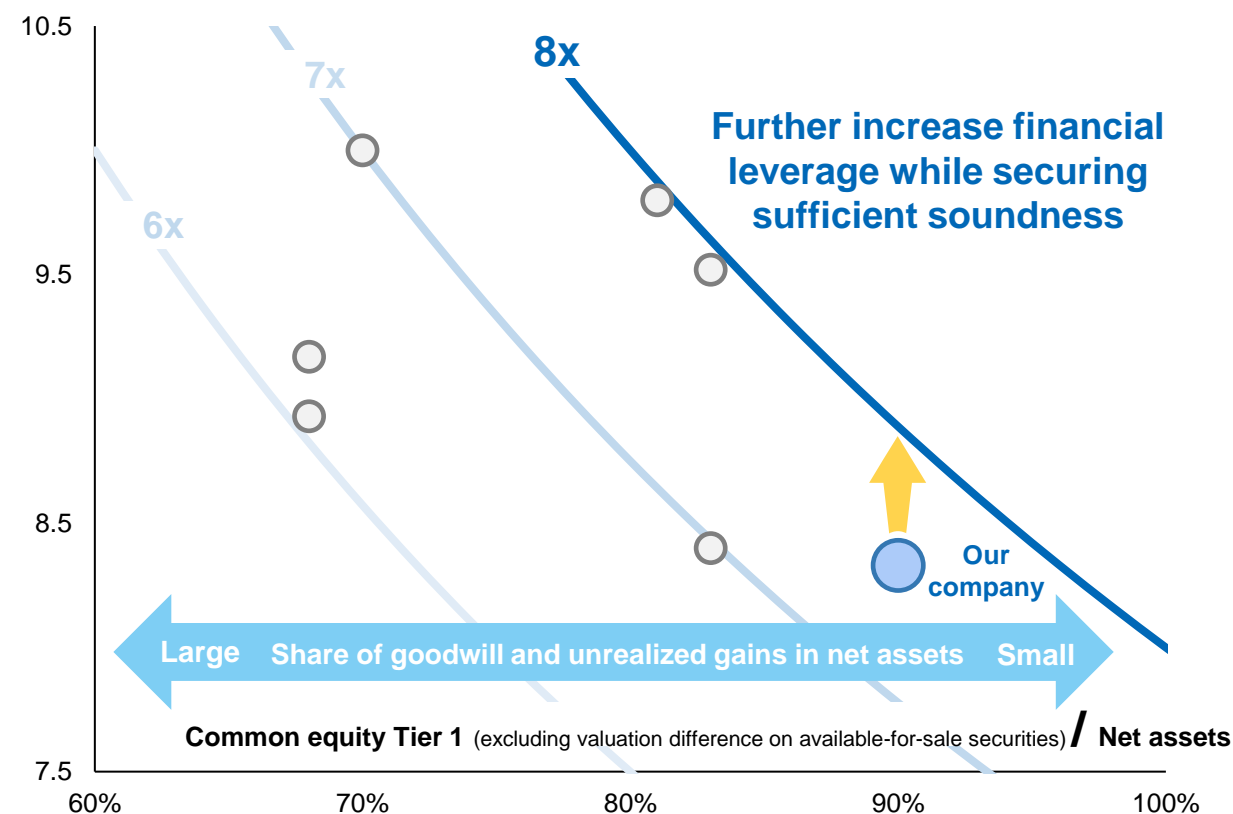


*¹ Finalized and fully implemented Basel III basis (excluding valuation difference on available-for-sale securities)
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Comparison of financial leverage with megabanks and major regional banks*²

Risk assets / Common equity Tier 1 (excluding valuation difference on available-for-sale securities)

*Reciprocal of common equity Tier 1 ratio



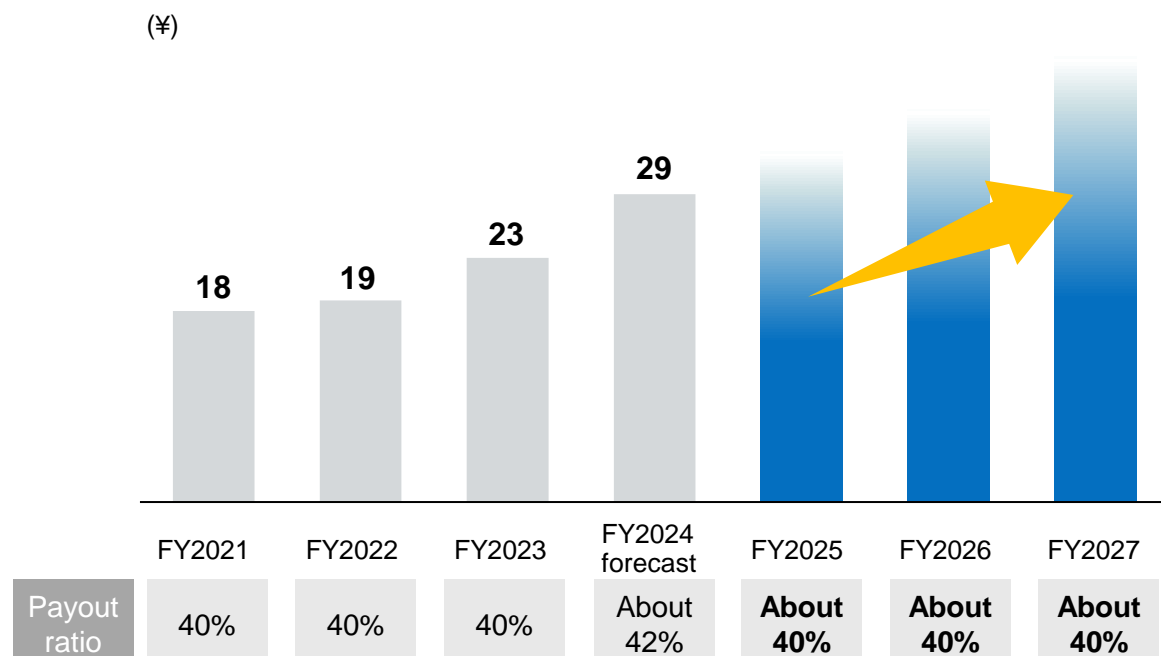
*² Prepared by the Company based on disclosed materials of MUFG, SMFG, MIZUHO, SMTB, Resona HD, Chiba Bank, Shizuoka FG, including some estimates.

Enhancing shareholder returns through progressive dividends and flexible share buybacks

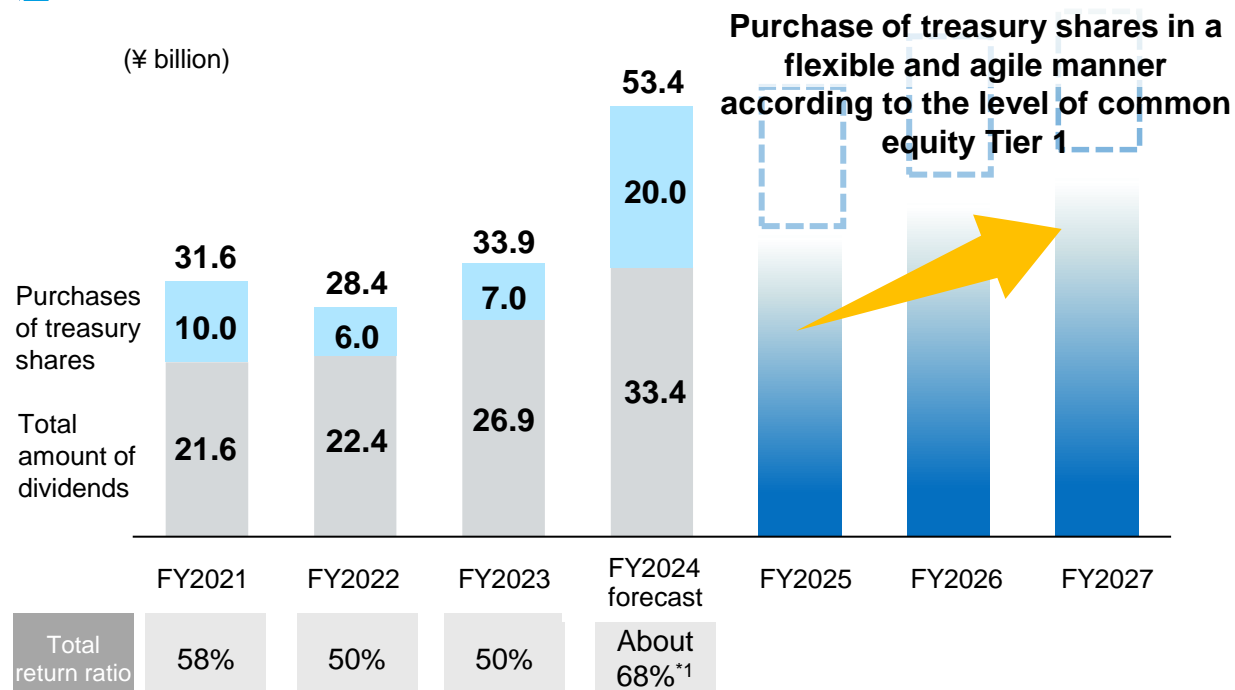
Shareholder returns policy

- Based on progressive dividends, with a payout ratio of around 40%
- Purchase treasury shares in a flexible and agile manner, considering market trends, earnings forecasts and other factors.

Dividend per share



Shareholder returns



*1 Net income used to calculate the FY2024 payout ratio and total return ratio forecasts is ¥78.5 billion (forecast)