

Last Updated: December 25, 2018
Concordia Financial Group, Ltd.
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<https://www.concordia-fg.jp>

The corporate governance of Concordia Financial Group, Ltd. is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

Concordia Financial Group, Ltd. (hereinafter referred to as the “Company”) is the holding company of a regional financial group that includes The Bank of Yokohama, Ltd. and The Higashi-Nippon Bank, Limited (hereinafter referred to as the “Group companies”).

* “Concordia” is a Latin word that means harmony and cooperation, derived from “Con (together)” and “Cordia (heart),” and expresses the message “the Group companies will work for the customers with one heart.”

With the objective of the promotion of sustainable growth and increasing corporate value over the medium to long term of the Company Group (hereinafter referred to as the “Group”), the Company defines the “Basic Policy on Corporate Governance,” which defines policies and a framework to achieve effective corporate governance.

The Company shall continuously review the ideals of corporate governance, and work toward its enrichment. To fulfill its “management philosophy,” as well as its “long-term visions” which are for actualizing the former, the Company shall secure fairness, transparency and speed for decision-making from the standpoint of various stakeholders, including shareholders, customers, employees and local communities, creating a corporate governance structure appropriate for a regional financial group.

[Management Philosophy]

Aiming to contribute to creating a vibrant future as a trusted financial group and to enhance its corporate value together with the growth of the region by providing the best financial services to its customers through collaboration that leverages the strengths and uniqueness of the Group companies.

[Long-term Vision]

• (Customers)

Aim to become a trusted financial group by maintaining deep relationship with customers as a regional financial institution and providing broad, high-quality financial service and regional information leveraging its wide-area network achieved through the business integration.

• (Shareholders)

Aim to strengthen earning capacity and improve corporate value by strategically placing into growing areas and business fields management resources that are created through proactive sharing of each bank’s business infrastructure and know-how to the maximum extent and promoting streamlining and improvements in efficiency, even while maintaining the Group companies’ brand.

• (Employees)

Aim to improve each employee’s capabilities in consulting services and of assessing the future prospects of customers’ businesses in order to appropriately respond to changes in environment and customers’ needs and

to pursue constant customer satisfaction.

- (Local communities)

Contribute to the prosperity of the region by providing solutions that utilize sophisticated consulting services and financial techniques to address various issues in the Metropolitan area and the surrounding region where the Group is based.

[Group's Slogan]

One Heart for You ～こころをあわせて

The “Basic Policy on Corporate Governance” is posted on the Company’s website.
(<https://www.concordia-fg.jp/e/strategy/governance/index.html>)

[Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code] [Updated]

The Company complies with all principles of Japan’s Corporate Governance Code after amendment in June 2018.

[Disclosure Based on the Principles of the Japan’s Corporate Governance Code] [Updated]

[Principle 1.4] (Cross-Holding of Shares)

1. Policy on Cross-Holding of Shares

From the standpoints of cost of capital and the effect of the stock price fluctuation risk on equity, the Group is working to reduce the cross-holding of shares.

Regarding shareholding, the Group will conduct regular evaluations of the significance of shareholding, economic rationale, etc. and hold shares where the validity is recognized. Shares for which the validity of holding is not recognized will be sold after the understanding of the counterparty company is received and while considering the market environment, etc.

Furthermore, where cross-shareholders demonstrate an intention to sell the Company’s shares, the Company will take no actions to prevent those sales.

(Evaluation of the significance of holding and the economic rationale) For all the shares that the Group holds through the cross-holding of shares, on an individual company basis, it will perform an evaluation of the holding’s contribution to regional development, strengthening long-term, stable business relationships, and the economic rationale (risk/return in line with the cost of capital) once every year at a meeting of the Board of Directors.

Regarding the evaluation of economic rationale (risk/return), standard values for RORA and return on capital employed (risk quantity base) are set based on return on equity (ROE) targets to perform the evaluation.

2. Evaluation Results, etc.

As a result of evaluating all publicly listed shares (around 190 companies) as of March 31, 2018, approximately 60% of all shares fulfill the holding standards. The Group is working to improve profitability and conduct sales negotiations for holdings which do not meet the holding standards.

In the first half of fiscal year 2018, we executed sales of approximately ¥1.8 billion in shares on an acquisition price base.

3. Voting Rights Exercise Standards

When exercising voting rights, the Group shall decide whether to approve or reject proposals in a comprehensive manner, after confirming such factors as the management policies (regarding increase of corporate value over the medium to long term and sustainable growth), governance, and business details of the company whose shares are held as cross-holdings, and considering the matter from the viewpoint of share value.

In cases when there are important proposals that may cause significant fluctuations in share value, or when

the details of the proposal are unclear, the Company shall decide whether to approve or reject the proposal in a careful manner, by means such as separately engaging in dialogue with the company whose shares are held as cross-holdings as necessary.

Proposals that the Group considers important are as follows.

- Proposals on the appropriation of surplus (in cases of large-scale losses, etc.)
- Proposals on the election of Directors and Audit & Supervisory Board Members (cases of impropriety or losses occurring over a certain continuous period)
- Proposals on anti-takeover measures
- Proposals on organizational restructuring
- Proposals on payment of retirement benefits (for Audit & Supervisory Board Members, etc.)

[Principle 1.7] (Related Party Transactions)

In order to protect the interests of shareholders, the Company has established the following procedures to ensure that transactions are not conducted that violate the interests of the Company and its shareholders.

- In the Regulations on Board of Directors, the Board of Directors has determined that competitive transactions by Directors and important transactions between the Company and Directors must be approved by or reported to the Board of Directors, which shall also monitor any such transactions.
- “Basic Regulations on Compliance,” etc., shall be established by resolution of the Board of Directors, and the Company shall ensure thorough awareness of the prohibition of actions that constitute a conflict of interest, etc., the prohibition of the provision of property benefits upon the exercise of rights by shareholders, and other matters, while also monitoring the status of compliance through reports to the Board of Directors on a regular basis and as necessary.

[Principle 2.6] (Exercising Functions as the Corporate Pension Asset Owner)

At the Group, to increase our expertise in the management of corporate pensions and exercise the functions expected of us as an asset owner, the following systems have been put in place at each Group company.

- At The Bank of Yokohama, pension funds are managed through the Bank of Yokohama Pension Fund. Personnel with the appropriate qualities required to manage the funds are assigned in a planned manner as the persons responsible for the pension funds, and monitoring of the managing trustee organization is conducted. Furthermore, an asset management committee composed of members familiar with personnel, market operations, risk, and finance, etc. has been established for the pension fund, and deliberations are held on important items including the basic policy for management and evaluation of the managing trustee organization, etc. In addition, a retirement benefit committee has been established at the parent company, The Bank of Yokohama, and from the standpoints of the independence of the corporate pension fund and the protection of the recipients, continuous monitoring of the state of the operation and management of the pension assets is conducted, and deliberations are held on important items relating to the entire retirement benefits system.
- At The Higashi-Nippon Bank, personnel with the appropriate qualities required for fund management are assigned in a planned manner to the Personnel Department, the division responsible for fund management, and monitoring of the managing trustee organization is conducted. Furthermore, at a corporate pension committee chaired by the director responsible for the Personnel Department and composed of members familiar with market operations and personnel, the basic policy for management and evaluation of the managing trustee organization, the state of the operation and management of pension assets, and other important items relating to the entire pension fund system are deliberated.
- At the Group’s corporate pension fund, by delegating the selection of individual investees and the exercise of voting rights to the managing trustee organization, a system is in place to prevent conflicts of interest relating to the exercise of voting rights.

[Principle 3.1 (1)] (Management Philosophy, Management Strategy, and Management Plan)

The Company has formulated and publicly announced a management philosophy and medium-term plan. Please refer to “1. Basic Views” in this report in regard to the management philosophy, in addition to the Company’s website.

(Management philosophy, etc.: <https://www.concordia-fg.jp/e/company/index.html>, Medium-term

Management Plan: <https://www.concordia-fg.jp/e/strategy/index.html>)

[Principle 3.1 (2)] (Basic Views and Basic Policy on Corporate Governance)

Please refer to “1. Basic Views” in this report in regard to “Basic Views and Basic Policy on Corporate Governance.”

[Principle 3.1 (3)] (Policies and Procedures for When the Board of Directors Determines the Compensation of Senior Management and Directors)

Please refer to “Director Compensation” in this report in regard to “Policies and Procedures for When the Board of Directors Determines the Compensation of Senior Management and Directors.”

[Principle 3.1 (4)] (Election or Dismissal Policies and Procedures for Directors and Audit & Supervisory Board Members)

1. Nomination Policies and Procedures for Candidates for Directors

(1) Candidates for Directors (excluding candidates for Outside Directors) shall be nominated from among persons who fulfill the following conditions.

A. Persons with substantial experience in regard to the management and control of the Group and the operation of its businesses, and deep insight in the areas of finance and economics.

B. Persons who may be expected to execute the management and control of the Group and the operation of its businesses accurately, fairly, and efficiently, in addition to promoting the sustainable growth of the Group and contributing to the enhancement of corporate value over the medium to long term.

(2) Candidates for Outside Directors shall be nominated from among persons who fulfill the following conditions.

A. Persons who satisfy the criteria for independence stipulated by the Company, and for whom there is no fear of a conflict of interest arising with general shareholders.

B. Persons with substantial experience and deep insight in areas such as corporate management, fiscal and monetary affairs, economics, accounting, tax, and law.

C. Persons who, based on their own experience and insight, may provide timely and appropriate opinions and advice to Directors and management team from the perspective of promoting the sustainable growth of the Group and contributing to the enhancement of corporate value over the medium to long term.

(3) Following the deliberations of the Compensation & Nomination Committee, an optional committee, the Board of Directors shall deliberate based on views on the composition of the Board of Directors and these policies and nominate candidates for Directors while considering factors including their terms of office as Directors of the Group.

2. Nomination Policies and Procedures for Candidates for Audit & Supervisory Board Members

(1) Candidates for Audit & Supervisory Board Members (excluding candidates for Outside Audit & Supervisory Board Members) shall be nominated from among persons who fulfill the following conditions.

A. Persons with substantial experience in regard to the management and control of the Group and the operation of its businesses, and deep insight in the areas of finance and economics.

B. Persons who may be expected to audit the execution of duties by Directors of the Company accurately, fairly, and efficiently, in addition to ensuring the sound, sustainable growth of the Group and contributing to the enhancement of corporate value over the medium to long term.

(2) Candidates for Outside Audit & Supervisory Board Members shall be nominated from among persons who fulfill the following conditions.

A. Persons who satisfy the criteria for independence stipulated by the Company, and for whom there is no fear of a conflict of interest arising with general shareholders.

B. Persons with substantial experience and deep insight in areas such as corporate management, fiscal and monetary matters, economics, accounting, tax, and law.

C. Taking into consideration the fact that their appointment is required from the perspective of further enhancing the neutrality and independence of audit systems, persons who, based on their own experience and insight, may be expected to form and express audit opinions in a timely and appropriate manner, and thereby ensure the sound, sustainable growth of the Group and contribute to the enhancement of corporate value over the medium to long term.

(3) After receiving the consent of the Audit & Supervisory Board, the Board of Directors shall deliberate and nominate candidates for Audit & Supervisory Board Members based on the policies established in this article.

3. Dismissal Policies and Procedures for Directors and Audit & Supervisory Board Members

Where a Director or Audit & Supervisory Board Member corresponds with any of the following items, the Board of Directors will submit a proposal for the dismissal of that Director or Audit & Supervisory Board member to the General Meeting of Shareholders. Furthermore, proposal for the dismissal of a Director will be decided at a meeting of the Board of Directors following the deliberations of the Compensation & Nomination Committee, an optional committee.

- (1) Where an act violating laws and regulations or public order and standards of decency is committed
- (2) Where corporate value is considerably damaged
- (3) Where the items in 1. (1), (2), or 2. (1), (2) above are recognized as not being fulfilled

[Principle 3.1 (5)]

(Reasons for the Nomination for Candidates for Directors and Audit & Supervisory Board Members)

Please refer to the “Reference Material for the General Meeting of Shareholders” in the Notice of the 2nd Ordinary General Meeting of Shareholders, which is posted on the Company’s website, in regard to reasons for nomination as candidates for Directors.

(<https://www.concordia-fg.jp/e/stock/meeting/index.html>)

Please refer to the “Reference Material for the Extraordinary General Meeting of Shareholders” in the Notice of the Extraordinary General Meeting of Shareholders of the Group companies, which is posted on the Company’s website, in regard to reasons for nomination as candidates for Audit & Supervisory Board Members.

(<https://www.concordia-fg.jp/shareholder/stock/meeting/index.html>)

[Supplementary Principle 4.1.1] (Overview of the Range of Entrustment to Management Team)

By defining the range of matters to be resolved in the Board of Directors via rules such as the “Regulations on Board of Directors” and explicitly defining the range of duties entrusted to Management Conference and the management team, the Board of Directors shall make important decisions regarding such matters as Group management policies, including management plans, matters related to governance, and basic policies pertaining to risk and compliance, while also taking on a more effective supervisory function in regard to management.

[Principle 4.8] (Effective Use of Independent Outside Directors)

The Company shall appoint multiple Outside Directors, in order to ensure the composition of the Board of Directors as a whole has a good balance of knowledge, experience, and abilities, in addition to integrating opinions and advice based on external perspectives and ensuring a highly effective supervisory function in regard to management by the Board of Directors.

At present, the Company has three (3) Outside Directors, who are independent, of a total of seven (7) Directors.

[Principle 4.9] (Criteria for Independence of Outside Officers)

The Company nominates candidates for Outside Directors and Outside Audit & Supervisory Board Members from those who satisfy the conditions of the independence criteria provided by the financial instruments exchange on which the Company is listed and also meet the criteria specified in “the Criteria for Independence of Outside Officers of the Company” below.

○ The Criteria for Independence of Outside Officers of the Company

In principle, a candidate for Outside Director or Outside Audit & Supervisory Board Member of the Company or any of its Group companies shall not presently fall under any of the following conditions, nor have done so recently.

- (1) A. A person for whom the Company or any of its Group companies are a major transacting counterparty or a business executive of an incorporated entity, etc. for which the Company or any of its Group companies are a major transacting counterparty.
B. A person who is a major transacting counterparty of the Company or a business executive of an incorporated entity, etc. that is a major transacting counterparty of the Company or Group companies.
- (2) A consultant, an accounting expert, or a legal expert who receives a considerable amount of cash or other assets other than officer compensation from the Company or Group companies.

(3) Persons, etc. belonging to a consulting firm, accounting firm, law firm, etc. that has the Company or Group companies as a major transacting counterparty.

(4) A person who receives a donation, etc. of a large sum from the Company or Group companies, or who is a business executive of an incorporated entity, etc. receiving such donation.

(5) A person who is a major shareholder of the Company or a business executive of an incorporated entity, etc. that is a major shareholder of the Company.

(6) A close relative of a person who fits any of the following items (excluding persons who are not important persons):

A. Person falling under the above criteria (1) to (5).

B. Person who is a Director, Audit & Supervisory Board Member, Executive Officer, and important employee, etc. of the Company or Group companies.

* The definition of “recently”

Refers to cases that may be viewed as substantially identical to the present, for example, this includes such cases as when the candidate fell under the condition at the time the content was determined for the proposal for the General Meeting of Shareholders electing him or her Outside Director or Outside Audit & Supervisory Board Member.

* The definition of “major”

Judged by the criterion of at least 1% of consolidated net sales (consolidated gross operating income in the case of the Company or Group companies) in the most recent fiscal year.

* The definition of “incorporated entity, etc.”

Includes organizations other than incorporated entities.

* The definition of “large sum”

At least 10 million yen per year based on an average of the past three years.

* The definition of “close relative”

Relative within the second degree of kinship.

* The definition of “persons who are not important persons”

A “person who is not an important person” refers to a person associated with a job classification subordinate to the class of company officer or general manager, and in the case of persons belonging to an accounting firm or law firm, etc., it refers to a person, etc. associated with a job classification subordinate to certified public accountant or lawyer.

[Supplementary Principle 4.11.1] (Views on Balance of Knowledge, Experience, and Abilities; Diversity; and Size of the Board of Directors as a Whole)

In order to ensure the independence of the Board of Directors, and utilize its functions in a fair and transparent manner, the Company shall appoint two (2) or more Independent Outside Directors, and by combining Internal Directors who are familiar with the Group’s operations and Outside Directors with substantial external experience and insight, the Board of Directors comprises a diverse range of Directors with differing backgrounds, including expertise and experience, thereby ensuring that the composition of the Board of Directors has a good balance of knowledge, experience, and abilities.

[Supplementary Principle 4.11.2] (Status of Positions Concurrently Held by Directors and Audit & Supervisory Board Members)

Every year, the status of important positions concurrently held by Directors and Audit & Supervisory Board Members are disclosed in “Reference Material for the General Meeting of Shareholders” or “The Business Report” attached to the “Notice of the General Meeting of Shareholders” of the Company.

(<https://www.concordia-fg.jp/shareholder/stock/meeting/index.html>)

[Supplementary Principle 4.11.3] (Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole)

In fiscal year 2016, the first year of the business integration, the Company carried out exhaustive evaluations regarding the Board of Directors. The findings reveal that the Board of Directors is functioning effectively overall, despite having identified several issues.

The effectiveness evaluations for fiscal year 2017, the second year of the business integration, involved narrowing down issues subject to the evaluation to that of “discussing medium- to long-term management strategies,” taking into account issues identified in the previous fiscal year, then administering questionnaires to all of Company’s Directors and Audit & Supervisory Board Members. Meanwhile, the Chairman of the

Board interviewed the respective Directors and Audit & Supervisory Board Members. In so doing, the Company evaluated the effectiveness of its Board of Directors and consequently made decisions regarding the evaluation results at its meeting of the Board of Directors held in May 2018.

Details regarding the effectiveness of the Board of Directors are summarized as follows, with respect to which the Board of Directors has decided to make improvements regarding the issues identified.

1. Evaluation results indicate that topics of discussion have been appropriately established, but evaluation results among respective Directors and Audit & Supervisory Board Members were substantially divided with respect to individual topics of discussion. This is because matters subject to the effectiveness evaluation relate to the foundations of management policies in terms of medium- to long-term management strategies, and is also due to variations regarding the knowledge, experience, expertise and areas of concern among respective Directors and Audit & Supervisory Board Members.

2. There is a need to bring about necessary improvements by drawing on evaluations assessing whether the Company's Board of Directors fulfills its roles and responsibilities that are geared to heightening the Group's corporate value in response to shareholder mandates. Accordingly, the Company is now aware that a more focused approach would be appropriate with respect to determining whether or not efforts have produced specific actions and results based on discussion, and as such going forward the Board of Directors must operate in a manner cognizant of the need for "focusing on taking action" and "improving managerial efficiency."

3. Moreover, in order to increase the effectiveness of the Board of Directors, the Company must provide it with appropriate documentation upon carefully scrutinizing information necessary in making business decisions. Meanwhile, the Company is now aware that there is a need for more extensive discussions involving a narrower focus, while ensuring sufficient time for deliberation, upon Internal Directors having sufficiently reviewed issues and set a clear direction in that regard.

[Supplementary Principle 4.14.2] (Training Policy for Directors and Audit & Supervisory Board Members)
The Company shall provide opportunities for Directors and Audit & Supervisory Board Members to acquire knowledge and information, and opportunities for them to obtain advice from external experts, to ensure that they may fulfill their roles and responsibilities.

[Principle 5.1] (Policy on Measures and Maintenance of Systems to Promote Constructive Dialogue with Shareholders)

The Company has established the following policies, and shall positively work toward in constructive dialogue with shareholders.

(1) Dialogue with shareholders

The Company shall provide explanations of business results and management strategies, in addition to proactively exchanging opinions with institutional investors, major shareholders, and analysts in Japan and overseas, through investor meeting presentations held every six months and individual meetings. Furthermore, the Company shall also endeavor to engage in proactive dialogue with minority shareholders, including individual investors, through various types of IR events, including briefings. In addition, Representative Directors shall be responsible for proactively providing opportunities for dialogue in response to requests from shareholders, and officers other than Representative Directors shall also participate in dialogue.

(2) Systems to promote constructive dialogue

The Company shall create systems to collect and analyze various types of management information and provide it to shareholders in an appropriate format, through coordination between the Corporate Planning Department, sales departments, and risk management department, with the Corporate Planning Department as the contact point for requests for dialogue from shareholders.

(3) Enhancing methods for dialogue other than individual dialogue

As part of its dialogue with shareholders, the Company shall endeavor to disclose information in a manner that is easy to understand, including via its IR website and disclosure magazine.

(4) Feedback from shareholders

Representative Directors shall report feedback identified in dialogue with shareholders to the Board of

Directors and management team in a timely and appropriate manner.

(5) Management of insider information

The Company has established internal regulations to appropriately manage important corporate information and prevent insider trading, and takes steps to ensure thorough awareness of these regulations. In addition, in order to ensure fairness toward shareholders, the Company shall refrain from taking questions or commenting on business performance forecasts during the period from the closing date of accounts for each quarter until the date financial results are announced.

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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[Status of Major Shareholders] [Updated]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	69,641,000	5.55
Japan Trustee Services Bank, Ltd. (Trust Account)	69,110,000	5.50
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	44,871,400	3.57
Meiji Yasuda Life Insurance Company	37,576,626	2.99
Mizuho Trust & Banking Co., Ltd. Employee Pension Trust (Meiji Yasuda Life Insurance Company account), Re-trust Trustees, Trust & Custody Services Bank, Ltd.	36,494,000	2.90
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	27,813,286	2.21
Nippon Life Insurance Company	24,578,648	1.95
Japan Trustee Services Bank, Ltd. (Trust Account 5)	23,724,100	1.89
The Dai-ichi Life Insurance Company, Limited	21,994,000	1.75
Japan Trustee Services Bank, Ltd. (Trust Account 9)	19,869,000	1.58

Controlling Shareholder (except for Parent)	———
Parent	N/A

Supplementary Explanation [Updated]

The above figures are current as of September 30, 2018.

(Note 1) The report of possession of large volume provided for public inspection on April 21, 2016 shows that BlackRock Japan Co., Ltd. and eight other joint holders held the following shares as of April 15, 2016, but as the

Company could not confirm the shares actually held as of September 30, 2018, that figure is not included in the above list of major shareholders.

Furthermore, details included in the report of possession of large volume are as follows:

Name of large volume holder BlackRock Japan Co., Ltd. (additional eight joint holders)
 Number of share certificates, etc. held: 71,163,585 shares (including shares held by joint holders)
 Holding ratio of share certificates, etc.: 5.47%

(Note 2) The report of possession of large volume (change report) provided for public inspection on June 21, 2017 shows that Sumitomo Mitsui Trust Bank, Limited and two other joint holders held the following shares as of June 15, 2017, but as the Company could not confirm the number of shares actually held as of September 30, 2018, that figure is not included in the above list of major shareholders.

Furthermore, details included in the report of possession of large volume are as follows:

Name of large volume holder Sumitomo Mitsui Trust Bank, Limited (additional two joint holders)
 Number of share certificates, etc. held: 70,663,067 shares (including shares held by joint holders)
 Holding ratio of share certificates, etc.: 5.49%

(Note 3) The report of possession of large volume (change report) provided for public inspection on July 9, 2018 shows that Silchester International Investors LLP held the following shares as of July 5, 2018, but as the Company could not confirm the number of shares actually held as of September 30, 2018, that figure is not included in the above list of major shareholders.

Furthermore, details included in the report of possession of large volume are as follows:

Name of large volume holder Silchester International Investors LLP
 Number of share certificates, etc. held: 94,486,600 shares
 Holding ratio of share certificates, etc.: 7.47%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Banks
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Special Circumstances Which May Have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board	President
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Officers Designated from among Outside Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	K
Minoru Morio	From another company											
Ken Inoue	From another company											
Naoko Nemoto	From another company											

* Categories for "Relationship with the Company"

“○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past;

“●” when a close relative of the director presently falls or has recently fallen under the category; and

“▲” when a close relative of the director fell under the category in the past

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- Non-executive director or executive of the parent of the Company
- Executive of a fellow subsidiary of the Company
- Party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Minoru Morio	○	Former Vice Chairman, Director, Corporate Executive Officer of Sony Corporation	<p><Reasons for Appointment as Outside Director> Minoru Morio possesses substantial experience and deep insight as a corporate manager. We believe that by utilizing this experience and insight, Morio will be able to provide timely and appropriate opinions and advice to Directors and the management team from the perspective of promoting the sustainable growth of the Group and contributing to the enhancement of corporate value over the medium to long term, and have therefore appointed him as an Outside Director.</p> <p><Reasons for Designation as Independent Officer> As Minoru Morio does not infringe the independence criteria established by the Tokyo Stock Exchange, and he satisfies “the Criteria for Independence of Outside Officers” stipulated by the Company, we have judged that there is no fear of a conflict of interest arising with general shareholders, and have therefore designated him as an Independent Officer.</p>

Ken Inoue	○	<p>Former Director-General, Personnel Department of Bank of Japan</p> <p>Former Managing Director of Regional Banks Association of Japan (Incorporated Association)</p>	<p><Reasons for Appointment as Outside Director> Ken Inoue possesses substantial experience and deep insight relating to the Bank of Japan, etc. We believe that by utilizing this experience and insight, Inoue will be able to provide timely and appropriate opinions and advice to Directors and the management team from the perspective of promoting the sustainable growth of the Group and contributing to the enhancement of corporate value over the medium to long term, and have therefore appointed him as an Outside Director.</p> <p><Reasons for Designation as Independent Officer> As Ken Inoue does not infringe the independence criteria established by the Tokyo Stock Exchange, and he satisfies “the Criteria for Independence of Outside Officers” stipulated by the Company, we have judged that there is no fear of a conflict of interest arising with general shareholders, and have therefore designated him as an Independent Officer.</p>
Naoko Nemoto	○	<p>Former Managing Director and Research Fellow of Standard & Poor’s Ratings Japan K.K.</p>	<p><Reasons for Appointment as Outside Director> Naoko Nemoto possesses substantial experience and deep insight as a financial professional. We believe that by utilizing this experience and insight, Nemoto will be able to provide timely and appropriate opinions and advice to Directors and the management team from the perspective of promoting the sustainable growth of the Group and contributing to the enhancement of corporate value over the medium to long term, and have therefore appointed her as an Outside Director.</p> <p><Reasons for Designation as Independent Officer> As Naoko Nemoto does not infringe the independence criteria established by the Tokyo Stock Exchange, and she satisfies “the Criteria for Independence of Outside Officers” stipulated by the Company, we have judged that there is no fear of a conflict of interest arising with general shareholders, and have therefore designated her as an Independent Officer.</p>

[Voluntary Committees]

Voluntary Establishment of Committee (s) Equivalent to Nomination Committee or Compensation Committee	Established
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Committee's Name, Composition, and Chairman's Attributes
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	Committee Equivalent to Nomination Committee	Committee Equivalent to Compensation Committee
Committee's Name	Compensation & Nomination Committee	Compensation & Nomination Committee
Total Committee Members	3	3
Full-time Members	0	0
Inside Directors	0	0
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairman	Outside director	Outside director

Supplementary Explanation

The Company has established the Compensation & Nomination Committee, which comprises only Outside Directors, as a voluntary system to ensure the fairness and neutrality of compensation and personnel decisions pertaining to Directors and Executive Officers. This Committee deliberates compensation and personnel decisions pertaining to Directors and Executive Officers.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Department
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Audit & Supervisory Board Members shall conduct effective audits by closely cooperating with the Accounting Auditors, internal audit department, and audit & supervisory board members of the Group companies, etc., in addition to holding regular meetings with the officers and employees of the Company and the Group companies.

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	M
Kenjiro Noda	From another company													
Mizuho Ogata	Other													
Keiichiro Hashimoto	From another company													

* Categories for "Relationship with the Company"

“○” when the audit & supervisory board member presently falls or has recently fallen under the category;

“△” when the audit & supervisory board member fell under the category in the past;

“●” when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category; and

“▲” when a close relative of the audit & supervisory board member fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiary

c. Non-executive director or executive of the parent of the Company

d. Audit & supervisory board member of the parent of the Company

e. Executive of a fellow subsidiary of the Company

f. Party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the audit & supervisory board member himself/herself only)

k. Executive of a corporation to which outside officers are mutually appointed (the audit & supervisory board member himself/herself only)

l. Executive of a corporation that receives a donation from the Company (the audit & supervisory board member himself/herself only)

m. Other

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kenjiro Noda	○	<p>Former Managing Director and Managing Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>Former Deputy President and Representative Director of Daiwa Securities SMBC Co. Ltd.</p> <p>Former Director and Chairman of NN Life Insurance Company, Ltd. (Formerly known as ING Life Insurance Company, Ltd.)</p>	<p><Reasons for Appointment as Outside Audit & Supervisory Board Member> Kenjiro Noda possesses substantial experience and deep insight as a manager of financial institutions, and in order for him to utilize this experience and insight to contribute to the management of the Company, we have appointed him as an Outside Audit & Supervisory Board Member.</p> <p><Reasons for Designation as Independent Officer> As Kenjiro Noda does not infringe the independence criteria established by the Tokyo Stock Exchange, and he satisfies "the Criteria for Independence of Outside Officers" stipulated by the Company, we have judged that there is no fear of a conflict of interest arising with general shareholders, and have therefore designated him as an Independent Officer.</p>
Mizuho Ogata	○	<p>Representative Director of Ogata Real Estate Appraisal Corporation</p> <p>Former President of Tokyo Association of Real Estate Appraisers</p> <p>Former President of Japan Association of Real Estate Appraisers</p>	<p><Reasons for Appointment as Outside Audit & Supervisory Board Member> Mizuho Ogata possesses substantial experience and deep insight as a real estate appraiser and representative of a corporation, and in order for her to utilize this experience and insight to contribute to the management of the Company, we have appointed her as an Outside Audit & Supervisory Board Member.</p> <p><Reasons for Designation as Independent Officer> As Mizuho Ogata does not infringe the independence criteria established by the Tokyo Stock Exchange, and she satisfies "the Criteria for Independence of Outside Officers" stipulated by the Company, we have judged that there is no fear of a conflict of interest arising with general shareholders, and have therefore designated her as an Independent Officer.</p>

Keiichiro Hashimoto	○	<p>Representative Director, Vice President of Iue Group Corp.</p> <p>Representative Director and Deputy Chairman of Shioya Tochi Co., Ltd.</p> <p>Former General Manager of the Global Business Department of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Former Representative Director, Executive Vice President and Chief Financial Officer of Mitsubishi Motors Corporation</p> <p>Former Representative Director, Chairman and President of Metropolitan Expressway Company Limited</p>	<p><Reasons for Appointment as Outside Audit & Supervisory Board Member> Keiichiro Hashimoto possess substantial experience and deep insight as a senior manager of a bank and a corporate manager, and in order for him to utilize this experience and insight to contribute to the management of the Company, we have appointed him as an Outside Audit & Supervisory Board Member.</p> <p><Reasons for Designation as Independent Officer> As Keiichiro Hashimoto does not infringe the independence criteria established by the Tokyo Stock Exchange, and he satisfies “the Criteria for Independence of Outside Officers” stipulated by the Company, we have judged that there is no fear of a conflict of interest arising with general shareholders, and have therefore designated him as an Independent Officer.</p>
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[Independent Officers]

Number of Independent Officers	6
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Matters relating to Independent Officers

The Company has designated all six (6) Outside Officers qualified to be Independent Officers as Independent Officers.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked compensation
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Supplementary Explanation

In regard to Directors (excluding Outside Directors) and Executive Officers with whom the Company has concluded an engagement agreement, the Company has introduced a stock compensation system using a trust as a compensation system to implement aggressive governance. The purpose of the system is for these Directors and Executive Officers to share interests with shareholders, promote the sustainable growth of the Group as a whole, and to increase their motivation to enhance corporate value over the medium to long term. Details of the stock compensation system are provided under “Policy for Determining Compensation Amounts or Calculation Methods Thereof.”

Recipients of Stock Options	
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Supplementary Explanation

[Director Compensation]

Disclosure of Individual Directors' Compensation	No individual disclosure
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Supplementary Explanation

<p>The total amount of compensation, etc. to corporate officers in fiscal year 2017 was as follows.</p> <table> <tr> <td>Directors</td> <td>Paid to seven (7) people</td> <td>Compensation, etc.: ¥187 million</td> </tr> <tr> <td>Audit & Supervisory Board Members</td> <td>Paid to five (5) people</td> <td>Compensation, etc.: ¥76 million</td> </tr> </table> <p>(Notes) 1. The amounts shown have been rounded down to the nearest million yen. 2. Compensation, etc. for Directors includes ¥29 million in expenses relating to bonuses for fiscal year 2017. 3. Compensation, etc. for Directors includes ¥3 million which was expensed in fiscal year 2017 as part of compensation, etc. relating to stock acquisition rights allotted as stock options in fiscal year 2016. 4. Compensation, etc. for Directors includes ¥21 million in expenses relating to share distribution points granted in fiscal year 2017 pursuant to the stock compensation system using a trust.</p>	Directors	Paid to seven (7) people	Compensation, etc.: ¥187 million	Audit & Supervisory Board Members	Paid to five (5) people	Compensation, etc.: ¥76 million
Directors	Paid to seven (7) people	Compensation, etc.: ¥187 million				
Audit & Supervisory Board Members	Paid to five (5) people	Compensation, etc.: ¥76 million				

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof
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<p>Compensation for Directors comprises: “basic compensation” paid monthly in accordance with roles and responsibilities; “bonuses” paid largely in accordance with the achievement of business results for a single fiscal year, and; “stock compensation” that involves using a trust to grant of payment (hereinafter referred to as “Granting, etc.”) of Company shares and cash in the amount equivalent to the conversion value of Company shares (hereinafter referred to as “Company shares, etc.”).</p> <p>In regard to “stock compensation,” there are two types of trust: Trust I, where the Granting, etc. of Company shares, etc. is made after retirement according to job position, and; Trust II, where the Granting, etc. of Company shares, etc. is made after the end of the Medium-term Management Plan depending on the extent to which the performance targets of the Management Plan have been fulfilled. Furthermore, the Company has discontinued the former stock compensation-type stock option system, and has not conducted new allotments from fiscal year 2017 onward.</p> <p>The compensation of Outside Directors and Audit & Supervisory Board Members comprises only “basic compensation,” which is paid monthly and does not constitute a system of compensation linked to business results.</p> <p>Approval has been obtained at the General Meeting of Shareholders with respect to an annual amount of ¥430 million or less for “basic compensation” and “bonuses” constituting the monetary compensation portion of compensation, etc. for Directors, and an annual amount of ¥120 million or less as compensation for Audit & Supervisory Board Members. In addition, separately to monetary compensation, approval has also been obtained at the General Meeting of Shareholders for a total amount of up to ¥414 million in monetary terms to be contributed by the Company for “stock compensation” to apply to three fiscal years for Directors, excluding Outside Directors and including Executive Officers with whom the Company has concluded an engagement agreement (¥160 million for Trust I and ¥254 million for Trust II). Specific amounts of compensation, etc. for Directors are determined by resolution of the Board of Directors, and specific amounts of compensation for Audit & Supervisory Board Members are determined by deliberation among Audit & Supervisory Board Members.</p> <p>The Company has established the Compensation & Nomination Committee to ensure objectivity and transparency with respect to Director compensation.</p>

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

Supporting systems for Directors and Audit & Supervisory Board Members, including Outside Directors, are as follows.

- To ensure that Directors may obtain corporate information in a timely and appropriate manner, a responsible employee shall be assigned to the Corporate Planning Department, and he or she shall support the obtaining of information by Directors.
- To ensure that audits by Audit & Supervisory Board Members are effectively conducted, dedicated employees shall be assigned to the Office of Audit & Supervisory Board, and he or she shall support audits by Audit & Supervisory Board Members.
- When Outside Directors and Outside Audit & Supervisory Board Members are appointed, opportunities shall be provided for them to acquire knowledge and information relating to the Group's management philosophy, management policies, management plans, business structure, etc.
- In order to enhance the deliberations of the Board of Directors, advance explanations of matters to be deliberated at the Board of Directors shall be provided to Outside Directors and Outside Audit & Supervisory Board Members, and opportunities such as on-site inspection of sales branches of the Group companies shall also be provided.
- While securing cooperation between Outside Directors, Representative Directors, Audit & Supervisory Board Members, the internal audit department and the Accounting Auditors, the Company shall also endeavor to promote exchanges among Outside Directors and directors, etc. of the Group companies.

Information Including the Nomination of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company [Updated]

Name	Title/Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Sadaaki Hirasawa	Special Advisor, The Bank of Yokohama, Ltd.	Substantive activities for social contribution and economic society, etc.	Full-time/paid	June 24, 2008	1 year
Tatsumaro Terazawa	Special Advisor, The Bank of Yokohama, Ltd.	Substantive activities for social contribution and economic society, etc.	Full-time/paid	June 29, 2016	1 year
Michito Ishii	Special Advisor, Higashi-Nippon Bank, Limited	Substantive activities for social contribution and economic society, etc.	Full-time/paid	August 31, 2018	1 year

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company [Updated]

3

- A system of counselors/advisors does not exist in the Company.
- The information above reports the status of persons who have held the position of President at The Bank of Yokohama, Ltd. and The Higashi-Nippon Bank, Limited currently holding an advisory or any other position in the aforementioned banks.
- Concerning the “Term of Office”, although there are no restrictions on the holding of a position for consecutive terms, in principle, the maximum period of service is six years and Special Advisors retire from office on the month that they turn the age of 75. However, there are cases where certain transitional measures are put in place concerning certain applicable persons whose time in service precedes the transition to the current system (in the “Date of Retirement from Position Such as President” above, the date of retirement as President or Chairman of The Bank of Yokohama, Ltd. or Higashi-Nippon Bank, Limited is stated).
- Providing such persons carry out substantive activities for social contribution and economic society, etc., a person who has held a position such as President may become Special Advisor.
- The Special Advisor is not involved in any decision-making related to the management of business operations.
- To enhance the objectiveness and transparency of decisions regarding appointment and remuneration, etc. of the Special Advisors, the Outside Directors shall be involved in the appointment, etc.

2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

The main organizations pertaining to management and control of management decision-making, execution, and supervision are as follows.

(1) Directors and the Board of Directors

- The Board of Directors determines the range of issues on which it will deliberate based on regulations such as the Regulations on Board of Directors. By making explicit the range of entrustment for organizations such as the Management Conference and the management team, the Board of Directors conducts decision-making on important issues e.g. corporate policies for the Group, which include management plans, matters related to governance, and basic policies regarding risk and compliance. This allows the Board of Directors to fulfill its supervisory function on management with high effectiveness.
- From the viewpoint of exhibiting its functions with the highest effectiveness and efficiency while aiming to invigorate the Board of Directors, the Articles of Incorporation stipulate that there shall be no more than 10 Directors, and in combination with Internal Directors who are well-versed in the Group’s business and several Outside Directors who possess a wealth of experience and knowledge in external fields, the Board of Directors shall be composed of Directors with diverse backgrounds with specialized knowledge and experience, enabling the overall Board of Directors to have a composition that is balanced in knowledge, experience, and ability. Currently, of the seven Directors (six males, one female), there are three Independent Outside Directors.

(2) Audit & Supervisory Board Members and the Audit & Supervisory Board

- Based on audit policies and audit plans defined in the Audit & Supervisory Board, Audit & Supervisory Board Members attend important meetings such as Board of Directors meetings, evaluate the status of operations and assets, and view documents relating to important management decisions. Additionally, Audit & Supervisory Board Members implement audits on the legal compliance and appropriate execution of business by Directors through communication with organizations such as internal audit department and the Group companies, as well as through information exchange with parties such as the Accounting Auditors.
- From the viewpoint of securing effectiveness of audits, the Articles of Incorporation stipulate that there shall be no more than five Audit & Supervisory Board Members, and that at least half must be Outside Audit & Supervisory Board Members. Currently, of the five Audit & Supervisory Board Members (four males, one female), there are three Independent Outside Audit & Supervisory Board Members.

(3) Management Conference

- Beneath the Board of Directors, the Company has established the Management Conference, composed of

Representative Directors and Directors, etc.

- Based on basic policies and management plans determined by the Board of Directors, the Management Conference deliberates on and makes decisions on issues such as significant matters relating to business execution and strategies to enable the Group to execute business flexibly. Additionally, as required, it also engages in actions such as supplemental deliberations on matters resolved by the Board of Directors.

(4) Compensation & Nomination Committee

- With the intent of securing fairness and objectivity for compensation and personnel matters for Directors and Executive Officers, the Company has established a voluntary Compensation & Nomination Committee, comprised only of Outside Directors. This committee deliberates on compensation and personnel matters for Directors and Executive Officers.

(5) Internal Audit Department

- The Board of Directors has established an Audit Department as an organization independent from executive departments, and the Audit Department conducts internal audits of the effectiveness and appropriateness of internal management systems and internal controls.
- The Company's Audit Department works to strengthen internal auditing functions by evaluating the internal audit status of the Group companies while also put a structure in place to ensure uniform internal audits across the overall group.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the form of a company with Audit & Supervisory Board, whereby the Board of Directors determines basic management policies and other important matters relating to management, based on "1. Basic Views" in this report.

To secure fairness and transparency for compensation and personnel matters, the Company has established an optional Compensation & Nomination Committee, comprised only of Outside Directors.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meeting of Shareholders and Smooth Exercise of Voting Rights [Updated]

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	Convocation notices for Ordinary General Meetings of Shareholders are sent by three weeks prior to the date of the General Meeting of Shareholders. Notifications are also posted on the Company's website prior to being sent.
Scheduling OGMs Avoiding the Peak Day	The 2nd Ordinary General Meeting of Shareholders was held on June 19, 2018.
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company facilitates the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company uses the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English (Translated Partially)	The Company creates an English version of the convocation notice (partial translation), after that, discloses it to the Tokyo Stock Exchange and posts it on the Company's website.
Other	After the conclusion of the General Meeting of Shareholders, the reporting of business (video of the proceedings) and the results of the exercise of voting rights are posted on the Company's website.

2. IR Activities [Updated]

	Supplementary Explanations	Explanation by Representative
Preparation and announcement of disclosure policy	The Company has formulated a "disclosure policy" and has posted it on the Company's website (available in Japanese only).	
Regular Investor Briefings for Individual Investors	Once per year or more, a Representative Director shall explain business performance, management strategies and other matters.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Once per six months, a Representative Director shall explain business performance, management strategies and other matters.	Yes
Regular Investor Briefings for Overseas Investors	Once per six months or more, Representative Directors, etc. shall visit investors and provide individual explanations of business performance, management strategies and other matters.	Yes
Posting of IR Materials on Website	Materials used in briefings for analysts and institutional investors shall be promptly posted on the Company's website.	

Establishment of Department and/or Manager in Charge of IR	A manager in charge of IR has been assigned to the Corporate Planning Department.
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3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	In addition to providing “long-term vision” for relationships with each stakeholder, the Company has also established provisions to ensure due respect for stakeholders in the management philosophy and the Basic Regulations on Compliance, etc.
Implementation of Environmental Activities, CSR Activities, etc.	The Company has formulated and announced its basic views on “Initiatives toward CSR Activities,” and implements various measures based on these views. In addition, the Company takes various opportunities to disclose the results of these measures, including through its website and the disclosure magazine.
Formulation of Policies for Information Provision to Stakeholders	<p>The Company discloses information in a timely and appropriate manner in accordance with the Companies Act, the Banking Act, the Financial Instruments and Exchange Act and other laws and regulations, and the timely disclosure rules, etc. of financial instruments exchanges.</p> <p>In addition to information based on these laws, regulations, and rules, the Company also discloses information in a voluntary and proactive manner to contribute to the understanding of customers, shareholders, investors, and local communities.</p> <p>In addition, the Company also endeavors to provide English-language disclosure of important information.</p>
Other	<p>The Group believes that the participation of a diverse range of personnel is essential for it to grow sustainably as a corporation. The Group aims to develop an environment where all employees can sufficiently utilize their respective abilities and contribute to the organization, including promoting the participation and advancement of female employees.</p> <p>[The Bank of Yokohama]</p> <p>The “Female Employee Value Up Program” launched in 2005 focused on “career development” and “job continuation support,” and achieved certain results, including increasing the number of female executives, and reducing the rate of job separations due to childbirth. In 2013, the Bank received the “Minister’s Award for Equal Employment and Work and Family Harmonization” from the Minister of Health, Labour and Welfare.</p> <p>In addition, the Bank has promoted the utilization of diverse personnel, including female employees, across the organization, while creating a corporate culture of utilizing diversity, led mainly by the “Diversity & Inclusion Promotion Office” established in April 2015. In 2016, the Bank received “Class 3” certification, the highest rank in the “Eruboshi” certification, which recognizes companies excelling at initiatives, etc. related to promoting the participation and advancement of women based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.</p> <p>[The Higashi-Nippon Bank]</p> <p>In order to promote the active participation and advancement of female employees, the Bank has introduced various systems for giving birth, childrearing, etc. that exceed those required by laws and regulations, and endeavors to maintain a comfortable working environment for female employees.</p>

	<p>In addition, the Bank is implementing initiatives aimed at promoting the participation of female employees, having established the “Committee for the Promotion of Women’s Participation and Advancement” in July 2015, and deliberated and considered such themes as “raising awareness,” “raising the next generation,” and “raising children and giving care.”</p> <p>[Targets and Results Relating to the Promotion of Women’s Participation and Advancement]</p> <p>The Group aims to achieve the following numerical targets by the end of fiscal year 2020.</p> <p><Totals for the two banks></p> <p>Ratio of female managing executives: 15% or more (9.7% as of April 1, 2018)</p> <p>Ratio of female executives: 25% or more (27.2% as of April 1, 2018)</p> <p><The Bank of Yokohama></p> <p>Ratio of female managing executives: 20% or more (11.3% as of April 1, 2018)</p> <p>Ratio of female executives: 30% or more (31.1% as of April 1, 2018)</p> <p><The Higashi-Nippon Bank></p> <p>Ratio of female managing executives: 5% or more (6.1% as of April 1, 2018)</p> <p>Ratio of female executives: 20% or more (18.6% as of April 1, 2018)</p>
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IV. Matters Related to Internal Control Systems

1. Basic Views on Internal Control Systems and Progress of System Development

(Basic Views on Internal Control Systems)

To execute business suitably and ensure that actions comply with laws and regulations and the Articles of Incorporation within the Group, the Company has established and operates Internal Control Systems as follows, and works to improve its effectiveness through continuous evaluation and implementing improvement measures as required.

(1) Systems to ensure that execution of duties by directors and employees comply with laws and regulations and the Articles of Incorporation

A. The Board of Directors shall formulate “Basic Regulations on Compliance” that define Basic Policy on Compliance for the Group and ensure thorough compliance with laws and regulations from all executives and employees of the Group in areas such as customer protection, protection of personal information, and rejecting relationships with anti-social forces.

B. The Board of Directors shall establish “Compliance Conference (Management Conference),” and as a plan outlining specific measures to realize compliance in the Group, formulate on an annual basis “Compliance Program” based on the basic policy. The Board of Directors shall also increase effectiveness through monitoring the status of progress in the Compliance Program and the status of compliance across the overall Group.

C. The Board of Directors shall establish a division to control Group compliance, and the compliance control division shall manage and direct compliance operations uniformly across the Group.

D. The Board of Directors shall develop a system to allow for direct reporting to the Company’s compliance control division by all executives and employees of the Group regarding compliance issues. If a report is received, the compliance control division shall swiftly provide instructions for improvement, while also implementing measures for rectification and improvement.

E. The Board of Directors shall work to maintain and improve its supervisory functions from an external viewpoint by selecting several Outside Directors who have a standpoint independent from the Group.

F. The Board of Directors shall establish an Audit Department as an organization independent from executive departments, and the Audit Department shall conduct internal audits of the effectiveness and appropriateness of matters such as the compliance system.

(2) Systems for the storage and management of information on execution of duties by Directors

Information regarding the execution of duties by Directors, such as the minutes of each meeting and in other documents, shall be stored and managed pursuant to regulations. Furthermore, Directors and Audit & Supervisory Board Members may view these documents, etc. at any time.

(3) Regulations and other systems for management of loss risk

A. The Board of Directors shall systematically develop risk regulations centered on the “Basic Regulations on Risk Management” while also defining a risk control division across the Group and risk management divisions categorized by risk type, creating a system to appropriately manage risk including the spread and concentration of risk within the Group.

B. Organizations such as the Board of Directors and Management Conference shall soundly and effectively implement risk management in the Group while also periodically and continuously reviewing policies and procedures on risk management in view of factors such as strategic goals and changes to the external environment of the Group. Furthermore, the “ALM / Risk Management Conference,” established as the Management Conference, shall ascertain various risk exposure for the Group in a unified group framework, and by utilizing the ascertainment of these risks to establish structures such as business execution and management systems at the Group companies, increase the effectiveness of risk management.

C. The Audit Department shall conduct internal audits of the effectiveness and appropriateness of risk management systems, etc.

(4) Systems to ensure efficient execution of duties by Directors

The Board of Directors shall work to increase efficiency of the execution of duties by Directors by establishing the structures as follows.

A. Establish the Management Conference comprised of Representative Directors and Directors, etc.

B. Explicitly stating the range of entrustment through formulation of regulations regarding delegation of

authority

C. Formulation of corporate policies and management plans by the Board of Directors

D. Appropriate group corporate management by the Board of Directors and the Management Conference through verification of progress in business results and other key issues

(5) Systems to ensure appropriate financial reporting

To ensure appropriate financial reporting by the Group, the Board of Directors shall formulate "Basic Regulations on Internal Controls for Financial Reporting."

(6) Systems to ensure appropriate operations of the corporate group

A. By defining basic regulations regarding corporate management of the Group and regulations regarding deliberation and reporting and explicitly stating the roles and responsibilities of the Company and Group companies, the Board of Directors shall ensure appropriateness and efficiency in operations of the Group.

B. The Board of Directors shall work to optimize the distribution of management resources in the Group and establish systems for issues such as risk management and compliance at the Group companies.

C. The Audit Department shall supervise internal audits of the Group and report the results of internal audits of the Group to Directors and Audit & Supervisory Board Members.

(7) Systems for employees requested by Audit & Supervisory Board Members to assist their duties, independence of such employees from directors, and ensuring effectiveness of directions given to such employees

A. An Office of Audit & Supervisory Board shall be established, and dedicated employees shall be assigned to assist in the audit operations of Audit & Supervisory Board Members.

B. Matters such as personnel transfers and personnel evaluations for employees belonging to the Office of Audit & Supervisory Board shall be reported in advance to Audit & Supervisory Board Members, and Audit & Supervisory Board Members may state their opinions.

C. Employees belonging to the Office of Audit & Supervisory Board shall execute their duties under direction from Audit & Supervisory Board Members.

(8) Systems for reporting to the Audit & Supervisory Board or Audit & Supervisory Board Members by Directors and employees of the Company, as well as directors, audit & supervisory board members, and employees of subsidiaries, and other systems for reporting to the Audit & Supervisory Board or Audit & Supervisory Board Members

A. Within the Group, if Directors or employees discover facts that may have a significant damage on the Company, facts that show improper conduct, or material facts that violate the laws and regulations or the Articles of Incorporation, or if directors, audit & supervisory board members, or employees of the Group companies discover such facts at their respective companies, such persons shall report said facts either directly or indirectly to the Audit & Supervisory Board or Audit & Supervisory Board Members of the Company.

B. Directors and employees of the Company, as well as directors, audit & supervisory board members, and employees of the Group companies shall appropriately report to the Audit & Supervisory Board or Audit & Supervisory Board Members of the Company regarding matters such as the status of execution of business.

C. The Group shall not treat disadvantageously in any way the persons who report to the Audit & Supervisory Board or Audit & Supervisory Board Members of the Company.

(9) Other systems to ensure effective audits by Audit & Supervisory Board Members

A. Other than attending Board of Directors meetings, Audit & Supervisory Board Members may attend conferences and committee meetings of organizations such as the Management Conference.

B. Audit & Supervisory Board Members shall hold periodic meetings with Representative Directors to confirm management policies held by the Representative Directors, while also exchanging views on matters such as issues to be addressed, risks surrounding, the provision of environments for audits by Audit & Supervisory Board Members, and significant auditing issues within the Group. Audit & Supervisory Board Members shall also actively exchange views with the Accounting Auditors in the same fashion.

C. While working closely with parties such as the Accounting Auditors, the Audit Department, and Group companies' audit & supervisory board members, Audit & Supervisory Board Members shall conduct effective audits by holding periodic meetings with executives and employees of the Group.

D. Audit & Supervisory Board Members may direct the Audit Department to conduct and report on, etc. any necessary investigations if such action is deemed necessary to fulfill their duties.

E. The Audit & Supervisory Board shall pass a resolution of consent beforehand in regard to the internal audit basic plan and appointment or dismissal of the General Manager of the Audit Department.

F. Audit & Supervisory Board Members may receive reports beforehand on personnel evaluation, etc. for the General Manager of the Audit Department and state opinions on such reports.

G. Pursuant to Article 388 of the Companies Act, the Company shall make payment for any fees incurred during audits, based on the demands of the Audit & Supervisory Board Members.

(Overview of the Progress of Development of Internal Control Systems)

An overview of the status of the progress of development of systems to ensure the appropriateness of the operations of the Company is as follows.

(1) Systems relating to compliance

A. The Company has formulated the Basic Regulations on Compliance that define Basic Policy on Compliance for the Group, etc.

B. In order to prevent the reoccurrence of problematic incidents and violations of laws and regulations, etc., the Compliance Conference, which is a Management Conference and comprises Representative Directors, Directors, etc., meets once every three months in principle, and holds extraordinary meetings as necessary.

C. The Management Conference has formulated a Compliance Program.

D. The Company has established a Compliance Hotline as a direct reporting system to allow the compliance control division to respond promptly to make rectifications and improvements when problematic incidents, etc. are reported.

(2) Risk management systems

A. In order to effectively manage risk, the Company has formulated related regulations, including basic regulations relating to the management of various types of risk and the “Basic Regulations on Risk Management” formulated by the Board of Directors.

B. In order to make necessary decisions in a timely manner while appropriately managing various types of risk, the Board of Directors and the Management Conference receive regular reports on levels of various types of risk and the status of their management.

(3) Systems relating to ensuring efficient execution of duties by Directors, and the storage and management of information

A. The Board of Directors has established regulations relating to the operation of the Board of Directors, and the establishment and operation of the Management Conference. In addition, regulations related to the organization of the Company, the division of operational duties, and decision authority are determined by the Management Conference, etc.

B. The Board of Directors has determined Group management policies and budgets under the Medium-term Management Plan covering the three-year period from fiscal year 2016 to fiscal year 2018. In addition, the Board of Directors and the Management Conference manage the progress of business performance and other important matters, and engage in management and control in light of policies on business operations and budgets, based on regular reports from the divisions in charge, etc.

C. The Company has established regulations to appropriately store and manage the minutes of meetings of the Board of Directors, the Management Conference, etc. and other documents pertaining to the execution of duties by Directors, etc.

(4) Systems related to ensuring appropriate financial reporting

In order to regularly evaluate the effectiveness of internal controls relating to financial reporting, the Board of Directors has formulated the “Basic Regulations on Internal Controls for Financial Reporting.”

(5) Systems to ensure appropriate operations of the corporate group

A. The Board of Directors has formulated the “Regulations on Group Management and Control,” in order to deliberate and make decisions, etc. regarding matters occurring in the Group companies that will have a significant impact across the Group as a whole, necessary matters related to internal controls, and other matters.

B. The ALM / Risk Management Conference and Group Sales Strategy Conference meet regularly in order to receive reports related to the results of operations at companies in the Group, the status of risk management, etc., in addition to deliberating risk management and other matters related to internal management systems,

setting various management targets, verifying the implementation status, etc.

C. The Company's Audit Department conducts internal audits of companies in the Group, in addition to all divisions and operations in the Company, excluding the Office of Audit & Supervisory Board, from the perspective of ensuring the appropriateness of business operations in the Group, in addition to supervising internal audits of the Group, and regularly reporting the results of internal audits to the Board of Directors, etc.

(6) Systems relating to ensuring effective audits by Audit & Supervisory Board Members

A. The Company has established the Office of Audit & Supervisory Board as an organization independent from executive departments, and has assigned dedicated employees to it to assist Audit & Supervisory Board Members and the Audit & Supervisory Board in accordance with directions from Audit & Supervisory Board Members.

B. Steps are taken to ensure thorough awareness of the fact that Directors and employees of the Company, and directors, audit & supervisory board members, and employees of companies in the Group are to make necessary reports directly or indirectly to the Audit & Supervisory Board or Audit & Supervisory Board Members of the Company.

C. Audit & Supervisory Board Members hold periodic meetings with Representative Directors to confirm management policies and exchange views regarding Group issues, etc. In addition, Audit & Supervisory Board Members gather information from and exchange views with Directors, General Managers and managers in the internal audit department and compliance control department of the Company; officers, employees and audit & supervisory board members of the Group companies; the Accounting Auditors of the Company; etc. by holding periodic meetings with them and requesting reports and explanations as necessary, etc.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

The Company is always aware of the importance of its public mission and social responsibility as a regional financial group, and works as an organization to fulfill its basic principle of rejecting all transactions and other relationships with anti-social forces, including resolutely refusing to provide funds to any anti-social forces that threaten the public order or safety of civil society, and firmly eliminating any unjust demands or unjust intervention by anti-social forces.

Specifically, based on this basic principle, the Company has established Basic Policy on Compliance for the Group, a basic policy against anti-social forces, etc. from the perspective of preventing harm by anti-social forces, and takes steps to ensure all officers and employees are familiar with them, in addition to developing internal systems as follows.

(1) The Risk Management Department shall supervise any response relating to anti-social forces by the Group.

(2) To counter any unjust demands, the Group companies shall build close cooperative relationships with external specialist institutions, including the police and National Center for Removal of Criminal Organizations.

(3) A database shall be created for information related to anti-social forces and steps shall be taken to ensure it is updated on an ongoing basis, based on information accumulated thus far by the Group companies and information gathered from external specialist institutions, etc.

(4) The Company shall utilize external seminars in regard to specific approaches to rejecting relationships with anti-social forces, and shall also implement internal training at the Group companies.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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2. Other Matters Concerning Corporate Governance System

[Internal Systems Pertaining to Timely Disclosure]

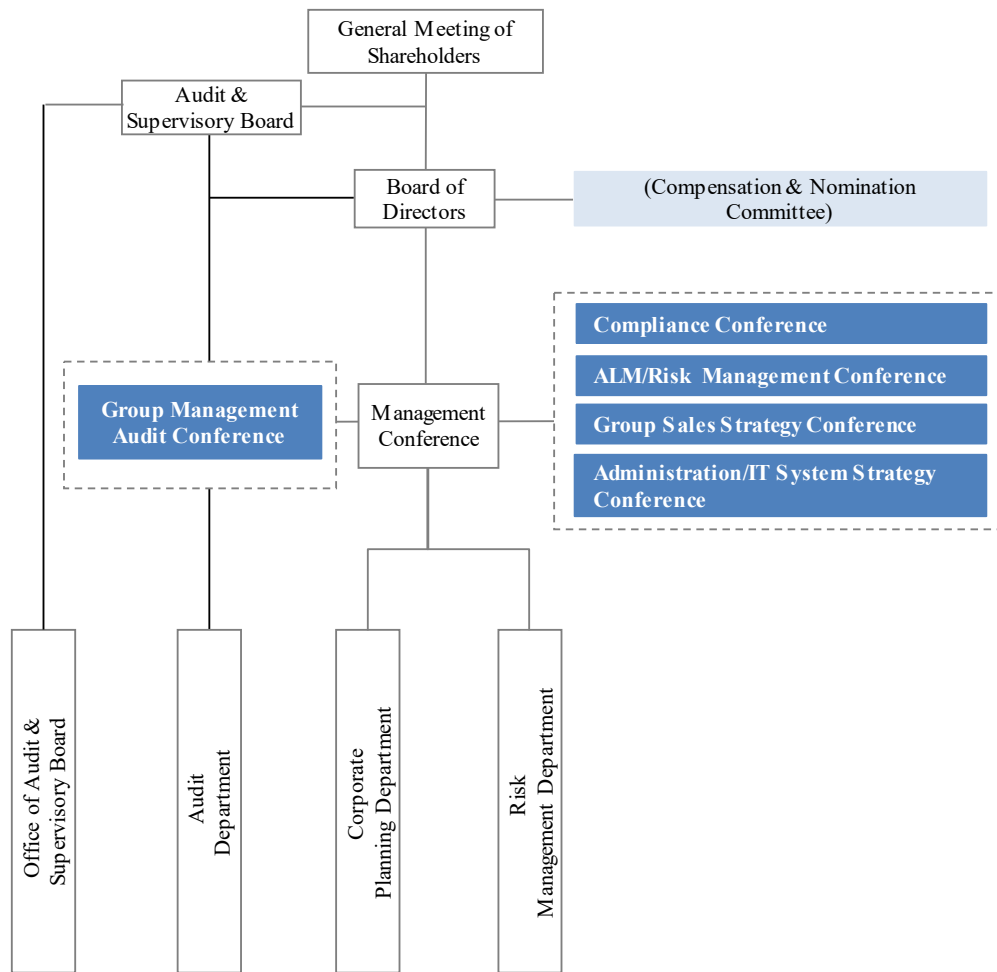
The Corporate Planning Department shall supervise the timely disclosure of corporate information, and information shall be disclosed via the following systems.

Information from the Group companies and responsible divisions shall be promptly compiled in the Corporate Planning Department, and the Corporate Planning Department shall determine the necessity of disclosure in accordance with timely disclosure rules.

If the Corporate Planning Department determines that it will disclose information, then it shall prepare disclosure documents after consulting the division responsible for the relevant matter, and promptly disclose the information.

Furthermore, in order to ensure the appropriateness of timely disclosure, the compliance department shall conduct verifications, and the internal audit department shall also audit the status of the management and handling of information for timely disclosure.

[Corporate Governance Systems] [Updated]



[Overview of Systems for Timely Disclosure]

