

Integrated Report **2024**
Disclosure Magazine

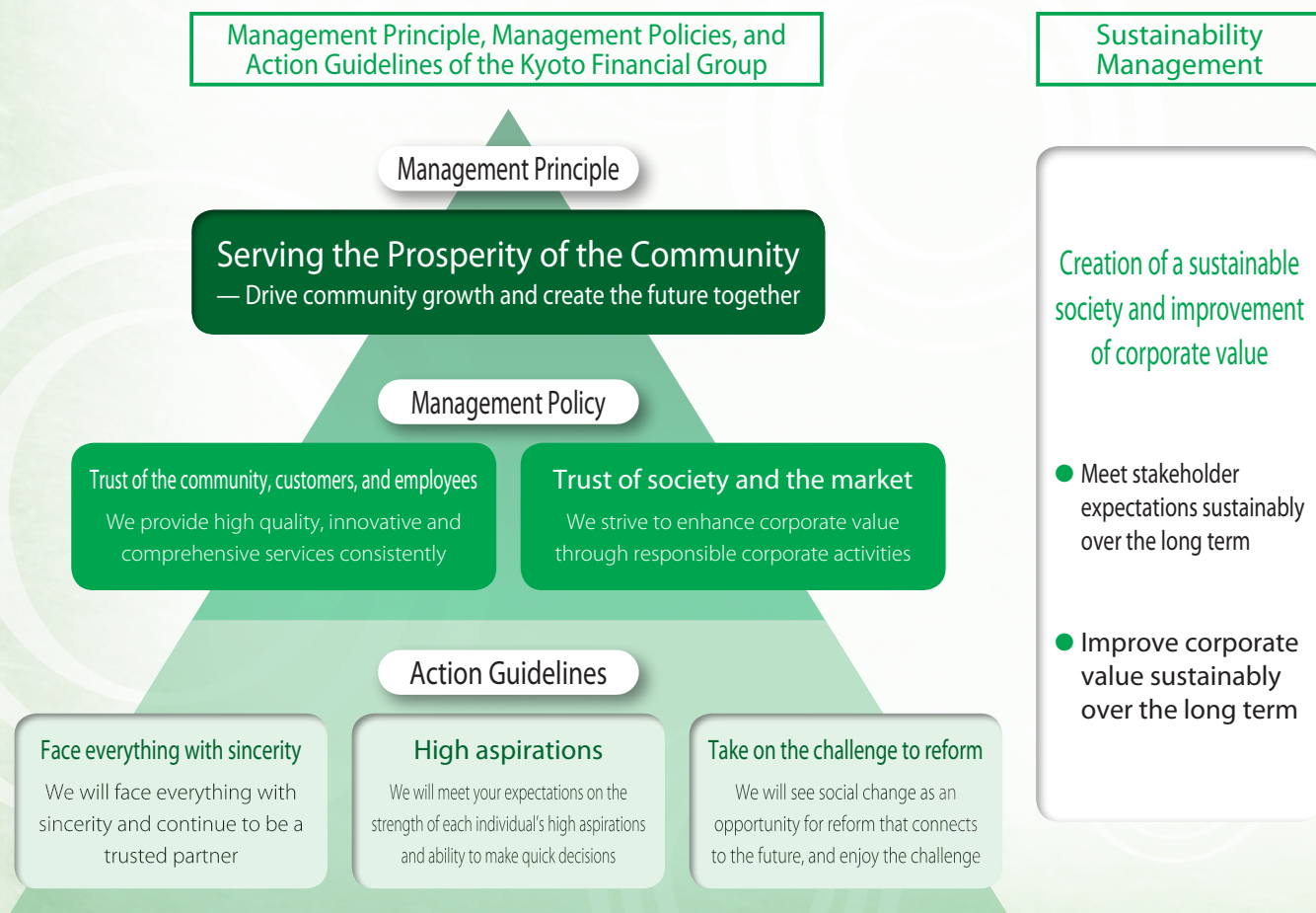
Group Management Principle

Serving the Prosperity of the Community

— Drive community growth and create the future together

The Group has inherited the principle and policies of the Bank of Kyoto for its management principle and policies, and to ensure they are put into practice, we have newly established action guidelines for the Group on the occasion of the establishment of the Kyoto Financial Group, Inc. We will continue to contribute to the greater prosperity of the community and the development of local industries by leveraging the customer base, trust, and credibility that the Group has built over its history to shift to a better direction. In addition, we will position sustainability management as “practice of our management principle at an even higher level” and implement to help create a sustainable society and improve our corporate value.

Structure of the Principle



Our Logo



Dry landscape gardens (karesansui) are a familiar sight in Kyoto. The design was inspired by the ripple patterns represented in the sand pattern of a karesansui. The three ripples forming the logo represent “our customers,” “the local community,” and “our shareholders.” Further, the center of the ripples represents the Group’s executives and employees who are each a single drop of water, who together create a positive impact for our stakeholders. Even if the influence of each individual is small, we promise to become a group that creates new value for the world as a chain reaction that spreads across and connects us with those around us.

Group Statement

Is it okay for regional banks to continue on as they are?
 Have we been thinking best practice has been to not change and stick only to customs?
 Have we been risk averse by pursuing stability and certainty? Do we still have that challenging spirit we possessed when we first joined the company?
 Now is an opportune time to make bigger, more positive waves in the world. Even if each individual’s influence is just a small ripple, by leveraging the combined power of the Group, our various actions amass to provide solutions for more comfortable lifestyles in our local region.
 If we believe that the Kyoto Financial Group was formed for that purpose, then we know what we ought to be doing.

Be a Wave Maker

Please also visit our website <https://www.kyoto-fg.co.jp/en/company/brand/>



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Editorial Policy

In addition to financial information, this report explains non-financial information such as management policies and strategies, while also including the history and features, with reference to the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's (METI) Guidance for Collaborative Value Creation. It also serves as the disclosure document (explanatory document about the business and financial condition of the Bank) in accordance with Article 21 and Article 52-29 of the Banking Act. Please refer to the documents section (in Japanese only) on the Company's website when using it as a disclosure document. This report contains forward-looking statements regarding the Group's performance, including forecasts and plans. These statements are based on information available at the time this report was prepared and on projections and certain assumptions that will affect future business performance, and are not guarantees of the Group's future performance and involve various risks and uncertainties.



Profile As of March 31, 2024

Name : Kyoto Financial Group, Inc.
Location : 700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto, Japan
Established : October 2023
Stock exchange listing : Tokyo Stock Exchange Prime Market (Securities code: 5844)

Group Companies As of July 1, 2024

The Bank of Kyoto, Ltd. (Banking)
Karasuma Shoji Co., Ltd. (Employee benefits, e-commerce mall management)
Kyogin Lease Co., Ltd. (Leasing)
Kyoto Credit Service Co., Ltd. (Credit card services)
Kyogin Card Service Co., Ltd. (Credit card services)
Kyoto Soken Consulting Co., Ltd. (Consulting, economic surveys, and research services)
Kyogin Securities Co., Ltd. (Financial product trading)
Kyoto Capital & Partners Co., Ltd. (Investments)
Kyoto Turnaround Servicer Co., Ltd. (Debt management and collection)
Sekisui Leasing Co., Ltd. (Leasing)
Kyoto Guaranty Service Co., Ltd.^{*1} (Credit guarantees)
Sky Ocean Asset Management Co., Ltd.^{*2} (Investment management)

*1 Consolidated subsidiary of the Bank of Kyoto *2 Equity-method affiliate of the Bank of Kyoto

Toward the Future of the Kyoto Financial Group



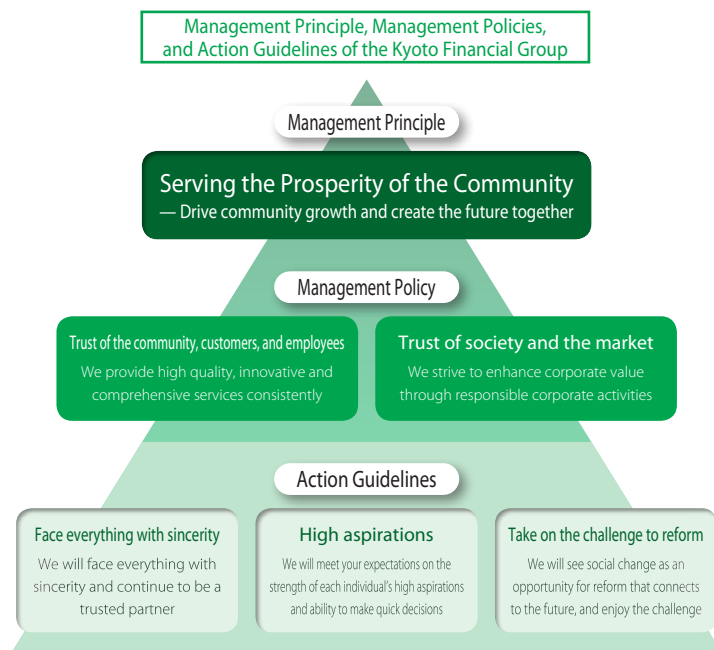
Representative Director and President

Nobuhiko Doi

Establishment of the Kyoto Financial Group

In October 2023, the Bank of Kyoto Group transitioned to a holding company structure and commenced business as the Kyoto Financial Group ("Kyoto FG").

This change to a new group management structure is one of the most significant management decisions in the more than 80 years of history of the Bank of Kyoto, and at the same time, a bold and aggressive challenge. As described in our brand message "Be a Wave Maker," the establishment and existence of Kyoto FG will only have meaning for the community if the many ripples that originate from Kyoto FG eventually reach every corner of the community and ripple out to have a positive effect throughout the community.



At Kyoto FG, we place the highest priority on serving the prosperity of the community, as passed down to us from the Bank of Kyoto's management principle. We have proclaimed our management policies as striving to earn the trust of the community, customers, and employees as well as that of society and the market. Our action guidelines are face everything with sincerity, have high aspirations, and take on the challenge to reform, while also practicing sustainability management. Kyoto FG will promote its growth through immutable management by maintaining the solid foundation of the Bank of Kyoto, while boldly making necessary changes and taking on the challenge of evolving without fear.

Inheritance and Practice of the Funaokayama Style of Regional Bank Management

Funaokayama is a small mountain 112 meters above sea level in the northwestern part of the Kyoto basin. This mountain was once regarded as the northern sentinel during the construction of Heian-kyo, and Daigokuden and Suzaku Avenue were located directly south of it. It is also a scenic spot praised by Heian-period (794 to 1185 CE) author Sei Shonagon, who wrote "The hill is Funaoka..." in her essay The Pillow Book. Funaokayama is a part of the path I enjoy walking. While walking and contemplating there, I came up with my own management theory that emphasizes the following three points, which I call the Funaokayama style of regional bank management, and which connects the features of Funaokayama and the management principles of regional banks that I valued when I was President of the Bank of Kyoto.

- Point 1**
Maintain a macro view of the local economy as a whole, while also maintaining a micro-level understanding of the situation of each and every SME company.
(From Funaokayama, one can view the entire Kyoto cityscape and at the same time identify each house in the nearby surrounding area.)
- Point 2**
To produce results, immediately take action whenever you think of something, and do it through without giving up.
(Funaokayama is easy to climb, but it takes a certain amount of effort and is just right for training your legs and back if you do it repeatedly.)
- Point 3**
Strive to have a familiar presence in the community.
(Funaokayama has become a familiar place for residents of the area.)

While there are many residents in the Funaokayama area whose families have lived there for generations, new cafes and stores are opening and attracting people, making the area even more attractive. In managing Kyoto FG, we will inherit and practice Funaokayama style of regional bank management and strive to grow and develop as a regional financial group that both old and new customers will want to do business with for a long time.



(Funaokayama as seen from Kyoto City)



(View from Funaokayama)

Long-Lasting Relationships (Maximization of Lifetime Value)

In order to achieve long-term sustainable growth as a regional financial institution, the Bank of Kyoto has been striving for maximization of lifetime value in its business relationships with customers. This strategy aims to increase profits while also increasing the frequency of transactions by providing services that are appropriate to each stage of the customer's life over the long-term, rather than one-off transactions.

Taking business customers as an example, we have expanded our solutions and financing options for each stage of business operations, from start-up counseling and venture investment during the start-up phase, to a range of core business support during the growth and stable phases, and management improvement and business turnaround support during the mature phase.

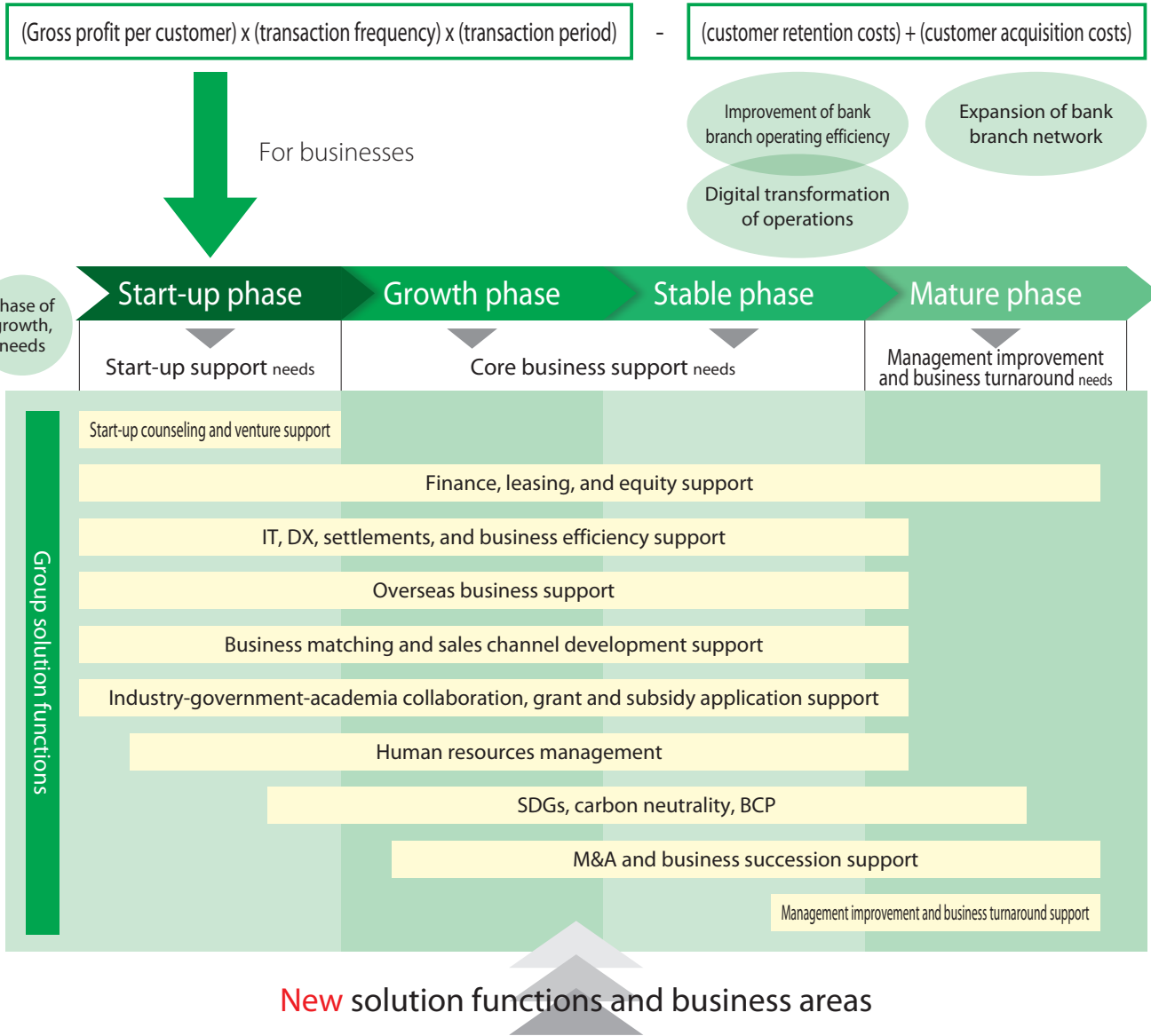
This strategy was implemented through aggressive communication activities, including the airing of TV commercials with the catchphrase, "Long-Lasting Relationships," which helped the bank gain recognition among customers across the wider area as "a long-lasting relationship with the Bank of Kyoto" and supported the bank's strategy for expanding geographic coverage by expanding its branch network outside of Kyoto (which was implemented from 2000 onward).

Message from Our Leadership

In addition, since our employees are committed to serving our customers on a daily basis with the desire to be of assistance to them over the long term, our management based on the concept of “Long-Lasting Relationships” has resonated with and motivated employees. The birth of Kyoto FG has expanded our management options, including entry into new businesses, and has made it possible to enter business areas with greater potential for synergistic effects and to also reallocate management resources in existing business areas more drastically following company-wide strategy.

The previously announced acquisition of Sekisui Leasing Co., Ltd. (and making it a consolidated subsidiary) and the establishment of Kyoto Turnaround Servicer Co., Ltd. will further expand the menu of services we offer to customers and allow us to further drive us toward Kyoto FG’s goal of maximization of lifetime value.

Maximization of Lifetime Value



Sekisui Leasing Co., Ltd. (Group's first M&A)	
Shareholder	Kyoto Financial Group (90%), Sekisui Chemical (10%)
Stock transfer date	June 3, 2024
Purpose of acquisition	To enhance the solutions function by mutually utilizing the know-how, transactions base, etc. possessed by the Group and Sekisui Leasing.

Kyoto Turnaround Servicer Co., Ltd.	
Shareholder	Kyoto Financial Group (100%)
Planned business start date	October 2024 (Note: Subject to obtaining licenses, etc. from the relevant authorities)
Purpose of establishment	To strengthen business turnaround support functions.

Materiality of the Kyoto Financial Group

The Bank of Kyoto was engaged in the practice of sustainability management to enhance its economic and social value and increase its corporate value on a long-term sustainable basis by linking the priority themes in its Medium-Term Management Plan with the SDGs and by promoting specific initiatives to help create a sustainable society.

With the establishment of Kyoto FG, we have inherited the Bank of Kyoto’s existing initiatives, and have also redefined the materiality of Kyoto FG in light of the recent issues faced by the community and trends in international norms. The specific identification process is discussed on page 17. After listing and categorizing 753 social issues, we evaluated them using a matrix with two axes, importance to Kyoto FG and importance to stakeholders, and finally consolidated them into six items. Through deliberations by the Sustainability Management Council, which complements and reinforces the function of the Board of Directors, and then passing a resolution at the Board of Directors meeting, we were able to identify materiality appropriate for Kyoto FG, while incorporating the expertise of our Outside Directors.

Materiality	Environmental preservation	Falling birthrate and aging population	Diversity, equity, and inclusion (DEI)	Well-being	Growth of the local economy	Secure future for the community
Examples of social issues to address	<ul style="list-style-type: none"> CO₂, climate change, energy Resource depletion and recycling Forestry and fishery resources Environmental technology and conservation 	<ul style="list-style-type: none"> Aging population Falling birthrate Population decline 	<ul style="list-style-type: none"> Gender Diversity, equity, and inclusion Human rights, legal development, personal identification 	<ul style="list-style-type: none"> Labor Health and medical Education 	<ul style="list-style-type: none"> Digital and advanced technology Promotion of local economy and society Economic fluctuation and growth Financial services, responsible investment Tourism Traditional culture Social infrastructure, transportation systems 	<ul style="list-style-type: none"> Internal corporate governance Corporate compliance Information security Risk identification and control Product safety Natural disasters Resilience Business succession Housing policy, urban development, depopulation Partnerships

The sustainability-related initiatives that companies must pursue change over time, as society’s awareness of the relationship between social issues and companies changes. As social issues continue to diversify, it is important to pay attention not only to monetary profits, but also to our impact on society, and measuring the impact of investment is particularly important in the promotion of investment in and financing of start-up companies. Based on our Policy on Loans and Investments for Achieving a Sustainable Society, Kyoto FG will contribute to the creation of a sustainable society from its position as a regional financial institution by working to resolve environmental, social, and economic issues from the perspectives of both



increasing and creating positive impacts and reducing and avoiding negative impacts. We have set three priority items for increasing and creating positive impacts, one of which is support for the establishment, innovation creation, and growth of local companies. The Bank of Kyoto has a tradition of supporting startups over more than half a century, an area in which it has a competitive advantage. Kyoto FG has further expanded its organizational structure by establishing Kyoto Capital & Partners (a subsidiary dedicated to investment), and we intend to promote startup investment initiatives from the perspective of strengthening impact investment.

Accelerating Investment for Growth and Developing Capital Management

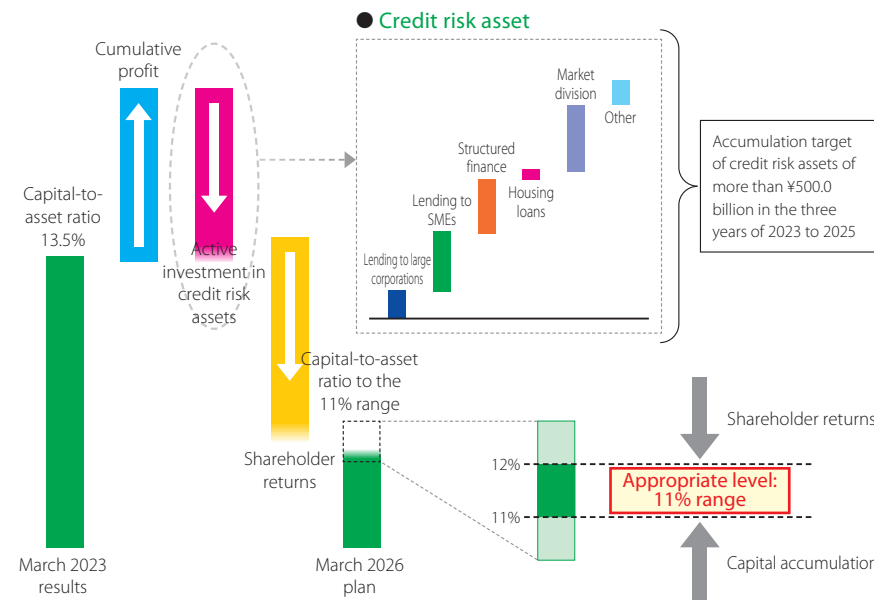
We believe that for a regional financial institution to improve its corporate value over the medium and long term, it is important to balance three factors: investment for growth, ensuring sound management, and enhancing shareholder returns.

In the Medium-Term Management Plan, we set a target to accelerate investment for growth that contributes to improving ROE, an important management issue, while providing appropriate shareholder returns and lowering the capital-to-asset ratio.

Specifically, the company will accumulate credit risk asset investments of more than ¥500.0 billion in three years, achieve a total payout ratio of 50% or more for shareholder returns, and control the capital-to-asset ratio at the 11% level. The credit risk asset investment target is approximately double that of past results, which makes it all the more challenging. For the capital-to-asset ratio, a reduction target has been set for the first time. In the past, we have raised the capital-to-asset ratio while accumulating assets based on the concept of “raising the capital-to-asset ratio as high as possible,” but over the next three years we will control the ratio at the 11% level, which we consider appropriate. Having a capital-to-asset ratio of at least 10% is a requirement for a certified bank holding company, and we have set our capital-to-asset ratio at the 11% level as a buffer to ensure that even if we are hit by a sharp economic downturn such as the 2008 financial crisis, we will be able to meet this requirement and fully support the regional economy as a regional financial institution.

After the first year of the Medium-Term Management Plan, we were able to increase credit risk assets by ¥381.9 billion. As a result of our efforts to accelerate investment for growth to improve ROE (asset strategy), in addition to loans to SME and large corporations, we have seen steady growth in structured finance, an area we are working to strengthen. Against this backdrop of accelerated investment for growth and a high level of shareholder returns, our capital-to-asset ratio was held at 12.56%.

The increase in net interest income due to accelerated investment for growth and the growth of the consulting business drove a significant increase in consolidated net income (+15.8% year-on-year) to ¥31.5 billion from ¥27.2 billion in the previous year (consolidated results of the Bank of Kyoto), achieving the Medium-Term Management Plan’s final-year target (¥30.0 billion) in the first year of the plan, and ROE (net asset basis) improved to 2.96%. As of July 2024, taking into account the fact that we achieved the final-year target ahead of schedule, we are in the process of once again considering an update to the target that will incorporate factors such as current monetary policy.



	FY2022*	FY2023	FY2024 (Forecast)	FY2025 (Targets)	Targeted levels
Profit attributable to owners of parent (consolidated net income)	¥27.2 billion	¥31.5 billion	¥33.0 billion	¥30.0 billion	¥50.0 billion
ROE (net asset basis)	2.62%	2.96%	About 3.0%	3%	5%
ROE (shareholder's equity basis)	5.63%	6.39%	About 6.5%	6%	8%
Capital-to-asset ratio (consolidated)	13.51%	12.56%	12.1%	11% range	About 11%
Total payout ratio	57%	92%	53%	50% or more	
Core business investment (credit risk assets accumulated compared to end of FY2022)	—	+¥381.9 billion	+¥644.9 billion	¥500.0 billion + extra	

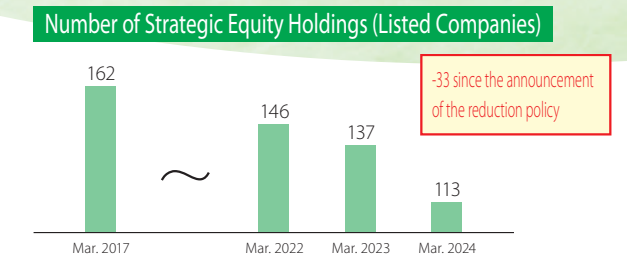
* Consolidated results of the Bank of Kyoto for FY2022

Status of Reduction of Strategic Equity Holdings and Future Action

Regarding strategic equity holdings, from the viewpoint of corporate governance and capital efficiency improvement, we have been proceeding with the reduction in accordance with the policy announced in May 2022 (¥16.0 billion reduction over three years, equivalent to 10% of book value). As of March 2024 (after two years), the number of issues held has been reduced by 33 and the book value has been reduced by ¥12.5 billion, resulting in a progress rate of 78%, which is on schedule.

	Mar. 2022	Mar. 2023 (after 1 year)	Mar. 2024 (after 2 years)
Book value	159.1	157.3	146.6
Cumulative amount of reduction	—	-1.8	-12.5*

* Including ¥4.3 billion agreed but not yet sold



At Kyoto FG, we periodically verify the significance of holding strategic equity holdings and report to the Board of Directors. As an outline of the verification method, each stock is evaluated on two axes: quantitative (e.g., profitability relative to risk) and qualitative (e.g., business relationship with the Company, contribution to the community, future potential), and a judgment is made by integrating the perspectives of the capital market and as a regional financial institution. In selecting issues that are candidates to be sold, based on the results of the verification (evaluation score), and also taking into account the relationship such as future strengthening of transactions and any strategic alliance, we first approach the investee company to inform them of our intention to sell, and then gradually sell after obtaining their understanding.

We often receive questions from shareholders and institutional investors about our future policy regarding strategic equity holdings. We will continue to reduce the number of holdings even after the expiration of the current reduction policy, but the scale of the reduction is currently under consideration (as of July 2024) and will be announced as soon as it is decided.

Generally speaking, the problem has been pointed out that strategic equity holdings tend to lead to a lack of governance and a decline in capital efficiency due to cross-holding, and as a result, undermine corporate growth potential. In light of this social trend, at Kyoto FG, we have set the aforementioned reduction target and are proceeding with reduction starting with the issues that our stakeholders, including shareholders and institutional investors, consider unsatisfactory.

On the other hand, the strategic equity holdings held by Kyoto FG do not consist solely of such unsatisfactory stocks. A typical example is shares of business companies headquartered in Kyoto (the so-called “Kyoto stocks”), to which we provided financial support in the form of investing funds as part of our banking business to these companies in their start-up phases and have thereafter held the shares for more than half a century. By providing support to many of these companies beyond financing, such as through personnel exchanges and management advice at key points, they have grown into global companies and as a result, Kyoto FG has generated dividend income and unrealized profits that are among the highest of any regional bank in Japan. This has been a source of capital used for investments for growth and to support the soundness of the Group.

Recently, superficial discussions seem to lump all strategic equity holdings together, but we recognize that many of the Kyoto stocks held by Kyoto FG are distinct from the strategic equity holdings that are generally regarded as problematic. When explaining our management strategy, such as at engagement activities with institutional investors, we strive to enhance the depth of our engagement by carefully exchanging views on the background of our historical holdings and the various benefits of these strategic equity holdings.

During such dialogues, some foreign investors with a medium- to long-term investment stance, for example, have expressed a certain level of understanding after hearing the history of Kyoto FG’s strategic equity holdings and their economic benefits. They have expressed opinions such as that they “do not agree with a uniform and large-scale sale of the shares because they are one of Kyoto FG’s features and strengths,” and that “the stable dividend income from holding the stocks should be prioritized over selling them and paying tax on unrealized gains.”

I have had direct discussions with a number of institutional investors, and I feel that their understanding of our company is steadily deepening through intrinsic exchanges of opinions on how best to utilize the strategic equity holdings within our management strategy, rather than simply how to drastically reduce the strategic equity holdings in the first place. At the same time, these dialogues have been a valuable opportunity for me to broaden my management perspective, and I’m confident that they will continue to play a valuable role.

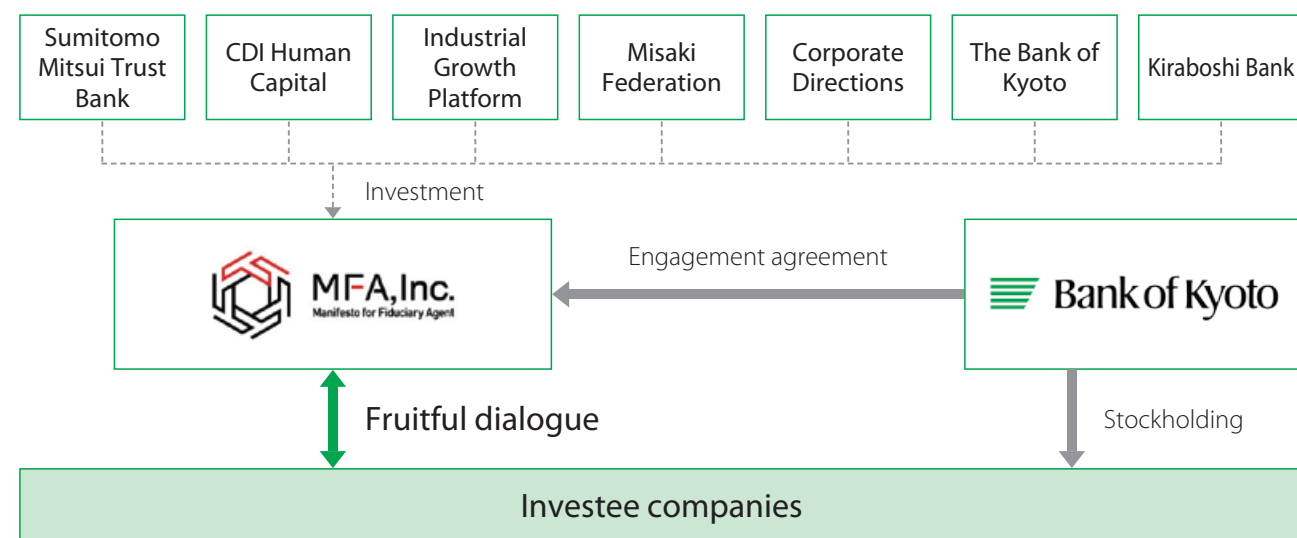
Regarding the reduction of strategic equity holdings, I plan to develop a management strategy that helps enhance Kyoto FG’s corporate value over the medium to long term, taking into account the diverse opinions of institutional investors and considering how this strategy should be combined with new investments for growth.



Initiatives to Enhance the Corporate Value of Strategic Investee Companies

Kyoto FG exercises voting rights in accordance with the Guidelines for the Exercise of Voting Rights for strategic investee companies (listed companies) and the results are reported to the Board of Directors. Under these guidelines, in cases where there is a significant impact on the corporate value of the investee company and the economic interests of Kyoto FG, or where the investee company has compliance issues, we will make a prudent judgment after conducting interviews with the investee company where necessary. Although we do not disclose the results of our exercise of voting rights, we recognize that Kyoto FG's holdings of strategic equity holdings are large and that we must ensure that future actions continue to be appropriate.

In April 2023, with the aim of enhancing the corporate value of strategic investee companies and the acquisition of corporate consulting know-how by Kyoto FG, we acquired shares in MFA, Inc., which specializes in engagement, and participated in a new initiative called the fiduciary agent business. MFA accompanies the strategic investee company pursuant to a commission, and links it to the enhancement of the economic and social value of the company in question. This initiative is rare in Japan, so treating it as something of a trial. We are currently engaged with one company selected from our strategic equity holdings, and we will consider expanding the scope based on its effectiveness.



Improving Sustainability in the Community

At Kyoto FG, we are committed to practicing sustainability management that enhances both economic and social value, thereby increasing corporate value on a long-term sustainable basis.

As part of these efforts, Kyoto FG has concluded a Comprehensive Collaborative Agreement for the Realization of a Sustainable Society with Shimadzu Corporation and SCREEN Holdings Co., Ltd., both global companies headquartered in Kyoto, Japan, and is working to create a sustainable community. The aim is to address environmental, human rights, and other social issues throughout the community as a whole, and contribute to the sustainable development of society, while linking this to the sustainable growth and development of our Kyoto companies.

As a regional financial institution, we have cultivated a banking relationship with these two companies over a long period, and both are also excellent companies that constitute part of the Kyoto stocks group mentioned above. We are building on our existing relationship and establishing new collaborative relationships under the common theme of community sustainability.

In March 2024, Kyoto FG hosted a Sustainability Management Practice Seminar for SMEs as a new initiative to improve sustainability in the community. With cooperation from Shimadzu Corporation, SCREEN Holdings Co., Ltd., and ROHM Co., Ltd., another member of the Kyoto stocks group and a customer, we offered presentations on topics such as sustainable procurement, trends in PFAS (organofluorine compound) regulations, and value chain initiatives, while our group company, Kyoto Soken Consulting Co., Ltd., introduced sustainability-related services and examples initiatives, and the event concluded with a panel discussion. Many companies attended, including suppliers of the cooperating companies and our own business partners, and we hope to develop our collaboration with Kyoto companies so that decarbonization and other sustainability initiatives spread and expand throughout the region.



Future of the Kyoto Financial Group

We have regained a sense of security and serenity in our daily lives since the threat of the COVID-19 pandemic has died down. On the other hand, looking at the Japanese economy, I think we are approaching a historical turning point where we may completely break free from the long-lasting deflationary economy and regain dynamism in the economy.

The establishment of Kyoto FG has coincided with this major turning point. We are renewing our commitment to management for the development of the community, keeping in mind once again our management principle: Serving the prosperity of the community — drive community growth and create the future together.

The business environment is also changing dramatically. Along with the normalization of monetary policy, I expect a tailwind for bank management in the future, and the transition to a holding company structure will broaden our management options and achieve both organic and inorganic growth. We intend to accelerate the improvement of ROE, which has been an issue for Kyoto FG, by effectively multiplying various environmental changes with Kyoto FG's own changes.

Regional financial institutions, like other business companies, are increasingly required to practice management that is conscious of the cost of capital and the stock price as publicly listed companies. We already have a track record of engagement with institutional investors at the highest level among regional banks, and we will continue to further strengthen our dialogue with institutional investors to incorporate their opinions into our management and to further deepen their understanding of our company's management. The stakeholders of regional financial institutions are diverse. Stakeholder expectations and value standards for Kyoto FG vary widely, and although they may conflict in the short term, I believe that from a medium- to long-term perspective, we are all walking the same path.

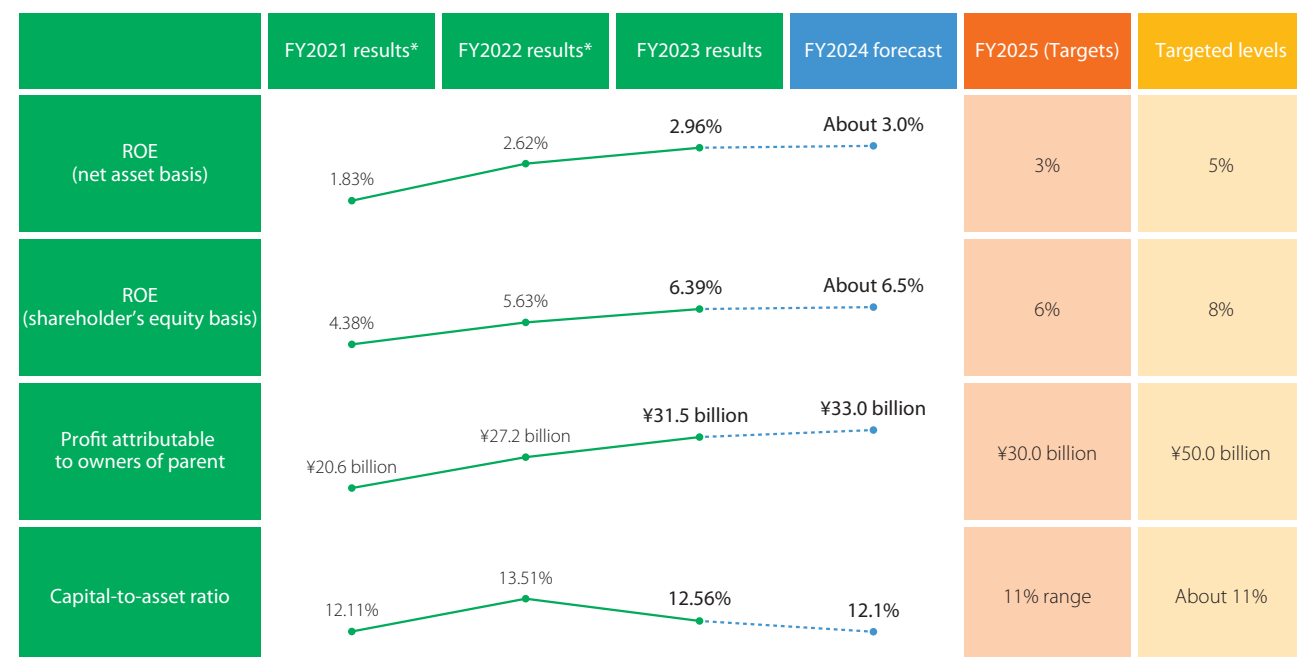
Kyoto FG's management has made good progress to date, and we aim to put the company on a solid growth trajectory that will lead us into the future.

I sincerely appreciate your continued support and patronage.

Progress of the 1st Medium-Term Management Plan

We are on track to meet the key performance targets in the 1st Medium-Term Management Plan, and our first financial results are favorable.

In particular, as profit attributable to owners of the parent reached ¥30.0 billion, which was the target for the final year of the Plan (FY2025), we have begun to consider future growth strategies and are now discussing how to improve our corporate value in a sustainable manner.



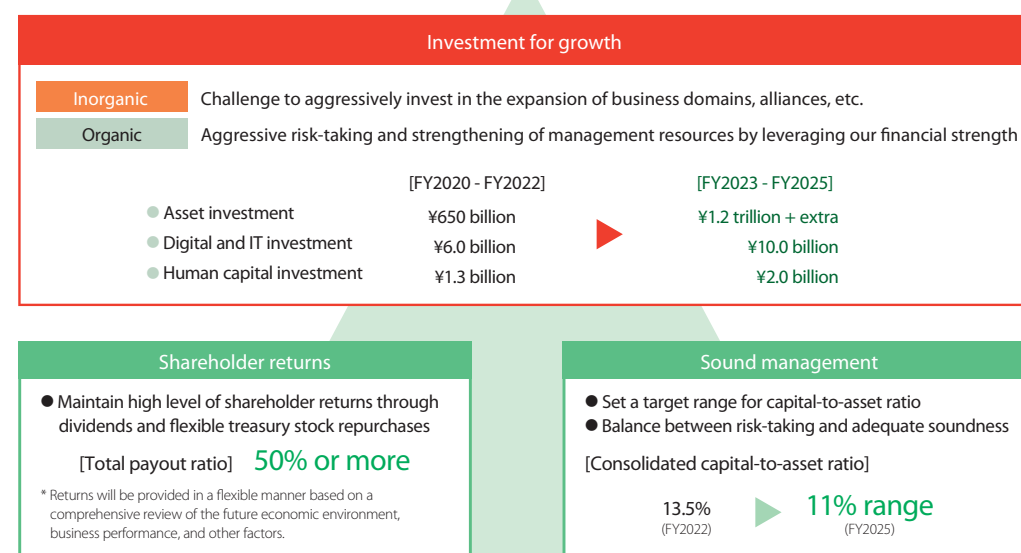
* The Bank of Kyoto's (consolidated) results

Basic Policy on Capital Management

In order to enhance the corporate value of the Group in a sustainable manner over the long term, we will proceed with the enhancement of shareholder returns and implement flexible returns while taking into consideration the balance between "investment for growth" and "ensuring sound management."

Basic Policy on Capital Management

Implement aggressive investment for growth while enhancing shareholder returns and ensuring sound management



Actions to Achieve Management Conscious of Cost of Capital and Stock Price

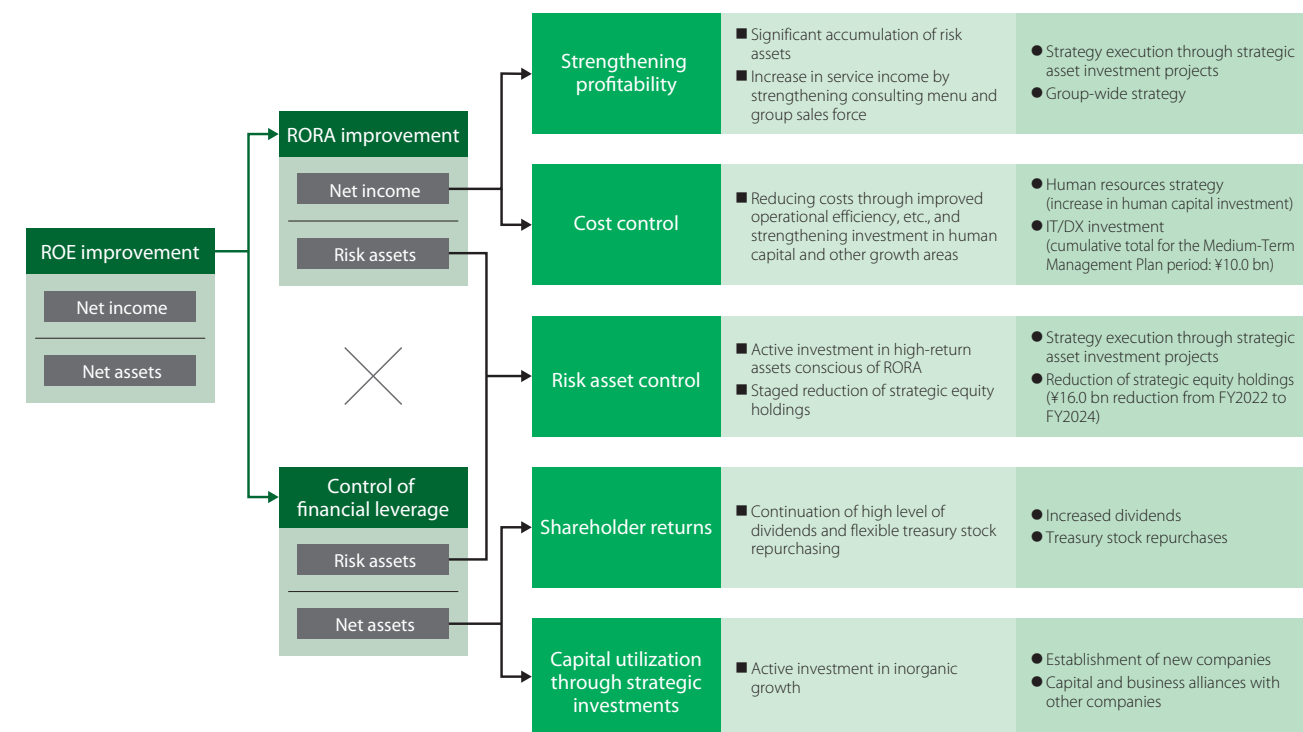
In order to achieve management that is conscious of cost of capital and stock price, we are working mainly on improving ROE and lowering cost of equity.

[Improvement of ROE]

The logic behind improving ROE is illustrated in the figure below.

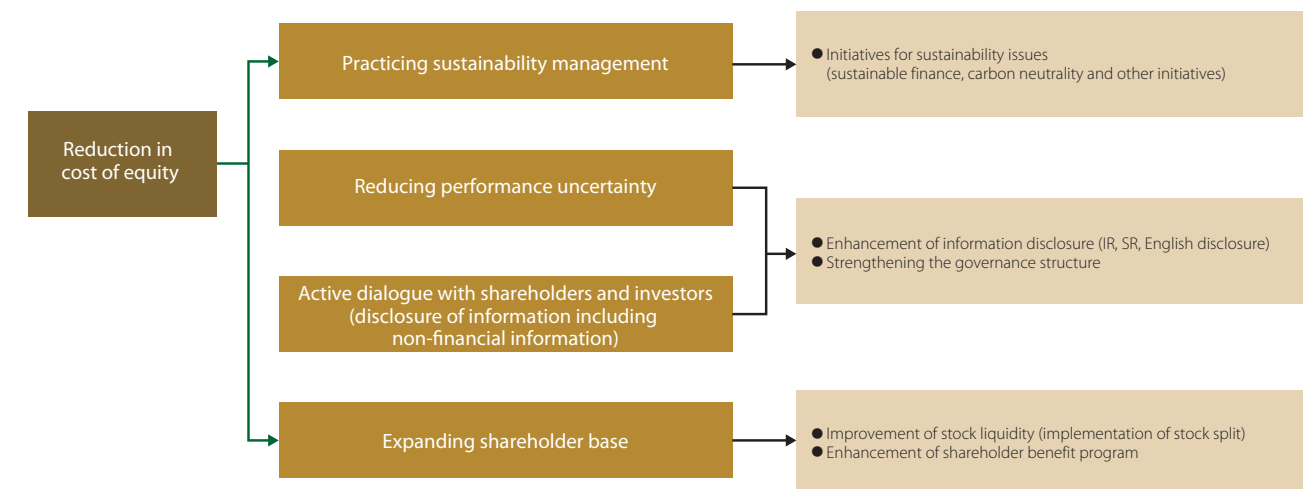
To improve RORA, we will work to significantly accumulate risk assets as "strengthening profitability," invest in human capital as "cost control," and reduce strategic equity holdings as "risk asset control."

The control of financial leverage will include dividend payments and share repurchasing as "shareholder returns" and active investment in inorganic growth as "capital utilization through strategic investments."



[Reduction in cost of equity]

The logic behind reducing the cost of equity is as follows.



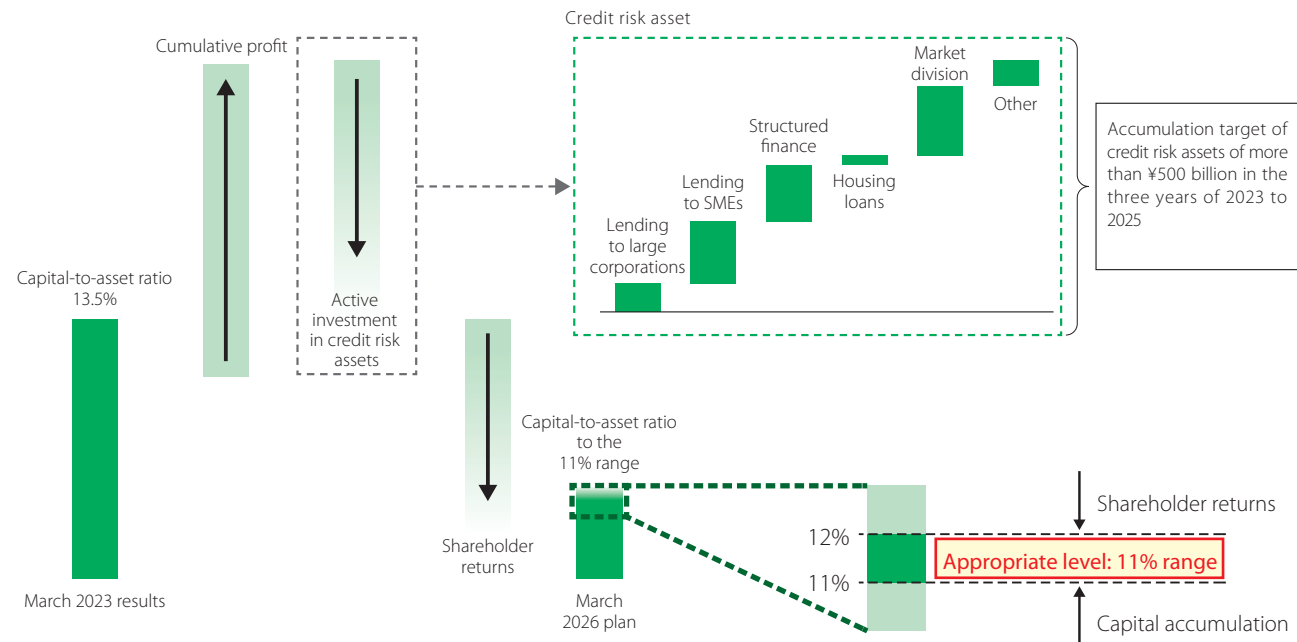
(Reference) Relationship between ROE, cost of equity, and P/B ratio

$$ROE \times P/E \text{ ratio} = ROE \div (\text{Cost of equity} - \text{Expected growth rate}) = P/B \text{ ratio}$$

Capital Allocation Control

In the current Medium-Term Management Plan, we have set a target of controlling the consolidated capital-to-asset ratio at the 11% level, which we believe is an appropriate level considering the efficient use of capital and the balance with ensuring soundness. As we aim toward the target level, we will actively accumulate credit risk asset investments aimed at improving profits, specifically the active accumulation of corporate loans and structured finance.

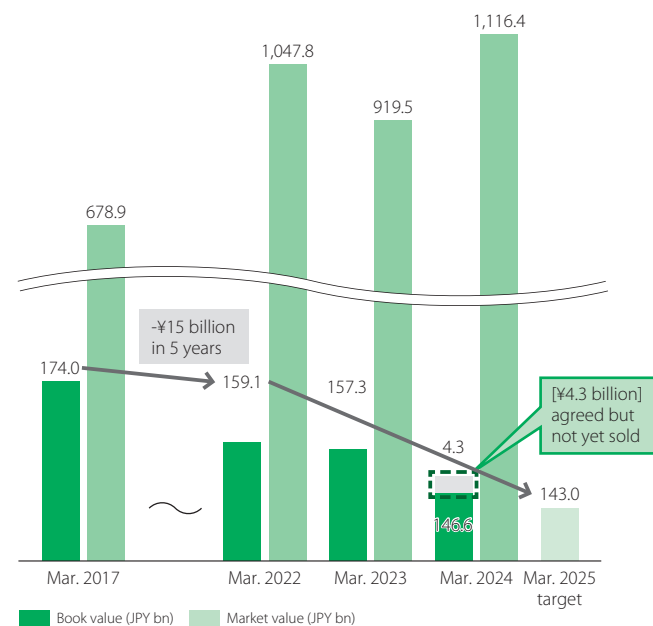
Capital Allocation



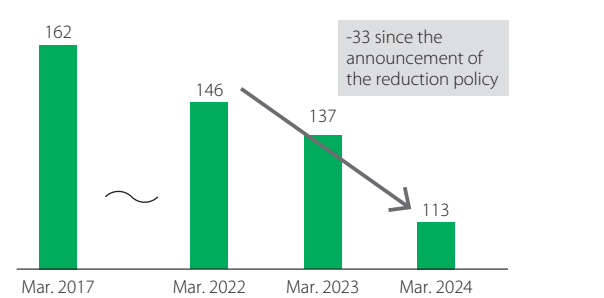
Reduction of Strategic Equity Holdings

Regarding strategic equity holdings (listed companies), our policy is a ¥16.0 billion reduction of book value over the three-year period from FY2022 to FY2024. Including the portion that we have agreed to sell but not yet sold, the total amount of reduction by the end of FY2023 was ¥12.5 billion, and we are making steady progress toward achieving our goal.

Changes in Strategic Equity Holdings (Listed Companies)



Number of Strategic Equity Holdings (Listed Companies)



Cumulative Reduction in Strategic Equity Holdings (Listed Companies)

	Mar. 2022	Mar. 2023 (after 1 year)	Mar. 2024 (after 2 years)
Book value	159.1	157.3	146.6
Cumulative amount of reduction	-	-1.8	-12.5*

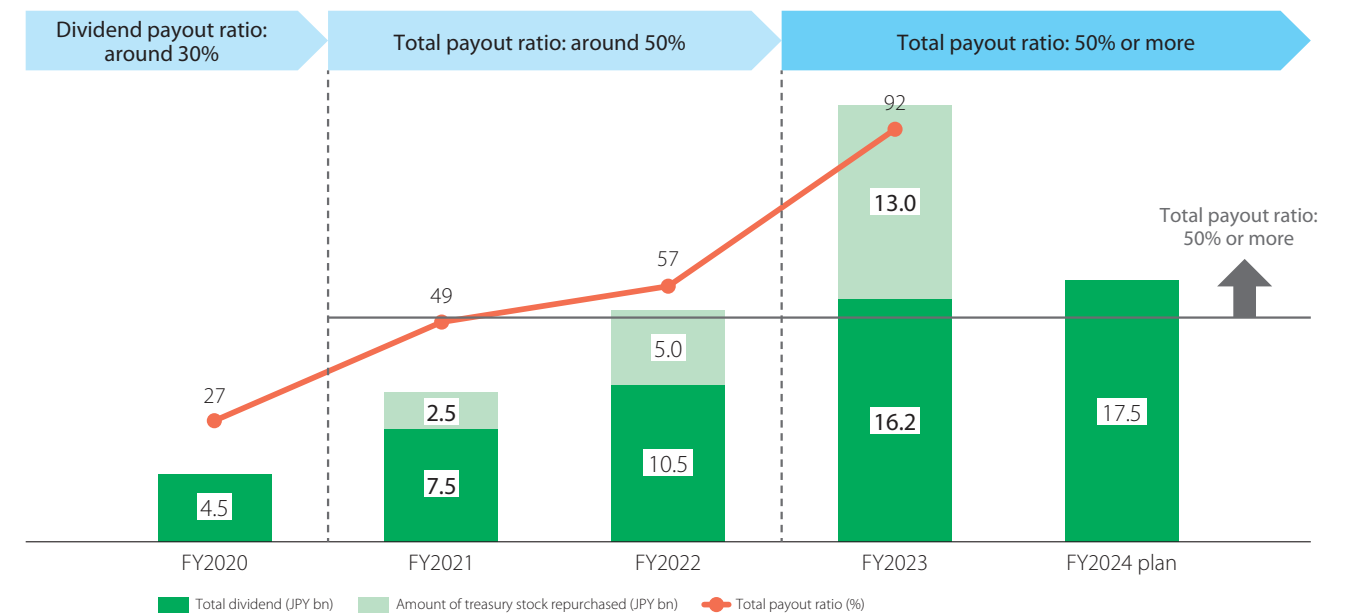
* Including ¥4.3 billion agreed but not yet sold

Enhancement of Shareholder Returns

We will implement the flexible return of profits to shareholders based on a policy of a "total payout ratio of 50% or more," taking into consideration the economic environment, business performance, and other factors in a comprehensive manner. For FY2023, the total payout ratio was 92%, including the commemorative dividend paid to commemorate the establishment of the Company.

For FY2024, (as of the announcement on May 14) we plan to pay an annual dividend of ¥60 per share (an increase of ¥5 per share), and we will achieve a high level of "enhancement of shareholder returns" in an agile and flexible manner, including treasury stock repurchases.

Total Return Amount and Total Payout Ratio



Changes in Dividends

	Total dividend	Annual dividend per share	Dividend payout ratio	Return policy
FY2020	¥4.5 billion	¥15*	27%	Dividend payout ratio: around 30%
FY2021	¥7.5 billion	¥25*	37%	Total payout ratio: around 50%
FY2022	¥10.5 billion	¥35*	38%	Total payout ratio: around 50%
FY2023	¥16.2 billion	¥55* <Ordinary dividend ¥40 + commemorative dividend ¥15>	51%	Total payout ratio: 50% or more
FY2024 (planned)	¥17.5 billion	¥60	53%	Total payout ratio: 50% or more

* The amount in the "Annual dividend per share" column for FY2020-FY2023 is the dividend per share after taking into account the 1-for-4 stock split.

Retirement of Treasury Stock

Item	Details
Total number of shares retired	2,000,000
Date of retirement	April 15, 2024
Total number of shares outstanding after retirement	301,362,752
Number of treasury stocks after retirement	9,199,168

Identification of Materiality

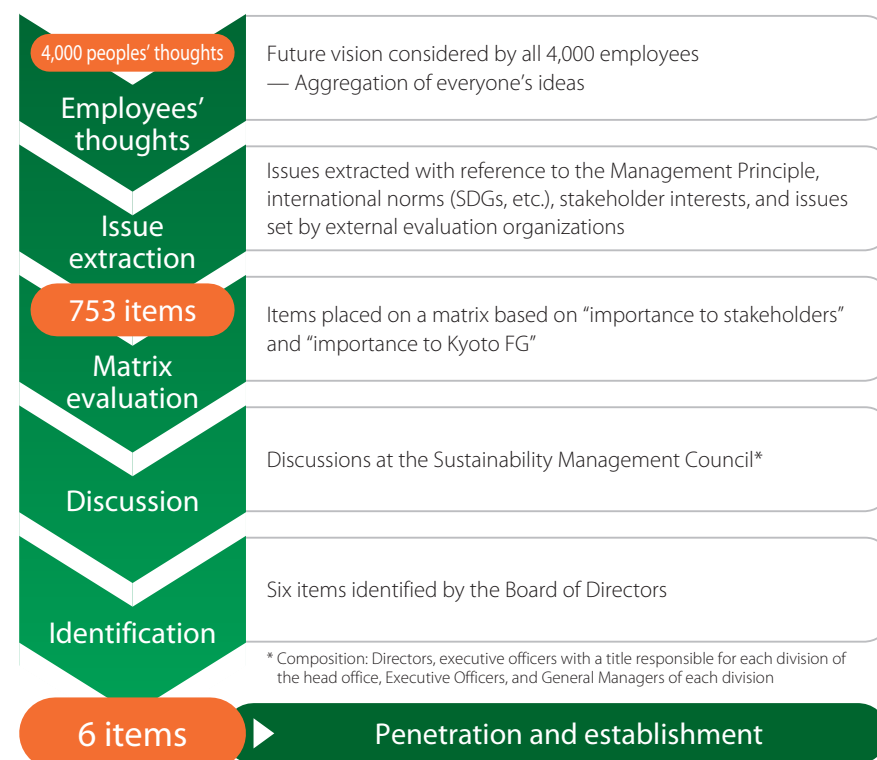
Materiality

Under our Sustainability Management Policy, the Group promotes sustainability management to enhance both social and economic value, and strives to contribute to the development of the community and increase long-term sustainable corporate value by proactively working to solve local social and environmental issues. In order to implement the Group's sustainability management at an even higher level, we have identified the materiality as the priority issues to be addressed.

Materiality	Examples of social issues to address
Environmental preservation	<ul style="list-style-type: none"> CO₂, climate change, energy Forest and fishery resources Resource depletion and recycling Environmental technology and conservation
Falling birthrate and aging population	<ul style="list-style-type: none"> Aging population Falling birthrate Population decline
Diversity, equity, and inclusion (DEI)	<ul style="list-style-type: none"> Gender Diversity, equity, and inclusion Human rights, legal development, personal identification
Well-being	<ul style="list-style-type: none"> Labor Health and medical Education
Growth of the local economy	<ul style="list-style-type: none"> Digital and advanced technology Economic fluctuation and growth Tourism Promotion of local economy and society Financial services, responsible investment Traditional culture Social infrastructure, transportation systems
Secure future for the community	<ul style="list-style-type: none"> Internal corporate governance Risk identification and control Business succession Corporate compliance Product safety Housing policy, urban development, depopulation Information security Natural disasters Partnerships Resilience

Materiality Identification Process

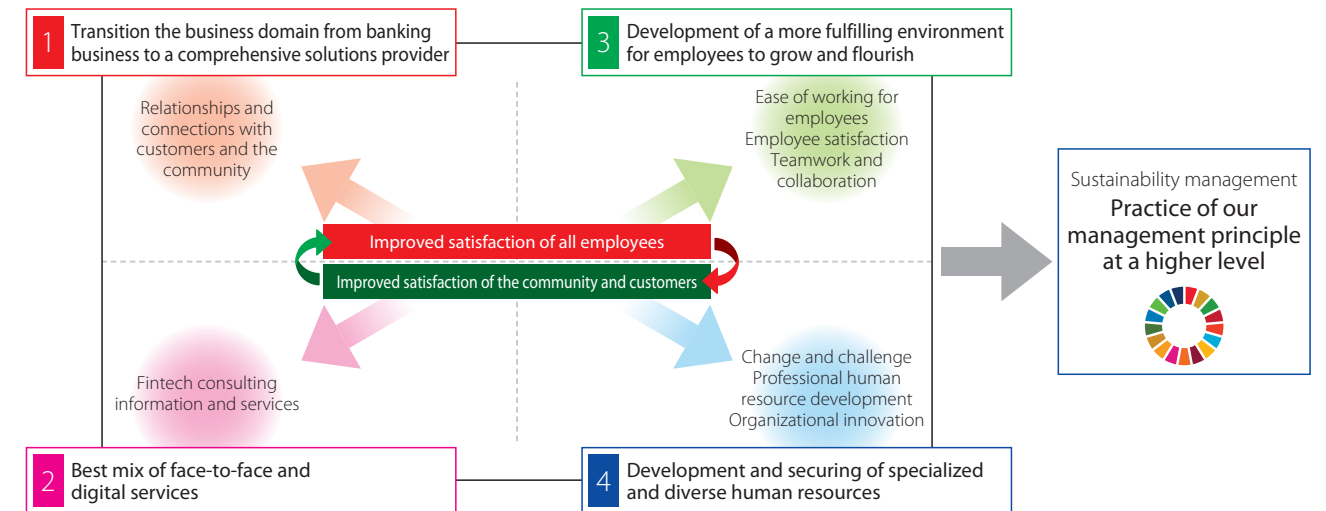
Overall Process



Because the concept of sustainability is both broad in scope and open to wide interpretation, rather than narrowing the issues from the start, we started by gathering the thoughts of all employees so that many ideas would emerge. On the other hand, since it is difficult for initiatives to comprehensively cover a large number of issues, we considered it necessary to define priority issues and proceeded with the process described on the left, with final identification by the Board of Directors.

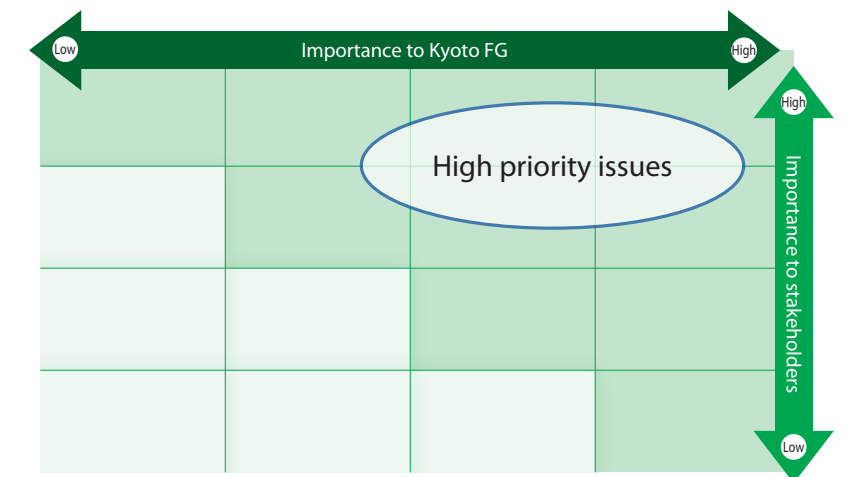
Issue Extraction

In the process of identification, 753 issues were extracted based on the ideas compiled through a "future vision considered by all 4,000 employees," in which all employees participated in considering what they want the Company to become, and by considering international standards and guidelines, the demands of ESG evaluation organizations, and consistency with the Group's environmental awareness, corporate philosophy, and growth strategy.



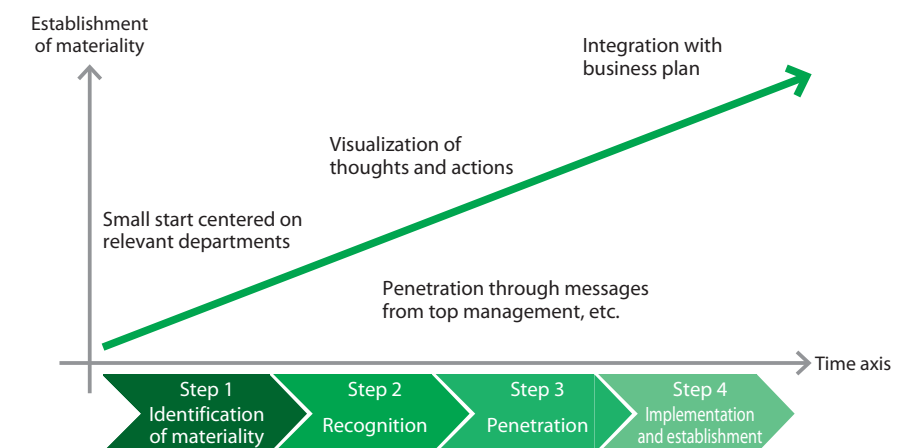
Matrix Evaluation

Since materiality is basically a concept that emerges from the relationship between a company and society, the extracted issues were organized into ESG categories and rated on a four-point scale based on the two axes of "importance to Kyoto FG" and "importance to stakeholders," and then created a matrix of the results which was used to select the issues with the highest priority.



Identification, Penetration, Establishment

The material issues selected through the matrix evaluation were discussed at the Sustainability Management Council, which complements and reinforces the functions of the Board of Directors, and consolidated into six categories, after which the materiality items were identified by the Board of Directors. We will work to ensure they penetrate and become established within the Group, and will also utilize them in the formulation of our management strategies.



We interviewed Outside Director Chiho Oyabu about Kyoto FG's sustainability management.



Miki Kato Assistant General Manager
Human Resources Strategy Group
Human Resource Strategy Division

Chiho Oyabu Outside Director
(Audit and Supervisory Committee Member)
Director in charge of diversity, gender, human rights
Vice President, Gifu University,
Tokai National Higher Education and Research System

Sakurako Hirai
Sustainability Management Promotion Group
Sustainability Management Division

Current University Research

Hirai : Director Oyabu, we have heard that your research covers household budgeting, financial education, and consumer issues, but you also hold various positions at the university, including Vice President and head of the Gender Equality Promotion Office.

Oyabu : That's right. Studying lifestyles based on household data through household surveys and analysis of household behavior is the base of my research.

In my general education lectures (taken by all students) at the university, I talk about the economy as a whole, but I also try to talk about the relationship between part-time income and taxes, and how these factors affect household finances. Recently, I have expanded my research field to include the SDGs (Sustainable Development Goals) and the relationship between a sustainable society and lifestyle.

View of Kyoto Financial Group as an Outside Director

Hirai : As an Outside Director, how are you involved with the Company?

Oyabu : I examine the Company to see if there are any issues, particularly from the consumers' point of view. I also discuss the convenience and security aspects of banking, including branch tellers, ATMs, and Internet banking. In addition, I try to provide input on the development of female human resources, especially in the development of

future director candidates. I also serve as the head of the Gender Equality Promotion Office at the university, so as an Outside Director, I offer opinions on "the form of women's active participation that matches the Kyoto Financial Group," taking into account what today's university students want from a company and where they are looking for employment.

Sustainability

Hirai : With the transition to a holding company, the Company is aiming to adopt management that better suits the changes in society, such as by establishing the new Sustainability Management Division to which I belong. What are your thoughts on corporate sustainability management?

Oyabu : To me, it means shifting from a mindset that prioritizes economic profit to one that is more conscious of sustainability.

Sustainability, in a nutshell, naturally involves many aspects of our lives. For example, we must adopt a viewpoint that considers the context of the overall relationship between the SDGs, rather than thinking about individual SDG targets in isolation. For the Company, sustainability management means increasing corporate value and contributing to the community by providing services that are easy for people to use. The difficulty here is how do we measure something that is difficult to quantify. Figures such as "how much revenue was generated" are easy to understand, but the important point is to know how to measure contributions to the community.

To this end, I think it is important to think carefully about what it means to "contribute to the community" and to balance the sustainability of the Company with the sustainability of the community, including the people and environment surrounding the Company, including customers, employees, and shareholders.



Expectations of Kyoto Financial Group Regarding Sustainability Management

Hirai : I understand that sustainable initiatives are necessary, but what do you think society expects from the Company in terms of sustainability management?



Oyabu : From the consumer perspective, I believe that expectations are high for comprehensive contributions, taking into account the diversification of society. On top of that, we need to communicate how we are contributing to the community and what we are aiming to achieve as a leading company in the region.

Hirai : So far you have spoken from the perspective of the community, but how about employees?

Oyabu : It seems that 100% of male employees at the Bank of Kyoto take childcare leave. This is a good thing that was addressed from early on. It will be increasingly common for male employees to take childcare leave, so the duration of leave, the number of days taken, will become more important.

For female employees, the childcare leave system has become widespread, but there are problems when returning from childcare leave, and also what is known in Japan as the "first-grade barrier," so support for raising child needs to be provided in all life stages. Although efforts have already been made, it is also important to create an environment in which employees can take childcare leave with peace of mind, such as by assigning a successor to the employee's role.

Identification of Materiality

Hirai : What is the process for identifying materiality and how do you see it developing in the future?

Oyabu : The materiality which has been identified this time included strong input from employees. I think the details of it are good.

“Well-being” is a topic that is often discussed at academic conferences, and I believe it will continue to be an important keyword in the future, as it includes the major theme of



“health” of the company, employees, and the community. “Secure future for the community” incorporates community matters such as business succession, which is close to the Company’s core business.

The key will be how we respond quickly to future changes. When reviewing the materiality every few years, it is important to keep the most important elements such as “peace of mind” and “corporate philosophy” unchanged, and change the rest in a flexible manner with additional features. Working as the Kyoto Financial Group, growth of the local economy is something that cannot be dismissed, but we should be aware of the importance of the structural elements of economic growth. Gifu University has also created medium-term targets and a medium-term plan, but each faculty emphasizes looking back to see why they could not do achieve it.

With the recent increase in material wealth, how we communicate and our values seem to have changed. In the Company’s initiatives, I think it is necessary to consider materials such as general consumption trend surveys.

For example, the consumption behavior of Generation Z may be more influenced by information gathered from social media than by face-to-face communication. The bank has customers of all ages, so we need to provide services that take into account diverse ways of thinking.

Promotion of Diversity

Kato : Our Group is focused on promoting the advancement of women and has been working for more than 15 years to support work-life balance and also career development. In particular, with regard to supporting work-life balance, we offer a period of childcare leave that is longer than the statutory minimum, and there is a system to subsidize childcare fees and other expenses. In addition, from this April, the shortened working hour system has been further expanded, and we are putting a lot of effort into it. What are your thoughts on this area?

Oyabu : I rate the Company’s efforts to promote diversity as very good, including the focus on support for work-life balance and career development. Employees are also able to work shortened hours up to their child’s third grade of elementary school, which addresses the “first-grade barrier” issue I mentioned earlier. I would venture to say that subsidizing childcare fees is a good thing, but I think non-financial support is also needed to create a more comfortable work environment. Are you asking employees who are raising children about their current circumstances?

Kato : We do not limit it to those who are raising children, but we have female employees who have volunteered for a team that is working on identifying the issues that will help female employees become more active, and come up with

plans to solve those issues.

Oyabu : I would like to hear from both male and female employees. About half of your new graduate hires are women. How would you describe their willingness to seek promotions?

Kato : There are many female employees who “want to work toward higher-level positions” and “further expand their sphere of activity.” However, I feel that sometimes their thinking changes, such as wanting to prioritize child-raising, due to their circumstances when life events occur.



With this in mind, we are actively engaged in efforts to motivate female employees and offer courses for employees while they are on childcare leave. During training and courses, employees have the opportunity to talk with senior employees who have experience in raising children and resolve any questions or concerns they may have.

Oyabu : It is good that opportunities are provided to discuss problems and concerns.

I would also like to see more women trained up within the Company in the future, in order to have women make up the majority of the Board of Directors. There are a considerable number of women who have been promoted to chief, so it would be helpful to understand and eliminate what is holding these women back in order to encourage them to

pursue more senior positions. Rather than trying to raise the ratio of women in management positions out of the blue, the ratio will naturally increase if diverse role models are created and a structure is in place around them to provide support. When I became Vice President of the university, I received a lot of support from the former Vice President (a woman) and the professors around me.

Finally, from the perspective of an academic, I can tell you that today’s university students consider the financial aspect of work important, but they also pay attention to work-life balance and the ratio of women in management positions. They seem to focus on how active they can be in the company and whether the way of working matches their expectations.

What is Important for “I Love Kyoto FG”

Hirai : What do you think is important for the Company to further gain the confidence of the community, customers, and employees?

Oyabu : I think it is important that customers, employees, and all those involved in the Company “love” the Kyoto Financial Group. High employee engagement, for example, will lead to ethical behavior and help advance internal initiatives for the materiality. It is important to keep this starting point in mind.

I have been at Gifu University for 30 years because I like it and feel at home there. That is the main driving force behind working. Anyone would feel uncomfortable if the company they work for is not kind to them, they are not heard, and they are not protected. Let’s make our company even more

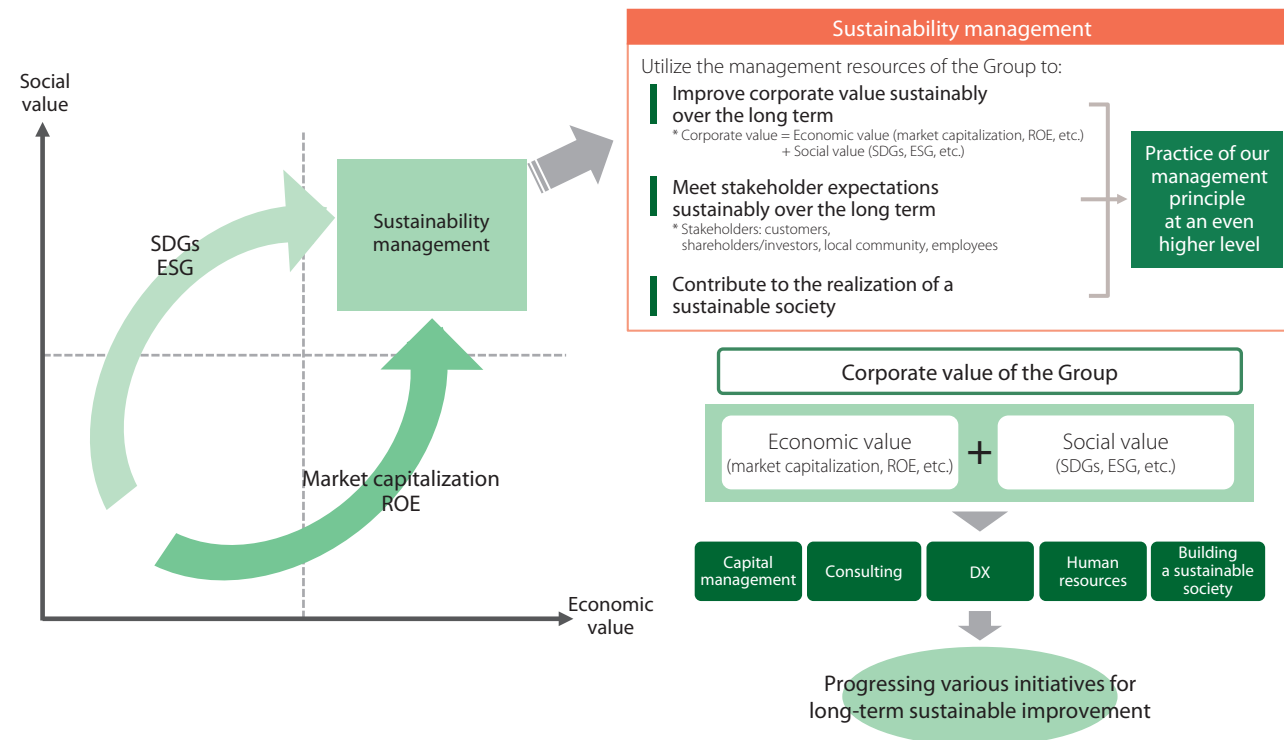
loved by our employees. It is also important for employees to be modest towards the company and the community.

My long held image of the Kyoto Financial Group is that it is earnest, polite, and trustworthy. I believe this is the result of modesty. For example, many Olympic athletes start an interview by expressing gratitude that they “can only be here thanks to the support of those around me.” This perspective is equally important for a company, and I believe that by maintaining a modest attitude, the Kyoto Financial Group will continue to be a company that is loved by its customers and that they can trust with confidence. I will continue to make sincere efforts in the future in my capacity as an Outside Director.

Practicing Sustainability Management

The Group will enhance our economic and social value and increase our corporate value on a long-term sustainable basis by promoting sustainability management, which we position as “practice of our management principle at an even higher level,” and by promoting specific initiatives to realize a sustainable society.

Long-Term Sustainable Enhancement of Corporate Value



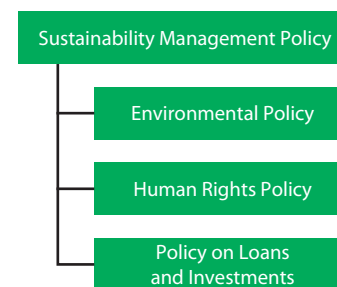
Governance System Concerning Sustainability

Based on our “Sustainability Management Policy,” the Group has established an “Environmental Policy” that considers the environment in our business activities, a “Human Rights Policy” that considers human rights, and a “Policy on Loans and Investments for Achieving a Sustainable Society” regarding investment and lending, which are the core of our business activities.

With the aim to practice sustainability management, we have established a Sustainability Management Council, which complements and reinforces the functions of the Board of Directors to discuss various issues that require medium- to long-term, cross-field initiatives and examine specific initiatives to resolve these issues.

Matters discussed by the Sustainability Management Council are reported to the Board of Directors on a regular basis or as needed.

The Council met three times in FY2023 (October 2023 - March 2024).



Main agenda items	Response following discussions
Actions to achieve management conscious of cost of capital and stock price	Repurchase of treasury stocks (¥13 billion) (November 2023 - February 2024) Stock split (January 2024), cancellation of treasury stocks (April 2024)
Initiatives in the climate change field	Introduction of carbon-free electricity (February 2024), introduction of EV bikes (February 2024) Start of Scope 3 calculations (p. 28)
Consideration of materiality (priority issues)	Identification of six materiality items (p. 17)

Achieving Sustainability for the Community and Our Customers

The term SDGs has become sufficiently well known, but when it comes to tackling the SDGs, many customers say, “we know the term, but we don’t know what to do,” or “we don’t know how to link it to the improvement of business value.”

In addition to providing comprehensive consulting services, starting from ascertaining the current situation through to plan formulation and practice, the Group is also working to provide support from a financial aspect by expanding and promoting sustainable finance.

Further, we are now at the stage where initiatives to realize a sustainable society are being implemented throughout the entire community and supply chain. As a corporate group with close ties to the community, we are working to hold events in collaboration with local businesses and develop and provide products and services that are easy to use so that we cooperate with even more customers.

Private sector collaboration initiatives

Regarding private sector collaboration, following Shimadzu in December 2021, we concluded a Comprehensive Collaborative Agreement for the Realization of a Sustainable Society with SCREEN Holdings in November 2023, and we are collaborating with them to promote initiatives for the realization of a sustainable community.

In March 2024, Group company Kyoto Soken Consulting joined ROHM and the two companies mentioned above to give lectures at a Sustainability Management Practice Seminar for SMEs hosted by the Company.

By targeting suppliers and the Group’s business partners, we aim to promote the penetration of sustainability management in the community.

We believe that cooperating with companies that have influence in the community will increase the effectiveness of the penetration of sustainability management in the community, and we will continue such efforts in the future.

Public-private collaboration initiatives

The ZET Summit was hosted by an executive committee operated by the Bank of Kyoto, Kyoto Prefecture, Muko City, and West Japan Railway Company, who have signed an agreement on the formation of a “ZET-valley” to promote urban development that utilizes decarbonization technologies.

The ZET Summit provided a venue for new exchange and co-creation by bringing together people from industry, academia, and the public sector under the themes of collaboration with domestic and international startup companies in the field of decarbonization technology and the implementation of technology in urban development and regional industries.

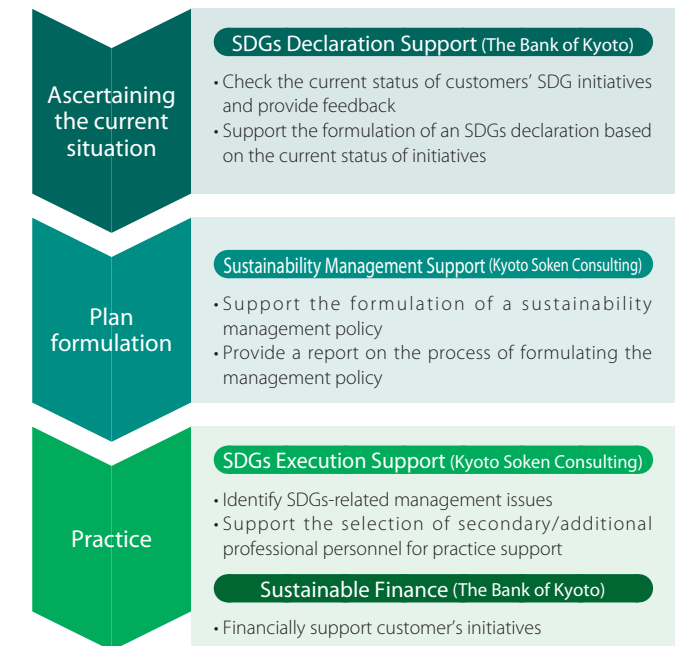
Kyogin Sustainability Linked Loan — Seven Targets

In April 2024, a new Kyogin Sustainability Linked Loan named “Seven Targets” was launched.

The features of this product are that the selectable SPTs* have been expanded beyond decarbonization to seven, and that the framework has been adapted to international standards, thus eliminating the need for an individual evaluation by a third-party organization.

The structure is designed to make it easier for customers to adopt, and we will continue to promote the penetration of sustainability management in the community.

Sustainability Management Support Structure



ZET Summit flyer



SPTs (Targets)

SPT1	Acquisition of SBT for SMEs
SPT2	Joining the RE Action - Declaring 100% Renewable
SPT3	Certificate of KENKO Investment for Health Outstanding Organization
SPT4	Acquisition of DX certification
SPT5	Acquisition of Try Kurumin, Kurumin, Platinum Kurumin certification
SPT6	Acquisition of Eruboshi, Platinum Eruboshi certification
SPT7	Acquisition of Monisu Certification

* Sustainability Performance Targets: Targets to measure the achievement status of the customer’s initiatives

Initiatives That Consider the Community and Environment

It is imperative for companies to conduct business activities that consider the community and the environment. The Group has long implemented initiatives such as energy-saving activities and waste reduction, as well activities that consider biodiversity, such as forest maintenance.

In addition, we are implementing regional revitalization through fund investment as an initiative to utilize our know-how of accompanying support, which we have cultivated through our past support of SMEs.

Donation of recycled toilet paper

We donate toilet paper made from recycled waste documents to elementary, junior high, and special-needs schools in Kyoto and Shiga prefectures.

This initiative was launched in 2001 as part of the Bank of Kyoto's 60th anniversary commemorative project. In April 2024, we donated approximately 140,000 rolls of toilet paper to 776 schools.

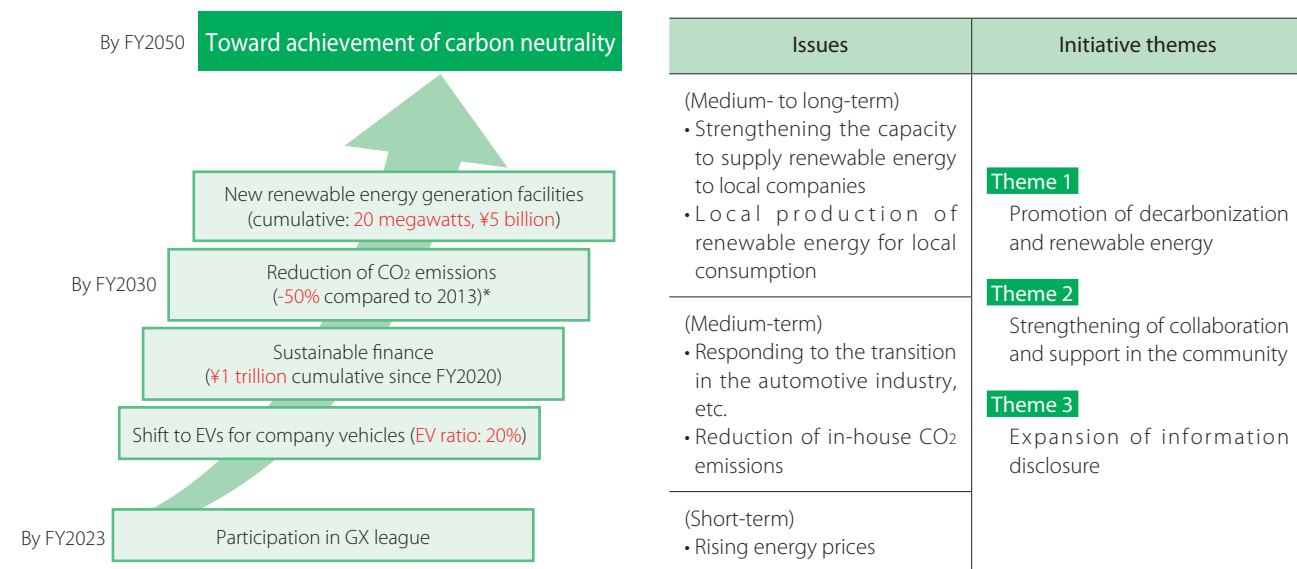


Toward Achievement of a Carbon Neutral Society

We believe that realization of a decarbonized society, as typified by carbon neutrality, is one of the most important initiatives in sustainability management.

The Group is committed to green growth that enhances corporate value as well as achievement of a decarbonized society.

Improving Corporate Value through Green Growth



* Covering Scope 1 and 2

Decarbonization Initiatives in Business Activities

As initiatives to reduce greenhouse gas emissions from the Group's business activities, we have long been upgrading to energy-efficient equipment, introducing renewable energy power generation facilities, and implementing energy-saving activities. We have set "reduce by 50% compared to FY2013 by FY2030" as our CO2 emission reduction target, and in February 2024, five of the Bank of Kyoto's large-scale locations, including its head office, switched to solar power generated in Kyoto Prefecture.

In March 2024, 50 EV motorcycles were introduced to replace gasoline motorcycles.

Through these efforts, we expect to achieve our 50% reduction target ahead of schedule in FY2024, and we will continue to promote specific initiatives to achieve a carbon neutral society.

Disclosure Based on the TCFD Recommendations

The Group has identified "environmental preservation" as one of the materiality items (p. 17) and is working to address climate change.

We continually disclose information in line with the spirit of the TCFD (Task Force on Climate-related Financial Disclosure) Recommendations, which the Bank of Kyoto Group endorsed in October 2021.

Governance

Please refer to "Governance System Concerning Sustainability" (p. 23).

Strategy

<Risks and opportunities>

We believe that climate change will have a significant impact on social and economic activities and may have a significant impact on our business activities.

The Group has identified the impact on our customers' assets and businesses and on the Group's assets and businesses as a result of dividing climate change-initiated events into physical events (physical risks) and events related to economic and social transitions (transition risks) and analyzing the effects. On the other hand, we recognize that efforts to mitigate impact events that may occur to our customers' assets and businesses represent a business opportunity for the Group. The recognized risks and opportunities are as follows.

Cause	Risk	Occurrence phenomena	Effects		Corresponding risks	Opportunity
Climate change	Physical risk	Natural disasters due to torrential rain, etc.	Damage to customer assets	Damage to collateral value and deterioration of customers' business performance	Credit risks	Increased consulting opportunities Increased financing opportunities
			Damage to the Group's assets	Suspension of the Group's business	Operational risks	-
	Transition risk	Legal system changes and strengthened regulations Changes in the supply-demand balance Technological conversion	Unable to respond to additional cost incurred	Deterioration of customers' business performance	Credit risks	Increased consulting opportunities Increased financing opportunities

<Scenario analysis>

The results of the physical and transition risk scenario analysis based on the TCFD Recommendations are as follows. For physical risks, the impact of flood damage was analyzed, taking into consideration the frequency of occurrence and the degree of impact. For transition risks, the power sector and the automotive sector were the subject of the analysis due to their high greenhouse gas emissions and the significant impact on business associated with the transition to a decarbonized society. In each analysis, the impact on the Group's financials was limited. Scenario analysis is conducted under certain assumptions, and we will continue to work to expand the scope and sophistication of our analysis.

	Physical risk	Transition risk
Scenario	RCP 8.5 scenario (4°C scenario) according to the Intergovernmental Panel on Climate Change (IPCC)	NZE scenario (1.5°C scenario) according to the International Energy Agency (IEA)
Subject	Business loan recipients (excluding large companies)	
Analysis method	Estimate the financial impact and collateral value impact on the target customer in the event of flooding based on hazard map data, and calculate the increase in credit costs	Estimate the change to the financials of the target customer, taking into consideration the effect of the introduction of a carbon tax, etc. based on the transition scenario, and calculate the increase in credit costs from the transition in debtor classification
Analysis period	Until 2050	
Analysis results	Additional credit costs that may be incurred: Up to ¥5.8 billion	Additional credit costs that may be incurred: ¥6.6 to ¥10.3 billion cumulative

<Carbon related assets>

We recognize the four industry groups that are considered vulnerable to climate change, namely “energy,” “transportation,” “materials and buildings,” and “agriculture, food, and forest products,” and have identified the loans to these industries.

	Energy	Transportation	Materials and buildings	Agriculture, food, and forest products
Percentage*	1.9%	5.8%	18.0%	3.4%

* Balance of loans to the four industry groups as a percentage of the Bank of Kyoto’s total loans and bills discounted

<Examples of subject industries>

Energy	Transportation	Materials and buildings	Agriculture, food, and forest products
Coal, oil, and gas Electricity (excluding renewable energy)	Air transportation Maritime transportation Land transportation Automotive	Metals and mining Chemicals Building materials and capital goods Real estate management and development	Beverages and food Agriculture Paper manufacturing and forestry

Risk management

We recognize that if the physical risks and transition risks arising from climate change materialize, they could affect the Group’s performance and financial condition, and we are working to establish a system to manage these risks within the framework of integrated risk management by utilizing scenario analysis and other means.

In terms of investments and loans, we are working to reduce and avoid negative impacts by reducing investments and loans for coal-fired power generation projects, etc., and to increase and create positive impacts by proactively investing and lending to contribute to the reduction of climate change risks and the preservation of forest resources, etc., in accordance with the Policy on Loans and Investments for Achieving a Sustainable Society.

Indicators and targets

We have set “carbon neutrality by FY2050” as a long-term climate change-related target, and are working on the following two immediate targets for FY2030.

Execute ¥1 trillion in sustainable finance

We define “sustainable finance” as “finance that contributes to the resolution of environmental, social, and economic issues by increasing or creating positive impacts or reducing or avoiding negative impacts.”

In addition to green and sustainable finance in accordance with international frameworks, we have introduced loan programs and products such as the Sustainability Linked Loan (Kyoto Version) and Kyogin Sustainability Linked Loan — Seven Targets which are easy for SMEs to use, in order to support their efforts to realize a sustainable society from a financial perspective.

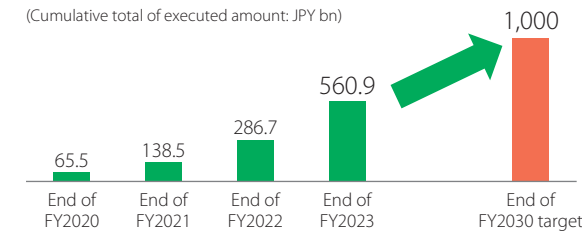
Reduce CO₂ emissions from the Group’s business activities (Scope 1 and 2) by 50% from the FY2013 level by FY2030

In addition to continuing initiatives such as switching to energy-efficient equipment and conserving electricity, in February 2024 we switched the electricity used at five headquarter locations, including the Bank of Kyoto head office, to carbon-free electricity derived from renewable energy sources generated in Kyoto Prefecture, and we will continue to study specific initiatives to achieve our targets ahead of schedule and achieve a carbon-neutral society.

[Sustainable finance target]

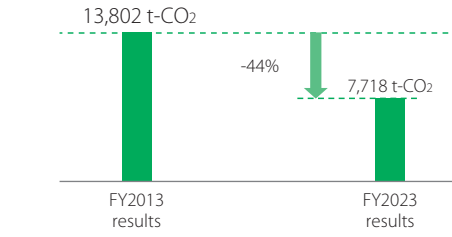
Execute ¥1 trillion in financing by FY2030

(Cumulative total of executed amount: JPY bn)



[CO₂ emission reduction target (Scope 1 and 2)]

Reduce by 50% compared to FY2013 by FY2030



Calculation of greenhouse gas emissions under the GHG Protocol

The Group is working to expand the scope of measurement of greenhouse gas (GHG) emissions resulting from its business activities, and in April 2024 we introduced C-Turtle® FE, a GHG emissions calculation tool provided by NTT DATA Japan Corporation, to calculate GHG emissions based on the GHG Protocol*. We are working to further reduce the Group’s Scope 1 (direct emissions from fuel combustion and production processes) and Scope 2 (indirect emissions from electricity, heat, and steam use) associated with the Group’s energy use through further promotion of energy conservation and the introduction of renewable energy. For Category 1 (purchased goods and services) and Category 2 (capital goods) of Scope 3, which we have calculated for the first time, we used the total emissions allocation method based on emissions intensity by supplier, in order to perform a calculation that incorporates our suppliers’ reduction efforts. We will continue to promote decarbonization initiatives in cooperation with our suppliers and demonstrate high supplier engagement, thereby contributing to the achievement of net zero across society as a whole.

* GHG Protocol: An international standard used to calculate and report GHG emissions

■ Group GHG Emissions

Calculation	Details	Calculation results (t-CO ₂)	Percentage (%)
Scope 1	Emissions from gas and gasoline use	1,511	0.02
Scope 2	Emissions from electricity use	6,207	0.07
Scope 3		8,624,218	99.91
Category 1	Purchased goods and services	13,061	0.15
Category 2	Acquired capital goods	5,135	0.06
Category 4	Upstream transportation and distribution	Included in Category 1	–
Category 6	Business travel	941	0.01
Category 7	Employee commuting	1,904	0.02
Category 8	Upstream leased assets	Included in Scope 1 and 2	–
Category 9	Downstream transportation and distribution	Included in Category 1	–
Category 10, 11, 12	Processing, use, and end-of-life treatment of sold products	–	–
Category 14	Franchises	–	–
Category 15	Investments	8,603,177	99.67

Notes: Scope 1 and 2 emissions are calculated for the entire Group.

The calculations for Categories 1, 2, 6, 7, and 15 were performed for the Company and the Bank of Kyoto.

For Category 15, calculations were performed for listed shares and corporate bonds, business loans, and project finance.

The coverage ratio of the calculation results against the subjects is 94.1% on a balance basis.

Categories 3, 5, and 13 were not calculated.

■ Scope 3, Category 15 (Financed Emissions)

Based on the recognition that the calculation of Scope 3, Category 15 (GHG emissions of investees), which accounts for the majority of the total GHG emissions, is important for us to address the opportunities and risks associated with climate change, we have made it a priority initiative and performed calculations for investments and loans to domestic corporations based on the PCAF standard* measurement method.

There are two methods for calculating Scope 3, Category 15 emissions: the top-down method, in which emissions are estimated based on the investee’s financial and other data, and the bottom-up method, in which emissions are calculated based on the investee’s actual emissions. In order to improve data quality, which is considered important in the PCAF standard, we recognize that it is necessary to increase the proportion of data calculated using the bottom-up method. By using C-Turtle® FE on this occasion, we have performed a calculation of emissions that is more in line with actual conditions and also visualizes our customers’ reduction efforts, through the combined use of two methods. We recognize that regional financial institutions are expected to play a role in realizing decarbonization throughout the region by using the results of these calculations to help customers calculate and reduce their emissions, and we will continue to provide tools to help customers calculate their GHG emissions and provide post-calculation reduction support.

(*) PCAF Standard: An international standard used by financial institutions to measure and report the GHG emissions of their investees.

■ Category 15 Calculation Results by Industry

Industry		Emissions (t-CO ₂)	Carbon intensity (t-CO ₂ /JPY mn)	Data quality score (DS) weighted average
Energy	Oil and gas	147,193	2.08	2.34
	Coal	-	-	-
	Power utilities	585,997	17.7	2.51
Transportation	Air cargo	4,438	2.45	3.79
	Passenger air transportation	41,013	7.16	1.01
	Marine transportation	57,093	11.8	1.07
	Rail transportation	32,028	2.06	1.70
	Truck services	242,278	3.53	3.74
	Vehicles and parts	171,090	1.21	1.96
Materials and buildings	Metals and mining	476,527	6.19	2.75
	Chemicals	545,295	4.33	2.72
	Building materials	147,331	8.92	2.97
	Capital goods	2,422,466	2.65	2.51
	Real estate management and development	81,617	0.88	2.94
Agriculture, food, and forest products	Beverages	24,500	3.59	3.87
	Agriculture	44,879	5.02	3.84
	Processed foods and meats	314,358	3.92	3.62
	Paper and forest products	146,066	3.70	3.15
Other	3,119,008	1.98	2.76	
Total	8,603,177	-	2.67	

Note: Calculated based on the balance of the Group’s investments and loans as of March 31, 2023.

Calculation formula

$$\text{Emissions} = \sum [\text{GHG emissions of investee} \times \text{AF (balance of Group's investments and loans/amount of funds raised by investee)}]$$

$$\text{Carbon intensity} = \frac{\sum [\text{GHG emissions of investee}]}{\sum [\text{Sales of the investee}]}$$

<Emissions calculation methods>

Top-down method:

Emissions are calculated based on the Ministry of the Environment’s “Database on Emissions Unit Values for Accounting of GHG Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.3).

Bottom-up method:

Calculated based on the GHG emissions and other data (primary data) disclosed by the investee.

<Data quality score (DS)>

The PCAF standard, which was the calculations were based upon, defines the data quality scores as shown in the table below to evaluate the quality of estimated emissions.

High	DS	Emissions calculation method	Type of emissions	
				Reliability
↑	Score 1	Emissions reported by target company/project (with third-party certification)	Reporting-basis emissions	
	Score 2	Emissions reported by target company/project (without third-party certification)		
	↓	Score 3	Energy consumption of target company × Emissions intensity	Estimated emissions based on activity indicators
			Production volume of target company × Emissions intensity	
			Revenue of target company × Emissions per revenue in the relevant sector	
Low	Score 5	Investment/loan balance × Emissions per asset in the relevant sector	Estimated emissions based on financial indicators	
		Investment/loan balance × Emissions per revenue in the relevant sector × Asset turnover ratios in the relevant sector		

Communication with Customers

The Group utilizes customer feedback to improve its operations and to review its products and services. Opinions and requests received through channels such as requests made while dealing with customers, telephone calls to the Customer Service Office, and Customer Feedback Postcards placed in our stores are promptly forwarded to the relevant departments through our internal system, and are analyzed for trends, etc. and used for improvement. We also conduct questionnaire surveys over set periods in an effort to listen to latent customer opinions.

Communication with the Community

Promotion of Local Culture and Sports

Volunteering at Gion Festival

One of the three major festivals in Japan, the Gion Festival is a feature of the summer season in Kyoto.

Our staff have volunteered as float pullers in the Yamahoko Procession, the main event of the festival and a tradition that has continued since the 9th Century, since 1988.



Art research support

We purchase art works created by students of Kyoto City University of Arts under our Art Research Support Program to support young artists. The program commenced in 2001, the 60th anniversary of our founding, and has purchased a total of 181 works to date.

Support for local professional sports teams

We are a top sponsor of the Kyoto Sanga F.C. soccer club and a major partner of the Kyoto Hannaryz basketball club, two professional sports clubs based in Kyoto.

Financial and Economic Education

Financial Education Team

We have established a Financial Education Team, centered around employees with instructor qualifications certified by a financial education institution, which plans asset management fairs and financial and economic education events, as well as providing support for financial and economic education conducted by our sales branches and aimed at local schools, etc. We are also expanding our programs offered in relation to finance and economics, and are working to further promote and disseminate financial and economic education.

Occupational and customer asset formation seminars

We hold occupational seminars mainly for the management and employees of the Bank of Kyoto's business partners, and in FY2023, we held 1,188 seminars across all of our branches with 10,152 participants. In addition, 54 online seminars for individual customers were held in FY2023, with 3,008 participants.

We will continue to contribute to improving the financial literacy of everyone in the community.

Waku-Waku WORK LAND

Since 2007, we have been participating in Kyoto City's Waku-Waku WORK LAND learning program, offering experience in banking work to mainly fifth-grade students.

In FY2023, 757 students from 81 elementary schools in Kyoto City participated in the program.

Economics Koshien

Since 2016, we have been hosting the Kyoto tournament of Economics Koshien, the national high school financial and economic quiz tournament.

In FY2023, 26 students from 13 high schools in Kyoto Prefecture participated, with Rakunan High School team winning the championship.

<Hosting of asset formation seminars>

(FY2023)

Details	No. of seminars	No. of participants
Occupational and customer seminars	1,188	10,152
Online seminars for individual customers	54	3,008

Financial education for the future (FY2023 results)

(1) We conducted a 15-session special course "Business in Kyoto (Practical Regional Finance)" at Kyoto University of Advanced Science.

We gave lectures to the university students on our knowledge and expertise in a wide range of financial fields.

(2) We conducted financial education seminars for elementary school students during the summer holidays. A total of 37 upper elementary school students and their parents participated, and the students enjoyed learning about money and currency exchange around the world.

(3) We conducted a financial and economics class for about 90 fifth-grade students at Rakunan Elementary School.

We have been running this event since FY2014 with the aim of having children learn about the history of money and the role of banks.

Communication with Shareholders and Investors

The Group places importance on opportunities for dialogue with our shareholders and investors in order to achieve sustainable growth and increase corporate value, and we strive to enhance our investor relations activities by actively holding briefing sessions for institutional investors and meetings with shareholders and investors in Japan and overseas.

In FY2023, in addition to our traditional financial results briefing sessions and IR for individuals, we have been participating in conferences, strengthening overseas IR, and increasing the number of small (1-on-1) meetings.

In recent years, we have been meeting with an increasing number of overseas shareholders and institutional investors, and are actively working to disclose information in English.

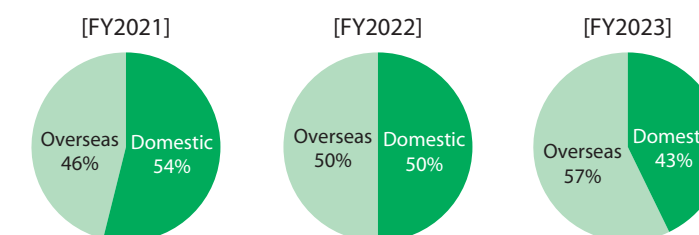
Dialogue with shareholders and investors is conducted by the Representative Director and President, the General Manager (director in charge) of the Sustainability Management Division, and other relevant personnel.

Opinions received at dialogue meetings are reported to the Board of Directors in a timely and appropriate manner, and are used as a reference for various measures.

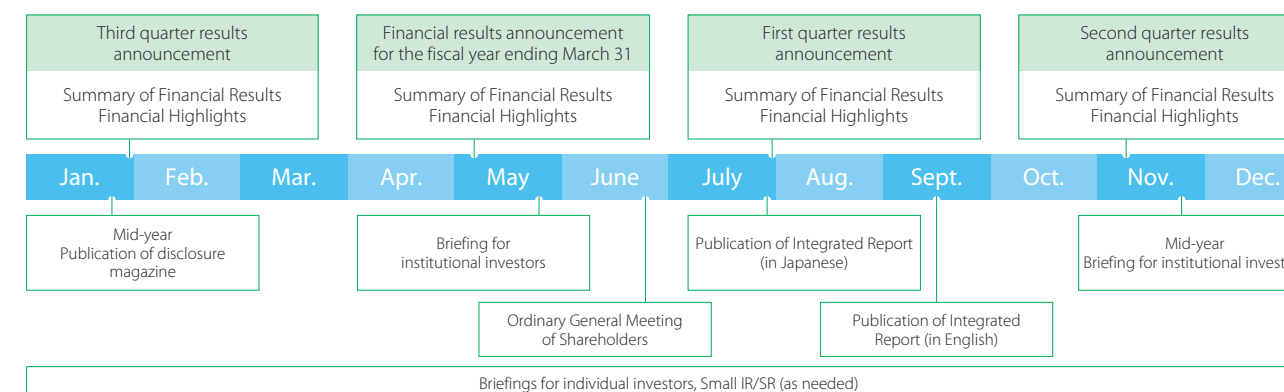
<Status of dialogue with shareholders and investors>

Details	FY2021	FY2022	FY2023
Financial results briefing sessions (Interim, Final)	Once each	Once each	Once each
Overseas IR	–	Once	Twice
Participation in conferences for domestic and international investors	–	–	Twice
Small (1-on-1) IR/SR	50 companies	72 companies	162 companies
IR for individuals	Once	Once	Once

<Breakdown of meetings with domestic and overseas shareholders and institutional investors>



Annual Schedule



Communication with Employees

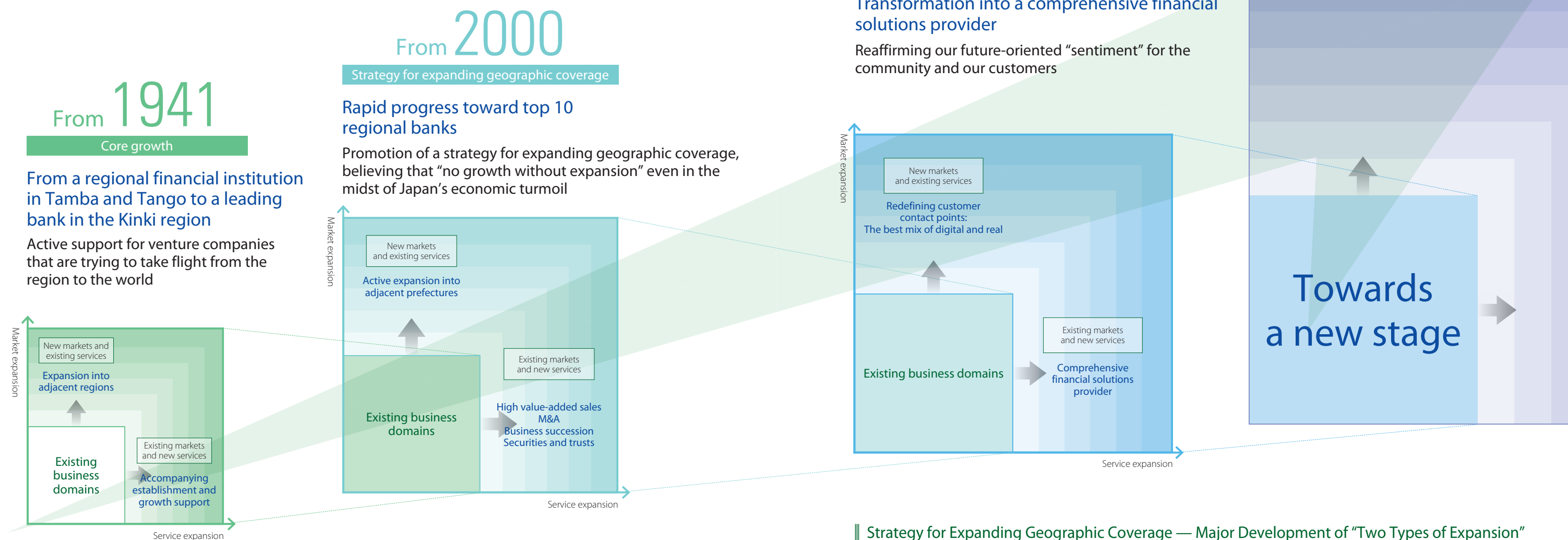
The Group regards employees as assets (human resources) that are the source of improvement of corporate value, and is working to ensure that employees have diverse work styles and job satisfaction, and that they are treated accordingly, so that they can grow as individuals.

As part of these efforts, we offer a "career challenge system" for those who apply for open positions at branches, head office departments, and group companies; "in-house internships" to experience and deepen understanding of work at preferred head office departments and Group companies; and a "job and career forum," which is a joint company information session where employees can learn about the work of head office divisions and Group companies and interact with staff at these companies.

We conduct "engagement surveys" and "pulse surveys" as an initiative to measure employee engagement. Using these results as a reference, we strive to further improve employee engagement by holding 1-on-1 meetings between supervisors and subordinates to invigorate communication.

Since the founding of our predecessor, the Bank of Kyoto, the Group has endeavored towards “two types of expansion” during each era, market expansion and service expansion, and has built a solid growth model by continuing to meet the changing needs of its customers over time.

By making appropriate investments for growth, we are strengthening our social and relationship capital, intellectual capital, human capital, and financial capital, which are the foundation for taking on the challenge of new fields today.



Active Support for Venture Companies

The Bank of Kyoto relocated its head office to Kyoto City in response to strong demand from the Kyoto business community and expanded into the city. Although we were not the first bank in Kyoto City, we supported the postwar reconstruction by actively providing financial support that alleviated the lack of funds which was an urgent issue for many SMEs in the city.

Around the same time, many venture businesses that manufacture creative and unique products emerged in Kyoto. Many of these companies had advanced technologies and promising markets but faced financial issues that were essential for commercialization. Not only did the Bank lend to these companies, we also provided them with full financial support through investment, that is holding their shares, and we sent our internal human resources to some so that we grow together and build close relationships.

Many of the companies that it has actively supported in their establishment and growth have subsequently grown to become major global companies, and the shares held in these Kyoto companies now account for a large portion of the Group's strategic equity holdings. The success of the companies that we supported to establish and grow is not only the growth of a single company, but also encourages the development of the local community, and dividend income from growing companies has linked to strengthening the Group's financial base and served as a source for further growth investment.

The Group's virtuous cycle model centered on supporting the establishment and growth of local companies is one of its major strengths, and the Group continues to actively and continuously work to upgrade its support for the establishment and growth of local companies.

Strategy for Expanding Geographic Coverage — Major Development of “Two Types of Expansion”

After the collapse of the bubble economy, many financial institutions, including city banks, were forced to dispose of non-performing loans, and in many cases, they downsized their business domains and concentrated their management resources in a “selection and concentration” process. Although the situation was not favorable for financial institutions, the Group quickly completed the disposal of non-performing loans, and while other financial institutions adopted a balanced contraction strategy, we adopted a strategy for expanding geographic coverage and proceeded with the development of “two types of expansion.”

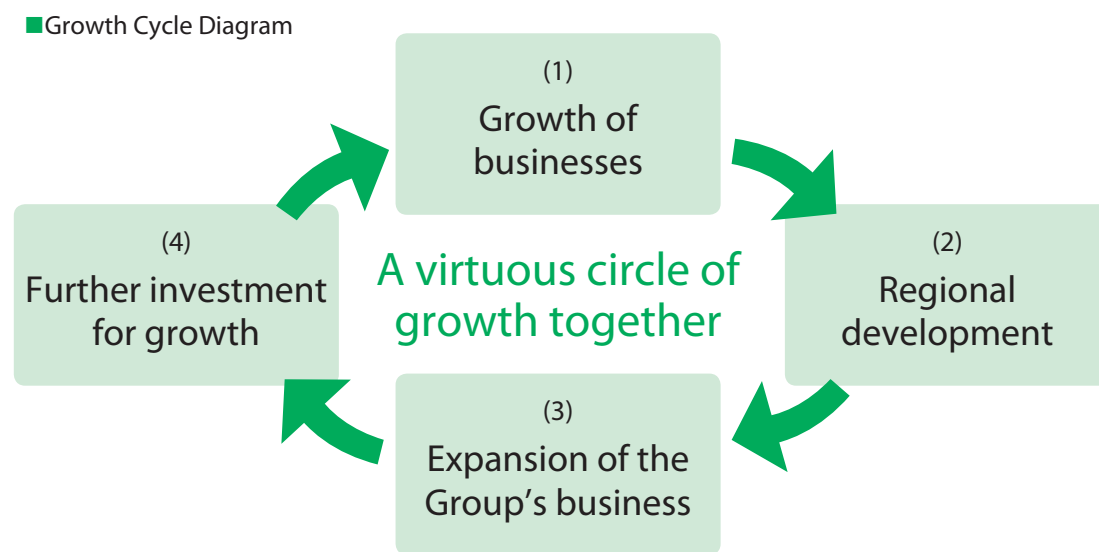
As a result of continuing its market expansion over the course of 20 years, starting with the opening of the Kusatsu Branch in Kusatsu City, Shiga Prefecture in December 2000, the Group achieved market area expansion by independently building a wide-area network in the Kinki region (Kyoto, Osaka, Shiga, Nara, and Hyogo Prefectures), Aichi Prefecture, and Tokyo Metropolis, thereby acquiring a broad customer base as well as expanded its scale.

At the same time, we have worked to expand our services as a comprehensive financial solutions provider that provides solutions to our customers' various issues. Specifically, we have built a high value-added sales structure by steadily developing this solutions business such as launching M&A services in the early 2000s and business succession services in the late 2000s, launching the Kyogin Bright Future Support Fund in 2016, our own fund for supporting establishment and growth, commencing operations of Kyogin Securities in 2017, and entering the trust business in 2018.

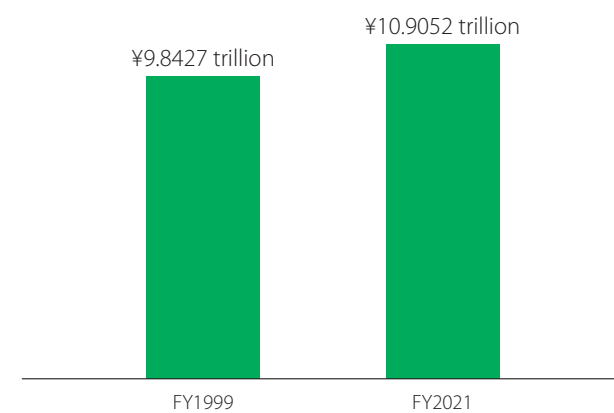
Through transitioning into a holding company structure, we aim to create value as a comprehensive solutions provider that is not bound by the finance concept by further strengthening and coordinating our features, such as our tradition of supporting the growth of start-ups, our wide-area infrastructure, and our high value-added sales structure.

Foundation Developed through Establishment and Growth Support

Since we were not the first bank in Kyoto City, the Group had to work to develop its customer base under unfavorable conditions where city banks, regional banks, and Shinkin banks had already formed their operating bases. Therefore, the Group worked to establish itself in new markets by carefully and aggressively providing financial support to local companies. As part of this support, we not only provided financial support to venture companies that emerged in Kyoto at that time but also dispatched internal human resources to them, building a close relationship through mutual growth and accumulating a variety of know-how and results related to accompanying support. This expertise and results in providing accompanying support has taken root as a Group tradition and continues to be the foundation for meeting the needs of local communities and customers. This virtuous cycle of (1) supporting the establishment and growth of local companies helps local companies grow, (2) the growth of local companies leads to the development of local communities, (3) the growth of local communities is the growth of our Group, and (4) leading to further investment in the growth of the Group is the foundation of the Group's business model.

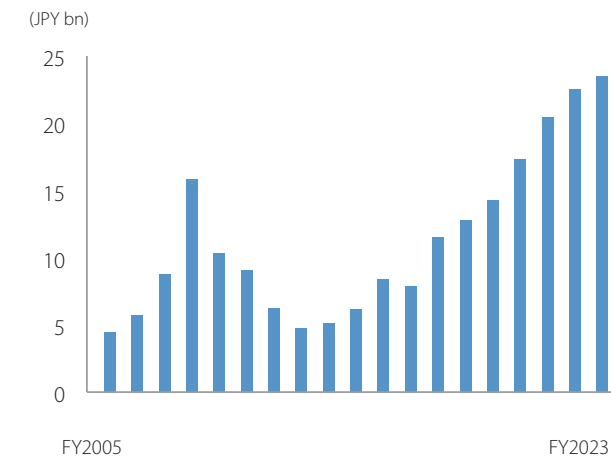


■ Kyoto Gross Regional Product



Source: "Prefectural gross product accounts (production side and expenditure side)," Kyoto Prefecture

■ Strategic Equity Holdings Dividend Income



Foundation Developed through a Strategy for Expanding Geographic Coverage

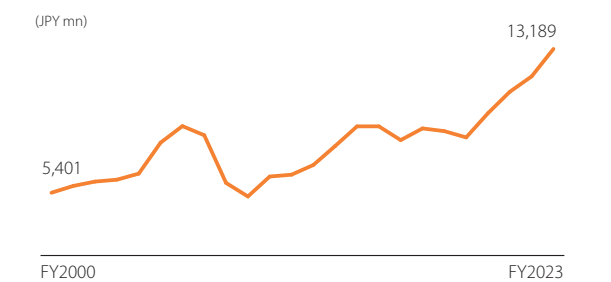
As a result of the strategy for expanding geographic coverage that we have developed since 2000 under the banner of "wide-area regional bank," we have independently built a wide-area network in the Kinki region, Aichi Prefecture, and Tokyo Metropolis. This wide-area network gives the Group a customer base with various regional characteristics and is a source of services such as business matching and M&A that connect customers with each other. In addition, our efforts to provide solutions to the various problem-solving needs of our customers are the foundation for developing and providing needed services without being limited by existing services.

■ Expansion of Branch Network

	Kyoto	Osaka	Shiga	Nara	Hyogo	Aichi	Tokyo	Total
Mar. 2000	105	9	–	–	–	–	1	115
Mar. 2024	111	31	14	7	8	2	1	174

(Stores) +51%

■ Profit from Service Transactions



■ Deposits and Negotiable Certificates of Deposit (Balance) by Area

	Kyoto	Osaka	Shiga	Nara	Hyogo	Aichi	Tokyo	Total
Mar. 2000	3,574.1	187.0	–	–	–	–	19.4	3,780.5
Mar. 2024	7,823.0	888.1	326.5	165.6	111.8	24.7	74.8	9,414.8

(JPY bn)

■ Loans and Bills Discounted (Balance) by Area

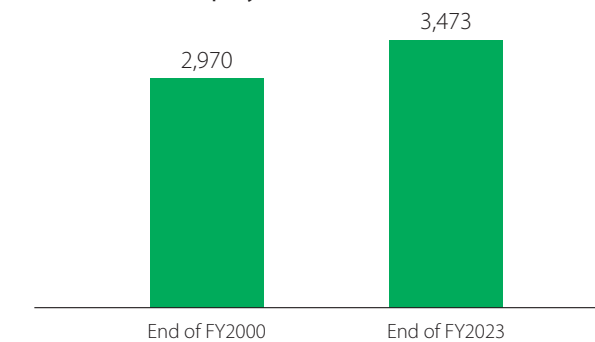
	Kyoto	Osaka	Shiga	Nara	Hyogo	Aichi	Tokyo	Total
Mar. 2000	2,319.8	137.3	–	–	–	–	226.4	2,683.5
Mar. 2024	3,579.3	1,197.1	402.5	204.3	229.4	351.5	761.9	6,726.3

(JPY bn)

High-Quality Human Resources Base

A business model centered on establishment and growth support requires human resources with the ability to be discerning as a financial institution and to understand and accompanying support for customers, and it also requires securing personnel with specialized skills in order to build a high value-added sales structure. The Group has been progressing various initiatives to develop and secure the human capital required for these strategies in a stable manner. We believe that people are the foundation of the services we provide to our customers, and that it is essential to have an environment where people are motivated to learn and work. This belief has led us to our current human resources strategy (human capital management).

■ Number of Employees (Consolidated)



Potential of Major Sales Areas

Market characteristics

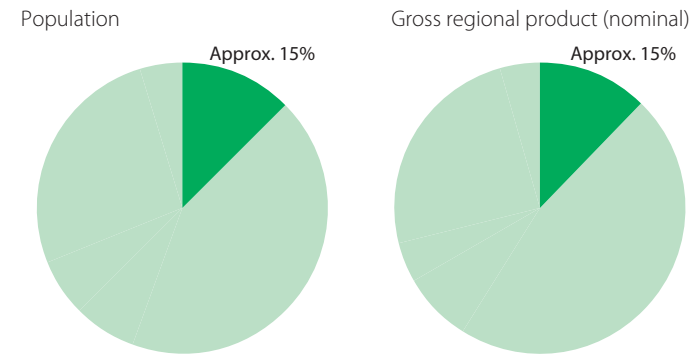
The Kinki region (Kyoto, Osaka, Shiga, Nara, and Hyogo prefectures), the Group's main market, has long been the political, economic, and cultural center of Japan and is second only to the Tokyo metropolitan area, which accounts for about 15% of Japan's total population and gross regional product. Kyoto, Osaka, and Kobe are some of the largest cities with a population of more than one million, which is a great advantage for the Group in the conduct of its business.

Looking at Kyoto, where our head office is located, there are many companies that were born in Kyoto and have spread their wings to the world, and the Group has long-standing relationships with many of these companies.

While the city is home to some of the world's most cutting-edge companies, it also has a long history as the capital of Japan and is home to many national treasures and important cultural properties, making it a city where tradition and innovation coexist.

Drawn by the world-class Kyoto brand, many visitors come from across the country and around the world. We believe that the wide range of solutions offered by the Group can be put to good use in such a market.

Expansion of Major Sales Areas



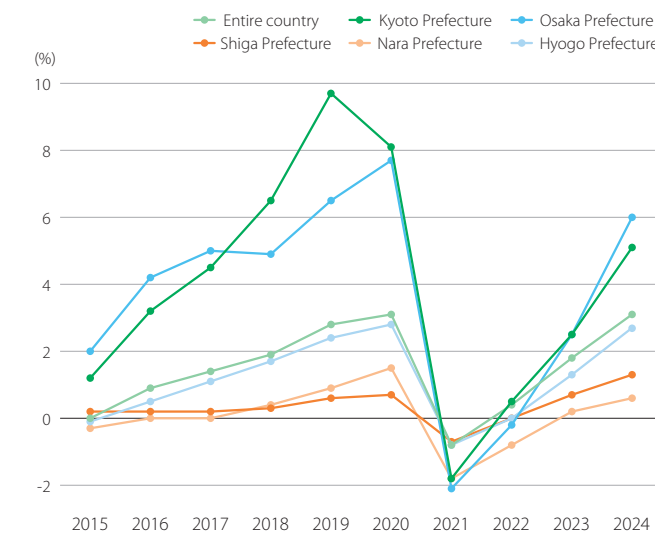
Prefecture	Population (million)
Kyoto Prefecture	2.50
Osaka Prefecture	8.78
Shiga Prefecture	1.41
Nara Prefecture	1.32
Hyogo Prefecture	5.45

Source: "2023 Surveys of Population, Population Change and the Number of Households based on the Basic Resident Registration," Ministry of Internal Affairs and Communications

Prefecture	Gross regional product (nominal) (trillion yen)
Kyoto Prefecture	¥10.9052
Osaka Prefecture	¥41.3203
Shiga Prefecture	¥6.8637
Nara Prefecture	¥3.7670
Hyogo Prefecture	¥22.5062

Source: "FY2021 Gross Prefectural Product (production side, nominal)," Cabinet Office and "FY2021 Nara Prefectural Accounts"

Trends in the Prices of Commercial Land in the Kinki Region (Average Rate of Change From the Official Survey of Land Prices in the Previous Year)



Source: "Land Market Value Publication," Ministry of Land, Infrastructure, Transport and Tourism

Prefectural Attractiveness Ranking (FY2023)

Ranking	Administrative division	Score
1	Hokkaido	72.4
2	Kyoto Prefecture	56.6
3	Okinawa Prefecture	52.7
4	Tokyo Metropolis	49.0
5	Osaka Prefecture	43.3

Source: Brand Research Institute survey

National Treasures and Nationally Designated Important Cultural Properties of Kyoto Prefecture

Classification	Number	National ranking
National treasures	237	2nd
Nationally designated important cultural properties	2,214	2nd

Source: "Number of Cultural Properties Designated by Prefectural and Local Governments," Agency for Cultural Affairs (as of June 1, 2024)

Foundation for innovation

The five prefectures in the Kinki region have long been political and economic centers, with a concentration of industry. This has led to many long-established companies that have been in business for more than 100 years.

On the other hand, many venture companies have adapted their high technological capabilities cultivated through traditional craftsmanship to the needs of the times and created excellent products through creative management, and many of them have grown to become global companies with their own products holding the top share in the world market.

Also, excellent human resources with a spirit of challenge are essential for the growth of venture companies. Kyoto Prefecture has the highest number of students and universities per capita in Japan, and university-developed venture businesses are flourishing at top-class domestic universities, such as Kyoto University and Osaka University.

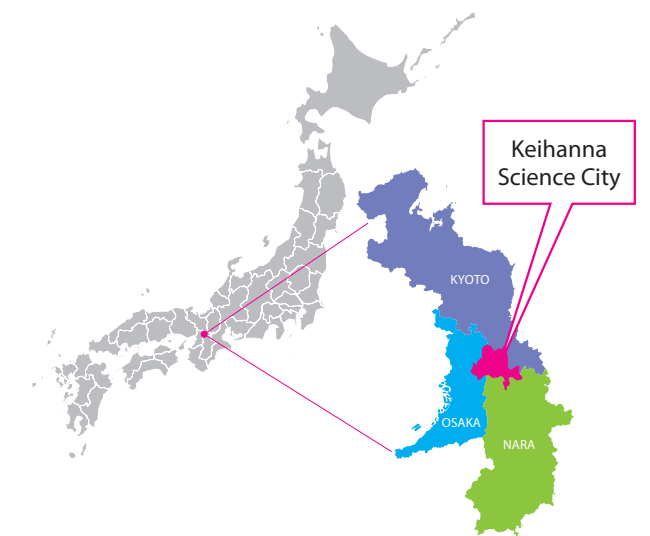
It is also home to Keihanna Science City (officially known as Kansai Science City), which encompasses Kyoto, Osaka, and Nara, as well as research, university, and cultural institutions, and is a center for industry-government-academia cooperation.

Thus, in the Group's main sales areas, there is an atmosphere in which good old-fashioned companies are active while venture businesses are continuously being born. We believe that this is the soil in which the Group can make the most of its areas of expertise.

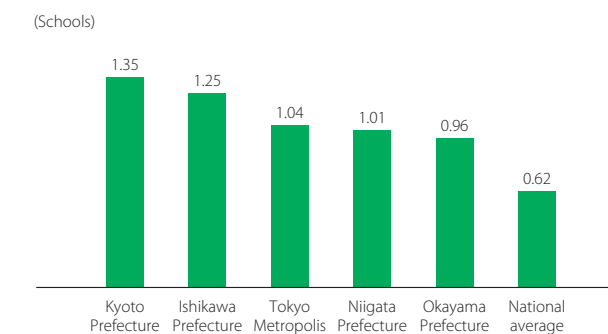
[By Prefecture] Number and Prevalence of Long-Established Companies and National Ranking

Prefecture	Number of long-established companies		Prevalence (%)	
	Count	Ranking	Percentage	Ranking
Kyoto Prefecture	1,854	4	5.26	1
Osaka Prefecture	2,678	2	2.16	37
Shiga Prefecture	668	25	4.46	5
Nara Prefecture	491	33	3.32	17
Hyogo Prefecture	1,670	5	2.74	28
Wakayama Prefecture	467	34	3.47	15
Kinki	7,828	-	2.98	-

Source: Teikoku Databank research

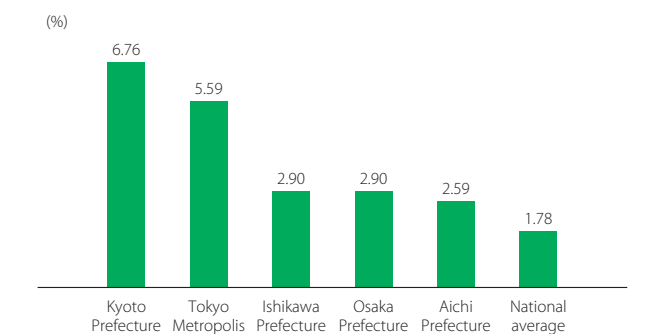


Number of Universities per 100,000 Population



Source: "2023 Surveys of Population, Population Change and the Number of Households based on the Basic Resident Registration," Ministry of Internal Affairs and Communications "FY2023 Basic School Survey," Ministry of Education, Culture, Sports, Science and Technology

Percentage of University Students to Total Population



Source: "2023 Surveys of Population, Population Change and the Number of Households based on the Basic Resident Registration," Ministry of Internal Affairs and Communications "FY2023 Basic School Survey," Ministry of Education, Culture, Sports, Science and Technology

Number of University Patent Registrations

Ranking	University name	Number
1	The University of Tokyo	267
2	Tohoku University	245
3	Osaka University	238
4	Tokai National Higher Education and Research System	208
5	Kyoto University	192

Source: "JPO Status Report 2023," Japan Patent Office

Number of University-Developed Venture Businesses by University

Ranking	University name	Number of companies
1	The University of Tokyo	420
2	Keio University	291
3	Kyoto University	273
4	Osaka University	252
5	University of Tsukuba	236

Source: "FY2023 Survey on University-Developed Venture Businesses (Preliminary Report)," Ministry of Economy, Trade and Industry

Environment Surrounding the Group

With the transition of the COVID-19 virus to a Category 5 infectious disease, the normalization of economic activities in Japan continued. Although some challenges, such as rising prices and labor shortages, persist, the economy continued on a moderate recovery path.

During this period, some production activities in the corporate sector stalled due to the slowdown in overseas economies and other factors. Still, consumer demand picked up due to the revitalization of people flows and other factors, and inbound demand also recovered.

Moreover, with the Bank of Japan raising its policy interest rate and companies increasing wages, the financial and economic situation is beginning to normalize. It is necessary for the Group to appropriately grasp the currents of the world and consider its strategies.

On the other hand, looking back at the current market trends, the dollar-yen exchange rate, which was said to be excessively weak, has remained limited in its movements despite the Bank of Japan's largest-ever foreign exchange intervention of over 9 trillion yen between April and May 2024.

In February 2024, the Nikkei Stock Average reached its highest level in 34 years, surpassing 40,000 yen. However, it is still subject to fluctuating factors such as the Bank of Japan's future interest rate policy and geopolitical risks.

As exchange rates and stock prices affect the transactions of both corporate and individual customers, we will closely monitor market trends and strive to take appropriate action.

Monetary policy trends

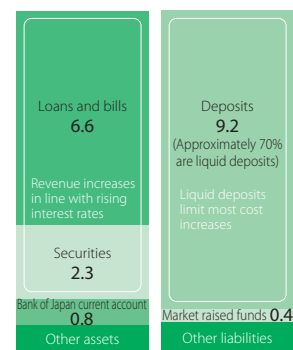
The Bank of Japan lifted negative interest rates and implemented the first interest rate hike since February 2007.

Public attention has now shifted to the timing of additional interest rate hikes in the future.

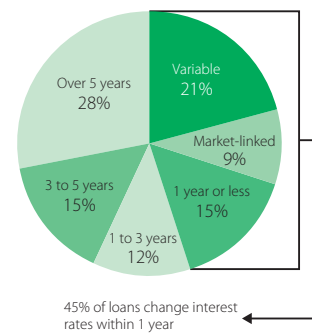
The arrival of a world with interest rates can be either a positive or negative factor, but we believe that for the Group, the positive impact on net interest income is significant.

Impact of Rising Yen Interest Rates

Yen currency balance sheet (The Bank of Kyoto non-consolidated)

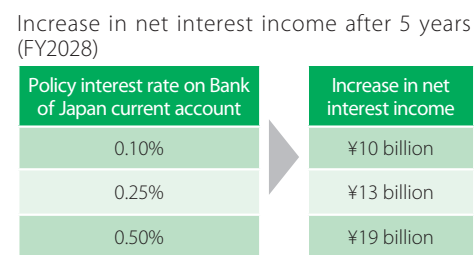


Period until loan interest rate revision



(As of March 31, 2024)

Impact of rising interest rates on revenues



Note: Assumption of balance sheet constancy

Diversification and sophistication of customer needs

Customers' needs for the Group are not limited to financing but they are increasingly looking to us to provide them with solutions to their management issues.

For individual customers, there is a growing interest in asset formation and asset management in line with the start of the new NISA system.

In addition, there is a growing need for life planning designs that fit the era of 100-year life expectancy.

Progress of DX

COVID-19 pandemic is said to have accelerated the progress of DX, and this trend is expected to continue.

The progress of DX will also enable financial institutions to perform many procedures without having to visit a branch, which is a plus for sales to customers who, until now, have been difficult to contact. On the other hand, face-to-face selling is still important in consultation sales, and the time freed up by DX efficiencies is effectively used as selling time.

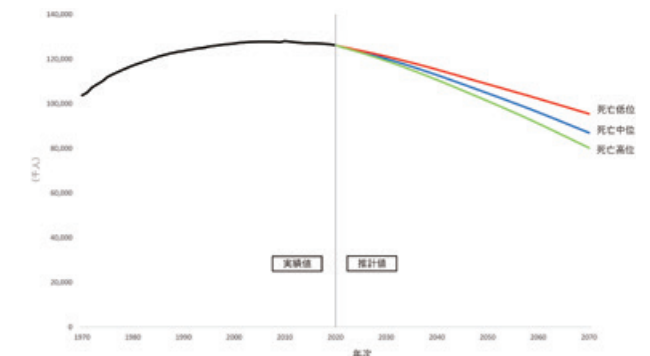
Falling birthrate and aging population

Japan's population has been declining since 2008, and according to future population estimates, the population is expected to fall below 100 million by 2056.

In terms of prefectures, only Tokyo has a growing population, and the only prefectures with social growth, where population inflows exceed outflows, are mainly urban areas. Population decline also leads to economic contraction, which significantly impacts financial institutions.

Meanwhile, the aging of the population is continuing, with the percentage of the population aged 65 and over continuing to increase and is estimated to reach 38.7% by 2070.

Total Population



Source: "Population Projections for Japan," National Institute of Population and Social Security Research

Population Change Rate by Prefecture

Population increase/decrease rate ranking	Prefecture	Population increase/decrease rate		Population increase/decrease rate ranking	Prefecture	Population increase/decrease rate		Population increase/decrease rate ranking	Prefecture	Population increase/decrease rate	
		2023	2022			2023	2022			2023	2022
-	Nationwide	-0.48	-0.44	16	Miyagi	-0.68	-0.44	31	Miyazaki	-0.96	-0.84
1	Tokyo	0.34	0.20	17	Saga	-0.74	-0.64	33	Fukui	-1.12	-1.00
2	Okinawa	-0.02	-0.01	18	Yamanashi	-0.75	-0.43	34	Tottori	-1.14	-0.91
3	Kanagawa	-0.04	-0.04	18	Gifu	-0.75	-0.77	35	Ehime	-1.16	-1.09
4	Saitama	-0.08	-0.05	18	Shizuoka	-0.75	-0.70	36	Yamaguchi	-1.21	-1.06
5	Chiba	-0.15	-0.15	21	Ishikawa	-0.78	-0.67	37	Niigata	-1.22	-1.12
6	Shiga	-0.16	-0.11	21	Hiroshima	-0.78	-0.72	38	Nagasaki	-1.25	-1.06
7	Osaka	-0.22	-0.27	23	Nara	-0.79	-0.72	39	Wakayama	-1.27	-1.13
8	Aichi	-0.25	-0.29	24	Nagano	-0.80	-0.65	39	Shimane	-1.27	-1.05
9	Fukuoka	-0.26	-0.15	25	Okayama	-0.84	-0.74	39	Tokushima	-1.27	-1.14
10	Ibaraki	-0.53	-0.43	26	Mie	-0.88	-0.77	42	Fukushima	-1.31	-1.20
11	Kumamoto	-0.55	-0.57	27	Kagoshima	-0.89	-0.87	43	Kochi	-1.37	-1.22
12	Kyoto	-0.57	-0.45	28	Kagawa	-0.91	-0.87	44	Yamagata	-1.42	-1.31
13	Tochigi	-0.60	-0.65	29	Hokkaido	-0.93	-0.82	45	Iwate	-1.47	-1.32
13	Gunma	-0.60	-0.69	30	Oita	-0.95	-0.68	46	Aomori	-1.66	-1.39
13	Hyogo	-0.60	-0.55	31	Toyama	-0.96	-0.87	47	Akita	-1.75	-1.59

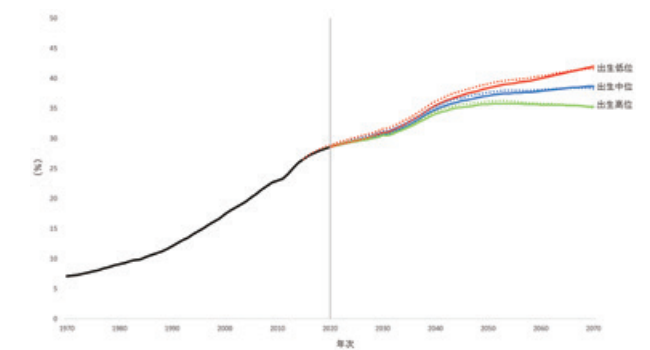
Notes:

$$\text{Population increase/decrease rate (\%)} = \frac{\text{Population increase/decrease (Oct. of previous year to Sept. of current year)}}{\text{Population as of October 1st of the previous year}} \times 100$$

$$\text{Population increase/decrease} = \text{Natural increase/decrease} + \text{Social increase/decrease}$$

Source: "Population Estimates," Statistics Bureau, Ministry of Internal Affairs and Communications

Percentage of Population Aged 65 and Over



Source: "Population Projections for Japan," National Institute of Population and Social Security Research

Towards the Vision the Group Aims to Achieve

The Group has inherited the Bank of Kyoto's management principle of "Serving the prosperity of the community — drive community growth and create the future together" and has contributed to local development since before the transition to the holding company structure.

Given the current environment surrounding the Group, we believe that we are being called upon to play an even greater role in driving growth in the region.

With communities' general decline, it is difficult to hope for economic development, which in turn makes it difficult for the financial industry to grow. In order for the Group to grow in this environment, it must be actively involved in the development of communities.

For example, the Regional Future Co-Creation Project, which was launched in April, is a Group-wide project to support customers in dealing with a variety of issues that they face.

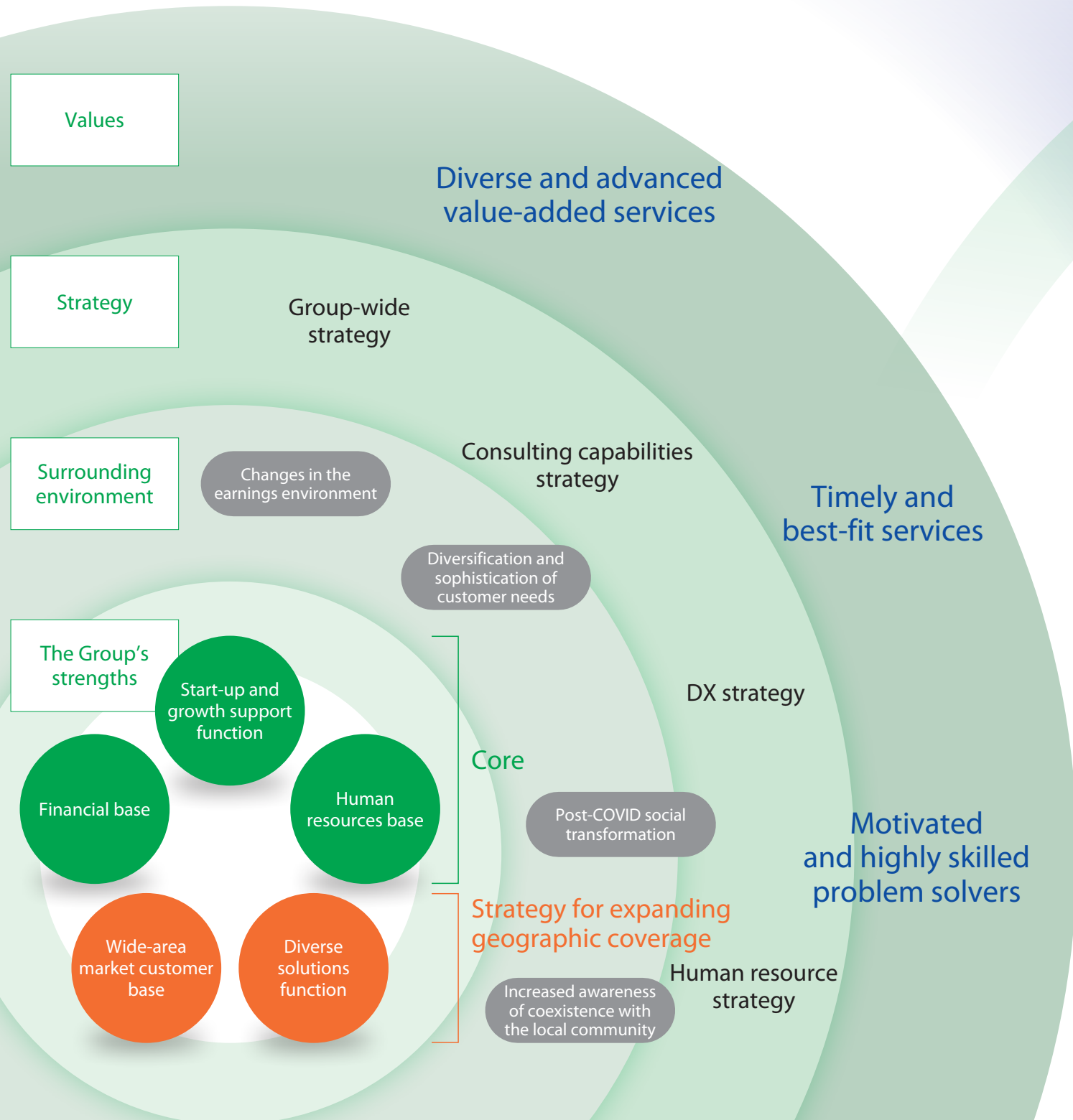
The issues faced by our customers are often similar to those of the environment in which the Group operates, and meeting these issues head-on and resolving them will help the Group grow into a comprehensive solutions provider.

The Bank of Kyoto and each group company have come together to become the Kyoto Financial Group, and we are communicating our brand message of "Be a Wave Maker." This message is also directed at ourselves. It expresses our awareness that if we think seeking stability is sufficient, we will not be chosen by customers in the coming era and our determination to take up the challenge of new reforms.

The issues of the time evolve with the times, but we will continue to work with our customers to take on tough issues and aim to deliver sustainable growth for both our clients and the Group.

Value Creation through Leveraging Our Strengths

The Group is characterized by its core strengths of (1) a start-up and growth support function, (2) a strong financial base, and (3) a high-quality human resources base, as well as a strategy for market and service expansion, which has built (4) a wide-area market customer base and (5) a diverse solutions function. In response to the issues we recognize from the surrounding environment, we will meet the expectations of our stakeholders by improving economic and social value through these unique strengths to practice sustainability management and realize the sustainable growth of the community.



•Near-Term Goal

•Long-Term Goal

Social Value

(FY2030)	CO ₂ emission reduction (Scope 1 and 2)	Compared to FY2013 50 % decrease
	Sustainable finance	Cumulative ¥1 trillion

(FY2050)
Achievement of carbon neutrality

Sustainable growth of the local community

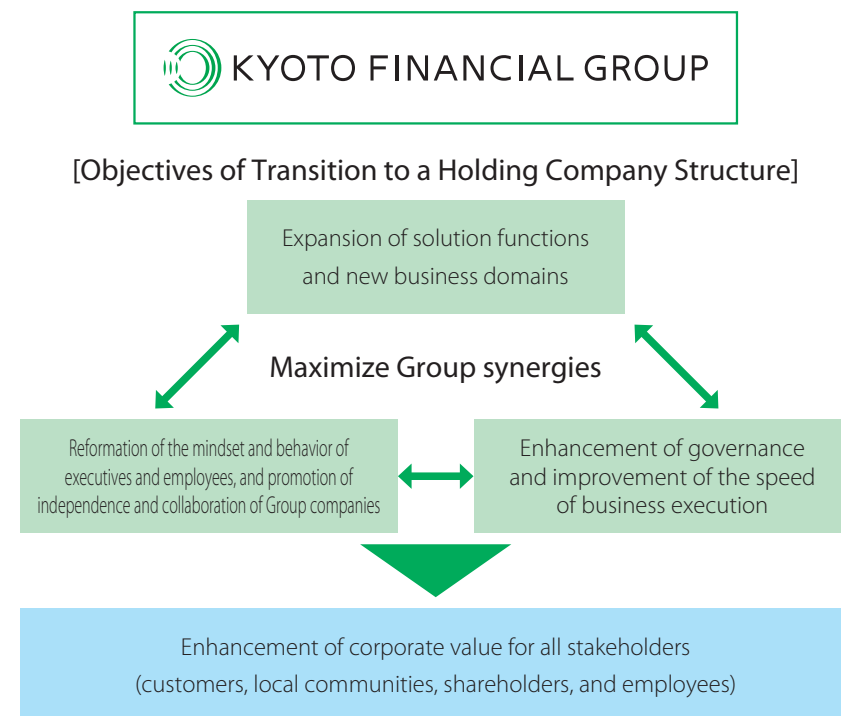
Sustainability management

Economic Value

	(Year ending March 31, 2026 targets)	(Targeted levels)
Net income attributable to owners of the parent (consolidated net income)	¥30.0 billion	¥50.0 billion
Capital-to-asset ratio (consolidated)	11 % range	About 11 %
ROE (shareholder's equity basis)	6 %	8 %
ROE (net asset basis)	3 %	5 %

In addition to social issues such as population decline, new issues such as responding to DX and the realization of carbon neutrality are becoming more apparent and the needs of local communities and customers are also changing. The role that the Group must play in contributing to the revitalization of local communities and continuing to grow with it is also changing significantly. In light of these circumstances, in October 2023, the Group transitioned to a holding company structure with the aim of “expansion of solution functions and new business domains,” “reformation of the mindset and behavior of executives and employees, and promotion of independence and collaboration of Group companies,” and “enhancement of governance and improvement of the speed of business execution,” in order to become a corporate group that can solve issues faced by local communities and customers by actively expanding non-financial functions, in addition to deepening financial functions.

■ Vision for the Holding Company Structure



|| Expansion of Solution Functions and New Business Domains

The needs and issues faced by local communities and customers are expected to become more diverse, complex, and sophisticated than ever before.

To respond quickly to these needs and issues, we are working to build a business model that will continue to grow with the community by further deepening existing businesses, expanding into new businesses, and strengthening mutual cooperation among Group companies.

Specifically, to further strengthen our capital business, we established Kyoto & Capital Partners in September 2023 to support and nurture startup companies that will lead the next generation of local economies, and to support the business continuity and development of companies facing issues such as lack of successors. The consulting functions that the Bank of Kyoto has been engaged in to date, such as SDGs, business succession, overseas expansion, and recruitment, were also integrated into Kyoto Soken Consulting in November 2023 to create a system capable of providing more specialized and comprehensive consulting services. In the future, we will continue to further grow as a comprehensive consulting firm.

Furthermore, we also plan to expand our leasing business through inorganic growth, which we have identified as one of our key strategies, by making Sekisui Leasing a consolidated subsidiary through the acquisition of shares in the company.

In addition, we will establish Kyoto Turnaround Servicer for the purpose of strengthening support functions for local business revitalization, etc., and are preparing to launch its business in October of this year, thereby expanding the Group's functions.

|| Reformation of the Mindset and Behavior of Executives and Employees, and Promotion of Independence and Collaboration of Group Companies

By creating an environment in which all of the Group's executives and employees, from the youngest to the most senior, can demonstrate and develop their individual abilities in a wide range of business areas that transcend the boundaries of Group companies, we aim to increase their motivation and expand opportunities for growth and success.

Specific initiatives are described in detail in "Human Capital Management" (p. 49), but by fostering a "hand-raising culture" through measures such as enhancing various open recruitment systems, we are working to revitalize the organization through appointments and assignments based on each employee's motivation and desires.

In addition, we are working to transform ourselves from a traditional bank-oriented structure into an organization that provides comprehensive solutions to local customers by further mobilizing the full power of the Group's functions, and we are working to realize career paths across the Group through more active exchange of human resources.

Through these efforts, we will promote the independent growth of Group companies and work aggressively to grow and expand our business and strengthen our profitability.

|| Enhancement of Governance and Improvement of the Speed of Business Execution

By transitioning to a holding company structure, we have separated supervision and execution in management, with the holding company focusing on strengthening group management and Group companies focusing on sales promotion, respectively, and are working to improve the speed of business execution and efficient business operations at each company, including the holding company. This enables efficient business operations based on management policies determined by the holding company, and also encourages the holding company to delegate appropriate authority to Group companies, thereby facilitating decisive decision-making by each company and improving the speed of business execution.

The holding company also supervises and supports the Group companies in terms of risk management and compliance, in addition to the status of their business operations, in order to maximize corporate value. In addition, Group companies are striving to enhance their independence and expertise to add value to the community and customers.

|| Establishment of Action Guidelines

On the occasion of the transition to the holding company structure, we have newly established a set of action guidelines to realize the vision we are aiming for.

"Face everything with sincerity" and "High aspirations" have been and will continue to be the foundation of the Group as a corporate group centered on a bank that puts trust first.

On the other hand, "Take on the challenge to reform" expresses our determination to take on the challenge to reform our corporate culture and take risks under the holding company structure.

To proclaim this commitment as the Group's stance, we have also formulated the brand message "Be a Wave Maker" and its accompanying statement.

Face everything with sincerity

We will face everything with sincerity and continue to be a trusted partner

High aspirations

We will meet your expectations on the strength of each individual's high aspirations and ability to make quick decisions

Take on the challenge to reform

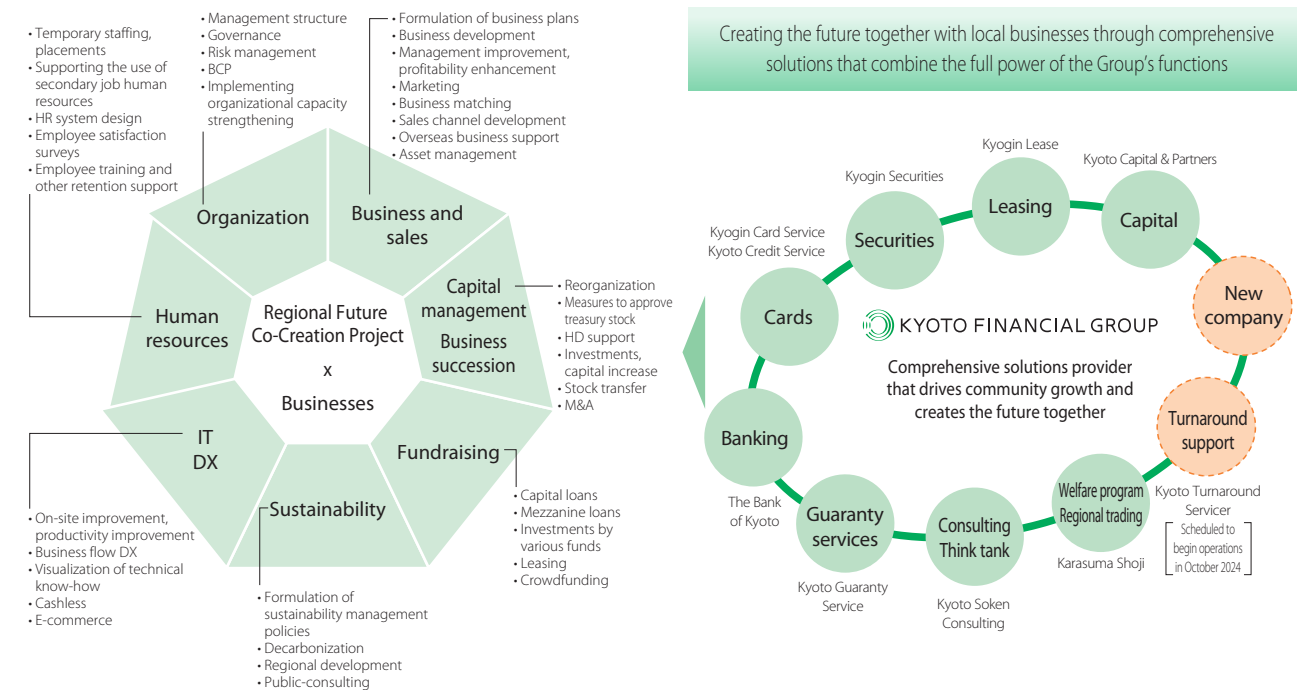
We will see social change as an opportunity for reform that connects to the future, and enjoy the challenge

Regional Future Co-Creation Project (Started in April 2024)

In the five prefectures of the Kinki region, which are the primary sales areas of the Group, there are many unique businesses with history, tradition, and technology, as well as many representative local companies that play a leading role in local industries. However, the number of companies closing due to aging or lack of successors remains high, and there are many issues to be addressed, including labor shortages. While we have always faced and addressed the issues faced by our customers, now we have launched the Regional Future Co-Creation Project to address these issues together with local businesses by providing comprehensive solutions that combine the full power of the Group.

In this project, we will establish a new investment framework of ¥100 billion and build future relationships with local companies through various financing initiatives that provide a sense of security and are not limited to conventional frameworks, such as capital loans and ultra-long-term loans.

Comprehensive Solutions for the Regional Future Co-Creation Project



New Business Creation Project "WILL" (Started in April 2024)

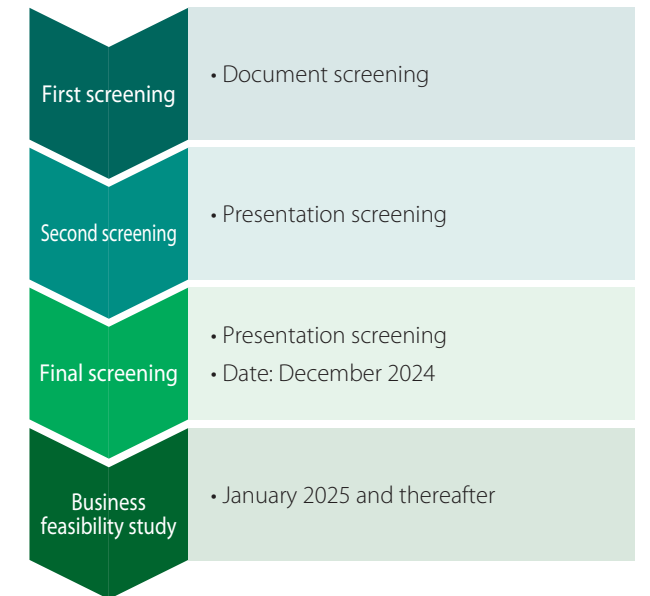
This project invites all executives and employees to submit business ideas, and the submitter of the accepted business idea is appointed as the project manager to study the commercialization of the idea.

In implementing this project, we hold seminars to foster awareness of the soil for new business creation, and hold meetings with outside experts to discuss ideas for new business creation. We are working to spread awareness of "Take on the challenge to reform" by providing not only project applicants but also a wide range of executives and employees with opportunities to gain knowledge about new business creation.

Application Themes

- Ideas that solve customer issues and revitalize the community
- Ideas that generate synergies with Group companies
- Ideas that can make sustainable communities a reality
- Other creative ideas beyond traditional banking operations

Schedule



Expansion of Business Domains

Establishment of Kyoto Capital & Partners

- [Date of establishment]** September 2023
- [Purpose of establishment]** To strengthen the expertise and functions of businesses related to the support and nurturing of venture companies, support for business succession, etc.
- [Business description]** Fund formation and management operations, Consulting services for investment target companies, etc. Business matching services for investment target companies, etc.

Establishment of Kyoto Turnaround Servicer

- [Date of establishment]** April 2024
- [Purpose of establishment]** To provide new financial functions within the Group to support more business partners to improve their business performance and regrowth
- [Business description]** Debt management and collection services, Debt purchase (business turnaround support) services

Acquisition of Sekisui Leasing as a Subsidiary (M&A)

- [Date of stock transfer]** June 2024
- [Shareholders]** Kyoto Financial Group (90%), Sekisui Chemical (10%)
- [Purpose]** To expand leasing business
- [Remark]** First M&A, including the Bank of Kyoto period

Starting Consulting Business at Kyoto Soken Consulting

- [Date of starting business]** November 2023
- [Purpose of starting business]** To promote consulting business across ten fields (management, decarbonization, IT/DX, human resources management, sales channel expansion/marketing, business succession, SDGs, overseas/trade, public, recruitment)



President,
the Bank of Kyoto, Ltd.

Mr. Yasui

The Bank of Kyoto leads the Kyoto Financial Group

Since its establishment in October last year, Kyoto Financial Group (“Kyoto FG”) has continued to take on new challenges with the goal of building synergies through strengthen the Group’s structure, such as restructuring the business of existing Group companies, establishing new business companies, and acquiring other companies. The Bank of Kyoto is the key to the effectiveness of these management strategies, and this belief is what motivates us to push forward. Among Kyoto FG’s group companies, it is our sales representatives that have the most contact points with our customers.

By promoting a strategy of expanding geographic coverage under the banner of a wide-area regional bank, the Bank’s branch network has expanded to the five prefectures of the Kinki region (Kyoto, Osaka, Shiga, Hyogo, and Nara), as well as Aichi and Tokyo, and each branch has developed community-based activities within each region. Kyoto FG’s future growth will be determined by the ability of our employees to play the role of coordinators as they guide customers to the most appropriate services to meet their diversifying issues and needs, based on the extensive customer base we have built. Based on this way of thinking, I passionately communicate to everyone in the Bank, from new employees to branch managers, that it is our mission to serve our customers even better by fulfilling our role as coordinators.

More than half a year has passed since we founded Kyoto FG. Of course, there are still many issues to be addressed, but I am hearing more and more from young employees when I visit their branches that they have been able to make new and novel proposals, and that they are meeting with happy customers. We will strive to accelerate the growth of Kyoto FG as a whole, with the Bank of Kyoto playing a leading role, by providing as many young employees as possible with this kind of experience and further revitalizing the organization.

Turning Change into Chance

The long period of deflation is over, and an era of rising prices has arrived. The negative interest rate policy has been lifted and we are moving toward a world with positive interest rates. The yen is at an unprecedented low. With these major changes, the post-COVID era should be seen as entering a new age. It is not enough to merely overcome these changes; we must see them as opportunities for further growth and advancement of the Bank.

During the long period of monetary easing, especially the negative interest rate policy, many local banks in the regional banking industry have been restructuring and consolidating their branches on a large scale to cope with the challenging business environment in which branch profitability is deteriorating. In response to these changes, the Bank has been working to maintain its branches through various measures. These include organizing the regional group sales structure (consolidation of business loan customers into controlling branches, etc.), improving branch operating efficiency (relocation of branches to public office buildings, transition to branches within stores, etc.), making effective use of branches (reducing operational costs by incorporating hotels or rental dormitories), and establishing specialized-function locations (establishment of corporate offices, Inheritance and Asset Succession Consulting Plazas, etc.). Of course, we face the same challenging situation as other banks, but we see that our branches and offices, our contact points with customers, continue to be an important foundation to support growth from a medium- to long-term perspective.



In light of our focus on solving customers’ issues by expanding consulting and other high value-added services, we decided that the presence of branches and offices have an indispensable role to play. Since then, the need for consulting services has steadily increased for both individuals and corporations, and has become a growth driver for our Bank, and we are confident that this area will continue to expand.

As we move toward a world with positive interest rates, deposit and loan business operations are also expected to be growth drivers. The ability to procure highly sticky deposits at low cost will be a common theme in the banking industry, but we feel that the Bank’s brand power, backed by its exceptional soundness and the convenience and security of having a branch nearby, will give it a competitive advantage. Of course, loans can be further accumulated by taking advantage of our extensive customer base. We will continue our efforts to manage our business by linking changes in the environment (change) to opportunities (chance) for our Bank.

It Is Better to Try Something and Fail than to Try Nothing and Succeed

Since assuming the position of President, I have consistently told our employees, “It is better to try something and fail than to try nothing and succeed.” Maintaining the status quo is the beginning of decline. These words express my hope that everyone should actively challenge themselves in everything they do. I would rather find value in trying something and not succeeding than standing still in fear of failure and living with thoughts of “if only I had given it a shot...” I tell our employees that even if they fail, they should use it as a learning experience. I also reassure them that the management foundation of the Bank of Kyoto is resilient and not easily shaken by minor setbacks, encouraging them to stay motivated.

If the needs of customers and society change drastically, but the organization remains ossified and unchanging, it will inevitably fall behind its competitors.

The Bank of Kyoto will continue to aggressively and boldly take on challenges to exceed customers’ expectations, leading to our own growth and the growth of Kyoto FG.

Initiatives for Human Capital Management

Human Capital Management as a Human Resources Strategy

Under the management philosophy of “Serving the prosperity of the community — drive community growth and create the future together” the Group has been working on various measures with a flexible response to rapid changes in the environment and an aggressive and bold attitude to take on new challenges.

One of the key strategies to achieve its management principle is a human resources strategy.

The Group has consistently developed its human resources strategy based on the belief that “people are assets and the source of corporate value enhancement.” Human capital management, which has been the focus of attention recently is not something that will change the Group’s existing approach to human resources strategy, but rather something that should be inherited and further strengthened from its existing approach and initiatives.

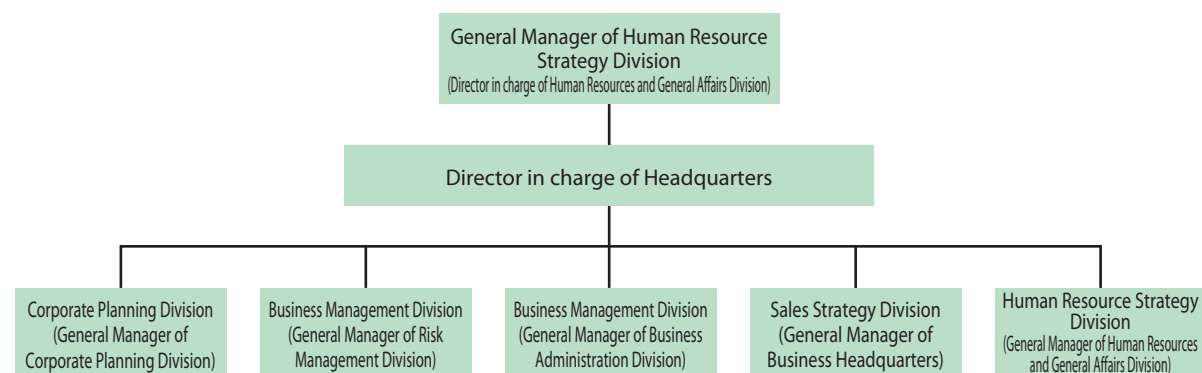
Human Capital Management Practice Project

In the New 1st Medium-Term Management Plan of the Bank of Kyoto, which started in April 2023, the Human Capital Management Practice Project was launched and taken over by the Company. We view the practice of human capital management as an important management theme, and will strive to enhance our corporate value by providing value to local companies and customers by promoting the growth and success of our human resources and increasing employee engagement more than ever before.

In order to organically link management strategy and human resources strategy, the Human Capital Management Practice Project Meeting, chaired by the General Manager of the Human Resource Strategy Division and attended by directors, is held on a regular basis. Through active discussions, the Company responds to various management issues in an appropriate and agile manner.

<Composition of the Human Capital Management Practice Project Meeting>

Note: Positions in parentheses are titles at the Bank of Kyoto.



In practicing human capital management, the key is improving the engagement of all employees. The Group defines engagement as the degree of compatibility between the company and its employees.

By improving employee engagement, we are able to provide higher quality solutions to our local customers, which in turn increases the corporate value of the Group. This also allows us to invest in new human resources, which leads to employees continuing to grow and succeed.

As mentioned above, the Group has always responded in a timely and appropriate manner to management strategies and has developed human resources strategies. We will present the history of our past initiatives and their results, and then outline the actions we are currently working on and our future goals.

History of Linkage with Management Strategy — Human Resources Strategy before the Transition to Holding Company

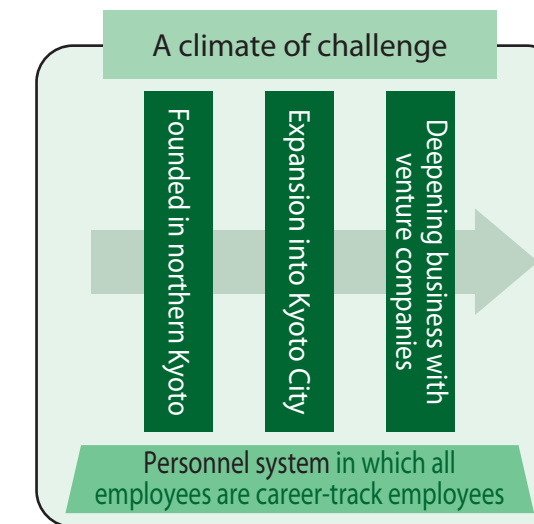
A Climate of Challenge

The Bank of Kyoto was founded in 1941 in Fukuchiyama City in the northern part of Kyoto Prefecture, and due to the background of the relocation of its head office to Kyoto City in 1953, it was not easy to acquire a customer base in Kyoto City.

In this environment, the Bank of Kyoto has been proactively pursuing transactions with manufacturing companies, or so-called venture companies, that have been in business for some time. As these companies have grown into the large corporations now known as Kyoto companies, the Bank of Kyoto has been able to grow with them.

One of the reasons behind the Bank of Kyoto’s challenge is its personnel system in which all employees are hired as career-track employees. Through this, we have created an environment in which all employees can gain a wide range of work experience and maximize their own abilities.

The DNA of challenge, nurtured by a personnel system that enables each employee to take on challenges, has been passed on as part of our corporate culture.



Responding to Expansion Strategy as a Wide-Area Regional Bank

In the 1990s, when the entire financial industry was plunged into adversity due to the bad loan disposal problem caused by the bursting of the bubble economy, the Bank of Kyoto was quick to set its sights on the disposal of bad loans, turning the tables in the face of adverse market conditions.

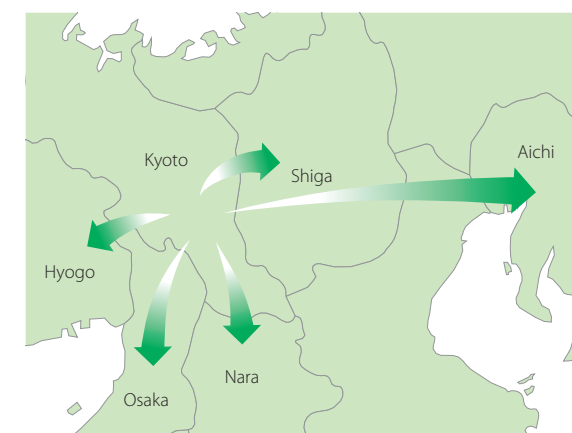
Since opening our first branch in Shiga Prefecture (Kusatsu Branch) in 2000, we have proactively opened branches outside Kyoto Prefecture, not only in Shiga and Osaka Prefectures, but also in Nara, Hyogo, and Aichi Prefectures, under the slogan of “a wide-area regional bank.” At the time, the baby-boom generation was approaching retirement age, and the training of managers, especially branch managers, was an urgent issue.

In this environment, in order to develop human resources strategies linked to management strategies, we have promoted (1) revision of the personnel system to encourage all employees to take on challenges, (2) promotion of female employees, senior employees, and mid-career hiring to train managers, and (3) aggressive new graduate hiring to secure human resources.

In particular, the Bank of Kyoto has been proactively promoting diversity, equity, and inclusion (DEI), including the promotion of women’s activities, as an essential initiative to realize its management strategy.

(1) “Revision of the Personnel System”

The personnel system was revised in 2003, focusing on the following points, and this revision was a major step forward in terms of promoting DEI.



Eliminated the system of salary increases based on age

In an environment where seniority-based salary systems were the norm, we eliminated fixed salary increases after the age of 30 and created a salary system based on work and role to ensure fair treatment.

Established a self-application system for promotion requests

In addition to a single-line personnel system, we have established a self-application system for promotion requests in order to realize a system that enables the promotion of excellent human resources regardless of age or gender and eliminates the seniority-based system. Promotion is based on the motivation of each employee at each stage of their career.

(2) Promotion of female employees, senior employees, and mid-career hiring

Promotion of female employees

In 2007, we launched the Women's Career Support Project to support female employees in balancing work and childcare, and to develop female managers. In particular, by establishing a support system that exceeds legal requirements, such as a childcare leave for up to four years, we are creating a workplace environment in which female employees can work permanently and promote their career advancement.

As a result of these efforts, the ratio of female managers increased from 3.7% in 2007 to 15.4% by March 2024.

In recognition of these efforts and achievements, in April 2016 we became the first company in the Kansai region to receive the highest level of Eruboshi certification under the Act on the Promotion of Women's Active Engagement in Professional Life, and in August 2019 we received Platinum Kurumin certification.

Promotion of senior employees

We have expanded the Senior Advisor System to ensure that employees who reach the mandatory retirement age of 55 can continue to leverage their experience and remain highly motivated in their roles. Additionally, we have been promoting the active participation of those who are rehired after the age of 60.

In addition, in 2014, we established the Active Senior Program and, currently, this program allows employees to work until the age of 75.

Promotion of mid-career hiring

We proactively hire mid-career employees who came from other financial institutions and other organizations, capturing the work-life balance needs of those who wanted to live and work in the Kansai region.

Today, many of our mid-career employees hold executive officer and general manager positions (office managers).

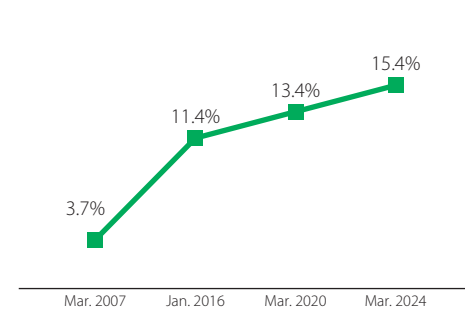
(3) Aggressive new graduate hiring

In contrast to other financial institutions that have aggressively hired part-time and other non-permanent employees amid the increasingly difficult environment for financial institutions, the Bank of Kyoto has significantly increased its hiring of new graduates in order to expand its sales force and thus train future managers and ensure a stable workforce.

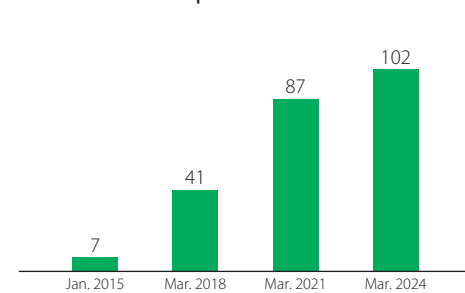
Over the past 15 years since opening in Shiga Prefecture in 2000, we have continued to hire 200-300 new graduates. As a result, as of April 2011, the percentage of employees in their 20s has increased to 50% of the total workforce, making it a very young and dynamic organization.

The total number of employees has also increased from 2,600 to 3,400.

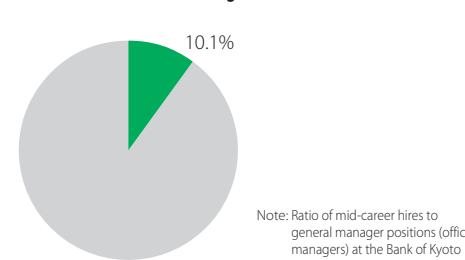
Percentage of Women in Management Positions



Number of People Active as Active Seniors



Percentage of Mid-career Hires in General Manager Positions (Office Managers) (As of March 2024)



Number of New Graduates Hired



History of Linkage with Management Strategy — Focus on Human Resource Development

Amid the demand for management personnel for new store openings and new operations, we have secured personnel through aggressive new graduate hiring and have focused most of our efforts on human resource development.

Establishment of a Banking College

In 2010, we established a Banking College as an in-house school to foster a corporate culture in which all employees learn proactively, practice what they have learned, and pass it on to their juniors, as well as to focus on human resource development. In addition to sector- and level-specific training for all employees, we offer a number of holiday courses for voluntary participation. We have been promoting the development of human resources who can truly serve our customers in the community through an education and training system designed to develop not only business skills but also human qualities.

Establishment of Training Facility, Kyoto Banking College Katsuragawa Campus

In 2014, a new training facility, Kyoto Banking College Katsuragawa Campus, was established. We proactively promote the development of human resources not only by enhancing our systems, but also by expanding our facilities and equipment. These include a Main Hall that can accommodate 500 people at a time, a Mock Store where employees can practice customer service in an environment that resembles a real store, and a Career Support Room where employees with children can take classes with their children.

<Reason for the establishment of a Banking College>

- (1) The purpose of this college is for students to acquire the advanced expertise required of employees of the Bank of Kyoto and to develop human resources who will serve the local community.
- (2) Students shall strive to improve their ability to gather information, accurately perceive social changes, think independently, and find their own direction.
- (3) Students shall strive to cultivate character, and to develop the discernment, grace, and sincerity of a leader in the community.



History of Linkage with Management Strategy — Response to the Expansion of Business Domains

From Area Expansion to Business Domain Expansion

In 2017, the number of branches exceeded 170, and while the bank is now emerging as a wide-area regional bank, the Bank of Kyoto has turned its attention to expanding its business domain. Since the 2000s, we have expanded our services to include M&A and business succession. This, together with the launch of Kyogin Securities operations in 2017 and the Bank's own entry into the trust business in 2018, has enabled us to provide one-stop banking, securities, and trust services. Since then, we have continued to expand our solutions business.

Reallocation to Sales Personnel in Line with Productivity Innovations

In this environment, in order to implement more efficient and effective staffing, the Productivity Innovation Headquarters was established in February 2017 to promote the reallocation of administrative personnel to sales personnel by improving administrative efficiency. Through these efforts over the past three years, we have improved efficiency and reduced clerical work at branches, and have promoted human resource development and shifted personnel from clerical work to sales.

Further Expansion of Business Domains Following the Transition to a Holding Company

In order to respond to the expansion of new business domains following the establishment of the Kyoto Financial Group in October 2023, we are creating a variety of jobs and careers throughout the entire Group as fields of activity. While all employees share the management principle as a guideline, we will strengthen our initiatives for human capital management to create an environment in which a more diverse range of human resources can play an active role than ever before.

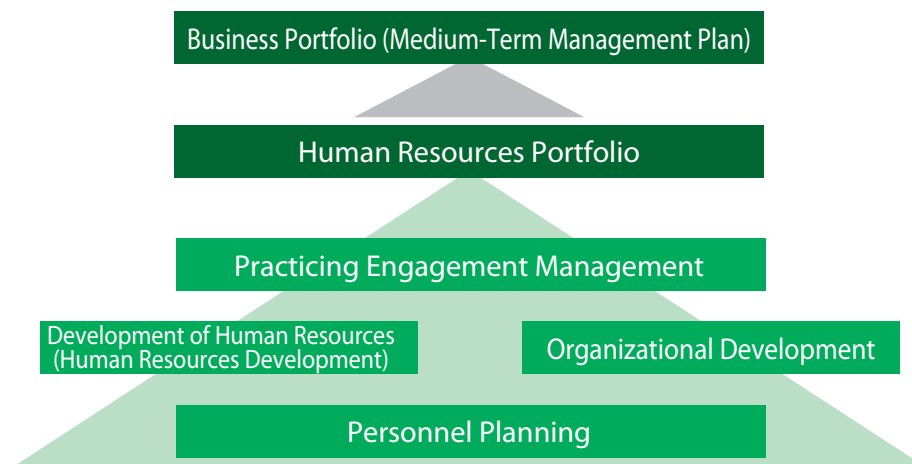
Linkage with Management Strategy — Practicing Human Capital Management

Basic Approach to Practice Human Capital Management

<Human Resource Management Policy>

In order to optimize the human resources portfolio from a medium- to long-term perspective toward the Kyoto Financial Group's vision, we will secure appropriate personnel and assign them to the right places with the right resources (personnel planning), and then actively develop human resources (human resources development) and create workplaces that are rewarding to work in (organizational development).

This will raise the engagement of all employees (engagement management) and develop an organization in which employees and the Company both grow and increase corporate value through the dynamic performance of diverse employees with specialized skills.



Sector	Priority themes
Practicing engagement management	<ul style="list-style-type: none"> Conducting engagement surveys Conducting pulse surveys Introduction of 1-on-1 meetings Ongoing implementation of 360-degree feedback Promotion of various measures based on surveys
Human resource development	<ul style="list-style-type: none"> Common goal: "The image of the bank employee we should envision" Expansion of human capital investment Development of specialist human resources by utilizing outside dispatch Support for acquiring certifications Introduction of the "internal accreditation system"
Organizational development	<ul style="list-style-type: none"> Revitalization of "hand-raising culture" and active human resource exchange among Group companies Diversity, equity, and inclusion (DEI) Initiatives for well-being
Personnel planning	<ul style="list-style-type: none"> Diversified hiring Development and allocation of the right people in the right places

Linkage with Management Strategy through the Human Capital Management Practice Project

Following the transition to a holding company structure, in FY2024, the Group intends to achieve a transformation of its corporate culture through aggressive risk-taking in a wide range of business domains.

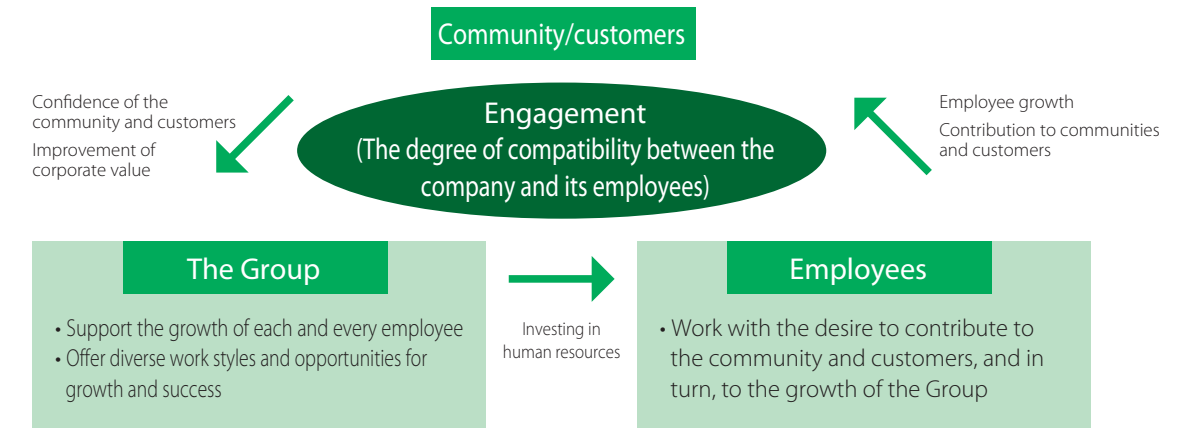
Under the Human Capital Management Practice Project, project meetings are regularly held with the participation of executives to practice human capital management by linking management strategies with human resources strategies, and we will develop human resources strategies more proactively and from multiple perspectives.

Engagement Management — Aiming to Maintain and Improve Engagement Scores

Engagement Management

Through the Group's support for the growth and activity of its employees, we will foster an organizational culture in which all employees will work autonomously toward their own growth and success, being more enthusiastic towards work and more willing to contribute to the bank than ever before, leading to increased corporate value.

Engagement Management Diagram



Ascertain Engagement Scores

Conducting engagement surveys (employee awareness survey)

In August 2023, we conducted the first employee awareness survey at the Bank of Kyoto to survey and ascertain the state of engagement. The engagement score* ascertained is 4.20 (on a 5-point scale), and various measures are being implemented to maintain and improve this score.

The Engagement Survey had a total of 79 uniquely designed questions, divided into three categories of "Company/Organization," "People/Team," and "Work/Career," which are then analyzed to identify issues throughout the organization and to promote measures to resolve them.

Engagement Score

Results (August 2023)	4.20 (out of 5)
Target	Maintain and improve scores for the year ended March 31, 2024

* Engagement score: Scored on a 5-point scale in response to the question, "I am motivated to work with a desire to contribute to the growth and development of the Group."

Conducting pulse surveys

A simple survey that has been conducted monthly since October 2023. It consists of a total of 5 to 10 questions, both regular and spot questions, to ascertain employee motivation and reactions to measures.

Based on the results, we promptly apply them to the development of subsequent measures. It is also used as a communication tool so that the head of the division can ascertain each employee's situation and follow up appropriately.

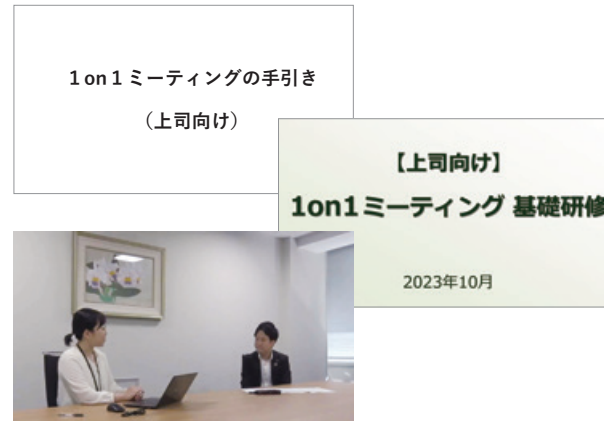
In the future, we will work proactively to understand scores throughout the entire Group and to promote various measures by further utilizing the results of the survey.

Measures to Promote Engagement Management

Introduction of 1-on-1 meetings

1-on-1 meetings have been introduced since November 2023. Through monthly interviews, supervisors listen to their subordinates and help them resolve various concerns and issues, as well as promote experiential learning, with the aim of enhancing their growth success and, ultimately, their engagement.

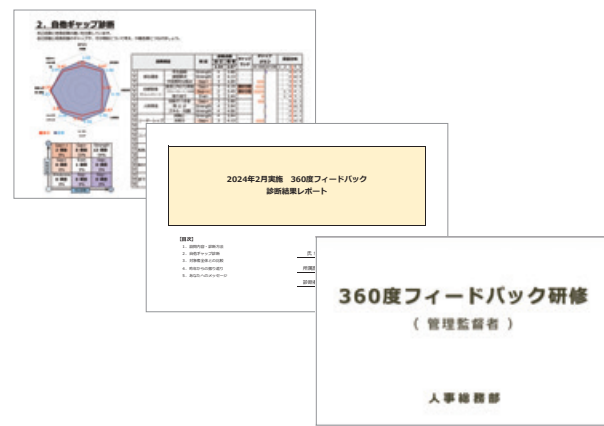
The introduction of these measures started with training for all general manager and the posting of a guidebook on interviewing methods, and other efforts were made to promote awareness of the purpose of the system and to help employees acquire interviewing skills.



Ongoing implementation of 360-degree feedback

Starting January 2022, we are implementing the 360-degree feedback program. The purpose of the program is to promote spontaneous behavior change, human resource development, and organizational revitalization by diagnosing the subject's behavior from multiple perspectives (supervisor, peer, and subordinate) and providing feedback from multiple perspectives.

All employees, with the exception of temporary employees at management position and above, are encouraged to create and implement action plans based on annual diagnoses to change their behavior and ultimately improve their workplace.



Each Measure Based on the Surveys

Revision of the personnel system based on engagement surveys

In FY2023, based on the results of these surveys, we have decided to revise our personnel system, including compensation improvements, as follows.

In particular, wage increases were implemented mainly for young employees and senior employees, reflecting the feedback of employees.

<Major revisions>

Raise wages, especially for young employees and senior employees	Restructure the wage curve by raising the compensation of young employees
Eliminate age requirements for promotion and advancement	Promote and allocate 80% or more of employees based on their requests, such as through an open recruitment system
Create career open recruitments for senior employees	Extend the period for the childcare shortened working hour system

Improvement of the work environment based on the pulse surveys

Based on the results of our monthly pulse survey, we are also working to improve the workplace environment, including further enhancement of the IT and systems environment. Internet usage has been increasing due to the use of various systems, and in response to a lot of feedback requesting improved environments, the Group will expand investment in IT equipment and systems to create a workplace environment that is rewarding for each and every employee.



Human Resource Development — Practicing Proactive Human Capital Investment

Common Goal: “The Image of the Bank Employee We Should Envision”

In order to respond to changes in the environment surrounding financial institutions and to change the corporate culture by reforming the awareness and thinking of employees throughout the entire Group, we have set a common goal of “The image of the bank employee we should envision” and each employee aims to achieve that goal, while supervisors train their subordinates to achieve their goals.



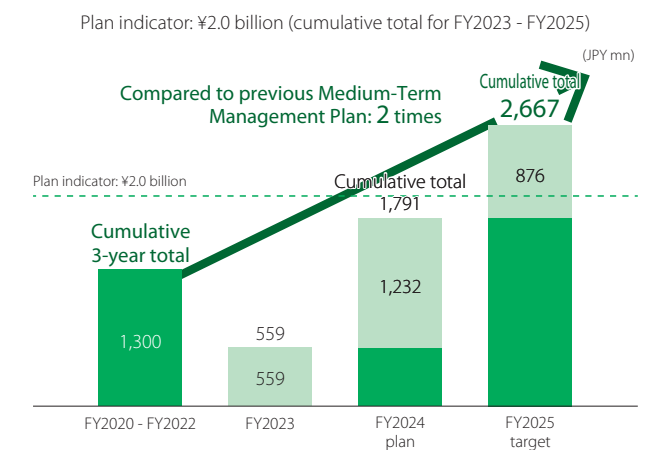
Human Capital Investment

We focus on investing in human capital by developing our employees through extensive training and support for acquiring certifications.

In FY2023, we invested ¥559 million in human capital in a single year. The amount per employee is ¥161 thousand, an increase of ¥38 thousand from FY2022.

The original plan indicator called for a three-year cumulative total of ¥2.0 billion, but this amount has been increased to more than ¥2.6 billion. We are proactively investing in our human resources and are further increasing these investments to accelerate their development.

Specifically, we are working on the following individual measures.



<Human resource development measures>

Sector	Measures
Job-specific training	Offer job-specific training according to each person's rank of mastery
Development of specialist human resources	Develop specialist human resources by utilizing outside dispatch
Support for acquiring certifications	Strengthen consulting capabilities and respond to business sophistication
Rank-specific training	Implement rank-specific training with a focus on young employees
Human resource exchange	Improve coordination of Group functions
Creating an environment for self-improvement	Provide holiday courses in a wide range of sectors and by rank of mastery Use online learning platforms (e.g., Udemy)

Offer Job-Specific Training According to Each Person’s Rank of Mastery

For job-specific training, we guide employees to the appropriate level of training according to their job responsibilities and skill acquisition status (My Skill check rank). Employees can choose the appropriate training based on their own skill rank and interests. We provide our employees with an environment for personal growth and support their continuous learning and skill acquisition to maximize their individual abilities.

Typical Training by Sector/Skill Rank

Sector	Beginner level	Intermediate level	Advanced level
Corporate general sales	Corporate General Sales Beginner Level Program	Corporate General Sales Intermediate Level Program	Corporate General Sales Advanced Level Program
Consumer general sales	Consumer General Sales Beginner Level Program	Consumer General Sales Intermediate Level Program	Consumer General Sales Advanced Level Program
Operations & financing	Job-Specific Basic Training	Core Administrative Human Resource Development Program Intermediate Level Course	Core Administrative Human Resource Development Program Advanced Level Course

In addition, training for the use of document generation AI is provided to all employees in order to improve operational efficiency. Employees belonging to various divisions in the head office, have taken the course ahead of others, and are also promoting the use of generative AI.

Development of Specialist Human Resources by Utilizing Outside Dispatch

In addition to internal training, we also dispatch employees outside the Company to gain experience in business companies with different climates and to acquire knowledge at universities and other institutions, thereby enabling them to gain a broad perspective. This allows employees to grow and learn from different perspectives through different environments and experiences. We support the acquisition of diverse skills and knowledge by our employees to strengthen the organization’s capabilities.

Example of dispatch destinations
 ...megabanks, universities (MBA, data-driven sectors), consulting firms, PE funds, M&A advisory, etc.

Support for Acquiring Certifications

Aiming to improve our specialization and skills, we also focus on supporting the acquisition of various certifications. In acquiring certifications, we provide subsidies for examination fees (incentive payments), hold lectures on holidays, and distribute video content for independent study to further enhance the culture of learning proactively, thereby supporting employees’ active efforts to acquire certifications.

Strengthen Consulting Capabilities

(March 31, 2024)

CFP/FP Level 1	595 employees
AFP/FP Level 2	2,024 employees
Small and Medium Enterprise Management Consultant	16 employees
Securities analyst	24 employees
Carbon Accounting Advisor Level 3 <small>(Basic-Level Advisor for Decarbonization (Approved certification by MOE Japan))</small>	1,164 employees

Sophisticated Business Operations (Auditing, Cybersecurity, Etc.)

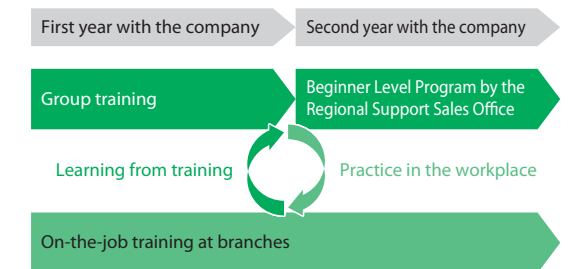
(March 31, 2024)

Certified Internal Auditor (CIA)	3 employees
Certified Information Systems Auditor (CISA)	1 employee
Registered Information Security Specialist (RISS)	1 employee

Hierarchical development at the Bank of Kyoto, focusing on young employees

We have a system in place to develop and support new employees for the first two years of employment. During the first two months after joining the company, employees learn basic knowledge of the business and manners as a member of society through Group training. During the first year, they will work to acquire customer service skills through a cycle that combines monthly training sessions and on-site practice. In the first year of employment, a senior banker from the Banking College tutors each employee and follows up with them as the person in charge at the head office who can be consulted close at hand. In addition to on-the-job training by supervisors and senior staff in the workplace, the Regional Support Sales Office, which is a department for fostering young sales representatives within the Banking College, will also provide support when starting activities as a sales representative. The Regional Support Sales Office provides not only training for knowledge acquisition, but also support according to each individual’s learning status by providing on-site guidance by the head office supervisor. After the third year, we continue to support employee growth by providing year-round, rank-specific training for all levels of employees. We are developing training programs by job level for the purpose of acquiring the skills and knowledge necessary for each job level, from young employees to senior executives and general managers.

Development System for the First Two Years of Employment



Improved Coordination of Group Functions through Human Resource Exchange

In addition to acquiring job-specific knowledge and skills, through human resources exchange with Group companies in training, we are working to improve our coordination skills in order to make the best use of Group functions and offer optimal proposals to our customers.

Creating an Environment for Self-Improvement

Holiday courses in a wide range of sectors and by rank of mastery

We also offer a number of voluntary holiday courses. This allows many employees to work on improving their own skills. We also offer a number of holiday courses by job and skill rank, as well as courses to improve PC skills and to acquire knowledge related to gender and diversity. We have created an environment in which participants can acquire a wide range of knowledge and skills, and develop each person’s ability to adapt to a changing environment.

Maintenance of self-improvement tools

We have introduced online self-study tools such as e-learning and video content. In addition, we have introduced a new online learning platform (Udemy) to create an environment where employees can acquire not only knowledge related to the Group’s operations, but also knowledge in a wider range of sectors.

Internal Accreditation System at the Bank of Kyoto

Changes in the social environment and the diversification of customers’ needs have made it essential for sales staff to have the skills to provide advice tailored to each customer, and we have focused on developing consulting human resources, to improve the skills of each individual.

Under such circumstances, the internal accreditation system has been established to promote independent efforts for skill development and self-improvement for the growth of each individual by clarifying the goals to be attained for each job-specific task in charge and the goals for certification and passing examinations. For certification, we combine the acquisition status of job-specific skills (My Skill check rank) and certification examinations to certify human resources who are able to utilize advanced specialist knowledge.

Examples of Internal Accreditation

(March 31, 2024)

	Sector	Number of certificated persons	Target
Consulting human resources	Corporate general sales and consumer general sales	763 employees	1,000 employees
Digital Supporters gold certification	DX	1,429 employees	1,000 employees

Organizational Development

Revitalization of “Hand-Raising Culture” and Active Human Resource Exchange among Group Companies

Creation of a career challenge system

With the establishment of the Kyoto Financial Group, we are creating a variety of jobs and careers throughout the entire Group as the field of activity in order to respond to the expansion of new business domains. Under these circumstances, we have established the career challenge system as an open recruitment system of human resources, including those from Group companies, in order to encourage a “hand-raising culture” so that all employees can be more motivated in their work. Specifically, we hold job and career forums as briefings for employees and in-house internships as opportunities for work experience, and we also conduct open recruitment of human resources as part of our new career challenge system. Through these efforts, we are developing career and human resource development based on the motivation of each individual.

Learn

677 participants

Job and career forum

The event was held in January 2024 as an opportunity for participants to interact with those in charge and learn about the operations of Group companies and various divisions in the head office. Despite being a voluntary event held on a holiday, a total of 677 employees participated, thinking about their own careers and interacting with many of the people in charge. We will continue to hold this event once a year.



Experience

164 participants

In-house internships

This program was held in the second half of FY2023 to support future career development and growth by deepening interest and understanding through learning and hands-on experience of requested Group companies and headquarters operations. A total of 164 employees who requested the program were accepted at many Group companies and divisions in the head office. We will continue to hold this event annually.



Challenge

138 applicants

Career challenge system

We have reorganized and restructured the various existing open recruitment systems and created a new human resources open recruitment system targeting young and senior employees, including those at Group companies. In the first year, a total of 138 applicants applied to attend and we are promoting the appointments one by one.

Promotions and allocations based on the individual’s motivation and requests

To date, we have operated a self-reporting system under which each employee reports their work and future wishes once a year and meets with his or her department head in order to realize the promotion and allocation of responsibilities based on their own requests.

In the current Medium-Term Management Plan, we have set a target of “80% or more of the total number of employees to be promoted and allocated based on their requests, such as through the open recruitment system, etc.” and are working to realize personnel transfers based on the requests of each individual employee. The actual result for the fiscal year ended March 31, 2024 was 90.2%.

Promotions and Allocations Based on Requests, Such as through the Open Recruitment System

Targets for the three years to March 2026	80% or more
Results (March 2024)	90.2%

Activation of human resource exchange among Group companies

As the field of activity of our employees expands throughout the entire Group, we are promoting the revitalization of human resource exchange among Group companies in order to build trust and strengthen cooperative relationships among employees working throughout the Group and to maximize the results of each company. Our goal is to achieve human resource exchange among Group companies of 1,000 personnel over a three-year period, with a total of 468 personnel in FY2023.

Human Resource Exchange among Group Companies

Cumulative target for the three years through March 2026	1,000 employees
Results (by March 2024)	468 employees

Diversity, Equity, and Inclusion (DEI)

Initiatives for gender diversity

As mentioned above, we have been continuously addressing gender diversity in the past, and in the current Medium-Term Management Plan, we are working on it as the Designing the Future Program. Through the activities of the monthly working groups, we are planning and drafting plans that incorporate the feedback from female employees regarding areas of activity for women and training for the development of corporate general sales personnel, with the aim of expanding opportunities for women to play an active role in the Company.



We also encourage male staff to take parental leave, and all eligible employees took such leave in FY2023.

For those who are scheduled to take maternity leave, we provide opportunities to learn about support systems for balancing work and family life as well as to hear from senior employees about their experiences, and for those who have taken childcare leave, we regularly hold lectures to ensure a smooth return to work, among other initiatives.

Regarding wage differences between males and females, salaries are determined according to job roles, and there is no difference in wages between males and females. Seniority factors are also eliminated, except for young employees in their early 20s. In this context, wage differences have arisen due to such factors as differences in the composition of personnel by position between males and females.

Looking at wage differences by job position for full-time workers, they are generally at 90% or higher, but overall they are at 70% of the level.

Going forward, we will work to eliminate wage differences by raising the ratio of female in management positions.

Wage Differences between Males and Females in Full-Time Employment

(March 2024)

Supervisors	93.1%
Managers (Deputy, Section Chief)	89.1%
Chief, General	102.7%
Full-time employees as a whole	70.1%

Note: Wage differences at the Bank of Kyoto

Raise compensation for senior employees and support their activities

A full-time position system has been established to treat employees after the age of 55, when they reach retirement age. Previously, employees, excluding board members, were shifted to the full-time position system when they reached the age of 55. Rather than uniformly changing roles and positions at age 55, we will raise compensation by revising the system to enable employees to continue to demonstrate their accumulated experience and abilities.

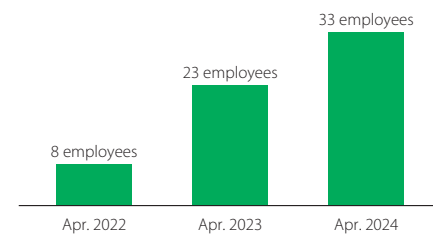
In addition, an Active Senior Program was established to allow retirees over 65 years old who are willing to work, and from April 2020, they can work until a maximum age of 75. Currently, more than 100 employees throughout the entire Group are working under this program.

Promotion of specialists (professional system)

In October 2021, we established a professional system to promote particularly outstanding human resources who demonstrate outstanding expertise in their respective sectors and who request to work or apply for career advancement as a specialist.

We promote them every April, and as of April 2024, there are 33 professionals working throughout the entire Group.

■ Number of Professional Promotions



Activity sector:

Business succession, M&A, trust, investment finance, market management, venture investment, system-related, internal audit, risk management, etc.

Initiatives for respect for human rights and prevention of harassment

Recognizing the importance of respect for human rights in responsible corporate activities, in June 2024, we established the Human Rights Policy as a guideline for action on human rights for stakeholders in all our business activities.

Every year, through group training for all employees and in-work training, we work to eradicate various forms of discrimination and ensure that our initiatives for zero harassment are thoroughly implemented and that awareness of human rights is firmly rooted.

As part of this effort, we receive more than 3,000 entries from employees each year for the Human Rights Awareness Slogan contest sponsored by the Japanese Bankers Association.

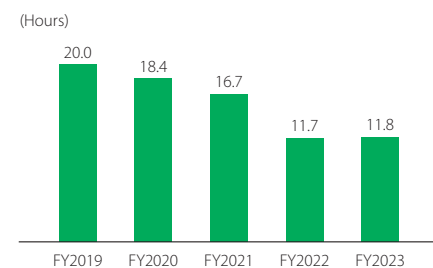
■ Diverse work styles

Introduction of flextime system and select work

In April 2021, we introduced a select work schedule (staggered working hours) mainly for employees in branches and a flextime system mainly for employees of the headquarters, in order to implement a new work style in which employees proactively fulfill their own roles.

We have also introduced telecommuting after the COVID-19 pandemic. By introducing these diverse work styles, overtime hours have been reduced, and we are working to create a more comfortable work environment.

■ Changes in Overtime Hours per Employee



Note: Average overtime hours worked by full-time employees, excluding supervisors at the Bank of Kyoto

■ Initiatives for Well-Being

Increasing employee happiness and joy of work leads to the provision of high-value-added services to customers, thereby increasing corporate value.

For this reason, we are strengthening our commitment to well-being, aiming for a better physical, mental, and social state of mind.

Initiatives for health management

Based on the belief that mentally and physically healthy employees, who are the supporters of our customers, are the key to providing high-quality financial services to our customers, we have established the Health Management Declaration and are working to maintain and promote the health of our employees.

Specifically, we are promoting various initiatives such as individual consultations with employees who work long hours, individual health guidance based on the results of health checkups, complete non-smoking on the premises and during working hours, and counseling by a clinical psychologist.

In addition, in collaboration with health insurance associations, we have established a system that encourages employees to voluntarily engage in health promotion by offering free physical examinations with subsidies from the Bank of Kyoto Mutual Aid Association, and by organizing walking events.

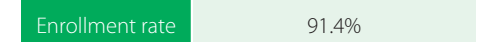


■ Scene of the Financial Well-Being Seminar



■ Percentage of Employees Joining Employee Stock Ownership Plans

(As of July 2024)



Note: Enrollment rate throughout the entire Group

Asset formation support initiatives

To support employees' asset building, we have established an employee stock ownership plan, an employee savings scheme, a defined benefit (DB) pension plan, and a defined contribution (DC) pension plan. In particular, the participation rate of the employee stock ownership plan is high at 91.4%.

In addition, the Company holds Financial Well-Being Seminars to inform and educate employees, with more than 150 participants in FY2023.

We support our employees' asset building through both systems and educational programs.

|| Workforce Planning — Diverse Hiring and Human Resources Portfolio Management

■ Diverse Hiring

We are steadily and proactively hiring new graduates every year so that we can steadily acquire human resources who will be responsible for the future of the Group. Among these, we plan to hire people who are able to utilize the skills they acquired as students and work in specialized sectors such as digital and IT, and place them in specialized departments in the headquarters from the time they join the Company.

With regard to mid-career hiring, we are stepping up our efforts to recruit not only in the traditional banking business, but also in the financial and non-financial sectors, as we seek personnel who can demonstrate their expertise in the headquarters and Group companies. To this end, we have introduced new hiring methods, such as direct hiring and hiring through referrals from employees (referral hiring). We will continue to proactively hire human resources with a wealth of experience.

■ Development and Allocation of the Right People in the Right Places

We are working on human resource development and allocation of the right people in the right places by leveraging the human resource data we have accumulated. As part of our future efforts, we will manage and operate a human resources portfolio for the assignment of human resources throughout the Group, aiming to achieve both optimal training and assignment for each employee and optimal training and allocation throughout the entire Group.

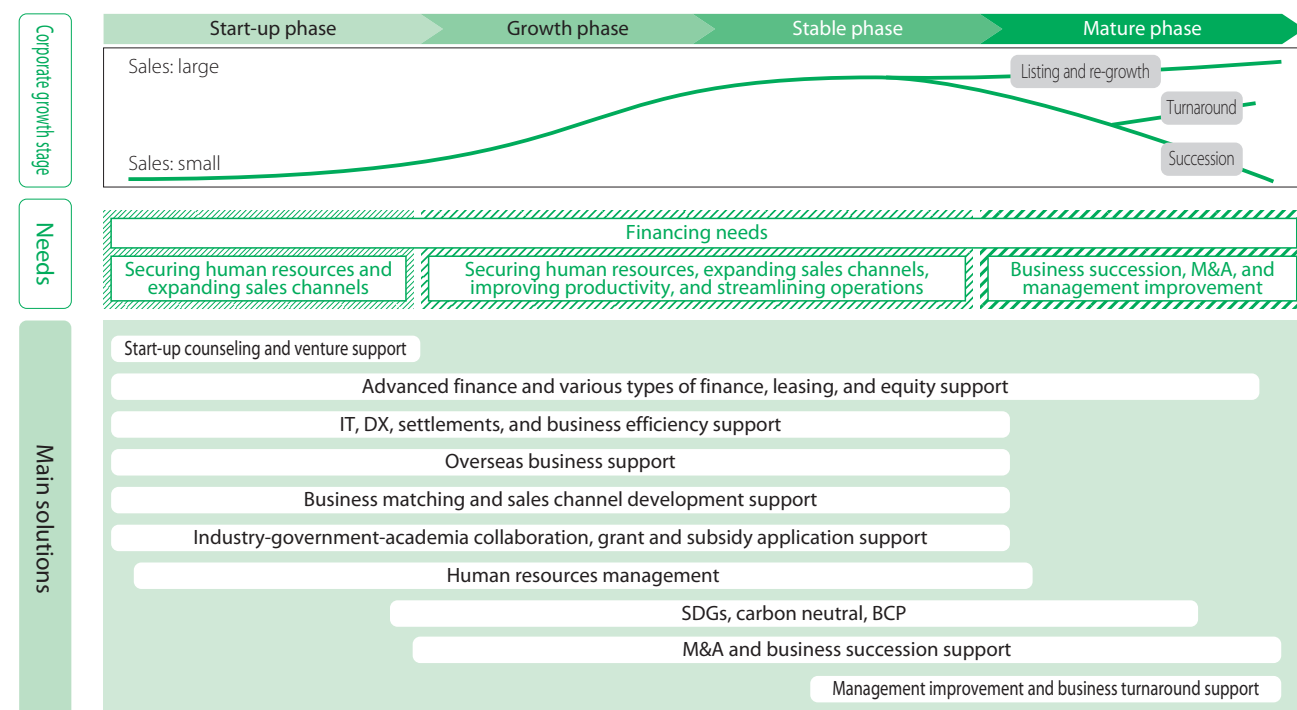
In particular, we are working to realize the various measures in the 1st Medium-Term Management Plan by steadily developing personnel in new business and strategic sectors as strategic human resources, such as by dispatching them outside the Company for training in the IT sector, such as data-driven IT.

The current Medium-Term Management Plan target for the development and allocation of strategic human resources was set at 65, but based on the fact that 39 employees had been assigned as of April 2024, the target has been revised upward to 125 with the aim of further increasing the number of human resources.

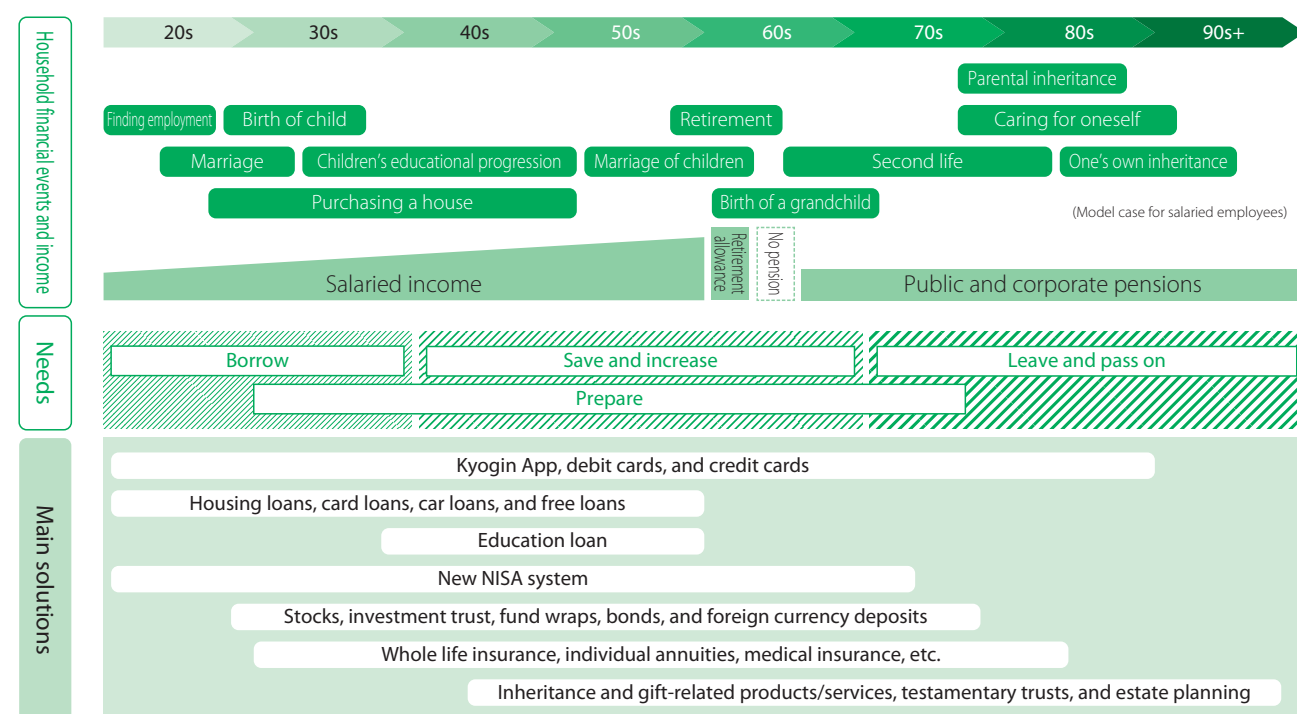
In order to provide optimal solutions to the increasingly diverse and sophisticated needs of our customers, we are working to expand our solution functions to meet the needs of each life stage, based on our customers' life stages.

Life Stages and Solutions

Corporate

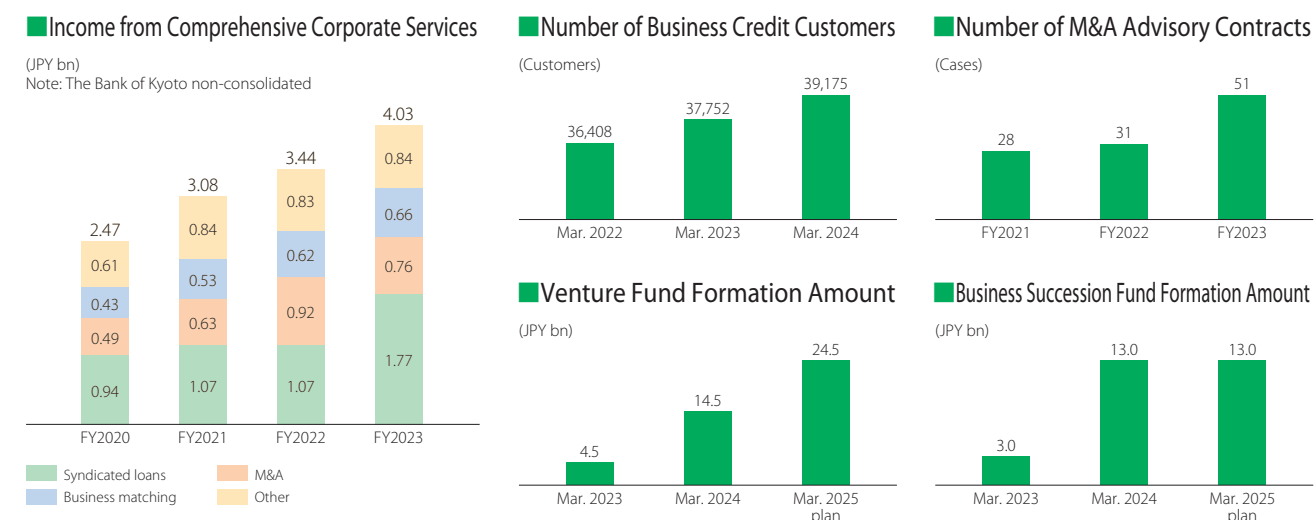


Consumer



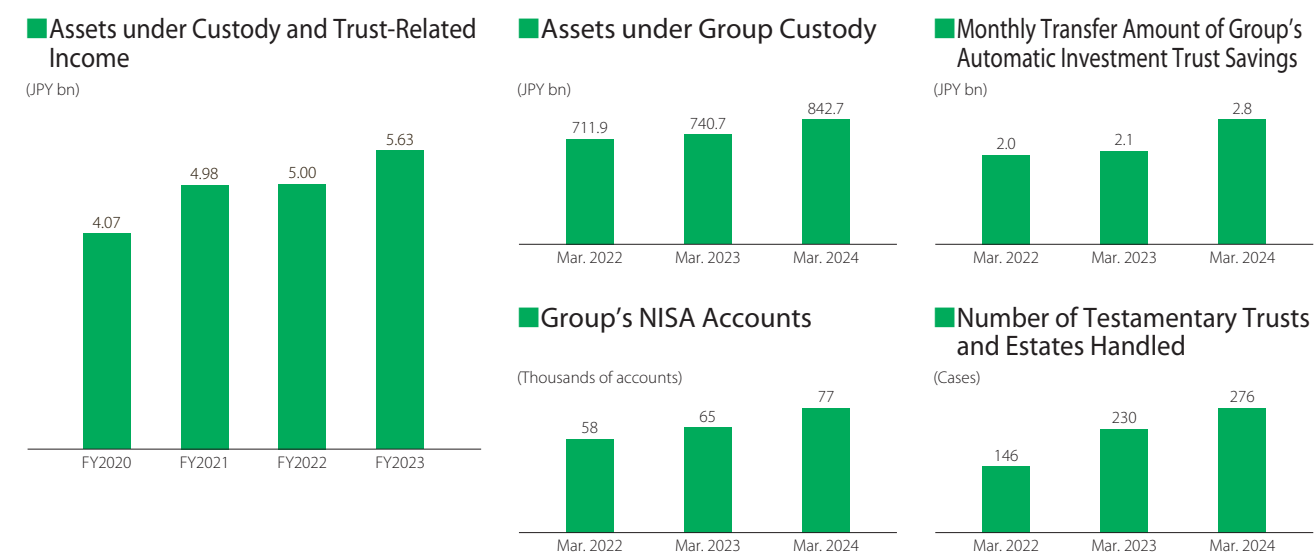
Corporate Sector

As a result of our efforts to develop a structure that enables us to provide a wide range of solutions to corporate clients' issues and to expand our functions, our revenue from corporate clients (commissions received from clients, etc.) has increased significantly. We will continue to provide a one-stop service for advanced specialized solutions through collaboration between the Bank of Kyoto branches, which serve as points of contact with customers, and our Group companies, including Kyoto Soken Consulting, which provides various consulting services such as personnel placement, and Kyoto Capital & Partners, which invests in funds (venture capital and business succession), and the Bank of Kyoto headquarters, which handles mergers and acquisitions and business matching.



Consumer Sector

With the advent of the "era of 100-year lives," asset formation, management, and succession are becoming increasingly important for our customers. For the asset formation segment, the Group offers proposals based on long-term, accumulating, and diversified investment, and together with the new NISA system, the number of NISA accounts and the use of automatic savings for investment trusts are steadily increasing. For the asset utilization (investment management) segment, the Bank of Kyoto and Kyogin Securities are working together to offer a wide range of financial products and are promoting one-stop services for products such as investment trusts, fund wraps, stocks and bonds. For the inheritance and asset succession segment, the Bank of Kyoto entered the trust business in 2018 and is working to provide consulting services by specialized staff. In addition, we have established "Inheritance and Asset Succession Consultation Plazas" (4 locations) at the Bank of Kyoto branches to provide customers with more casual consultations on inheritance issues. In addition, the Group is engaged in thorough customer-first operations, and we have established the Basic Policy on Customer-First Operations and publicly announces its progress in this regard. As a result of these efforts, we have received high evaluations from external organizations, including an "S+" rating in 2024, as in the previous year, in the "R&I Customer-Focused Investment Trust Distributor Evaluation" conducted by Rating and Investment Information Inc.



Transformation to Data-Driven Management

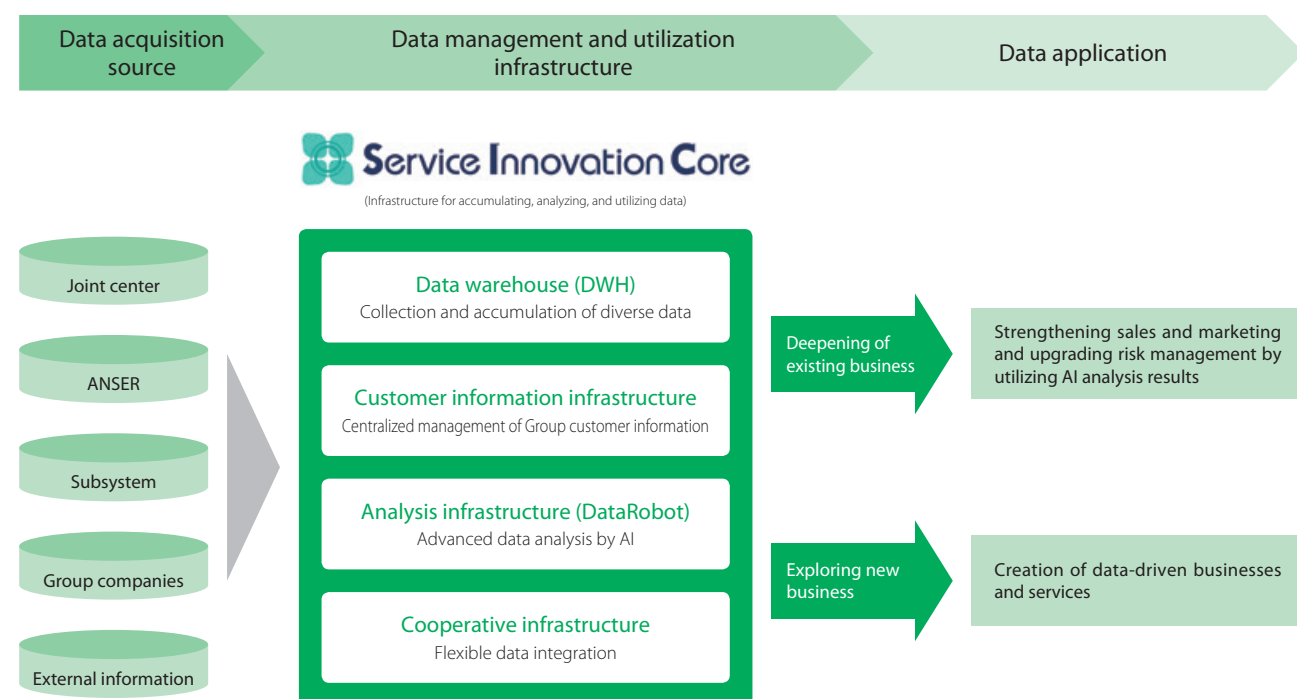
In our 1st Medium-Term Management Plan (October 2023 to March 2026), we are committed to a transformation to data-driven management.*

In order to transform our business into data-driven management, we have introduced the Service Innovation Core (SIC), an infrastructure that centrally manages and consolidates a wide variety of data, including data owned by the Group and other external information, and analyzes the large volume of aggregated data at high speed and with high precision.

We will strive to deepen existing businesses and create new businesses and services through the accumulation, analysis, and utilization of data held by the Group. In addition, the Group will accelerate data-driven management to accurately respond to increasingly sophisticated and diverse customer needs and provide valuable services in a unified manner.

* Data-driven management refers to making decisions on management strategies, marketing and other policies based on the results of analysis of collected and accumulated data, rather than relying on past experience and intuition.

Data-Driven Management



New Business Domains

BaaS business

With the aim of revitalizing the region and industry and promoting DX in the Kyotango region, we entered the BaaS business for the first time in January 2024 with the launch of Tango Pay, a local currency App that can be used within the region.

We will continue to utilize this know-how to expand the number of clients to whom we introduce our products.

Advertising business

In September 2023, we launched an advertising business using the Kyogin App as a medium. Through the provision of useful information to individual customers, we will function as a regional hub by raising awareness of local businesses and solving regional issues.

Going forward, we will continue to expand our advertising business through the expansion of media and other measures, while proactively engaging in a wide range of non-financial businesses such as marketing business.

Kyogin App

In addition to improving and expanding the functionality of the Kyogin App for individual customers to provide convenient access to a variety of financial services, we are also working to provide non-financial services by launching the Kyogin Kurashi Site, a comprehensive lifestyle service. As a result, the number of customers using our services has been increasing every year.

Financial Service Functions



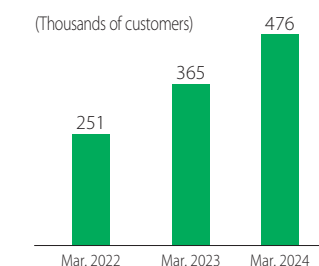
- Balance, deposit, and withdrawal details, bank transfers and account transfers
- Asset management and Kyogin Securities
- Card loans and consumer loans
- Special-purpose bank accounts
- Credits and debits
- Payments and settlements
- Various procedures such as loss and reissuance

Lifestyle Service Functions



- Life plan simulation
- Cotoyoli Mall
- Local support coupon
- Useful information

Number of Subscribers to Kyogin App



Kyogin Business Portal Site

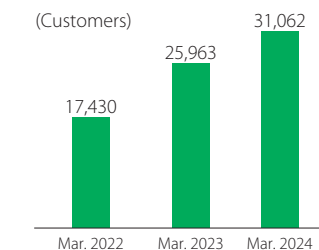
We provide the Kyogin Business Portal Site, a membership web service for corporate and sole proprietor customers. In addition to a chat function that allows customers to easily communicate with a bank representative at any time, we offer a variety of one-stop financial solution services for more convenient use of our services. In April 2024, the site was renewed and the blog content "KYOPLUS+" was added.

Kyogin Business Portal Site



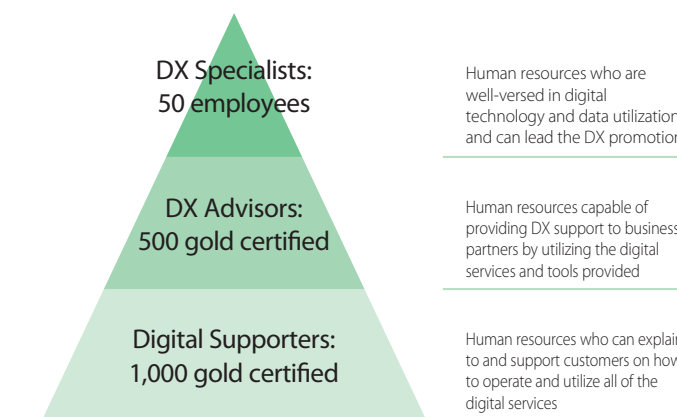
- [Blog] KYOPLUS+
- Balance and details inquiry
- Chat
- Various online applications
- E-delivery services
- Kyogin Big Advance
- Kyogin Mikatano service, etc.

Number of Members of Kyogin Business Portal Site



DX Human Resource Development

In order to continuously develop the specialist human resources who will be responsible for the DX strategy, we are working on human resource development at three levels: DX Specialists, DX Advisors, and Digital Supporters. In the development of DX Specialists, we are promoting the training of data scientists, who are indispensable for data-driven management, and aim to train 35 such specialists by FY2025. For DX Advisors and Digital Supporters, we have established a certification system in which personnel who meet the standards are designated as "gold certified" and we are systematically promoting human resource development by setting target personnel as shown in the diagram on the right.



Basic Approach

The Group will work for sustainable growth and to enhance medium- to long-term corporate value by establishing an effective corporate governance structure that takes into account the standpoint of all stakeholders, such as shareholders, customers, local communities, and employees, based on its management principle and management policies.

Furthermore, in establishing the corporate governance structure, the Group will strive to clarify the division of roles for supervision and execution and strike an appropriate balance while taking into account the Group's characteristics and situation, and constantly work to establish a framework to carry out transparent, fair, swift, and decisive decision-making.

Basic Views Related to Corporate Governance

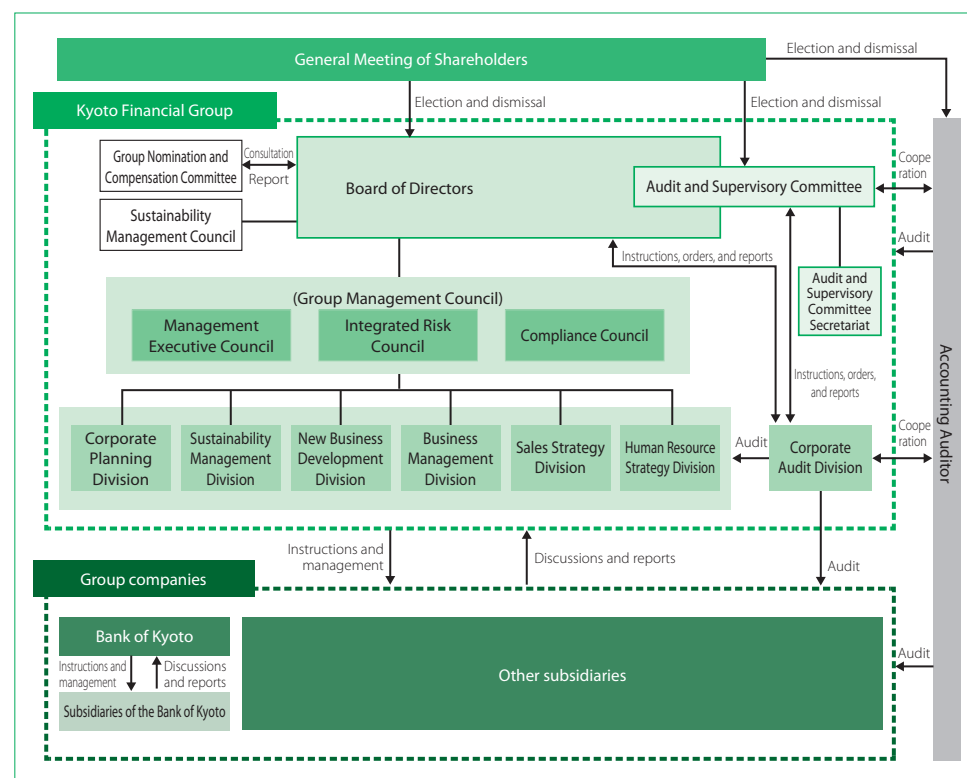
Please refer to our website.

(<https://www.kyoto-fg.co.jp/company/governance/>)

Corporate Governance Structure

With the aim to expand into new business domains and achieve independent business operations for each Group company as a bank holding company, the Company will be a "company with an Audit and Supervisory Committee" so that it can provide highly effective supervision of management and also enable prompt decision-making, thereby enhancing the level of group governance from both offensive and defensive perspectives.

Corporate Governance Structure Diagram



Election of Officers

Directors are elected at the general meeting of shareholders, and candidates are decided upon via the following procedure. Candidates for Director (excluding those who are an Audit and Supervisory Committee Member) are deliberated based on the Basic Views Related to Corporate Governance by the Group Nomination and Compensation Committee after receiving a consultation request from the Company's Board of Directors, and nominated by the Board of Directors based on the results of the deliberation. Candidates for Director who are an Audit and Supervisory Committee Member are deliberated based on the abovementioned policy by the Group Nomination and Compensation Committee after receiving a consultation request from the Company's Board of Directors, and nominated by the Board of Directors based on the results of the deliberation and after obtaining the consent of the Audit and Supervisory Committee.

Approach to Election of Officers

When appointing Directors, the Company strives to ensure an appropriate balance of knowledge, experience, and ability, as well as diversity in areas including gender, expertise, and professional experience, in order to fulfill the roles and responsibilities of the Board of Directors.

When appointing Audit and Supervisory Committee Members, the Company ensures that members have the knowledge, experience, and ability to accurately, fairly, and efficiently audit and supervise the execution of duties, and at least one person has sufficient knowledge of finance and accounting matters.

In addition, Outside Directors who are particularly able to fulfill the following roles and responsibilities, and meet the requirements for independence are nominated.

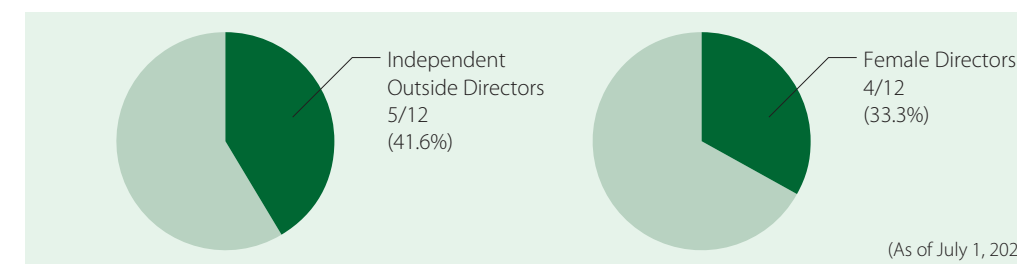
- (1) Make appropriate recommendations and exercise voting rights from the perspective of promoting the sustainable growth of the Group and enhancing its corporate value over the medium to long term, based on their own knowledge.
- (2) Supervise management through the election and dismissal of management and other important decision making and reporting by the Board of Directors.
- (3) Supervise conflicts of interest between the Company and management, controlling shareholders, etc.
- (4) Appropriately reflect the opinions of minority shareholders and other stakeholders at Board of Directors meetings, from a standpoint independent of management and controlling shareholders.

Composition of the Board of Directors and Audit and Supervisory Committee

The expertise and experience required by the Company are "regional sales and regional development," which are essential for a regional financial institution group with a bank at its core; "corporate management and sustainability," "risk management and legal affairs," "finance, accounting, and the economy," and "human resources and diversity," which are universally required for general corporate management; and "DX, IT, and systems" and "market management and investment business," which require a higher level of expertise. The following table shows the combination of skills and the details of each skill for the Board of Directors as a whole.

Name	Gender	Position	Corporate management/ Sustainability	Risk management/ Legal affairs	Finance/ Accounting/ Economy	DX/IT/Systems	Human resources/ Diversity	Regional sales/ Regional development	Market management/ Investment business
Nobuhiro Doi	Male	Representative Director and President	○	○	○		○	○	○
Hiroyuki Hata	Male	Representative Director	○	○	○	○	○	○	
Mikiya Yasui	Male	Director	○	○	○	○	○	○	○
Minako Okuno	Female	Director	○	○	○		○	○	○
Kanji Habuchi	Male	Director	○	○	○		○	○	
Etsuji Motomasa	Male	Director	○	○	○	○		○	○
Toshiro Iwahashi	Male	Director (Audit and Supervisory Committee Member)	○	○	○		○	○	○
Chiho Oyabu	Female	Outside Director (Audit and Supervisory Committee Member)			○		○	○	
Eiji Ueki	Male	Outside Director (Audit and Supervisory Committee Member)	○	○		○			
Hiroyuki Nakatsukasa	Male	Outside Director (Audit and Supervisory Committee Member)	○	○	○				
Motoko Tanaka	Female	Outside Director (Audit and Supervisory Committee Member)	○	○			○		
Shizue Izumi	Female	Outside Director (Audit and Supervisory Committee Member)				○	○	○	

Composition Ratio



Initiatives to Improve Corporate Governance

The Group has been promoting efforts to improve corporate governance. We will continue to make steady efforts to enhance the sophistication of governance and the speed of business execution, which is one of the objectives of the transition to a holding company structure.

Changes in Main Efforts to Improve Corporate Governance (Since the Corporate Governance Code Came into Effect)

	2015-2019	2020	2021	2022	2023
Institutional design, etc.	December 2015 Establishment of the Nomination and Compensation Committee October 2017 Change of stock unit (from 1,000 to 100 shares)		January Establishment of the Sustainability Management Promotion Committee	April Transfer to the TSE Prime Market	October Transition to a holding company structure Become a company with an Audit and Supervisory Committee Establishment of the Group Nomination and Compensation Committee
Board of Directors	June 2016 Commencement of Board of Directors effectiveness assessment June 2017 Appointment of a female Outside Director	June Achievement of an Outside Director ratio of at least 1/3 Appointment of several female Outside Directors	June Appointment of an Outside Director with management experience Creation of the skills matrix	June Appointment of a female internal Director	
Audit and Supervisory Committee, Audit & Supervisory Board	April 2016 Establishment of the Audit & Supervisory Board Secretariat	June Commencement of Audit & Supervisory Board effectiveness assessment	June Appointment of a female Outside Audit & Supervisory Board Member		October Establishment of the Audit and Supervisory Committee Secretariat
Other	June 2015 Compliance with all items of the Corporate Governance Code February 2016 Development of voting criteria for strategic equity holdings December 2018 Compliance with all items of the revised Corporate Governance Code	April Change in the shareholder returns policy (Dividend payout ratio: 30%)	October Endorsement of TCFD November Compliance with all items of the revised Corporate Governance Code December Change in the shareholder returns policy (Total payout ratio: around 50%)	May Establishment of the strategic equity holdings reduction policy October Establishment of guidelines for the exercise of voting rights regarding strategic equity holdings	April Change in the shareholder returns policy (Total payout ratio: 50% or more) October Establishment of the Basic Views Related to Corporate Governance

Board of Directors

In addition to the matters defined as resolution matters in the Regulations of the Board of Directors and the Duties and Authority Regulations, as well as matters defined in laws and regulations and the Articles of Incorporation, the Board of Directors decides upon the Management Principle and Medium-Term Management Plan, basic matters related to corporate governance, and other matters as the basic policies for the management of the Group. Matters not resolved by the Board of Directors are delegated to the management team, including the Group Management Council, which discusses and decides important overall management matters based on the basic policies decided by the Board of Directors, in order to clarify the division of roles between supervision and execution and to achieve an appropriate balance, thereby ensuring prompt and efficient business execution.

Furthermore, the Company has established the Basic Policies for the Internal Control System and has built a system for risk management, compliance, and internal auditing that covers the entire Group, and supervises the operation of the system while utilizing internal audit divisions.

In addition, we have established a Sustainability Management Council, which complements and reinforces the functions of the Board of Directors to discuss various issues that require medium- to long-term, cross-field initiatives and examine specific initiatives to resolve these issues.

[Main matters considered]

- Group operating policies and new business operation policies
- Kyoto Financial Group Medium-Term Management Plan and comprehensive budget
- Kyoto Financial Group officer affairs and Group personnel planning
- Review of stock splits, stock returns, and shareholder benefit programs
- Establishment, changes, and mergers of affiliates and other significant organizations

Board of Directors Effectiveness Assessment

Regarding the effectiveness of the Board of Directors as a whole, the Company conducts an annual analysis and evaluation of matters such as the role of the Board of Directors and the status of its operations, based on the Directors' self-evaluations.

In April 2024, we received evaluations and opinions from all Directors (including Audit and Supervisory Committee Members) regarding the role and operation of the Board of Directors, and a review was conducted based on the results at the Board of Directors meeting held on June 25, 2024, and evaluated that the effectiveness of the Board of Directors as a whole is being secured. In order to further improve the effectiveness of the Board of Directors, we will promote deeper discussions on management themes such as review of the business portfolio and risk control of Group companies, and continue to work on effective meeting management to ensure time for such discussions.

In May 2024, a discussion was held between the Outside Directors based on the results of the effectiveness evaluation to deepen the deliberation on recognition of issues and policies to address them.

Audit and Supervisory Committee

All five of the Company's Outside Directors are members of the Audit and Supervisory Committee, and the Audit and Supervisory Committee performs part of the supervisory function of the Directors by, among other things, deciding upon an opinion regarding the appointment, remuneration, etc. of Directors (excluding Directors who are Audit and Supervisory Committee Members).

Further, each of the Audit and Supervisory Committee Members, including the Outside Directors, actively exchange opinions and information with the internal audit divisions and Accounting Auditor to ensure close collaboration and the implementation of efficient audits.

In addition, the Audit and Supervisory Committee Members receive reports from the internal control divisions on a regular or ad-hoc basis and seek explanations or provide advice and recommendations as necessary to improve and strengthen the internal control system.

Internal Auditing

Operating Structure of Internal Auditing

To audit the status of business execution, the Corporate Audit Division has been established as an organization that reports directly to the Board of Directors and Audit and Supervisory Committee, and conducts internal audits from a position independent of the division being audited, and continuously works to improve audit quality.

In the "Basic Policy on Internal Audits," the Corporate Audit Division's purpose is to add value to the Group and contribute to the achievement of the Group's targets by promoting improvement. The Division evaluates the appropriateness of the status of the internal control systems, etc., and the effectiveness and efficiency of their functions in accordance with the "Internal Audit Regulations" decided by the Board of Directors, pointing out areas for improvement and making recommendations to resolve issues.

The results of audits, etc. are reported directly to the Board of Directors, etc. by the General Manager of the Corporate Audit Division.

Initiatives to improve the sophistication of internal audits

Internal audits are risk-based audits conducted in accordance with the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors and other standards.

In addition, for the purpose of enhancing the sophistication of internal audits, an audit quality evaluation is conducted on a regular basis by an auditing firm, and feedback on the results is received and reflected in the internal audit practices. In the future, we will work to enhance the sophistication of our internal audit system by, for example, strengthening communication with management with the aim of implementing audits that contribute to management.

Officer's Compensation

The compensation system for Directors is designed to fully function as an incentive to continuously improve corporate value, and the Company's basic policy for determining the compensation of individual Directors is to set it at an appropriate level based on the responsibilities of each position.

From the viewpoint of independence, the compensation system for Outside Directors is not performance-linked, but only basic compensation paid on a monthly basis.

In order to enhance independence and strengthen corporate governance, the compensation system for Audit and Supervisory Committee Members is also not performance-linked, but only basic compensation paid on a monthly basis.

In determining the details of the compensation of individual Directors of the Company and the subsidiary bank, the Group Nomination and Compensation Committee, which is chaired by an Independent Outside Director, examines the draft proposal, including its consistency with the determination policy, and the Board of Directors respects the report of the Group Nomination and Compensation Committee.

Upper Limit of Each Type of Compensation

Type of compensation	Upper limit	
Monetary payment	Directors (excluding those who are Audit and Supervisory Committee Members)	¥500 million per year
	Directors who are Audit and Supervisory Committee Members	¥100 million per year
Non-monetary (Restricted stock compensation)	Directors (excluding Directors and Outside Directors who are Audit and Supervisory Committee Members)	¥150 million per year

Group Management Council

The Group Management Council, consisting of the Representative Directors and Executive Directors, has been established under the Board of Directors.

The Group Management Council makes decisions on important business execution matters based on the basic policies and management plans decided by the Board of Directors, and also ascertains the status of business execution by the Group's companies and strengthens management from the perspective of overall optimization based on this.

The Group Management Council consists of the Management Executive Council, the Integrated Risk Council, and the Compliance Council, which pass resolutions and deliberate on matters under their respective jurisdictions.

List of Directors

Director



Nobuhiro Doi
Representative Director and President

Year **Brief career summary**
Apr. 1980 Joined the Bank of Kyoto, Ltd.
June 2007 Director, General Manager, Personnel Division, the Bank of Kyoto, Ltd.
June 2008 Managing Director, the Bank of Kyoto, Ltd.
June 2010 Managing Director, General Manager, Head Office Business Department, the Bank of Kyoto, Ltd.
June 2012 Managing Director, the Bank of Kyoto, Ltd.
June 2015 President, the Bank of Kyoto, Ltd.
June 2023 Director and Chair, the Bank of Kyoto, Ltd. (present position)
Oct. 2023 Director and President, Kyoto Financial Group, Inc. (present position)
[Significant concurrent positions outside the Company]
Director and Chair, the Bank of Kyoto, Ltd.



Hiroyuki Hata
Representative Director

Year **Brief career summary**
Apr. 1987 Joined the Bank of Kyoto, Ltd.
June 2018 Director, General Manager, Productivity Innovation Headquarters Secretariat, the Bank of Kyoto, Ltd.
June 2019 Managing Director, the Bank of Kyoto, Ltd.
June 2023 Senior Managing Director, the Bank of Kyoto, Ltd. (present position)
Oct. 2023 Director in charge of Business Management Division, Kyoto Financial Group, Inc. (present position)
[Significant concurrent positions outside the Company]
Senior Managing Director, the Bank of Kyoto, Ltd.



Mikiya Yasui
Director

Year **Brief career summary**
Apr. 1987 Joined the Bank of Kyoto, Ltd.
June 2017 Director, the Bank of Kyoto, Ltd.
June 2018 Managing Director, General Manager, Head Office Business Department, the Bank of Kyoto, Ltd.
June 2021 Managing Director, the Bank of Kyoto, Ltd.
June 2023 President, the Bank of Kyoto, Ltd. (present position)
Oct. 2023 Director, Kyoto Financial Group, Inc. (present position)
[Significant concurrent positions outside the Company]
President, the Bank of Kyoto, Ltd.



Minako Okuno
Director

Year **Brief career summary**
Apr. 1989 Joined the Bank of Kyoto, Ltd.
June 2019 Executive Officer, General Manager, Public & Regional Affairs Division, the Bank of Kyoto, Ltd.
June 2022 Director, the Bank of Kyoto, Ltd.
Oct. 2023 Director in charge of New Business Development Division, Kyoto Financial Group, Inc. (present position)
June 2024 Managing Director, the Bank of Kyoto, Ltd. (present position)
[Significant concurrent positions outside the Company]
Managing Director, the Bank of Kyoto, Ltd.



Kanji Habuchi
Director

Year **Brief career summary**
Apr. 1993 Joined the Bank of Kyoto, Ltd.
June 2017 General Manager, Human Resources and General Affairs Division, the Bank of Kyoto, Ltd.
June 2021 Executive Officer, General Manager, Human Resources and General Affairs Division, the Bank of Kyoto, Ltd.
June 2023 Director, the Bank of Kyoto, Ltd. (present position)
Oct. 2023 Director in charge of Human Resource Strategy Division, Kyoto Financial Group, Inc. (present position)
[Significant concurrent positions outside the Company]
Director, the Bank of Kyoto, Ltd.



Etsuji Motomasa
Director

Year **Brief career summary**
Apr. 1993 Joined the Bank of Kyoto, Ltd.
June 2017 General Manager, Corporate Planning Division, and General Manager, Corporate Communications and Research Office of Corporate Planning Division, the Bank of Kyoto, Ltd.
Apr. 2020 General Manager, Corporate Planning Division, the Bank of Kyoto, Ltd.
June 2021 Executive Officer, General Manager, Corporate Planning Division, the Bank of Kyoto, Ltd.
June 2023 Director, General Manager, Corporate Planning Division, the Bank of Kyoto, Ltd.
Oct. 2023 Director, the Bank of Kyoto, Ltd.
Oct. 2023 Director, Kyoto Financial Group, Inc. (present position)
June 2024 Director, General Manager, Head Office Business Department, the Bank of Kyoto, Ltd. (present position)
[Significant concurrent positions outside the Company]
Director, General Manager, Head Office Business Department, the Bank of Kyoto, Ltd.

Director (Audit and Supervisory Committee Member)



Toshiro Iwahashi
Director (Audit and Supervisory Committee Member)

Year **Brief career summary**
Apr. 1986 Joined the Bank of Kyoto, Ltd.
June 2014 Director, General Manager, Sanjo Branch, the Bank of Kyoto, Ltd.
June 2015 Director, General Manager, Credit Examination Division, the Bank of Kyoto, Ltd.
June 2016 Managing Director, General Manager, Head Office Business Department, the Bank of Kyoto, Ltd.
June 2018 Managing Director, the Bank of Kyoto, Ltd.
June 2022 Senior Managing Director and Representative Director, the Bank of Kyoto, Ltd.
June 2023 Special Advisor, the Bank of Kyoto, Ltd.
Oct. 2023 Director (Audit and Supervisory Committee Member), Kyoto Financial Group, Inc. (present position)



Chiho Oyabu
Outside Director (Audit and Supervisory Committee Member)

Year **Brief career summary**
Apr. 1994 Assistant Professor, Faculty of Education, Gifu University
Apr. 2010 Professor, Faculty of Education, Gifu University (present position)
Apr. 2019 Professor, Graduate School, Hyogo University of Teacher Education (present position)
June 2020 Outside Director, the Bank of Kyoto, Ltd.
Apr. 2021 Vice President, Gifu University, Tokai National Higher Education and Research System (present position)
Oct. 2023 Director (Audit and Supervisory Committee Member), Kyoto Financial Group, Inc. (present position)



Eiji Ueki
Outside Director (Audit and Supervisory Committee Member)

Year **Brief career summary**
Apr. 1981 Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)
June 2009 Executive Officer, NTT Data Corporation
June 2013 Director and Executive Officer, NTT Data Corporation
June 2014 Director and Managing Executive Officer, NTT Data Corporation
June 2016 Representative Director and Managing Executive Officer, NTT Data Corporation
June 2017 Representative Director and Executive Vice President, NTT Data Corporation
June 2018 Representative Director and President, NTT Data System Technologies Inc.
June 2021 Representative Director and President, NTT Data Force Corporation
June 2021 Outside Director, the Bank of Kyoto, Ltd.
Apr. 2022 Representative Director and President, NTT Data Financial Technology Corporation
June 2022 Director, NTT Data Force Corporation
Oct. 2023 Director (Audit and Supervisory Committee Member), Kyoto Financial Group, Inc. (present position)
June 2024 Advisor, NTT Data Financial Technology Corporation (present position)
[Significant concurrent positions outside the Company]
Advisor, NTT Data Financial Technology Corporation
June 2024 Advisor, NTT Data Force Corporation (present position)
Advisor, NTT Data Force Corporation



Hiroyuki Nakatsukasa
Outside Director (Audit and Supervisory Committee Member)

Year **Brief career summary**
Sept. 1984 Registered as Certified Public Accountant
Oct. 1988 Registered as Certified Public Tax Accountant
Nov. 1989 Established Nakatsukasa Certified Public Accountant and Tax Accountant Firm; Representative of same (present position)
June 2007 Chairman, The Japanese Institute of Certified Public Accountants Kinki Chapter
July 2007 Vice Chairman, The Japanese Institute of Certified Public Accountants
June 2009 Outside Audit & Supervisory Board Member, Osaka Securities Exchange Co., Ltd.
Feb. 2012 Outside Audit & Supervisory Board Member, Furusato Industries, Ltd.
Jan. 2013 Outside Director, Japan Exchange Group, Inc.
June 2015 Outside Audit & Supervisory Board Member, The Nippon Synthetic Chemical Industry Co., Ltd.
June 2015 Outside Director, Furusato Industries, Ltd.
June 2021 Outside Audit & Supervisory Board Member, the Bank of Kyoto, Ltd.
Oct. 2021 Outside Director, Maruka Furusato Corporation (present position)
Oct. 2023 Director (Audit and Supervisory Committee Member), Kyoto Financial Group, Inc. (present position)
[Significant concurrent positions outside the Company]
Outside Director, Maruka Furusato Corporation



Motoko Tanaka
Outside Director (Audit and Supervisory Committee Member)

Year **Brief career summary**
Apr. 1988 Public Prosecutor
July 2015 Chief Public Prosecutor, Matsue District Public Prosecutors Office
Sept. 2016 Public Prosecutor, Supreme Public Prosecutors Office
July 2017 Chief Public Prosecutor, Mito District Public Prosecutors Office
Feb. 2018 Chief Public Prosecutor, Kyoto District Public Prosecutors Office
July 2019 Chief Public Prosecutor, Kobe District Public Prosecutors Office
Nov. 2020 Registered as an attorney at law (Osaka Bar Association); Guest Lawyer, Katayama and Hiraizumi Law Office (present position)
June 2021 Outside Audit & Supervisory Board Member, the Bank of Kyoto, Ltd.
June 2023 Outside Director, The Kansai Electric Power Company, Incorporated (present position)
Oct. 2023 Director (Audit and Supervisory Committee Member), Kyoto Financial Group, Inc. (present position)
[Significant concurrent positions outside the Company]
Outside Director, The Kansai Electric Power Company, Incorporated



Shizue Izumi
Outside Director (Audit and Supervisory Committee Member)

Year **Brief career summary**
Jan. 2005 Assistant Professor, Computer Science and Intelligent Systems Program, Faculty of Engineering, Oita University
Apr. 2017 Professor, Department of Data Science, Faculty of Data Science, Shiga University (present position)
Apr. 2018 Visiting Researcher, Graduate School of Medicine, Kyoto University
Apr. 2018 Visiting Professor, The Institute of Statistical Mathematics
Apr. 2018 Part-time lecturer, Disaster Prevention Research Institute, Kyoto University
Aug. 2018 Data Analysis Advisor, Policy Coordination Department, Otsu City, Shiga Prefecture (present position)
Apr. 2019 Professor, Graduate School of Data Science, Shiga University (present position)
Sept. 2019 Regional Judging Committee Member, "Regional Revitalization Policy Idea Contest 2019," Office for Promotion of Regional Revitalization, Cabinet Office
Mar. 2020 Outside Director, SAKATA INX CORPORATION
June 2024 Director (Audit and Supervisory Committee Member), Kyoto Financial Group, Inc. (present position)

Basic Approach

While the ongoing globalization of Japan's financial system and economy coupled with advances in financial and information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk.

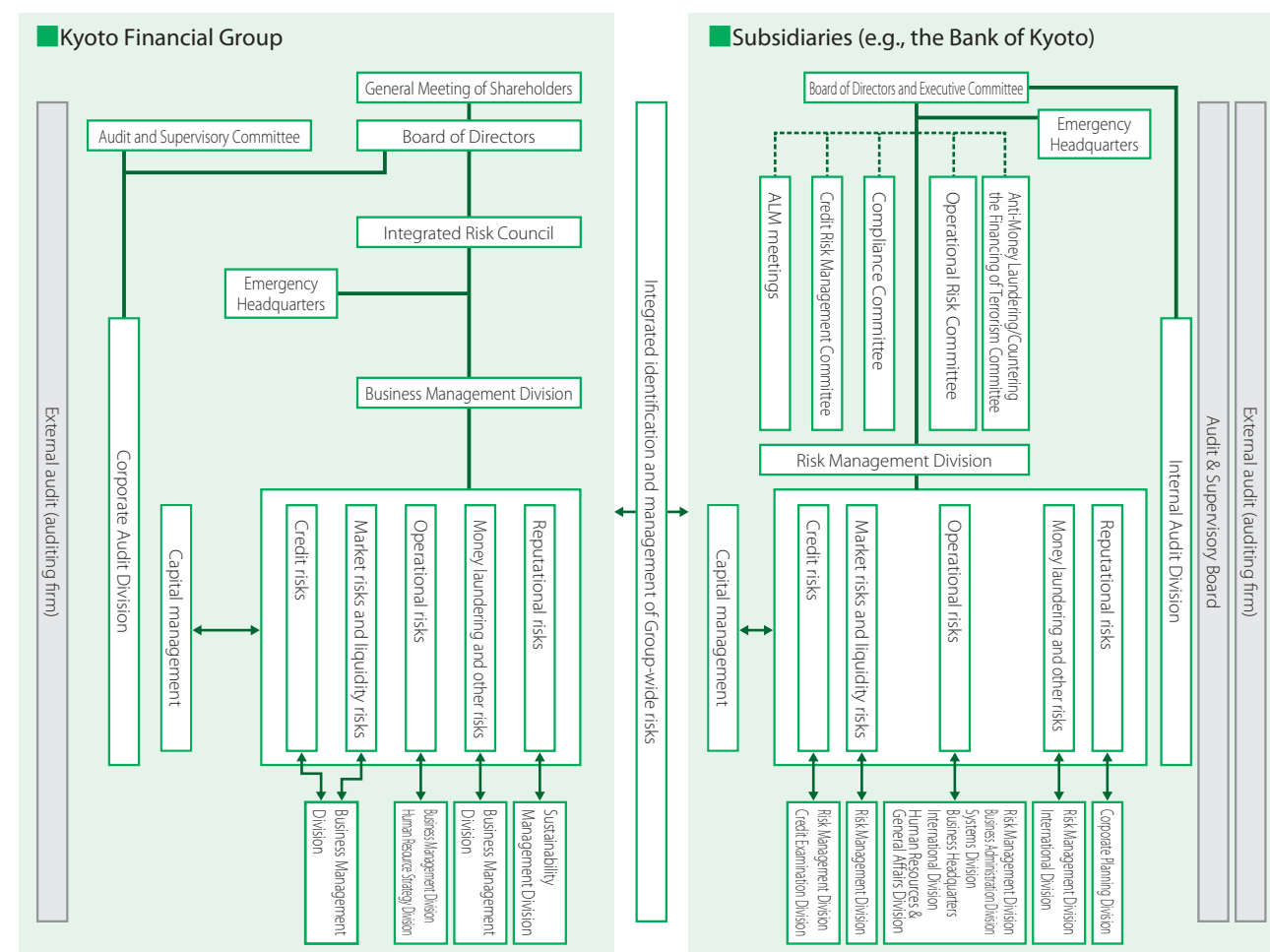
Responding to this environment, the Group has designated risk management as an important management issue and is striving for appropriate capital allocation to address the issue in order to maintain the safety and soundness of our operations and improve profitability.

Risk Management System

The Group is working to strengthen and enhance risk management by defining the division that is responsible for each risk type and provide cross-sectional management, as well as positioning the Business Management Division as the administration division and said Division managing the risks in an integrated manner.

In addition, the Board of Directors defines the policy for integrated risk management, disseminates it throughout the organization, and reviews it in a timely manner, as needed, based on the results of reports and surveys on the status of risk management, and examines the effectiveness of the policy formulation process.

Risk Management System Diagram



Use of Risk Appetite Framework (RAF)

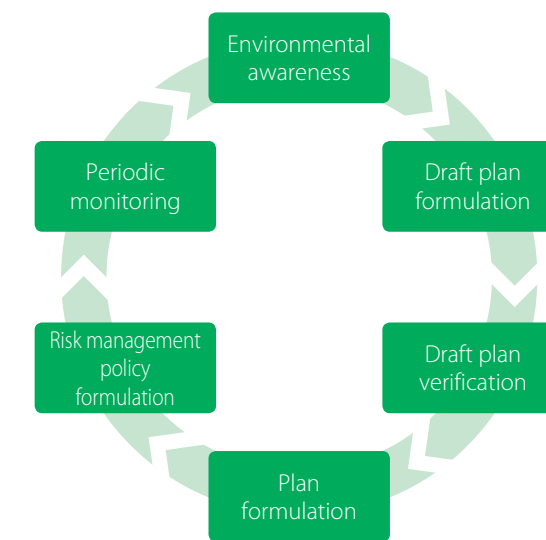
In order to realize the targets set forth in the Management Principle and management plan, the Group clarifies the risk appetite (the type and amount of risk it is willing to assume) to achieve its management plan, etc. and uses this information for business management and risk management.

Through the use of the RAF, we strive to improve management efficiency and corporate value while maintaining management stability.

Basic Policy on Risk Appetite in the 1st Medium-Term Management Plan

- The Group will work as one to fulfill its comprehensive solutions function and actively engage in management resource investment and risk-taking for the sustainable development of the regional economy.
- We will work to secure the trust of all stakeholders by improving management efficiency and corporate value while maintaining management stability.

RAF Operating Procedures



Integrated Risk Management

The Group has a self-managed risk management system that accurately recognizes risks that may occur in business activities and compares and contrasts the overall risk with the Group's management strength (equity capital).

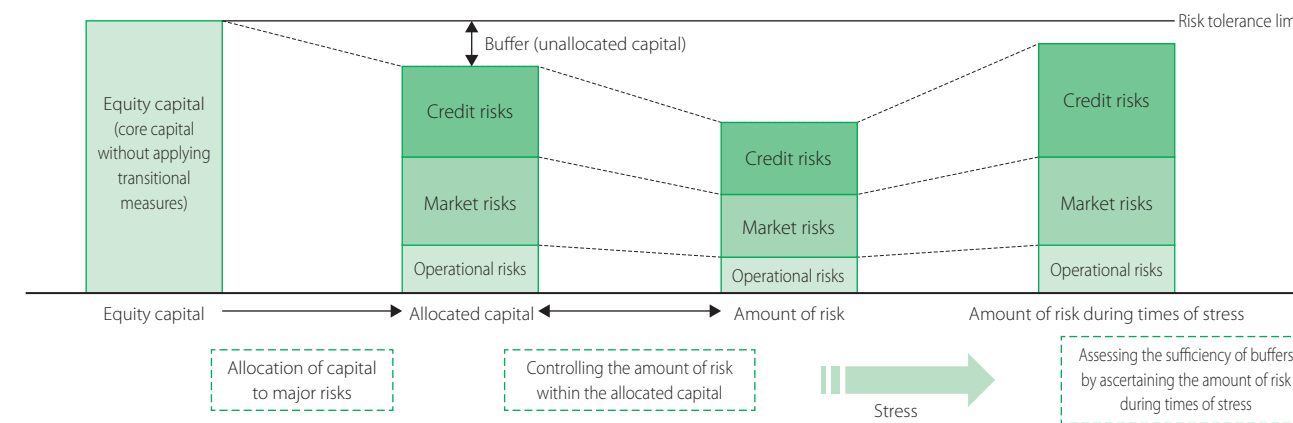
Further, we quantify the identified principal risks (credit risks, market risks, and operational risks) and allocate capital to them. As regards the quantified amount of risk, the allocated capital is treated as a limit for management purposes in accordance with the semiannual review of the capital allocation policy. The estimated risk amount is reported to the management periodically.

In addition, we conduct comprehensive stress tests assuming the simultaneous appearance of various risks based on comprehensive risk scenarios.

Credit risks
Risk of incurring losses due to a decrease or loss in the value of assets (including off-balance sheet assets) as a result of deterioration in the financial condition of those granted credit, etc.

Market risks
Risk of incurring losses due to fluctuations in the value of assets and liabilities (including off-balance sheet assets) caused by changes in various market risk factors such as interest rates, exchange rates, and equities

Operational risks
Risk of incurring losses due to exogenous events, such as inadequacies in the course of business, activities of officers and employees, or systems



Note: Regarding the details of major risks, please refer to the documents section on the Company's website and financial reports (both in Japanese only). The specific amount of capital allocation, etc. is shown in the materials for the company information meeting for institutional investors.

Basic Approach

The Group considers compliance to be one of its most important management issues and implements it thoroughly in order to build a solid relationship of trust with the community and to continue to be referred to as “an attractive company one can have a long-lasting relationship with, with peace of mind and satisfaction,” by earning the trust and support of observers through the actions of its officers and employees.

Compliance Structure

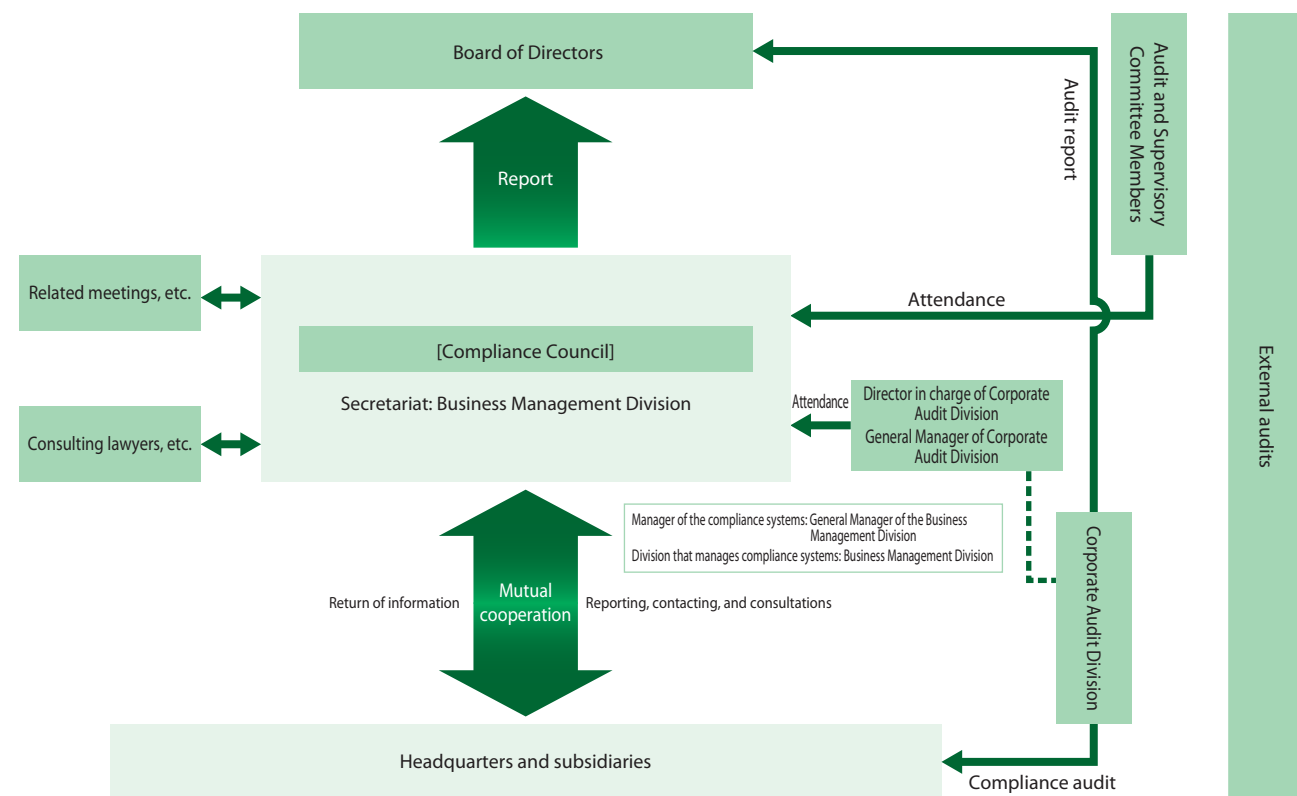
The Compliance Council, chaired by the officer in charge of the Business Management Division, makes decisions on important compliance-related matters and shares the status of the Group’s compliance to ensure overall optimization.

In order to ensure compliance, the Company has established Business Ethics and Standards of Conduct and endeavors to make these principles known to all employees. Compliance programs are prepared every fiscal year as the initiatives policy for the entire Group, and a variety of policies are enforced in accordance with these programs.

The Company has set up the Compliance Hotline as an internal whistleblowing system in accordance with the Whistleblower Protection Act, in order to identify misconduct at an early stage and self-initiate responses to such incidents. The Company has appointed a manager of the hotline and a department responsible for it, along with staff to handle work related to addressing any reports. In this manner, the Company has established an appropriate system that follows the aims of the relevant legal and regulatory requirements.

Further, in order to improve the effectiveness of the system, the Company has taken steps such as making multiple contact points and means of reporting available, and is working to encourage the use of the whistleblowing system. The Company strives to operate the system appropriately by informing employees of the purpose of the system and the results of its use.

Compliance System Diagram



Anti-Money Laundering, Etc.

As a basic policy for Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing (AML/CFT/CPF), the Company has established its Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing Policy, and is raising the sophistication of related systems.

Specifically, the Company regularly holds meetings of the Anti-Money Laundering/Countering the Financing of Terrorism Committee, which discuss matters such as AML/CFT/CPF measures and are attended by management and the managers of each division. Management is actively involved in these meetings. To take action on AML/CFT/CPF, the Company has designated its Business Management Division as the organization in charge of AML/CFT/CPF measures, and the Division is working closely with other divisions to implement measures tailored to risks.

Blocking Relationships with Anti-Social Forces

The Group has established a Basic Stance on Anti-Social Forces and is committed to maintaining the trust of all stakeholders and ensuring the appropriateness and soundness of its operations by blocking any relationship with anti-social forces through the Group’s unified and organizational response.

Policies, Procedures, and Approaches

Business Ethics and Standards of Conduct

We will share the following Business Ethics and Standards of Conduct and put them into practice while fulfilling our daily duties. By doing so, we will obtain the unwavering trust and confidence of all members of society as we endeavor to achieve our management principle.

I. Business Ethics	II. Standards of Conduct	
1. Building Trust	1. Compliance with Legal and Regulatory Requirements	9. Making a Clear Distinction between Private and Public Affairs
2. Strict Compliance with Laws, Regulations and Other Rules	2. Always Keeping Promises	10. Maintaining Discipline in Relation to Entertainment and Gifts, etc.
3. Putting the Customer First	3. Strictly Maintaining Confidentiality	11. Maintaining Sound Workplaces
4. AML/CFT/CPF Measures	4. Prohibiting Improper Use of Information	12. Thorough and Frequent Reporting, Contacting, and Consulting
5. Blocking Relationships with Anti-Social Forces	5. Providing Appropriate and Sophisticated, Comprehensive Financial Services	13. Proactively Cooperating with Inspections
6. Fulfilling Our Social Responsibilities	6. Service from the Customer’s Perspective	14. Contributing to Society as a Good Corporate Citizen
7. Providing Proper Disclosure of Information	7. Ensuring Fair Transactions	
8. Ensuring Comfortable Workplaces	8. Eliminating Improper Transactions	
9. Respect for Human Rights		

Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing Policy

For Anti-Money Laundering, Countering the Financing of Terrorism, and Countering Proliferation Financing (AML/CFT/CPF), the Group has established a governance structure and set the following basic policy in order to comply with all legal and regulatory requirements and obligations to implement appropriate AML/CFT/CPF measures for ensuring business adequacy.

1. Management Policy	2. Organizational Framework	3. Risk-Based Approach	4. Customer Due Diligence
5. Sanctions and Asset Freezing	6. Reporting of Suspicious Transactions	7. Correspondent Banking Due Diligence	8. Training of Officers and Employees
9. Monitoring and Testing			

Basic Stance on Anti-Social Forces

The Group will comply with the following basic policies to block relationships with anti-social forces, with a view to ensuring appropriate and sound banking operations.

1. Institutional Response	2. Cooperation with Outside Professional Organizations
3. Blocking All Relationships, Including Transactions	4. Civil and Criminal Legal Action in Case of an Emergency
5. Prohibiting Under-the-Table Deals and Fund Provision	

Regarding the details of the various policies, etc., please refer to the Company’s website.



Cyber Security Initiatives

Basic Approach

Cyber security is becoming increasingly important as digital transactions become more common and online transactions account for a larger proportion of our services.

The Group has established Cyber Security Response Regulations as the policy regarding cyber security and is working to maintain and enhance cyber security.

Cyber Security

The officer in charge of the Business Management Division is responsible for overseeing cyber security, and specific policies and plans for cyber security are set forth in the Business Operating Policy and Operational Risk Management Program, which are defined each year.

In addition, we are working to improve the effectiveness of cyber security by reporting progress at the Integrated Risk Council on a quarterly basis, conducting periodic training on how to respond to suspicious e-mails for Group officers and employees, including management, and uploading videos on the threat of cyber attacks as online educational materials to provide cyber security education for officers and employees.

Incident Response System

The Cyber Security Countermeasures Group has been established within the Business Management Division of the Company, and the Cyber Security Response Office has been established within the Systems Division of the Bank of Kyoto, the core subsidiary of the Company, as the organizations dedicated to cyber security. In order to respond to threats from sophisticated and elaborate cyber attacks, etc., we have established a system to collect and ascertain information on cyber attack trends and vulnerabilities, as well as to centrally manage and execute the response to a cyber attack.

In the event of a cyber attack or other incident, the Cyber Security Countermeasures Group and Cyber Security Response Office have a system in place to act as the Group's CSIRT (Computer Security Incident Response Team) organization.

Cyber Security Audit

We have a system in place to check from time to time management's involvement in cyber security, relevant laws and regulations, risk assessment, the appropriateness of important system technical measures, and compliance with rules and procedures related to security measures through audits by the audit divisions.

In addition to self-assessments based on materials provided by the Financial Services Agency until now, we are also promoting initiatives based on objective and bird's-eye view evaluations that utilize verification by an external organization (SecurityScorecard's risk ratings).

In addition, we are working to build a complete system, including undergoing a cyber security audit by PricewaterhouseCoopers Japan LLC in March 2024.

Financial Section and Corporate Profile

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Financial Section

Consolidated Balance Sheet

Kyoto Financial Group, Inc. and Consolidated Subsidiaries As of March 31, 2024

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2024	2024
ASSETS:		
Cash and due from banks (Notes 4 and 27)	¥ 962,778	\$ 6,358,753
Call loans and bills bought (Note 27)	368,746	2,435,420
Monetary claims bought	15,786	104,261
Trading securities	221	1,460
Money held in trust (Note 6)	6,226	41,121
Securities (Notes 5, 11, 16 and 27)	3,336,568	22,036,646
Loans and bills discounted (Notes 8, 11, 12 and 27)	6,717,532	44,366,507
Foreign exchanges (Note 9)	9,013	59,529
Lease receivables and investment assets (Note 24)	13,717	90,595
Other assets (Notes 11 and 27)	79,048	522,079
Tangible fixed assets (Note 10)	76,590	505,850
Buildings	28,157	185,970
Land (Note 13)	43,160	285,057
Construction in progress	555	3,671
Other tangible fixed assets	4,716	31,151
Intangible fixed assets	3,416	22,565
Software	2,291	15,137
Other intangible fixed assets	1,124	7,427
Deferred tax assets (Note 26)	1,046	6,914
Customers' liabilities for acceptances and guarantees (Note 16)	20,519	135,519
Allowance for loan losses (Note 3)	(34,660)	(228,915)
TOTAL ASSETS	¥11,576,552	\$76,458,309
LIABILITIES AND EQUITY		
LIABILITIES:		
Deposits (Notes 11, 14 and 27)	¥ 9,365,326	\$61,854,078
Call money and bills sold	1,714	11,320
Payables under securities lending transactions (Notes 11 and 27)	500,070	3,302,756
Borrowed money (Notes 11 and 15)	193,750	1,279,638
Foreign exchanges (Note 9)	743	4,911
Borrowed money from trust account	3,990	26,358
Other liabilities (Note 27)	59,382	392,197
Liability for employees' retirement benefits (Note 25)	23,592	155,817
Liability for reimbursement of deposit losses	157	1,036
Liability for contingent losses	761	5,026
Reserves under special laws	0	4
Deferred tax liabilities (Note 26)	262,112	1,731,144
Deferred tax liabilities for land revaluation (Note 13)	3,349	22,124
Acceptances and guarantees (Note 16)	20,519	135,519
Total liabilities	10,435,470	68,921,935
EQUITY (Notes 17, 19 and 32):		
Common stock-authorized, 800,000 thousand shares; issued, 303,362 thousand shares in 2024	40,000	264,183
Capital surplus	41,875	276,568
Stock acquisition rights	208	1,376
Retained earnings	441,188	2,913,867
Treasury stock-at cost, 11,199 thousand shares in 2024	(24,654)	(162,831)
Accumulated other comprehensive income:		
Unrealized gains on available-for-sale securities (Note 7)	645,029	4,260,150
Deferred gains on derivatives under hedge accounting	28	187
Land revaluation surplus (Note 13)	(2,699)	(17,826)
Defined retirement benefit plans	105	699
Total equity	1,141,082	7,536,374
TOTAL LIABILITIES AND EQUITY	¥11,576,552	\$76,458,309

See notes to consolidated financial statements.

Consolidated Statement of Income

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2024

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2024	2024
INCOME:		
Interest income:		
Interest on loans and discounts	¥ 53,034	\$350,268
Interest and dividends on securities	37,176	245,533
Interest on call loans and bills bought	5,539	36,587
Other interest income	1,290	8,525
Trust fees	7	51
Fees and commissions	24,121	159,311
Other operating income (Note 20)	9,385	61,984
Other income (Note 21)	8,244	54,451
Total income	138,799	916,714
EXPENSES:		
Interest expenses:		
Interest on deposits	12,681	83,753
Interest on borrowed money	7	46
Other interest expenses	4,418	29,184
Fees and commissions	6,777	44,760
Other operating expenses (Note 22)	9,419	62,210
General and administrative expenses	58,064	383,489
Other expenses (Note 23)	3,456	22,825
Total expenses	94,823	626,270
INCOME BEFORE INCOME TAXES	43,976	290,443
INCOME TAXES (Note 26):		
Current	11,657	76,992
Deferred	679	4,490
NET INCOME	31,638	208,961
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	66	436
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 31,572	\$208,524

	Yen	U.S. Dollars
	2024	2024
PER SHARE INFORMATION (Notes 2.r, 18, 32 and 33):		
Basic net income	¥106.55	\$0.70
Diluted net income	106.47	0.70
Cash dividends applicable to the year	115.00	0.75

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2024

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2024	2024
NET INCOME	¥ 31,638	\$ 208,961
OTHER COMPREHENSIVE INCOME (LOSS) (Note 29)	145,598	961,618
Unrealized gains on available-for-sale securities	143,158	945,502
Deferred losses on derivatives under hedge accounting	(198)	(1,312)
Defined retirement benefit plans	2,638	17,428
COMPREHENSIVE INCOME	¥177,237	\$1,170,579
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥177,075	\$1,169,510
Noncontrolling interests	161	1,069

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2024

	Thousands		Millions of Yen											
	Outstanding of Shares of Common Stock (Note 18)	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Noncontrolling Interests	Total Equity
							Unrealized Gains on Available-for-Sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans				
BALANCE AT APRIL 1, 2023	74,345	¥42,103	¥34,158	¥264	¥421,490	¥ (8,521)	¥501,966	¥ 227	¥(2,677)	¥(2,533)	¥ 986,479	¥ 2,747	¥ 989,226	
Changes by stock split	227,522													
Changes by share transfer		(2,103)	6,261			(4,157)								
Purchase of shares of consolidated subsidiaries			1,475			895					2,370		2,370	
Net income attributable to owners of the parent					31,572						31,572		31,572	
Cash dividends, ¥160.00 per share*					(11,896)						(11,896)		(11,896)	
Purchases of treasury stock	(9,829)					(13,011)					(13,011)		(13,011)	
Disposals of treasury stock	126		(19)			139					119		119	
Reversal of land revaluation surplus					21						21		21	
Net change in the year				(55)			143,062	(198)	(21)	2,638	145,425	(2,747)	142,677	
BALANCE AT MARCH 31, 2024	292,163	¥40,000	¥41,875	¥208	¥441,188	¥(24,654)	¥645,029	¥ 28	¥(2,699)	¥ 105	¥1,141,082		¥1,141,082	

	Thousands of U.S. Dollars (Note 1)												
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Total	Noncontrolling Interests	Total Equity
						Unrealized Gains on Available-for-Sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans				
BALANCE AT APRIL 1, 2023	\$278,077	\$225,602	\$1,743	\$2,783,768	\$ (56,278)	\$3,315,281	\$ 1,499	\$ (17,682)	\$ (16,729)	\$6,515,283	\$ 18,147	\$6,533,430	
Changes by share transfer	(13,894)	41,354			(27,459)								
Purchase of shares of consolidated subsidiaries		9,744			5,914					15,658		15,658	
Net income attributable to owners of the parent				208,524						208,524		208,524	
Cash dividends, \$1.05 per share*				(78,569)						(78,569)		(78,569)	
Purchases of treasury stock					(85,932)					(85,932)		(85,932)	
Disposals of treasury stock		(132)			924					792		792	
Reversal of land revaluation surplus				144						144		144	
Net change in the year			(367)			944,869	(1,312)	(144)	17,428	960,473	(18,147)	942,326	
BALANCE AT MARCH 31, 2024	\$264,183	\$276,568	\$1,376	\$2,913,867	\$ (162,831)	\$4,260,150	\$ 187	\$ (17,826)	\$ 699	\$7,536,374		\$7,536,374	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2024

	Thousands of U.S. Dollars (Note 1)	
	Millions of Yen	2024
OPERATING ACTIVITIES:		
Income before income taxes	¥ 43,976	\$ 290,443
Depreciation	3,354	22,156
Losses on impairment of long-lived assets	73	487
Equity in earnings of an affiliated company	(3)	(20)
Decrease in allowance for loan losses	(2,708)	(17,890)
Decrease in liability for employees' retirement benefits	(287)	(1,897)
Decrease in liability for reimbursement of deposit losses	(62)	(409)
Increase in liability for contingent losses	182	1,204
Interest income	(97,040)	(640,915)
Interest expense	17,106	112,984
Gains on securities	(2,213)	(14,616)
Gains on money held in trust	(226)	(1,498)
Foreign exchange gains	(11,885)	(78,496)
Gains on sales of fixed assets	(476)	(3,144)
Net decrease in trading securities	0	6
Net increase in loans	(419,451)	(2,770,302)
Net increase in deposits	454,034	2,998,709
Net decrease in negotiable certificates of deposit	(162,879)	(1,075,753)
Net decrease in borrowed money (excluding subordinated loans)	(60,340)	(398,520)
Net decrease in due from banks (excluding due from Bank of Japan)	568	3,756
Net decrease in call loans and bills bought	46,843	309,378
Net increase in call money	1,714	11,320
Net increase in payables under securities lending transactions	107,569	710,448
Net increase in foreign exchanges (assets)	(1,254)	(8,288)
Net increase in foreign exchanges (liabilities)	510	3,369
Net increase in lease receivables and investment assets	(1,075)	(7,102)
Net decrease in borrowed money from trust account	(183)	(1,214)
Interest and dividends received (cash basis)	95,877	633,234
Interest paid (cash basis)	(16,654)	(109,995)
Other-net	(21,707)	(143,370)
Subtotal	(26,638)	(175,933)
Income taxes – paid	(10,121)	(66,849)
Net cash used in operating activities-(Forward)	¥ (36,759)	\$ (242,782)
INVESTING ACTIVITIES:		
Purchases of securities	¥ (960,078)	\$ (6,340,920)
Proceeds from sales of securities	501,641	3,313,132
Proceeds from redemption of securities	280,063	1,849,700
Decrease in money held in trust	7,305	48,251
Purchases of tangible fixed assets	(3,811)	(25,174)
Proceeds from sales of tangible fixed assets	1,234	8,152
Purchases of intangible fixed assets	(1,699)	(11,224)
Payments for asset retirement obligations	(27)	(180)
Other-net	(189)	(1,250)
Net cash used in investing activities	(175,561)	(1,159,512)
FINANCING ACTIVITIES:		
Purchases of treasury stock	(13,011)	(85,932)
Dividends paid by the Company	(11,896)	(78,569)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(21)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(535)	(3,535)
Net cash used in financing activities	(25,446)	(168,060)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(237,767)	(1,570,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,167,312	7,709,614
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	¥ 929,545	\$ 6,139,259

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kyoto Financial Group, Inc. and Consolidated Subsidiaries Year Ended March 31, 2024

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kyoto Financial Group, Inc. (the "Company") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulation and the Enforcement Regulation for the Banking Law and in accordance with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Since the Company was established on October 2, 2023, information for the previous fiscal year is not presented. In addition, the consolidated financial statements for the fiscal year ended March 31, 2024, were prepared by taking over the consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank"), which became a wholly owned subsidiary through a sole-share transfer. Therefore, the consolidated financial statements for the fiscal year ended March 31, 2024, include the consolidated financial statements for the six months ended September 30, 2023, of the Bank.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. All yen figures for 2024 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollars.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥151.41 to \$1, the approximate rate of exchange at March 29, 2024. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2024, include the accounts of the Company and its nine significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Kyoto Capital Partners Co., Ltd. was newly established and included in the scope of consolidation of the Bank from the current consolidated fiscal year.

Along with the establishment of the Company, the Bank became the Company's wholly owned subsidiary. Since the Company acquired all shares in Karasuma Shoji Co., Ltd., Kyogin Lease & Capital Co., Ltd. (currently Kyogin Lease Co., Ltd.), Kyoto Credit Service Co., Ltd., Kyogin Card Service Co., Ltd., Kyoto Research Institute, Inc. (currently Kyoto Soken Consulting Co., Ltd.), Kyogin Securities Co., Ltd., and Kyoto Capital Partners Co., Ltd. through distribution-in-kind from the Bank, those seven companies, the Bank, and the Bank's

consolidated subsidiaries have been included in the scope of consolidation from the current consolidated fiscal year.

Investments in one affiliated company is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and an affiliated company are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized gains included in assets resulting from transactions within the Group is also eliminated.

- b. Cash Equivalents** – For purposes of the consolidated statement of cash flows, the Group considers deposits with the Bank of Japan which are included in "Cash and due from banks" in the consolidated balance sheet, to be cash equivalents.
- c. Trading Securities** – Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.
- d. Securities** – Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.
- e. Derivatives and Hedging Activities** – Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.
- To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (cash flow hedge) based on the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants (the

"JICPA") Industry Committee Practical Guidelines No. 24, March 17, 2022).

The Bank applies deferral hedge accounting based on the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Committee Practical Guidelines No. 25, October 8, 2020) to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

- f. Tangible Fixed Assets** – Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Company and other consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.
- g. Intangible Fixed Assets** – Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for the Group's internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.
- h. Long-Lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- Accumulated impairment losses are directly deducted from the respective fixed assets.
- i. Allowance for Loan Losses** – The amount of the allowance for loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system of the Bank. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.
- The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the standards for self-assessment of asset quality of the Bank.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality.

The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as "legal bankruptcy" or "virtual bankruptcy," a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as "possible bankruptcy," a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors with a certain amount of credit or more who are classified as "possible bankruptcy" and debtors with restructured loans, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying amounts of the loans (the DCF method).

Debtors classified as "caution" are the ones that the Bank pays attention to due to a certain level of concern about their operation and repayment of the loans. Among the debtors classified as "caution," for claims to debtors to whom the Bank pays more attention due to a higher level of concern, an allowance is provided for expected losses for the subsequent 3 years. Expected losses are estimated using the expected loss rate which is based on the average rate of historical loan loss experience for the past 3 years with the long-term perspective. For claims to debtors classified as "caution" excluding the above and as "normal" who do not have specific operational and financial problems, an allowance is provided for expected losses for the subsequent 1 year. Expected losses are estimated using the expected loss rate which is based on the rate of historical loan loss experience for the past 1 year with the long-term perspective. The Bank also uses certain assumptions to estimate the possible credit loss for debtors who are classified as "caution" because they remain significantly affected by COVID-19. For those debtors, the Bank assumed the risk of credit loss is equal to the risk of credit loss for the debtors under possible bankruptcy and calculated the allowance for loan losses using the same credit loss rate with the one applied to the estimated unsecured portion of claims for the debtors under possible bankruptcy.

Other consolidated subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

j. Reserves under Special Laws – The reserves under special laws represents financial instruments transaction liability reserve recorded by a consolidated subsidiary as determined in accordance with the provisions of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business to provide for losses arising from security-related accidents.

k. Liability for Employees' Retirement Benefits – The Bank has a contributory funded pension plan, an unfunded lump-sum

severance payment plan and a defined benefit corporate pension plan. Other consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to calculate the liability for employees' retirement benefits and retirement benefit expenses.

The Bank accounts for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

i. Liability for Reimbursement of Deposit Losses – A liability for reimbursement of deposits which was derecognized as a liability, is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

m. Liability for Contingent Losses – A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimating future burden charges and other payments to the Credit Guarantee Corporation.

n. Foreign Currency Transactions – Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

o. Stock Options – Compensation expense for employee stock options, which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options." In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

p. Leases

Lessee
Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

Lessor

Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

q. Income Taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize

deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

r. Per Share Information – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities are exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal year including dividends to be paid after the end of the year. Also "Cash dividends per share" is stated at the amount before stock splits (see Note 18).

3. SIGNIFICANT ACCOUNTING ESTIMATES

Allowance for Loan Losses

(1) Allowance for loan losses at March 31, 2024, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Allowance for loan losses	¥34,660	\$228,915

(2) Information concerning important accounting estimates

Method of calculating allowance for loan losses is described in the Note 2.i.

The debtor classification is determined based on the financial information about the debtors. For debtors with poor financial results, the rating may rely on judgment as to how reasonable and feasible their business improvement plans are. Therefore, debtors have been classified using certain assumptions about their business outlook and the business environment.

Under these assumptions, the Bank has recorded an allowance for loan losses factoring in potential losses due to change in the assumed business outlook and current business environment. The Bank assumes that COVID-19 will continue to have a financial impact on some debtors for a certain period of time. Based on this expectation, for specific debtors in situations which they remain significantly affected by COVID-19, the Bank assumed their risk of credit loss is equal to the risk of credit loss for debtors under possible bankruptcy and calculated the allowance for loan losses using the same credit loss rate with the one applied to the estimated unsecured portion of claims for debtors under possible bankruptcy.

The allowance for loan losses is provided based on the debtors' rating, after asset assessments for all loans based on the self-assessment standards. However, the estimates made for the allowance for loan losses have high uncertainty because debtors' financial situation constantly changes and especially as business improvement plans usually take a long period of time to carry out. In

addition, drastic changes in economic conditions may significantly affect the amount of allowance for loan losses on the consolidated financial statements for the following fiscal year.

4. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2024, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Cash and due from banks	¥962,778	\$6,358,753
Due from banks, excluding due from Bank of Japan	(33,233)	(219,494)
Cash and cash equivalents	¥929,545	\$6,139,259

5. SECURITIES

Securities at March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Japanese government bonds	¥ 464,738	\$ 3,069,401
Japanese local government bonds	705,908	4,662,233
Japanese corporate bonds	650,285	4,294,862
Japanese corporate stocks	1,134,728	7,494,408
Other securities	380,908	2,515,739
Total	¥3,336,568	\$22,036,646

Securities include investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥6,534 million (\$43,157 thousand) as of March 31, 2024.

The securities placed under unsecured lending agreements are included in the above Japanese government bonds in the amount of ¥29,404 million (\$194,201 thousand) for the year ended March 31, 2024.

Held-to-maturity debt securities at March 31, 2024, were as follows:

	Millions of Yen				
	2024				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	¥4,594	¥4,511	¥(83)		¥83
Japanese corporate bonds	500	500	0	¥0	
Japanese bonds – total	¥5,095	¥5,012	¥(82)	¥0	¥83

	Thousands of U.S. Dollars				
	2024				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	\$30,345	\$29,796	\$(549)		\$549
Japanese corporate bonds	3,306	3,308	2	\$2	
Japanese bonds – total	\$33,652	\$33,104	\$(547)	\$2	\$549

The cost and aggregate fair value of available-for-sale securities at March 31, 2024, were as follows:

	Millions of Yen				
	2024				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	¥ 158,825	¥1,131,482	¥972,656	¥972,910	¥ 254
Japanese government bonds	486,976	464,738	(22,238)	217	22,455
Japanese local government bonds	714,872	701,314	(13,558)	193	13,752
Japanese corporate bonds	660,228	649,784	(10,444)	90	10,534
Japanese bonds – total	1,862,077	1,815,836	(46,241)	500	46,741
Foreign bonds	126,591	126,092	(498)	232	730
Other	218,756	220,224	1,467	7,639	6,172
Other – total	345,347	346,316	968	7,871	6,903
Total	¥2,366,251	¥3,293,635	¥927,384	¥981,283	¥53,898

	Thousands of U.S. Dollars				
	2024				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	\$ 1,048,977	\$ 7,472,970	\$6,423,992	\$6,425,670	\$ 1,678
Japanese government bonds	3,216,275	3,069,401	(146,873)	1,433	148,307
Japanese local government bonds	4,721,438	4,631,888	(89,550)	1,278	90,828
Japanese corporate bonds	4,360,534	4,291,555	(68,978)	595	69,573
Japanese bonds – total	12,298,248	11,992,845	(305,402)	3,307	308,710
Foreign bonds	836,081	832,787	(3,294)	1,532	4,826
Other	1,444,796	1,454,487	9,691	50,455	40,764
Other – total	2,280,878	2,287,275	6,396	51,988	45,591
Total	\$15,628,104	\$21,753,091	\$6,124,986	\$6,480,966	\$355,979

Bonds classified as held-to-maturity were not sold during the fiscal year ended March 31, 2024.

Available-for-sale securities sold during the fiscal year were as follows:

	Millions of Yen		
	2024		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	¥ 6,111	¥4,199	¥ 4
Debt securities	443,539	792	623
Other securities	52,008	1,360	3,448
Total	¥501,659	¥6,353	¥4,076

	Thousands of U.S. Dollars		
	2024		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	\$ 40,364	\$27,735	\$ 30
Debt securities	2,929,391	5,236	4,117
Other securities	343,495	8,987	22,777
Total	\$3,313,251	\$41,959	\$26,925

The classification of securities has not changed for the year ended March 31, 2024.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be "other than temporary." The amount written down is accounted for as losses on devaluation. The devaluation of available-for-sale securities did not occur for the year ended March 31, 2024.

To determine whether an other-than-temporary impairment has occurred, the Company applies the following rules by the credit risk category for the security issuer based on the Company's self-assessment standards.

- (a) For securities issued by debtors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.
- (b) For securities issued by debtors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.
- (c) For securities issued by debtors classified as "normal": the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

6. MONEY HELD IN TRUST

(1) Money held in trust classified as trading:

	Millions of Yen	
	2024	
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	¥6,226	

	Thousands of U.S. Dollars	
	2024	
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	\$41,121	

(2) No money held in trust was classified as held-to-maturity at March 31, 2024.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2024.

7. NET UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities were valued at market and net unrealized gains on valuation were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Net unrealized gains on available-for-sale securities	¥ 927,384	\$ 6,124,986
Deferred tax liabilities	(281,966)	(1,862,269)
Other	(388)	(2,566)
Net unrealized gains on valuation (before adjustment)	645,029	4,260,150
Net unrealized gains on valuation	¥ 645,029	\$ 4,260,150

8. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Bills discounted	¥ 13,055	\$ 86,223
Loans on bills	17,718	117,020
Loans on deeds	6,076,006	40,129,492
Overdrafts	610,753	4,033,770
Total	¥6,717,532	\$44,366,507

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24. The Company has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥13,371 million (\$88,313 thousand) at March 31, 2024.

Loans under the Banking Law and the Law Concerning Emergency Measures for Reconstruction of Financial Functions consist of the following loans: corporate bonds that are included in "Securities" in the consolidated balance sheet *, loans, foreign exchanges, accrued interest and suspense payments in "Other assets" and liabilities for acceptances and guarantees, and securities (only by use or lease agreement) in cases where the securities noted are loaned.

* Only the redemption of the principal and the payment of interest in whole or in part is guaranteed, and the issuance of such corporate bonds is limited to privately-subscribed bonds (Article 2, paragraph 3 of the Financial Instruments and Exchange Act).

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Bankruptcy reorganization loans and similar loans	¥ 9,756	\$ 64,440
Doubtful loans	81,780	540,125
Past due loans (three months or more)	9	59
Restructured loans	6,066	40,064
Total	¥97,612	\$644,690

Bankruptcy reorganization loans and similar loans are claims to debtors who are in financial difficulties due to initiation of bankruptcy proceedings, reorganization proceedings, petition for commencement of rehabilitation proceedings and claims similar to the above.

Doubtful loans are loans for which the debtor has not yet entered into bankruptcy, but the financial condition and business performance of the debtor have deteriorated and it is highly probable that the principal cannot be collected and interest cannot be received in

accordance with the contract, and which do not fall under the category of bankruptcy reorganization loans and similar loans.

Past due loans (three months or more) are loans with principal or interest unpaid for over three months from the day after the agreed-upon payment date, and do not fall under the category of bankruptcy reorganization loans and similar loans, or doubtful loans.

Restructured loans are loans that provide certain concessions favorable to the borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the debtors, and exclude bankruptcy reorganization loans and similar loans, doubtful loans, and past due loans (three months or more).

The above loan amounts are before deduction of allowance for loan losses.

9. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Assets:		
Due from foreign correspondents	¥8,586	\$56,708
Foreign bills of exchange purchased	316	2,090
Foreign bills of exchange receivable	110	730
Total	¥9,013	\$59,529
Liabilities:		
Foreign bills of exchange sold	¥ 375	\$ 2,479
Accrued foreign bills of exchange	368	2,431
Total	¥ 743	\$ 4,911

10. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2024, amounted to ¥81,303 million (\$536,978 thousand).

11. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Securities	¥704,368	\$4,652,057

Collateralized liabilities were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Deposits	¥ 13,173	\$ 87,004
Payables under securities lending transactions	500,070	3,302,756
Borrowed money	193,500	1,277,986

In addition, securities totaling ¥275,317 million (\$1,818,357 thousand) and loans and bills discounted totaling ¥98,400 million (\$649,891 thousand) at March 31, 2024, were pledged as collateral for overdraft agreements with the Bank of Japan, the settlement of exchange and derivative transactions.

Cash collateral paid for financial instruments and surety deposits are included in "Other assets" in the consolidated balance sheet.

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Cash collateral paid for financial instruments	¥56,061	\$370,259
Surety deposits	1,500	9,907

12. COMMITMENT LINE

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowings up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2024, such commitments amounted to ¥1,749,999 million (\$11,558,020 thousand) of which ¥1,639,126 million (\$10,825,747 thousand) were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses where consolidated subsidiaries can reject the application from customers or reduce the contract amounts where economic conditions change, such as when there is a deterioration in the customer's creditworthiness. In addition, consolidated subsidiaries request customers to pledge collateral, such as buildings, land, and securities, upon execution of the contracts, and take necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

13. LAND REVALUATION

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

14. DEPOSITS

Deposits at March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Current deposits	¥ 480,435	\$ 3,173,076
Ordinary deposits	5,960,924	39,369,426
Savings deposits	96,272	635,836
Deposits at notice	11,508	76,010
Time deposits	1,962,297	12,960,156
Other deposits	310,539	2,050,984
Subtotal	8,821,977	58,265,490
Negotiable certificates of deposit	543,348	3,588,587
Total	¥9,365,326	\$61,854,078

15. BORROWED MONEY

Borrowed money at March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Borrowing from banks and other	¥193,750	\$1,279,638
Total	¥193,750	\$1,279,638

At March 31, 2024, the weighted-average interest rate applicable to borrowed money was 0.00077%.

Annual maturities of borrowed money at March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥129,840	\$ 857,539
2026	40	264
2027	63,840	421,636
2028	20	132
2029	10	66
2030 and thereafter		
Total	¥193,750	\$1,279,638

16. ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as an asset representing the Company's right of indemnity from applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥65,907 million (\$435,292 thousand) as of March 31, 2024.

17. EQUITY

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or purchase of treasury stock.

The Company was established as a holding company through a sole-share transfer on October 2, 2023. Therefore, current year's dividend payment amounts were the amounts resolved at the Ordinary General Meeting of Shareholders or the Board of Directors' meeting of the Bank.

b. Increases (Decreases) and Transfers of Common Stock, Reserve, and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders' meeting.

c. Treasury Stock and Stock Acquisition Rights

The Companies Act also provides that companies may repurchase and dispose of its shares by resolution of the Board of Directors. The amount of repurchased stock cannot exceed the amount reserved for distribution to shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can repurchase its stock acquisition rights as well as its stock. Such stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

18. STOCK SPLIT

The Group was established on October 2, 2023, through a sole-share transfer (see Note 30).

Upon the establishment, the Group distributed its common shares to the shareholders in exchange for the shares of the Bank.

Accordingly, the number of outstanding shares at the beginning of the year and the end of the year represents the number of outstanding shares of the Bank and the Group, respectively.

Also, the Company implemented a four-for-one stock split on January 1, 2024, and the number of outstanding of shares was increased by 227,522.

The "Basic EPS" and "Diluted EPS" have been calculated assuming that the stock split was undertaken at the beginning of the year ended March 31, 2024. "Cash dividends per share" are stated at the amount before the stock split.

19. STOCK OPTIONS

The number of stock options has been converted to the number of shares after the four-for-one stock split implemented on January 1, 2024.

There were no stock-based compensation expenses for the year ended March 31, 2024.

The stock options outstanding as of March 31, 2024, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant (Note 2)	Exercise Price	Exercise Period
Kyoto Financial Group, Inc. 1st Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	4,080 shares	July 29, 2008	¥1 (\$0.01)	From October 2, 2023, to July 29, 2038
Kyoto Financial Group, Inc. 2nd Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	5,280 shares	July 29, 2009	¥1 (\$0.01)	From October 2, 2023, to July 29, 2039
Kyoto Financial Group, Inc. 3rd Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,240 shares	July 29, 2010	¥1 (\$0.01)	From October 2, 2023, to July 29, 2040
Kyoto Financial Group, Inc. 4th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,400 shares	August 1, 2011	¥1 (\$0.01)	From October 2, 2023, to August 1, 2041
Kyoto Financial Group, Inc. 5th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,800 shares	July 30, 2012	¥1 (\$0.01)	From October 2, 2023, to July 30, 2042
Kyoto Financial Group, Inc. 6th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	6,160 shares	July 30, 2013	¥1 (\$0.01)	From October 2, 2023, to July 30, 2043
Kyoto Financial Group, Inc. 7th Share Acquisition Rights (Note 1)	1 director of the Bank of Kyoto	4,960 shares	July 30, 2014	¥1 (\$0.01)	From October 2, 2023, to July 30, 2044
Kyoto Financial Group, Inc. 8th Share Acquisition Rights (Note 1)	1 director and 1 executive officer of the Bank of Kyoto	10,960 shares	July 30, 2015	¥1 (\$0.01)	From October 2, 2023, to July 30, 2045
Kyoto Financial Group, Inc. 9th Share Acquisition Rights (Note 1)	1 director and 1 executive officer of the Bank of Kyoto	23,120 shares	July 28, 2016	¥1 (\$0.01)	From October 2, 2023, to July 28, 2046
Kyoto Financial Group, Inc. 10th Share Acquisition Rights (Note 1)	2 directors and 2 executive officers of the Bank of Kyoto	17,680 shares	July 30, 2017	¥1 (\$0.01)	From October 2, 2023, to July 30, 2047
Kyoto Financial Group, Inc. 11th Share Acquisition Rights (Note 1)	3 directors and 2 executive officers of the Bank of Kyoto	22,080 shares	July 30, 2018	¥1 (\$0.01)	From October 2, 2023, to July 30, 2048
Kyoto Financial Group, Inc. 12th Share Acquisition Rights (Note 1)	3 directors and 4 executive officers of the Bank of Kyoto	36,000 shares	July 30, 2019	¥1 (\$0.01)	From October 2, 2023, to July 30, 2049
Kyoto Financial Group, Inc. 13th Share Acquisition Rights (Note 1)	3 directors and 9 executive officers of the Bank of Kyoto	48,400 shares	July 30, 2020	¥1 (\$0.01)	From October 2, 2023, to July 30, 2050

Notes: 1. In line with the establishment of the Company through a sole-share transfer of the Bank, share acquisition rights of the Company were delivered on behalf of the share acquisition rights issued by the Bank.

2. "Date of Grant" represents the initial grant date by the Bank.

The stock option activity was as follows:

	Kyoto Financial Group, Inc. 1st Share Acquisition Rights	Kyoto Financial Group, Inc. 2nd Share Acquisition Rights	Kyoto Financial Group, Inc. 3rd Share Acquisition Rights	Kyoto Financial Group, Inc. 4th Share Acquisition Rights	Kyoto Financial Group, Inc. 5th Share Acquisition Rights	Kyoto Financial Group, Inc. 6th Share Acquisition Rights	Kyoto Financial Group, Inc. 7th Share Acquisition Rights	Kyoto Financial Group, Inc. 8th Share Acquisition Rights	Kyoto Financial Group, Inc. 9th Share Acquisition Rights	Kyoto Financial Group, Inc. 10th Share Acquisition Rights	Kyoto Financial Group, Inc. 11th Share Acquisition Rights	Kyoto Financial Group, Inc. 12th Share Acquisition Rights	Kyoto Financial Group, Inc. 13th Share Acquisition Rights
Year Ended March 31, 2024													
Non-vested													
March 31, 2023 – Outstanding													
Granted													
Canceled													
Vested													
March 31, 2024 – Outstanding													
Vested													
March 31, 2023 – Outstanding	4,080	5,280	6,240	6,400	6,800	6,160	7,600	13,680	33,200	24,400	28,960	45,840	61,200
Vested													
Exercised							2,640	2,720	10,080	6,720	6,880	9,840	12,800
Canceled													
March 31, 2024 – Outstanding	4,080	5,280	6,240	6,400	6,800	6,160	4,960	10,960	23,120	17,680	22,080	36,000	48,400
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise							¥1,808 (\$11.94)	¥1,808 (\$11.94)	¥1,808 (\$11.94)	¥1,808 (\$11.94)	¥1,808 (\$11.94)	¥1,808 (\$11.94)	¥1,808 (\$11.94)
Fair value price at grant date (Note)	¥1,222 (\$8.07)	¥1,006 (\$6.64)	¥857 (\$5.66)	¥847 (\$5.59)	¥657 (\$4.34)	¥952 (\$6.29)	¥1,127 (\$7.44)	¥1,798 (\$11.88)	¥823 (\$5.44)	¥1,306 (\$8.63)	¥1,362 (\$9.00)	¥979 (\$6.47)	¥912 (\$6.02)

Note: "Fair value price at grant date" represents the fair value price at the initial grant date by the Bank, which has been converted to the price after the four-for-one stock split implemented on January 1, 2024.

20. OTHER OPERATING INCOME

Other operating income for the year ended March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Gains on foreign exchange transactions – net	¥1,721	\$11,370
Gains on trading securities	349	2,305
Gains on sales of bonds	960	6,345
Gains on financial derivatives	309	2,041
Lease receipts	5,038	33,279
Other	1,005	6,641
Total	¥9,385	\$61,984

21. OTHER INCOME

Other income for the year ended March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Recovery of loans previously charged off	¥ 10	\$ 70
Gains on sales of stocks and other securities	5,392	35,616
Gains on investments in money held in trust	226	1,498
Gains on reversal of allowance for loan losses	770	5,091
Gains on sales of tangible fixed assets	1,108	7,319
Equity in earnings of an affiliated company	3	20
Other	732	4,835
Total	¥8,244	\$54,451

22. OTHER OPERATING EXPENSES

Other operating expenses for the year ended March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Losses on sales of bonds	¥3,955	\$26,125
Lease costs	4,398	29,047
Other	1,065	7,037
Total	¥9,419	\$62,210

23. OTHER EXPENSES

Other expenses for the year ended March 31, 2024, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Charge-off claims	¥ 49	\$ 326
Losses on sales of stocks and other securities	138	914
Losses on devaluation of stocks and other securities	46	304
Losses on sales of tangible fixed assets	632	4,174
Losses on impairment of long-lived assets	73	487
Other	2,516	16,618
Total	¥3,456	\$22,825

24. LEASES

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Due within one year	¥ 149	\$ 986
Due after one year	1,152	7,609
Total	¥1,301	\$8,596

Lessor

The Group leases other assets.

The net leased investment assets are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Gross leased investment assets	¥14,675	\$96,925
Unearned interest income	(1,384)	(9,144)
Leased investment assets	¥13,290	\$87,780

Maturities of lease receivables and investment assets for finance leases that transfer ownership of the leased property to the lessee were as follows:

Year Ending March 31	Lease Receivables		Leased Investment Assets	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
	2024			
2025	¥116	\$ 766	¥ 4,319	\$28,530
2026	109	723	3,480	22,983
2027	202	1,335	2,698	17,823
2028	19	125	1,972	13,025
2029	17	114	1,266	8,363
2030 and thereafter	18	124	938	6,198
Total	¥483	\$3,190	¥14,675	\$96,925

The minimum future rentals to be received under noncancelable operating leases at March 31, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Due within one year	¥ 194	\$ 1,287
Due after one year	4,067	26,863
Total	¥4,262	\$28,150

25. EMPLOYEES' RETIREMENT BENEFITS

The Bank has a contributory funded pension plan, an unfunded lump-sum severance payment plan and a defined benefit corporate pension plan. Other consolidated subsidiaries have unfunded lump-sum severance payment plans and defined contribution pension plans. They apply the simplified method to state the liability for employees' retirement benefits and retirement benefit expenses.

(1) The change in defined benefit obligation for the year ended March 31, 2024, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Balance at beginning of year	¥59,163	\$390,752
Service cost	2,049	13,535
Interest cost	295	1,951
Actuarial losses	(108)	(719)
Benefits paid	(1,961)	(12,952)
Others	1	10
Balance at end of year	¥59,440	\$392,577

Note: Employee contributions to the corporate pension plan has been deducted from service cost.

(2) The changes in plan assets for the year ended March 31, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Balance at beginning of year	¥31,480	\$207,916
Expected return on plan assets	629	4,158
Actuarial gains	2,820	18,625
Contributions from the employer	2,373	15,673
Benefits paid	(1,457)	(9,624)
Others	1	10
Balance at end of year	¥35,847	\$236,759

(3) Reconciliation between the liabilities and assets recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2024, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Funded defined benefit obligation	¥ 47,128	\$ 311,266
Plan assets	(35,847)	(236,759)
	11,281	74,506
Unfunded defined benefit obligation	12,311	81,310
Net liability arising from defined benefit obligation	¥ 23,592	\$ 155,817

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Liability for employees' retirement benefits	¥23,592	\$155,817
Asset for retirement benefits		
Net liability arising from defined benefit obligation	¥23,592	\$155,817

(4) The components of net periodic benefit costs for the year ended March 31, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Service cost	¥2,049	\$13,535
Interest cost	295	1,951
Expected return on plan assets	(629)	(4,158)
Recognized actuarial losses	874	5,775
Net periodic benefit costs	¥2,589	\$17,103

Notes: 1. Net periodic benefit costs for consolidated subsidiaries that use the simplified method are recorded in aggregate in service cost.
2. Employee contributions to the corporate pension plan has been deducted from service cost.

(5) The amount recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2024, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Actuarial gains	¥3,803	\$25,120

(6) The amount recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Unrecognized actuarial losses	¥(152)	\$(1,007)

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2024
Debt investments	42%
Equity investments	31
Cash and cash equivalents	13
Others	14
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets was determined considering the long-term rates of return which were expected currently and in the future from the various components of the plan assets.

(8) Actuarial assumptions used for the year ended March 31, 2024, were set forth as follows:

	2024
Discount rate	0.5%
Expected rate of return on plan assets	2.0%
Expected salary increase rate	3.8%

The amount to be paid to consolidated subsidiaries' defined contribution pension plan was ¥349 million (\$2,309 thousand) for the year ended March 31, 2024.

26. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the year ended March 31, 2024.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Deferred tax assets:		
Allowance for loan losses	¥ 10,055	\$ 66,413
Liability for employees' retirement benefits	7,226	47,729
Devaluation of stocks and other securities	2,432	16,068
Other	4,292	28,347
Less valuation allowance	(2,926)	(19,329)
Total	¥ 21,080	\$ 139,229
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	¥281,965	\$1,862,263
Other	180	1,195
Total	¥282,146	\$1,863,459
Net deferred tax assets	¥ 1,046	\$ 6,914
Net deferred tax liabilities	¥262,112	\$1,731,144

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2024, was as follows:

	2024
Normal effective statutory tax rate	30.5%
Expenses not deductible for income tax purposes	0.2
Income not taxable for income tax purposes	(3.2)
Per capita inhabitant tax	0.2
Increase in valuation allowance for deferred tax assets	0.1
Others	0.2
Actual effective tax rate	28.0%

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Basic Policy for Financial Instruments

The main business of the Group is banking, which mainly consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

Among these, in the banking business, the Group's core business, the Bank procures funds by receiving deposits and manages funds through loans and investment in securities. Since financial assets and financial liabilities held by the Group are subject to interest rate fluctuations, exchange rate fluctuations, and market price fluctuations, the Bank conducts asset and liability management ("ALM") to prevent negative impacts from these fluctuations. As part of such ALM, the Bank carries out derivative transactions. Also the Bank offers derivative instruments to its customers for their risk hedging.

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and

interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities.

Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as a result of market turbulence.

The Group enters into derivative financial instruments, such as interest rate swaps, currency swaps, currency options and foreign exchange forward contracts. The Group also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2024. Consolidated subsidiaries do not enter into any derivative transactions.

Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Group's derivative transactions are conducted to hedge underlying business risk exposures, market gain or loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Group enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Group also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Group uses derivatives to actively meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

- (a) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
- (b) The hedge items are interest rate swaps and currency swaps. The hedged instruments are fixed-rate loans and currency-denominated available-for-sale securities.
- (c) The Group assesses the hedge effectiveness of the interest rate swaps and currency swaps.

(3) Risk Management for Financial Instruments

(a) Credit risk management

The Group is working to strengthen its credit risk management under a structure established based on the Credit Risk Management Guidelines. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of non-performing loans, and

provisions for loan losses, the Business Management Division's Credit Planning Group is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Credit Planning Group analyzes the Group's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are periodically reported at the Integrated Risk Council.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for loan losses. The Group also established an Asset Audit Group as a specialized section within the Corporate Audit Division to examine the validity of write-offs and allowances based on asset self-assessments.

In managing credit to specific borrowers, each subsidiary company implements strict credit screening. When application is made for borrowings, comprehensive judgments of repayment ability are made based on the debtor's financial condition, technical capabilities, future viability, the purpose of the loan, borrowers' repayment resources, and other factors.

Moreover, the Group works to keep its assets sound by helping customers radically transform slumping businesses through a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating individual policies based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

(b) Market risk management

The Group is taking steps to strengthen market risk management, based on the Market Risk Management Guidelines. The Business Management Division, which is responsible for conducting market risk management, centrally manages market risk (including risk for deposits, loans, stocks and other securities), credit risk, and other risks, and adequately controls risks within the scope of the Group's capital to secure stable earnings.

To this end, the Business Management Division manages and assesses market risk by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Group also employs means such as backtesting and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Of the instruments exposed to market risk, to effectively manage stocks and other securities, the Group sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Group's capital and net operating profit to achieve a balance between capital and profitability. The Group regularly measures the fair value of securities under management appropriately and accurately and reports these to management.

For stocks, the Group sets the limits on acceptable risk quantities based on the economic capital and gains on valuation, and a semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities, the results of which are subject to audit by the Corporate Audit Division.

Moreover, the Group conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity. The Group also works to strategically address risk management based on risk appetite by periodically reporting on market risk quantities of each instrument to the management, examining the appropriate balance of assets and liabilities, and considering risk hedging and other measures, as needed.

Most of the derivative transactions are for hedging purposes or as cover for customer transactions. However, trading transactions for short-term trading are managed by setting certain loss limits and other limits.

Quantitative information on market risk

Financial instruments other than those for trading purposes The instruments that are affected by typical risks, namely parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from banks," "Call loans," "Call money" and interest rate swaps and currency swaps of "Derivatives." The Group measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Group adopts the historical simulation method (at six months holding period and 99% confidence interval and five years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the historical simulation method (at six months holding period, 99% confidence interval and five years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Group as of March 31, 2024, was ¥59.5 billion (\$392 million).

VaR by risk type at March 31, 2024, was as follows:

	Billions of Yen	Millions of U.S. Dollars
	2024	2024
Interest rate fluctuation risk	¥23.8	\$157
Market price fluctuation risk *	35.6	235
Foreign currency fluctuation risk	0.1	0
Total	¥59.5	\$392

* The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Group performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical

methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal assumptions.

(c) Liquidity risk management

The Group is working to maintain and strengthen its liquidity risk management under a structure in accordance with the Liquidity Risk Management Guidelines. The Group maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Group manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary Explanation on Fair Value of Financial Instruments

Since the measurement of fair value of financial instruments are implemented under certain conditions and assumptions, the result of measurements could differ if they are made under different conditions and assumptions.

(5) Fair Value of Financial Instruments

Accounts that had immaterial amounts on the consolidated balance sheet are not included in the following table. Moreover, Cash and due from banks, Call loans and bills bought, and Payables under securities lending transactions are not included since they are settled in short terms and their carrying amount approximates fair value. Nonmarketable available-for-sale equity securities, investments in capital of partnership and others are not included in the following table (see (a)):

March 31, 2024	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Held-to-maturity bonds	¥ 5,095	¥ 5,012	¥ (82)
Available-for-sale securities	3,293,635	3,293,635	
Loans and bills discounted	6,717,532		
Allowance for loan losses *1	(33,816)		
	6,683,716	6,662,444	(21,271)
Total	¥9,982,447	¥9,961,092	¥(21,354)
Deposits (other than negotiable certificates of deposit)			
	¥8,821,977	¥8,822,028	¥ 50
Negotiable certificates of deposit	543,348	543,347	(0)
Borrowed money	193,750	193,023	(726)
Total	¥9,559,076	¥9,558,399	¥ (676)
Derivatives *2:			
Hedge accounting not applied	¥ 495	¥ 495	
Hedge accounting applied *3	(4,766)	(4,766)	
Total	¥ (4,271)	¥ (4,271)	

March 31, 2024	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Held-to-maturity bonds	\$ 33,652	\$ 33,104	\$ (547)
Available-for-sale securities	21,753,091	21,753,091	
Loans and bills discounted	44,366,507		
Allowance for loan losses *1	(223,341)		
	44,143,165	44,002,674	(140,491)
Total	\$65,929,909	\$65,788,870	\$(141,038)
Deposits (other than negotiable certificates of deposit)			
	\$58,265,490	\$58,265,825	\$ 334
Negotiable certificates of deposit	3,588,587	3,588,583	(4)
Borrowed money	1,279,638	1,274,841	(4,796)
Total	\$63,133,716	\$63,129,250	\$ (4,466)
Derivatives *2:			
Hedge accounting not applied	\$ 3,269	\$ 3,269	
Hedge accounting applied *3	(31,478)	(31,478)	
Total	\$ (28,209)	\$ (28,209)	

*1 General and specific allowances for loan losses corresponding to "Loans and bills discounted" were deducted.
 *2 Derivative transactions recorded in "Other assets" and "Other liabilities" were included and shown in total. Assets or liabilities were presented on a net basis.
 *3 Hedge accounting was applied to the derivatives including interest rate swaps that are designated as hedging instruments to hedge risks on securities. The Group applies the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022).

(a) The carrying amount of nonmarketable available-for-sale equity securities and investments in capital of partnership and others on the consolidated balance sheet were as follows, and they were not included in "Available-for-sales securities" on the fair value information of financial instruments.

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Nonmarketable available-for-sale equity securities *1, *2	¥ 3,248	\$ 21,455
Investments in capital of partnership and others *3	34,589	228,446

*1 Nonmarketable available-for-sale equity securities include non-listed stocks which are not subject to fair value disclosure based on Article 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).
 *2 With respect to non-listed stocks, losses on devaluation of ¥46 million (\$304 thousand) were recorded for the year ended March 31, 2024.
 *3 Investments in capital of partnership and others are not subject to fair value disclosure based on Article 24-16 of the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021).

(b) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2024	Millions of Yen					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	¥ 873,393					
Call loans and bills bought	368,746					
Securities:						
Held-to-maturity bonds	500	¥ 1,500	¥ 1,500	¥ 500		¥ 1,000
Available-for-sale	131,053	477,505	605,707	81,466	¥231,967	453,235
Loans and bills discounted *	1,361,910	1,277,984	1,074,267	757,249	712,926	1,433,797
Total	¥2,735,603	¥1,756,990	¥1,681,474	¥839,216	¥944,893	¥1,888,033

March 31, 2024	Thousands of U.S. Dollars					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	\$ 5,768,398					
Call loans and bills bought	2,435,420					
Securities:						
Held-to-maturity bonds	3,302	\$ 9,906	\$ 9,906	\$ 3,302		\$ 6,604
Available-for-sale	865,550	3,153,722	4,000,444	538,054	\$1,532,049	2,993,430
Loans and bills discounted *	8,994,850	8,440,558	7,095,087	5,001,319	4,708,581	9,469,636
Total	\$18,067,521	\$11,604,187	\$11,105,438	\$5,542,676	\$6,240,631	\$12,469,671

* At March 31, 2024, loans and bills discounted, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, of ¥90,800 million (\$599,701 thousand), were not included in the table. At March 31, 2024, loans and bills discounted without fixed maturities of ¥8,595 million (\$56,771 thousand), were not included either.

(c) Maturity analysis of interest bearing liabilities

March 31, 2024	Millions of Yen					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits (other than negotiable certificates of deposit) *	¥8,429,354	¥362,556	¥30,066			
Negotiable certificates of deposit	543,348					
Payables under securities lending transactions	500,070					
Borrowed money	129,840	63,880	30			
Total	¥9,602,613	¥426,436	¥30,096			

March 31, 2024	Thousands of U.S. Dollars					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits (other than negotiable certificates of deposit) *	\$55,672,377	\$2,394,537	\$198,575			
Negotiable certificates of deposit	3,588,587					
Payables under securities lending transactions	3,302,756					
Borrowed money	857,539	421,900	198			
Total	\$63,421,261	\$2,816,438	\$198,773			

* Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

(6) Breakdown of Financial Instruments by Level in the Fair Value Hierarchy

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to measure fair value.

Level 1: Fair value measured using quoted market prices in active markets for identical assets or liabilities.

Level 2: Fair value measured using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measured using unobservable inputs for the asset or liability.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(a) Financial instruments carried on the consolidated balance sheet at fair value

March 31, 2024	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	¥1,119,019	¥ 12,462		¥1,131,482
Japanese government bonds	464,738			464,738
Japanese local government bonds		701,314		701,314
Japanese corporate bonds		584,403	¥65,381	649,784
Others	3,297	343,018		346,316
Total	¥1,587,055	¥1,641,198	¥65,381	¥3,293,635

Derivatives:				
Interest rate		¥ 720		¥ 720
Currency		(4,991)		(4,991)
Total		¥ (4,271)		¥ (4,271)

March 31, 2024	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	\$ 7,390,660	\$ 82,309		\$ 7,472,970
Japanese government bonds	3,069,401			3,069,401
Japanese local government bonds		4,631,888		4,631,888
Japanese corporate bonds		3,859,740	\$431,814	4,291,555
Others	21,780	2,265,494		2,287,275
Total	\$10,481,843	\$10,839,433	\$431,814	\$21,753,091

Derivatives:				
Interest rate		\$ 4,756		\$ 4,756
Currency		(32,965)		(32,965)
Total		\$ (28,209)		\$ (28,209)

(b) Financial instruments other than those recorded on the consolidated balance sheet at fair value

March 31, 2024	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		¥ 4,511		¥ 4,511
Japanese corporate bonds		500		500
Others				
Loans and bills discounted			¥6,662,444	6,662,444
Total		¥ 5,012	¥6,662,444	¥6,667,457

Due from banks		¥8,822,028		¥8,822,028
Negotiable certificates of deposit		543,347		543,347
Borrowed money		193,023		193,023
Total		¥9,558,399		¥9,558,399

March 31, 2024	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		\$ 29,796		\$ 29,796
Japanese corporate bonds		3,308		3,308
Others				
Loans and bills discounted			\$44,002,674	44,002,674
Total		\$ 33,104	\$44,002,674	\$44,035,778

Due from banks		\$58,265,825		\$58,265,825
Negotiable certificates of deposit		3,588,583		3,588,583
Borrowed money		1,274,841		1,274,841
Total		\$63,129,250		\$63,129,250

a. Valuation techniques used to calculate fair value and inputs related to the calculation of fair value

Assets

Securities

Securities that can apply unadjusted market prices in active markets are classified as Level 1 fair value. This mainly includes listed stocks and government bonds.

Securities that apply published prices of inactive markets, however, are classified as Level 2 fair value. This mainly includes local government bonds, corporate bonds, and mortgage-backed securities.

When quoted market prices are not available, fair value is determined using valuation techniques such as the discounted

present value of future cash flows method. Valuation is made using observable inputs as much as possible, including market interest rates, prepayment rates, and credit spreads. When significant unobservable inputs are used in the calculation, these are classified as Level 3 fair value.

The fair value of investment trusts is determined based on the transaction price or the net asset value obtained from securities companies, etc., and other prices, and is classified according to how active the market is for investment trusts.

The fair value of privately-subscribed bonds is measured by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk for each category based on the internal rating and term of the bonds. These are classified as Level 3 fair value.

Loans and Bills Discounted

The fair value of loans and bills discounted is measured by discounting the total amount of principal and interest by a discount rate that reflects the market interest rate and credit risk according to the categories based on the types, internal ratings and terms of the loans and bills discounted.

For floating-rate loans which reflect the fluctuation of market rates in the short term, unless the creditworthiness of the borrower has changed significantly since the loan origination, the carrying amount is presented as fair value, because the carrying amount approximates fair value. For fixed-rate loans with short contractual terms (one year or less), fair value is measured at the carrying amount because the carrying amount approximates fair value.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flows and the expected amount to be collected from collateral and guarantees. As the carrying amount of receivables reported in the consolidated balance sheet at the consolidated closing date after deduction of allowance for loan losses approximates fair value, these loans are measured at that amount.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, their carrying amount is used as fair value because the carrying amount is deemed to approximate fair value based on the estimated loan periods, interest rates, and other conditions.

These are classified as Level 3 fair value.

Liabilities

Deposits and Negotiable Certificates of Deposit

For deposits on demand, the payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount) is deemed as their fair value.

Time deposits and negotiable certificates of deposit are grouped by certain maturity lengths. The fair value of such deposits is the discounted present value of expected future cash flows. The discount rate used is the interest rate that would be applied to newly accepted deposits. The Group uses the carrying amount as fair value for short term deposits within one year because the carrying amount approximates fair value.

These are classified as Level 2 fair value.

Borrowed Money

Floating-rate borrowed money reflects market interest rates in the short term, and the credit standing of the consolidated subsidiaries has not significantly changed from when the money was borrowed. Therefore, the carrying amount of floating-rate borrowed money is considered to approximate fair value and carrying amount is used as fair value. The fair value of fixed-rate borrowed money which is classified based on its contract term is estimated by discounting future cash flows, using rates that would be offered to similar borrowed money. The Group uses the carrying amount as fair value for short term borrowed money due within one year because the carrying amount approximates fair value.

These are classified as Level 2 fair value.

Derivatives

Most derivative transactions are made over the counter where there are no published quoted market prices. Fair value is measured by using valuation techniques such as the discounted present value method and option pricing models depending on the type of transaction and maturity period. The main factors used in these valuation techniques are interest rates, exchange rates, and volatility.

When unobservable inputs are not used or their effect is not material, these are classified as Level 2 fair value. When unobservable inputs are used, these are classified as Level 3 fair value.

Exchange-traded transactions that cannot be verified as using unadjusted prices in active markets are classified as Level 2 fair value.

b. Level 3 fair value of financial instruments carried on the consolidated balance sheet at fair value

Quantitative information about Level 3 fair value on significant unobservable inputs at March 31, 2024

Securities:	Valuation Technique	Significant Unobservable Inputs	Range
Japanese corporate bonds:			
Privately-subscribed bonds	Discounted cash flow	Discount rate	0.3%-4.5%

A reconciliation beginning to ending balance, unrealized gains or losses included in earnings at March 31, 2024

March 31, 2024	Millions of Yen	
	Securities	Available-for-sale Securities
	Japanese Corporate Bonds	
Balance at beginning of year		¥59,373
Included in earnings *1		8
Included in other comprehensive income *2		(150)
Purchases, issues, sales and settlements		6,149
Transfers into Level 3		
Transfers out of Level 3		
Balance at end of year		¥65,381
Unrealized gains (losses) included in earnings for assets and liabilities held at March 31, 2024 *1		

	Thousands of U.S. Dollars	
	Securities	
	Available-for-sale Securities	
March 31, 2024	Japanese Corporate Bonds	
Balance at beginning of year	\$392,139	
Included in earnings *1	54	
Included in other comprehensive income *2	(992)	
Purchases, issues, sales and settlements	40,612	
Transfers into Level 3		
Transfers out of Level 3		
Balance at end of year	\$431,814	
Unrealized gains (losses) included in earnings for assets and liabilities held at March 31, 2024 *1		

(Notes)

*1 Included in consolidated statement of income.

*2 Included in net unrealized gains (losses) on available-for-sale securities under other comprehensive income in the consolidated statement of comprehensive income.

Fair value valuation process

The Group has established policies, procedures, and a fair value valuation model for measuring fair value. The middle division verifies the appropriateness of the valuation techniques and inputs used to measure fair value, as well as the appropriateness of the classification of fair value levels.

In measuring fair value, the Group uses valuation models that most appropriately reflect the characteristics and risks of individual assets. When quoted market prices obtained from third parties are used, the Group verifies the appropriateness of the value by confirming the valuation techniques and inputs used and by comparing them with the market prices of similar financial instruments.

Effect of changes in significant unobservable inputs on fair value

Discount rate

The discount rate is obtained by adjusting the market interest rate. It consists primarily of the consideration for bearing the uncertainty arising from credit risk of the cash flows of the financial instrument. Generally, a significant increase (decrease) in the discount rate will result in a significant decrease (increase) in fair value.

28. DERIVATIVES

The contractual amounts of swap agreements, forward exchange contracts, option agreements, and other derivatives do not necessarily indicate the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Not Applied

(1) Interest-rate-related transactions

	Millions of Yen			
	2024			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	¥27,142	¥26,583	¥185	¥185
Receive floating and pay fixed	27,142	26,583	(39)	(39)
Total			¥146	¥146

	Thousands of U.S. Dollars			
	2024			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	\$179,265	\$175,575	\$1,224	\$1,224
Receive floating and pay fixed	179,265	175,575	(258)	(258)
Total			\$ 965	\$ 965

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.

(2) Currency-related transactions

	Millions of Yen			
	2024			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps				
Forward exchange contracts:				
Sold	¥53,131	¥ 1,280	¥(1,818)	¥(1,818)
Bought	79,720	974	2,167	2,167
Currency options:				
Sold	¥87,842	¥45,324	¥(1,319)	¥ 1,201
Bought	87,842	45,324	1,319	(630)
Total			¥ 348	¥ 919

	Thousands of U.S. Dollars			
	2024			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps				
Forward exchange contracts:				
Sold	\$350,912	\$ 8,458	\$(12,008)	\$(12,008)
Bought	526,519	6,434	14,312	14,312
Currency options:				
Sold	\$580,163	\$299,347	\$(8,714)	\$ 7,938
Bought	580,163	299,347	8,714	(4,166)
Total			\$ 2,303	\$ 6,075

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.

(3) Other

	Millions of Yen			
	2024			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	¥21,510		¥(198)	
Bought	21,510		198	
Weather derivatives:				
Sold	¥ 1,830		¥ (21)	
Bought	1,830		21	
Total			¥ 0	

	Thousands of U.S. Dollars			
	2024			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	\$142,064		\$(1,312)	
Bought	142,064		1,312	
Weather derivatives:				
Sold	\$ 12,086		\$(142)	
Bought	12,086		142	
Total			\$ 0	

Note: The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.

Derivative Transactions to Which Hedge Accounting Is Applied

(1) Interest-rate-related transactions

	Millions of Yen		
	2024		
	Contractual Amount	Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	¥36,245	¥30,267	¥573

	Thousands of U.S. Dollars		
	2024		
	Contractual Amount	Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	\$239,385	\$199,906	\$3,790

Notes: 1. The Group applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting based on the rules of the JICPA Industry Committee Practical Guidelines No. 24.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.
3. The hedged items for interest rate swaps were fixed-rate loans.

(2) Currency-related transactions

	Millions of Yen		
	2024		
	Contractual Amount	Amount Due after One Year	Fair Value
Currency swaps	¥71,036	¥27,247	¥(5,340)

	Thousands of U.S. Dollars		
	2024		
	Contractual Amount	Amount Due after One Year	Fair Value
Currency swaps	\$469,163	\$179,961	\$(35,269)

Notes: 1. The Group applies deferral hedge accounting principally based on the rules of the JICPA Industry Committee Practical Guidelines No. 25.
2. The fair value of the above derivatives was principally based on discounted values of future cash flows.
3. The hedged items for currency swaps were foreign currency-denominated securities, etc.

29. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2024		2024	
Unrealized gains on available-for-sale securities:				
Gains arising during the year	¥208,467		\$1,376,840	
Reclassification adjustments to profit or loss	(2,276)		(15,033)	
Amount before income tax effect	206,191		1,361,806	
Income tax effect	63,032		416,304	
Total	¥143,158		\$ 945,502	
Deferred losses on derivatives under hedge accounting:				
Losses arising during the year	¥ (2,702)		\$(17,845)	
Reclassification adjustments to profit or loss	2,415		15,954	
Amount before income tax effect	(286)		(1,891)	
Income tax effect	(87)		(579)	
Total	¥ (198)		\$(1,312)	
Defined retirement benefit plans:				
Gains arising during the year	¥ 2,929		\$ 19,345	
Reclassification adjustments to profit or loss	874		5,775	
Amount before income tax effect	3,803		25,120	
Income tax effect	1,164		7,691	
Total	¥ 2,638		\$ 17,428	
Total other comprehensive income	¥145,598		\$ 961,618	

30. BUSINESS REORGANIZATION

Transactions under Common Control

a. Incorporation of a Holding Company through a Sole-Share Transfer

(1) Overview of transaction

(a) Name and Business of Combined Company

Name of Combined Company	Business Description
The Bank of Kyoto, Ltd.	Banking business

(b) Date of Business Combination

October 2, 2023

(c) Legal form of Business Combination

Incorporation of a holding company through a sole-share transfer

(d) Name of the Company after Combination

Wholly owning parent company incorporated in the share transfer: Kyoto Financial Group, Inc.

(e) Other Matters Related to the Summary of the Transaction

The Company was incorporated with the aim of "expansion of our solution functions and new business areas," "reformation of the mindset and behavior of executives and employees, and promotion of independence and cooperation of Group companies," and "enhancement of governance and improvement of the speed of business execution."

The Company acquired all of the following subsidiary shares owned by the Bank through distribution-in-kind on October 2, 2023.

As a result, these seven companies have become directly invested subsidiaries of the Company.

Karasuma Shoji Co., Ltd.

Kyogin Lease & Capital Co., Ltd. (currently Kyogin Lease Co., Ltd.)

Kyoto Credit Service Co., Ltd.

Kyogin Card Service Co., Ltd.
 Kyoto Research Institute, Inc. (currently Kyoto Soken Consulting Co., Ltd.)
 Kyogin Securities Co., Ltd.
 Kyoto Capital Partners Co., Ltd.

(2) Overview of accounting treatment

The combination was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

b. Additional Acquisition of Shares of Subsidiary

(1) Overview of transaction

(a) Name and Business of Combined Company

Name of Combined Company	Business Description
Kyogin Lease & Capital Co., Ltd. (currently Kyogin Lease Co., Ltd.)	Leasing and investment services (currently leasing services)

(b) Date of Business Combination

October 30, 2023

(c) Legal form of Business Combination

Acquisition of shares from noncontrolling shareholders

(d) Name of the Company after Combination

Unchanged

(e) Other Matters Related to the Summary of the Transaction

The Company acquired shares owned by noncontrolling shareholders with the aim of further strengthening consolidated profitability and group governance as well as enhancing corporate value as a group that can solve issues faced by local communities and customers.

(2) Overview of accounting treatment

The transaction was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(3) Cost and consideration

Consideration (cash and deposits)	¥535 million (\$3,535 thousand)
Cost	¥535 million (\$3,535 thousand)

(4) Changes in equity interest resulting from the transaction with noncontrolling shareholders

(a) Main Factors of Change in Capital Surplus

Additional acquisition of shares of subsidiary

(b) Increase in Capital Surplus Resulting from the Transaction with Noncontrolling Shareholders

¥600 million (\$3,967 thousand)

c. Share Exchange and Making Wholly Owned Subsidiaries

(1) Overview of transaction

(a) Name and Business of Combined Company

Name of Combined Company	Business Description
Kyogin Lease & Capital Co., Ltd. (currently Kyogin Lease Co., Ltd.)	Leasing and investment services (currently leasing services)

(b) Date of Business Combination

October 31, 2023

(c) Legal form of Business Combination

Share exchange to make the Company the wholly owning parent and Kyogin Lease & Capital Co., Ltd. the wholly owned subsidiary

The share exchange was conducted with an effective date of October 31, 2023, in accordance with the procedures for a simple share exchange under Article 796, paragraph 2 of the Companies Act that does not require approval by a resolution at a general meeting of shareholders of the Company. For Kyogin Lease & Capital Co., Ltd., this transaction was approved by the Extraordinary General Meeting of Shareholders on October 20, 2023.

(d) Name of the Company after Combination

Unchanged

(e) Other Matters Related to the Summary of the Transaction

The Company performed the share exchange to make Kyogin Lease & Capital Co., Ltd. a wholly owned subsidiary with the aim of further strengthening consolidated profitability and group governance as well as enhancing corporate value as a group that can solve issues faced by local communities and customers.

(2) Overview of accounting treatment

The combination was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(3) Cost and consideration

Consideration (common shares)	¥896 million (\$5,919 thousand)
Cost	¥896 million (\$5,919 thousand)

(4) Details of share exchange

(a) Share Exchange Ratio

262 common shares of the Company for each common share of Kyogin Lease & Capital Co., Ltd.

(b) Calculation of Exchange Ratio

To ensure fairness and appropriateness, the Company and Kyogin Lease & Capital Co., Ltd. each had an independent third-party assessor calculate the share exchange ratio. Both companies carefully deliberated the exchange ratio, referring to the calculation results, and as a result of consultation and negotiation, determined that the share exchange ratio was appropriate and would not be detrimental to the interests of their respective shareholders.

(c) Number of Shares Delivered

105,324 shares

(5) Changes in equity interest resulting from the transaction with noncontrolling shareholders

(a) Main Factors of Change in Capital Surplus

Additional acquisition of shares of subsidiary

(b) Increase in Capital Surplus Resulting from the Transaction with Noncontrolling Shareholders

¥873 million (\$5,771 thousand)

d. Business Succession through an Absorption-Type Company Split

(1) Overview of transaction

(a) Name of Combined Companies

Succeeding company: Kyoto Capital Partners Co., Ltd.
(consolidated subsidiary of the Company)

Splitting company: Kyogin Lease & Capital Co., Ltd.
(consolidated subsidiary of the Company)

(b) Business Subject to Transaction

Investment services of Kyogin Lease & Capital Co., Ltd.

(c) Date of Business Combination

November 7, 2023

(d) Legal form of Business Combination

Absorption-type company split without consideration (simple company split) with Kyogin Lease & Capital Co., Ltd. as the splitting company and Kyoto Capital Partners Co., Ltd. as the succeeding company

(e) Name of the Company after Combination

With this absorption-type company split, Kyogin Lease & Capital Co., Ltd. has been renamed Kyogin Lease Co., Ltd. as of November 7, 2023.

(f) Other Matters Related to the Summary of the Transaction

The Company performed this absorption-type company split to consolidate its investment services in Kyoto Capital Partners Co., Ltd. with the aims of promoting the further growth of regional businesses and contributing to the revitalization and advancement of the regional economy.

(2) Overview of accounting treatment

The combination was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

31. SEGMENT INFORMATION

Segment Information

Since the Group has a single reportable segment, which is the banking business, the disclosure of segment information is omitted.

Related Information

a. Information about services

	Millions of Yen			
	2024			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	¥55,228	¥43,529	¥38,933	¥137,691

	Thousands of U.S. Dollars			
	2024			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	\$364,762	\$287,494	\$257,137	\$909,395

b. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statement of income for the fiscal year ended March 31, 2024; therefore, geographical operating income information is not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheet as of March 31, 2024; therefore, geographical tangible fixed assets information is not presented.

c. Information about major customers

Operating income from transactions with specific customers did not reach 10% of total operating income on the consolidated statement of income for the fiscal year ended March 31, 2024; therefore, major customer information is not presented.

32. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2024, was as follows:

Year Ended March 31, 2024	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Basic EPS – Net income available to common shareholders	¥31,572	296,317	¥106.55	\$0.70
Effect of dilutive securities – Stock acquisition rights		198		
Diluted EPS – Net income for computation	¥31,572	296,515	¥106.47	\$0.70

The Company implemented a four-for-one stock split on January 1, 2024. The basic EPS and diluted EPS have been calculated assuming that the stock split was undertaken at the beginning of the year ended March 31, 2024.

Since the Company was established on October 2, 2023, through a sole-share transfer, the number of weighted-average shares for the

period before the establishment, which is from April 1, 2023 to October 1, 2023, was calculated based on the weighted-average shares of the Bank, and the number of weighted-average shares for the period from October 2, 2023 to March 31, 2024, was calculated based on the weighted-average shares of the Company.

33. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2024, was approved at the Company's Board of Directors' meeting held on May 14, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35.00 (\$0.23) per share	¥10,225	\$67,536

Note: Of the year-end cash dividends per share, ¥15.00 (\$0.09) is a commemorative dividend for the establishment of the Company.

Establishment of a Subsidiary

At its Board of Directors' meeting held on October 2, 2023, the Company resolved to establish a debt collection agency subject to the approval by the relevant authorities, and which was established on April 1, 2024.

a. Purpose of establishment

The Company has decided to establish this subsidiary for the purpose of strengthening the Group's support functions in areas such as the corporate rehabilitation of customers that are in severe financial circumstances.

b. Overview of the subsidiary

- (1) Name of company: Kyoto Turnaround Servicer Co., Ltd.
- (2) Address of head office: 700, Yakushima-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto, Japan
- (3) Business description: Contracted claim management and collection; Purchase of claims (to support corporate rehabilitation)
- (4) Date of establishment: April 1, 2024
- (5) Scheduled commencement of operations: October 2024
- (6) Capital stock: ¥500 million (\$3,302 thousand)
- (7) Shareholder composition: Kyoto Financial Group, Inc. (wholly owned subsidiary)

Retirement of Treasury Stock

The Company resolved at its Board of Directors' meeting held on November 13, 2023, to cancel treasury stock in accordance with the stipulations of Article 178 of the Companies Act. The said cancellation of treasury stock has been done.

- (1) Class of shares retired: Common shares of the Company
- (2) Total number of shares retired: 2,000,000 shares
- (3) Date of retirement: April 15, 2024
- (4) Total number of issued shares after retirement: 301,362,752 shares

Corporate Acquisition through Share Acquisition

Based on the share transfer agreement concluded on February 29, 2024, the Company acquired shares in Sekisui Leasing Co., Ltd. and converted the company into its subsidiary on June 3, 2024.

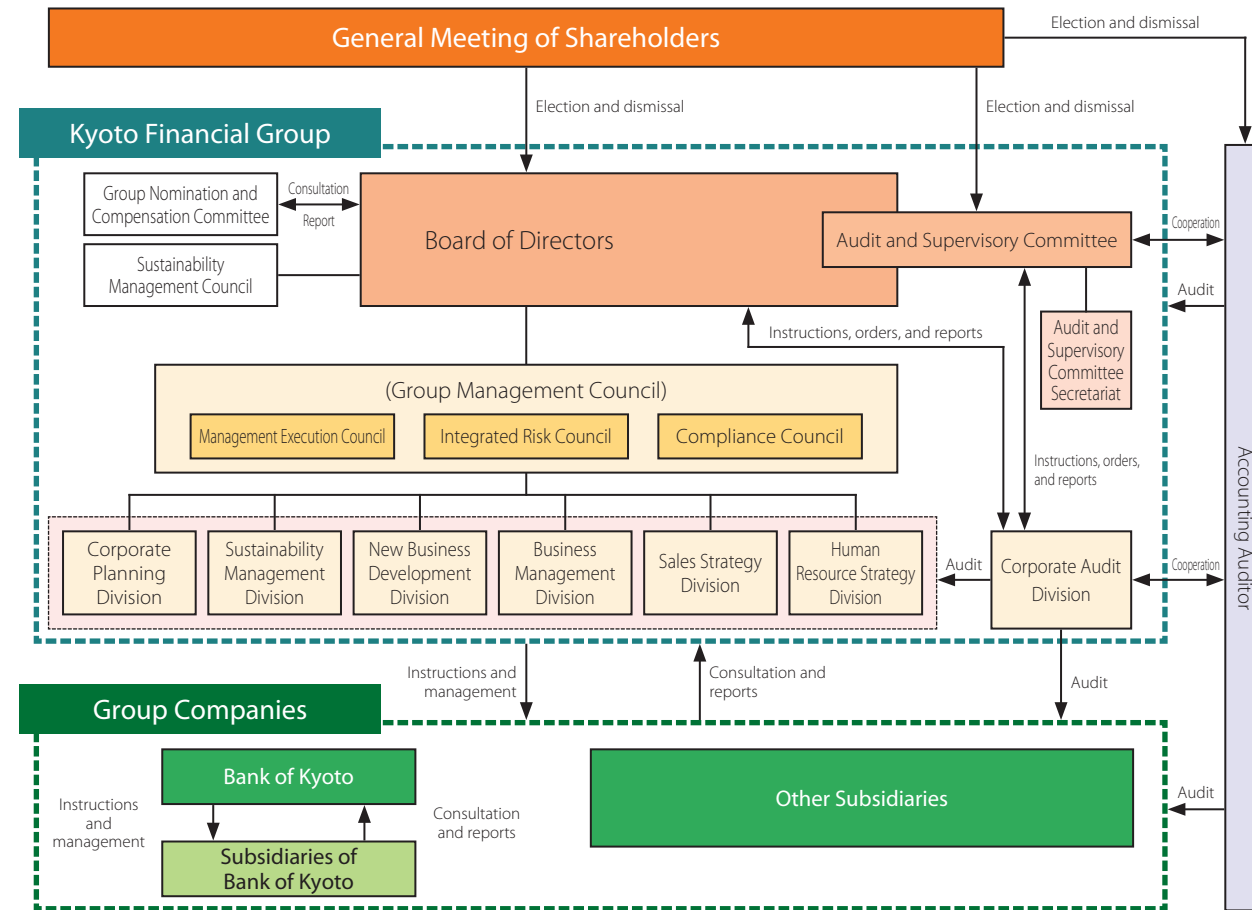
a. Overview of business combination

- (1) Name and business description of the company to be acquired
 - Name: Sekisui Leasing Co., Ltd.
 - Business description: General leasing business
- (2) Primary reason for business combination

In order to realize the Group's vision of becoming a "comprehensive solutions provider that drives community growth and creates the future together," the Group is working to expand the range of solutions it can provide. Sekisui Leasing Co., Ltd. is a company that operates a stable leasing business with the SEKISUI CHEMICAL Group as its primary customer. This share acquisition will expand the Group's leasing business and help us offer our customers a greater range of solutions by allowing us to leverage the know-how and trading base, etc. of Kyogin Lease Co., Ltd., a subsidiary of the Company and Sekisui Leasing Co., Ltd. In doing this, we will strive to help customers find solutions to management issues while also further increasing the corporate value of the Group.
- (3) Date of business combination: June 3, 2024

- (4) Legal form of business combination: Share acquisition in consideration for cash
 - (5) Name of the company after combination: Unchanged
 - (6) Ratio of voting rights before and after acquisition
 - Voting rights ratio before change: 0.0%
 - Voting rights ratio after change: 90.0%
 - (7) Basis of determining the company to be acquired: It is based on the fact that the Company acquired 90% of voting rights by means of share acquisition in consideration for cash.
- b. Breakdown by type of cost and consideration for acquisition
- Consideration (cash): ¥3,293 million (\$21,749 thousand)
 - Acquisition cost: ¥3,293 million (\$21,749 thousand)
- c. Description and amount of major acquisition-related expenses
- Advisory fees, etc.: ¥118 million (\$780 thousand)

Kyoto Financial Group's Organization



Group Companies

	Main Business
Kyoto Financial Group, Inc.	Business management of group companies
The Bank of Kyoto, Ltd.	Banking
Kyoto Guaranty Service Co., Ltd. (100% owned by The Bank of Kyoto)	Credit guarantee
Sky Ocean Asset Management Co., Ltd. (The Bank of Kyoto's Equity Method Associate)	Investment management
Karasuma Shoji Co., Ltd.	Real estate management and leasing service, Service of brokering goods, etc. to executives and employees of the Group Management of electronic commerce mall
Kyoto Credit Service Co., Ltd.	Credit card services
Kyogin Card Service Co., Ltd.	Credit card services
Kyogin Lease Co., Ltd.	Leasing
Kyoto Soken Consulting Co., Ltd.	Consulting business, Economic survey, Research business, Member business
Kyogin Securities Co., Ltd.	Financial products trading business
Kyoto Capital Partners Co., Ltd.	Investments
Kyoto Turnaround Servicer Co., Ltd.	Receivables management and collection work outsourcing, Debt purchase (business revitalization support) business
Sekisui Leasing Co., Ltd.	Leasing

Board of Directors and Executive Officers

Board of Directors

Representative Director and President

Nobuhiro Doi

Representative Director

Hiroyuki Hata

Directors

Minako Okuno
Kanji Habuchi
Etsuji Motomasa

Director (Audit and Supervisory Committee Member)

Toshiro Iwahashi
Chiho Oyabu (external)
Eiji Ueki (external)
Hiroyuki Nakatsukasa (external)
Motoko Tanaka (external)
Shizue Izumi (external)

Executive Officers

Managing Executive Officers

Keiji Hashi
Motoyoshi Tanaka
Hiroyuki Shikata
Takanori Nakajima

Executive Officers

Takashi Kawakatsu
Takashi Miki
Hideki Onishi

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