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45th

# Information Meeting

~ FY2022 Financial Results and Management Strategy ~

 **Bank of Kyoto**

**May, 2023**

Today's point

Target level and vision in the new medium-term management plan ... 2

## I .Business performance overview

1. Financial Summary of FY2022	...	4
2. Results of FY2022	...	5
3. Interest Income and Rate earned on Loans and Bills	...	6
4. Net fees and commissions	...	7
5. Credit-related Costs and Disclosed assets	...	8
6. Financial results forecast for FY2023	...	9
7. Shareholder Return and Equity	...	10

## II .Management strategy

1. Previous Medium-Term Management Plan (1) (Review)	...	12
2. Previous Medium-Term Management Plan (2) (Corporate Sector Initiatives)	...	13
3. Previous Medium-Term Management Plan (3) (Private Sector Initiatives)	...	14
4. Previous Medium-Term Management Plan (4) (Digital Strategy/Human Resources Strategy)	...	15
5. New/First Medium-Term Management Plan	...	16
6. Outline of the New/First Medium-Term Management Plan	...	17
7. Practicing Sustainability-Oriented Management	...	18
8. Targets and Targeted Levels	...	19
9. Consulting Strategy (1) (Corporate Sector)	...	20
10. Consulting Strategy (2) (Assets Under Custody Sector)	...	21
11. Consulting Strategy (3) (Mass Retail, Local and Regional Revitalization)	...	22
12. Digital and IT Strategy	...	23

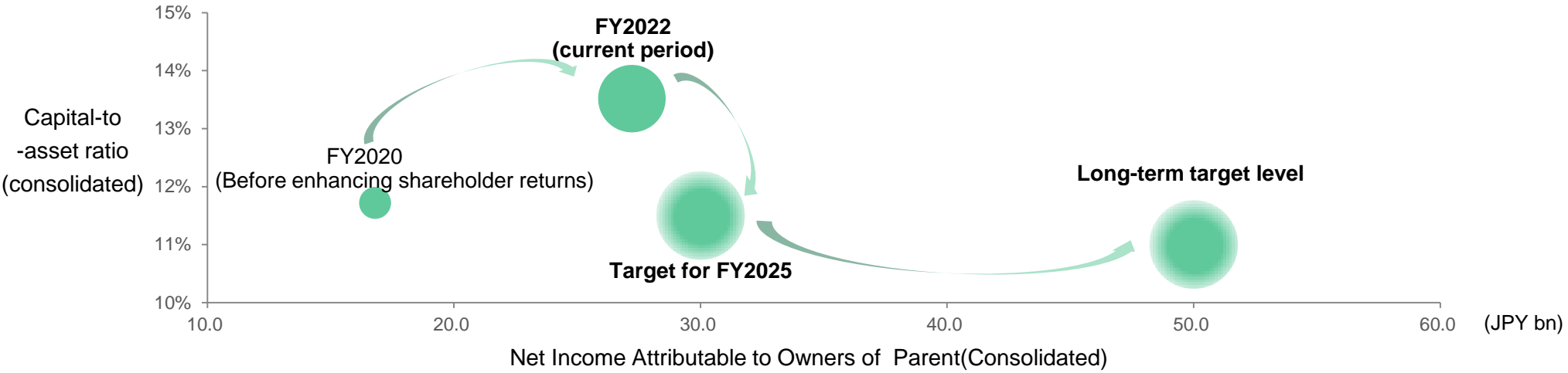
13. Human Resources Strategy (1) (Human Capital Management)	...	24
14. Human Resources Strategy (2) (Human Resources Development)	...	25
15. Asset Investment Strategy	...	26
16. Capital Strategy(1) (Shareholder returns)	...	27
17. Capital Strategy(2) (Securities Held for Strategic Equity)	...	28
18. Capital Allocation	...	29
19. Initiatives for Creating a Sustainable Society	...	30
20. Market Operations	...	31
21. Holding company structure(1) (Outline of the Holding Company)	...	32
22. Holding company structure(2) (Business Model)	...	33
23. Holding company structure(3) (Maximize of Group Synergies)	...	34
24. Holding company structure(4) (Group Structure)	...	35
25. Holding company structure(5) (Governance Structure)	...	36

## III .Reference material

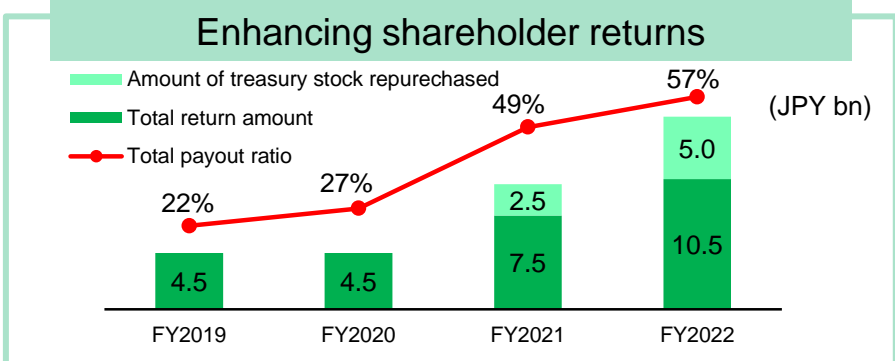
Reference material 1. Profile	...	38
Reference material 2. Our History (Outline: Establishment to Heisei Eras)	...	39
Reference material 3. Corporate governance	...	40
Reference material 4. Deposits and negotiable certificates of deposit (By attribute and region)	...	41
Reference material 5. Loans and bills discounted(By attribute and region)	...	42
Reference material 6. Expenses and OHR	...	43
Reference material 7. Comprehensive Risk management	...	44
Reference material 8. Group Companies	...	45
Reference material 9. Until now and from now on "A Long-Lasting Relationship"	...	46

### Transition of the Bank's capital policy

※The size of the bubble is the total return ratio value and image



	FY2020	FY2022	FY2025	Long-term target level
Capital-to-asset ratio(consolidated)	11.72%	13.51%	11% range	About 11%
Net Income Attributable to Owners of Parent(Consolidated)	JPY16.8bn	JPY27.2bn	JPY30.0bn	JPY50.0bn
ROE(shareholder's equity basis)	3.68%	5.63%	6%	8%
ROE(net assets basis )	1.68%	2.62%	3%	5%
Total return ratio	27%	57%	50% or more	50% or more



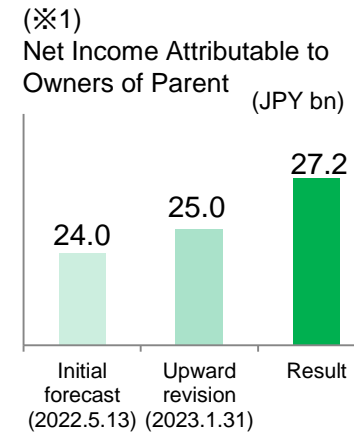
- ### Measures in the new medium-term management plan
- Execute growth investment while maintaining sufficient equity capital
    - Accumulate 1.2 trillion yen plus α assets and 500 billion yen plus α credit risk assets (during the period of the new medium-term management plan)
  - Aiming to further improve profitability as a comprehensive solution company by improving the management base, functions and services of a wide-area regional bank, and becoming a holding company
  - Within the framework of a total return ratio of 50% or more, while considering the balance between investments for growth and ensuring financial soundness, we will enhance shareholder returns and flexibly implement returns.

# I . Business performance overview

## Key points in the financial results of FY2022

Performance Targets and Result	FY2022(Result)	Final Year of Mid-Plan FY2022(Targets)	Of budget
Net Income Attributable to Owners of Parent	JPY27.2bn(※1)	JPY20.0bn	+ JPY7.2bn
ROE (shareholder's equity basis)	5.63%	above 4%	+ 1.63%
OHR	60.75%	60%range	Clear
Equity-to-asset ratio	12.97%(※2)	(during the plan term) above 10%	+ 2.97%

**Completed the whole project**



(※2) Compared to the former standard (approximate), both non-consolidated and consolidated have increased by around 1%.

### Profit and Loss

		( YoY )
• Net Income Attributable to Owners of Parent (Consolidated)	JPY 27.2bn	(+ JPY 6.5bn )
• Net Income (Non-consolidated)	JPY 25.6bn	(+ JPY 6.9bn )

### Deposit and Loan

Balance at the end of the period		( YoY )
• Deposits + NCD	JPY 9,104.6bn	(+ JPY 116.8bn )
• Loans and Bills	JPY 6,305.9bn	(+ JPY 156.9bn )
Loans for SMEs, etc.	JPY 4,184.8bn	(+ JPY 113.5bn )

## 2. Results of FY2022

【Non-consolidated】	( JPY bn )		
	FY2021	FY2022	YoY
Gross operating profit	90.4	88.3	- 2.1
Net interest income	78.9	78.5	- 0.4
Fees and commissions	10.8	11.7	0.9
Other operating profit	0.6	- 1.9	- 2.5
Gains(losses) on bonds	- 0.0	- 4.8	- 4.8
Expenses	53.5	53.6	0.1
Actual net operating profit	36.9	34.6	- 2.3
Core net business profit	37.0	39.4	2.4
Excluding gains(losses) on bonds and cancellation of investment trusts	36.2	38.7	2.5
Provision for general allowance for loan Losses (A)	8.0	0.0	- 8.0
Net operating profit	28.9	34.6	5.7
Nonrecurring profit and loss	- 2.8	0.9	3.7
Bad debt written-off (B)	2.9	2.2	- 0.7
Other	0.1	3.1	3.0
Gains(losses) on stocks	0.8	2.7	1.9
Ordinary profit	26.0	35.5	9.5
Extraordinary profit and loss	- 0.7	- 0.4	0.3
Net income	18.7	25.6	6.9
Credit-related costs (A) + (B)	10.9	2.3	- 8.6
<b>【Consolidated】</b>			
Gross operating profit	95.6	93.5	- 2.1
Ordinary profit	29.1	38.1	9.0
Net Income Attributable to Owners of Parent	20.6	27.2	6.5

### Profit-increasing factors

#### 【Increase】

- Core net business profit ( + JPY2.4bn )
- Gains(losses) on stocks ( + JPY1.9bn )

#### 【Decrease】

- Credit-related costs ( - JPY8.6bn )

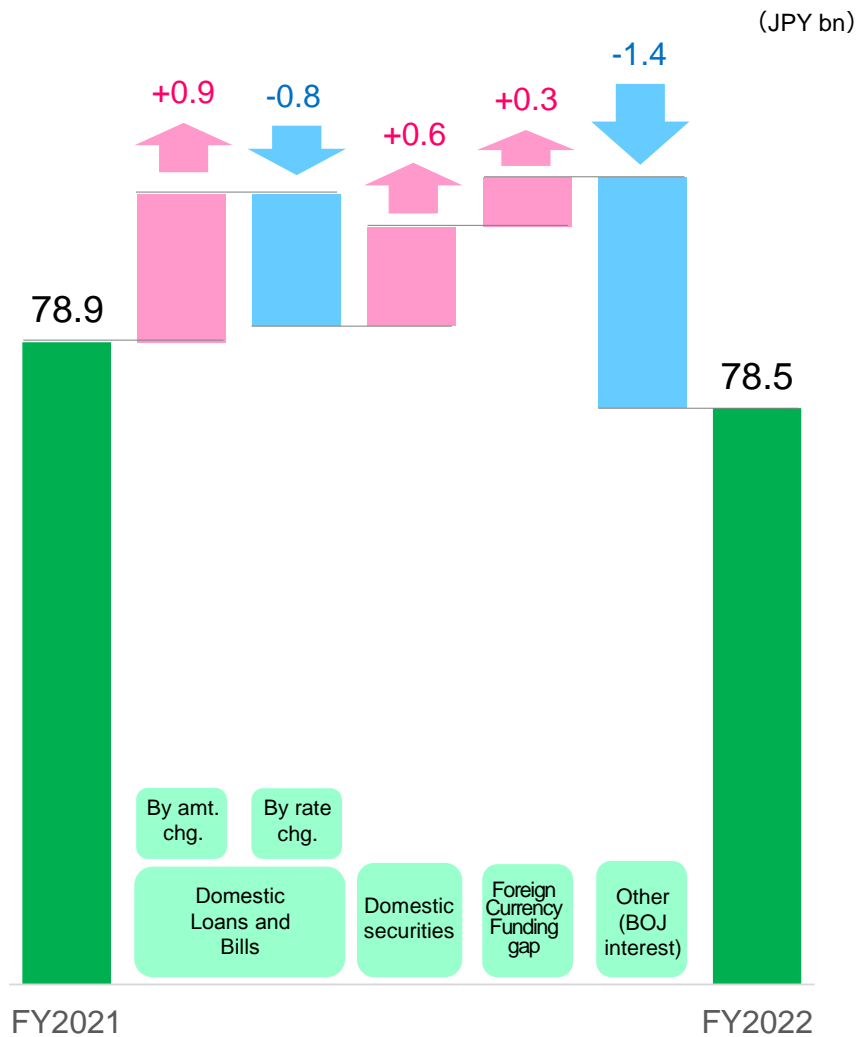
### Profit-decreasing factors

#### 【Decrease】

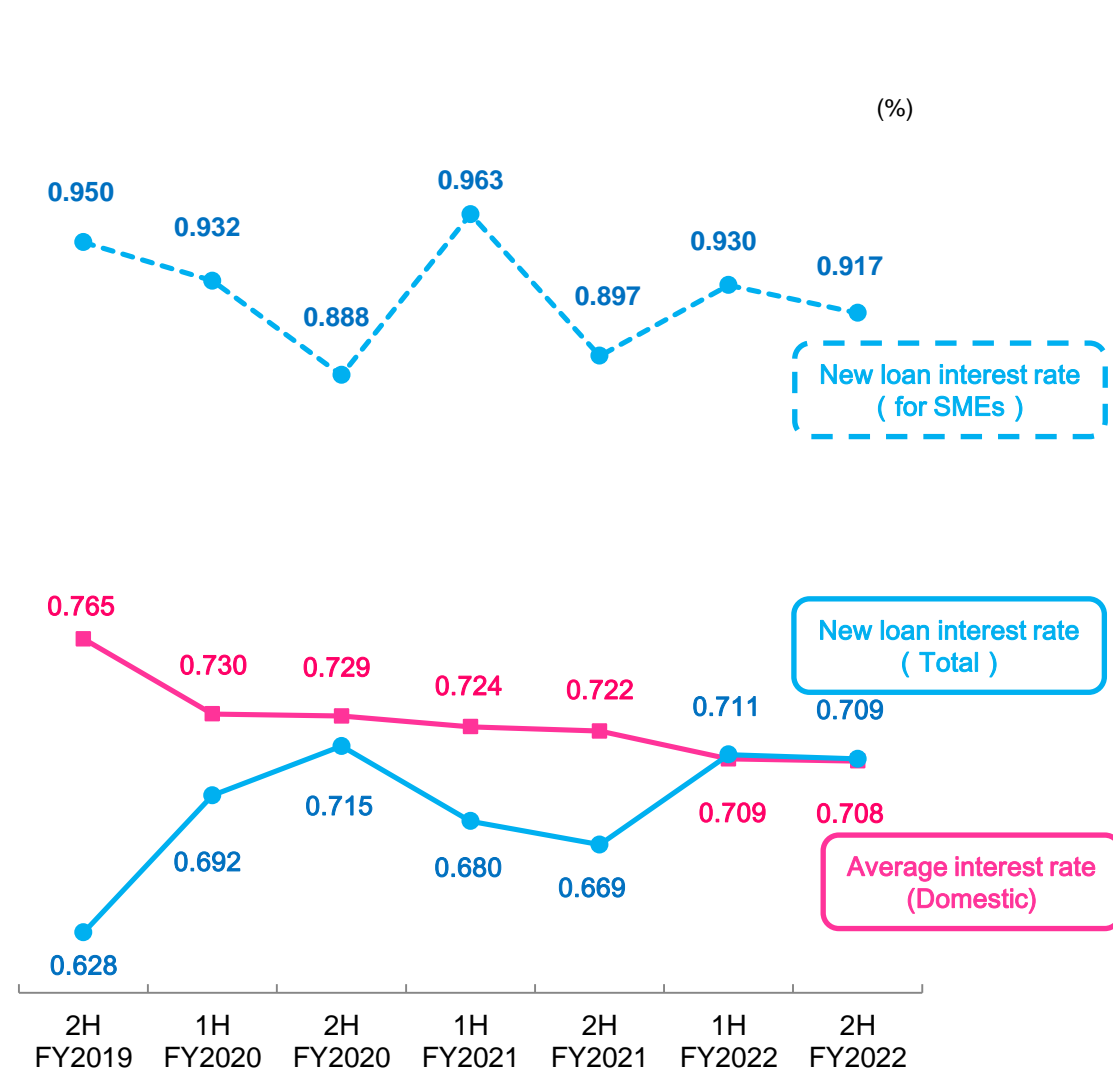
- Gains(losses) on bonds ( - JPY4.8bn )

# 3. Interest Income and Rate earned on Loans and Bills

**Net Interest Income ( Non-consolidated )**

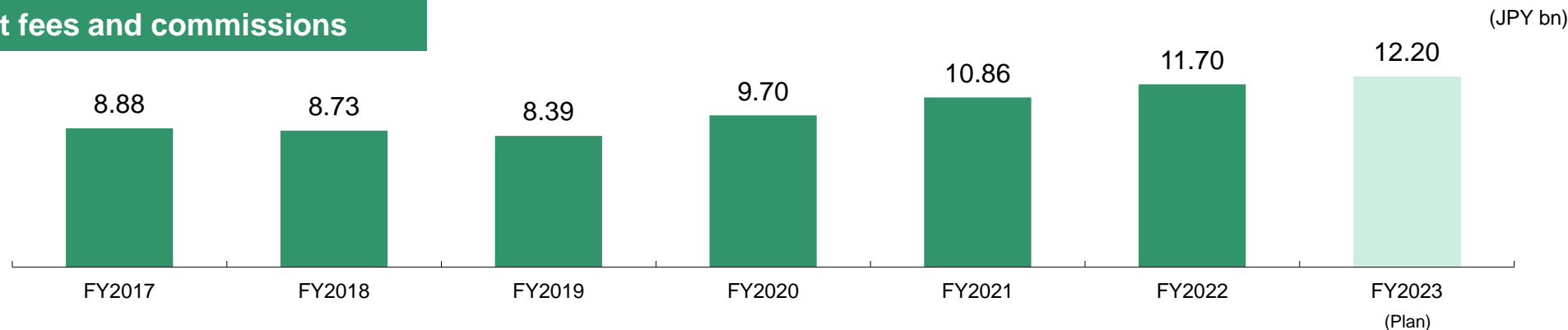


**Domestic loans and Bills interest rates ( Non-consolidated )**



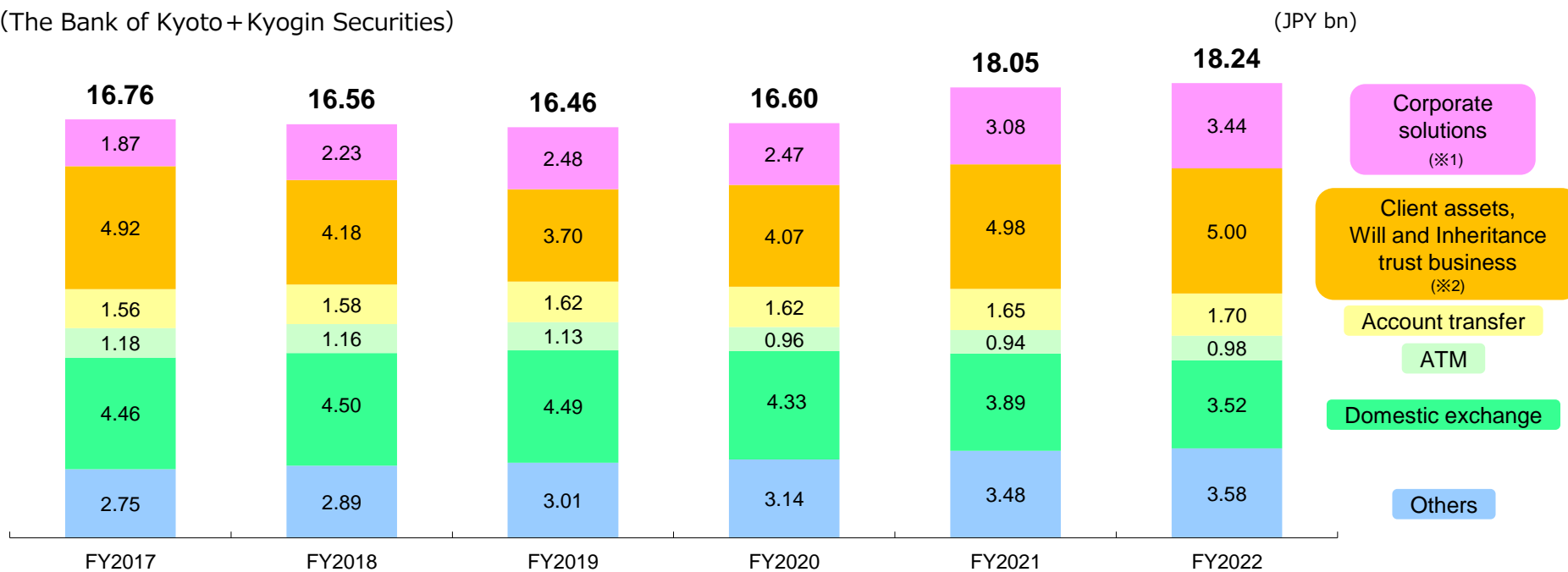
# 4. Net fees and commissions

## Net fees and commissions



## Details of fees and commissions

(The Bank of Kyoto + Kyogin Securities)



(※1) Corporate solutions : M&A , Syndicated loans , Business matching , Private placement bonds , Foreign exchange , etc

(※2) Client assets, Will and Inheritance trust business: Investment trusts, Insurance, Government bonds for individuals, Financial product intermediary services, Mutual fund wrap, Will and Inheritance trust business, Kyogin Securities Earnings



# 5. Credit-related Costs and Disclosed assets

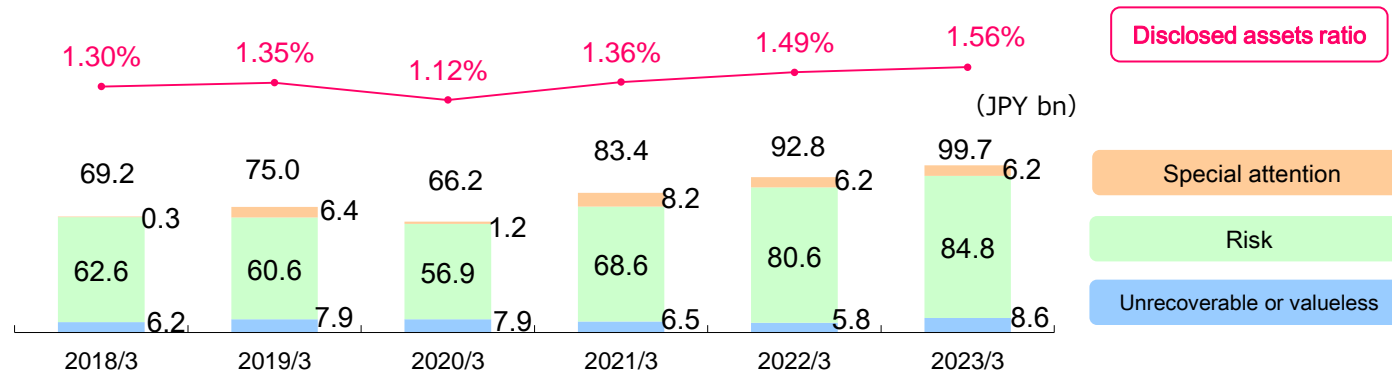
## Breake down of credit-related Cost (consolidated)

		( JPY bn)						
		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 ( Plan )
Net provision for allowance for specific loan losses		0.0	2.0	1.4	6.3	2.9	2.1	3.5
Disposal amount due to occurrence of new non-performing loans		1.0	3.0	2.8	7.4	4.1	3.2	
Reversal due to collection, etc.		- 0.8	- 0.8	- 1.3	- 0.9	- 2.3	- 1.0	
Withdrawal by rank up		- 0.3	- 0.2	- 0.0	- 0.2	- 0.0	- 0.0	
Disposal amount due to decline in real estate collateral value, etc.		0.1	0.0	- 0.0	0.0	1.2	0.0	
Write-offs of loans and bills discounted		0.1	-	0.0	-	0.0	0.0	0.0
Losses on sales of loans		0.0	0.1	0.0	0.1	0.1	0.0	0.0
Other		0.0	0.2	0.4	0.2	- 0.0	0.0	0.3
Losses related to non-performing loans (1)		0.1	2.4	1.9	6.6	2.9	2.2	3.8
Net provision for allowance for general loan losses (2)		- 0.5	- 0.1	- 0.2	2.1	(※) 8.0	0.0	- 0.8
Credit-related costs (1)+(2)		- 0.3	2.3	1.7	8.7	10.9	2.3	3.0

( ※ ) Provision for future uncertainties such as COVID-19

## Disclosed assets based on the Financial Reconstruction Law (Non-consolidated)

< Amount and Rate >



## 6. Financial results forecast for FY2023

### 【Non-consolidated】

	(JPY bn)		
	FY2022	FY2023 (Plan)	YoY
Gross operating profit	88.3	90.4	2.1
Net interest income	78.5	76.1	- 2.4
Fees and commissions	11.7	12.2	0.5
Other operating profit	- 1.9	2.1	4.0
Gains(losses) on bonds	- 4.8	0.7	5.5
Expenses	53.6	54.7	1.1
Actual net operating profit	34.6	35.7	1.1
Core net business profit	39.4	35.0	- 4.4
Excluding gains(losses) on bonds and cancellation of investment trusts	38.7	34.9	- 3.8
Provision for general allowance for loan Losses (A)	0.0	- 0.8	- 0.8
Net operating profit	34.6	36.5	1.9
Nonrecurring profit and loss	0.9	0.4	- 0.5
Bad debt written-off (B)	2.2	3.8	1.6
Other	3.1	4.2	1.1
Gains(losses) on stocks	2.7	4.7	2.0
Ordinary profit	35.5	36.9	1.4
Extraordinary profit and loss	- 0.4	- 0.5	- 0.1
Net income	25.6	26.5	0.9
Credit-related costs (A) + (B)	2.3	3.0	0.7

Record highest profit  
for 4 consecutive years

Increased by recoil

Gains on sale due to  
Reducing Holdings of  
Securities Held for  
Strategic Equity

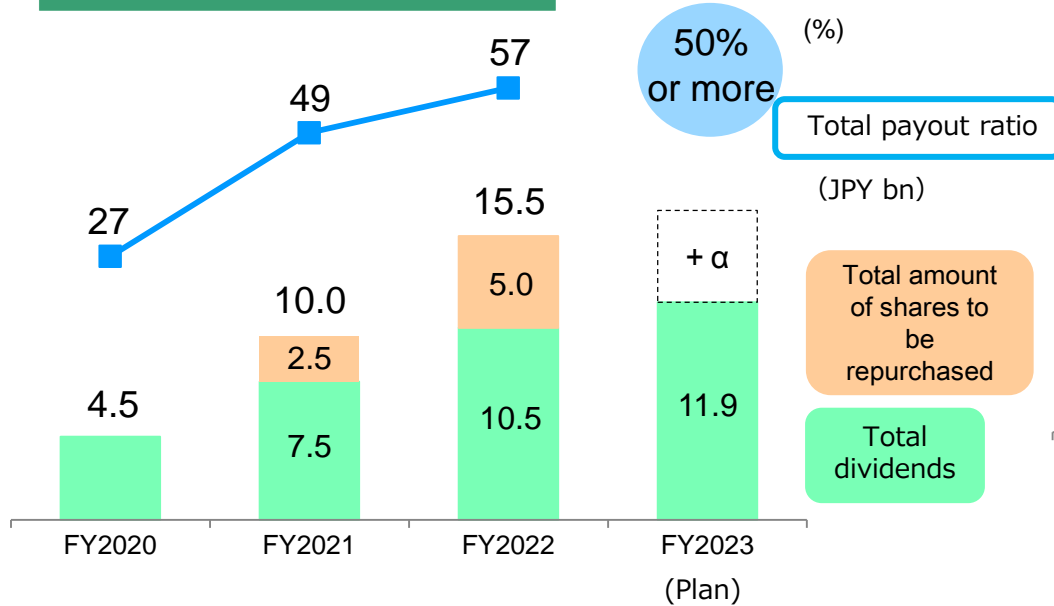
### 【Consolidated】

Net Income Attributable to Owners of Parent	27.2	28.0	0.8
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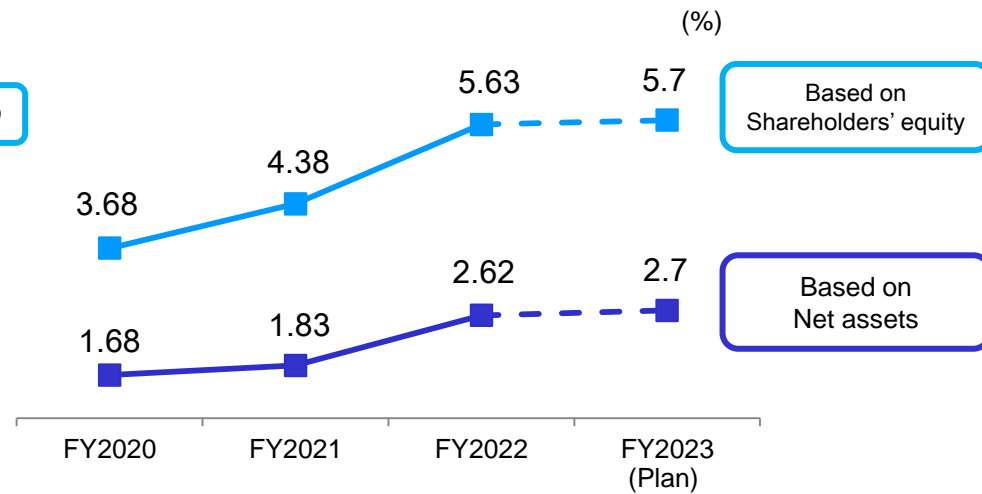
Increased profit  
for 3 consecutive years 9

# 7. Shareholder Return and Equity

## Shareholder return



## ROE(consolidated)



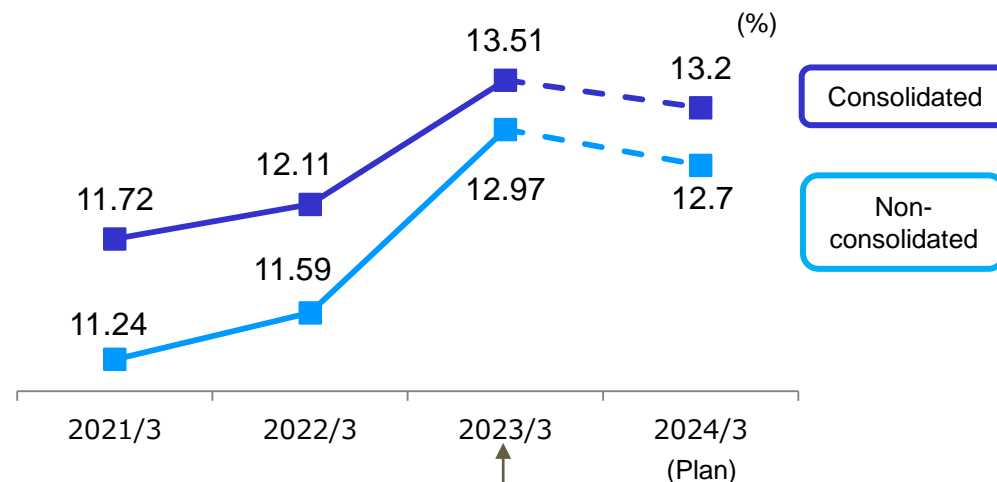
$$\text{Total payout ratio} = \frac{\text{Total dividends} + \text{Total amount of shares to be repurchased}}{\text{Net Income Attributable to Owners of the Parent}} \times 100(\%)$$

〈 Dividend per share 〉

(JPY)

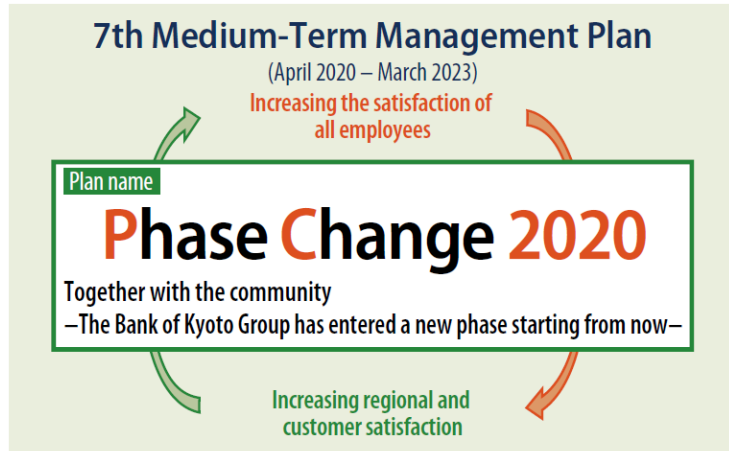
FY2020	FY2021	FY2022	FY2023 (Plan)
60	100	140	160

## Equity ratio



Compared to the former standard (approximate), both non-consolidated and consolidated have increased by around 1%.

# II . Management strategy



**Main Themes**

- Shift in business domain from banking to comprehensive financial solutions
- ✓Further Demonstration of Consulting Functions
- Best mix of face-to-face and digital services
- Establish an even more fulfilling environment where employees can grow and play active roles
- Develop and secure specialized and diverse human resources

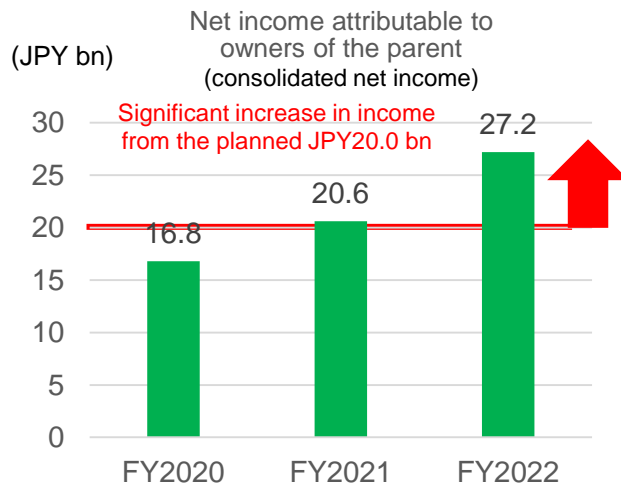
[Main initiatives during the period]

- Increase in service profit due to the practice of comprehensive financial solutions business  
Total loans exceeded JPY6 tn and SME loans exceeded JPY2 tn
- Increase in non-face-to-face transactions due to the Digital Connect initiative. E-commerce mall “COTOYOLI MALL” launched
- Improving employee engagement through revision of personnel system and introduction of flexible work styles
- Developing human resources with enhanced expertise through various trainees

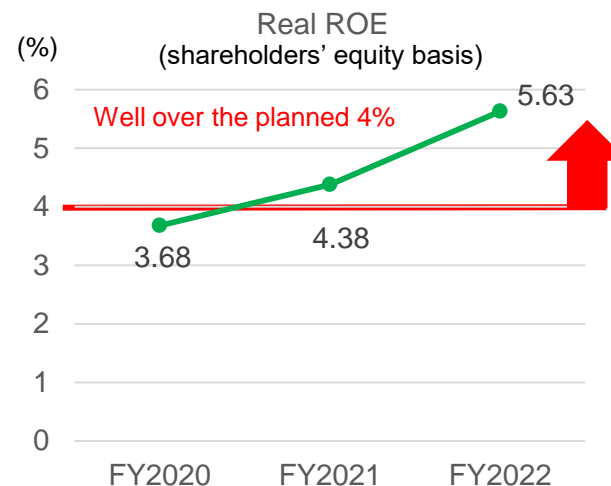
## Key Financial Indicators

**Achieved all key financial indicators**

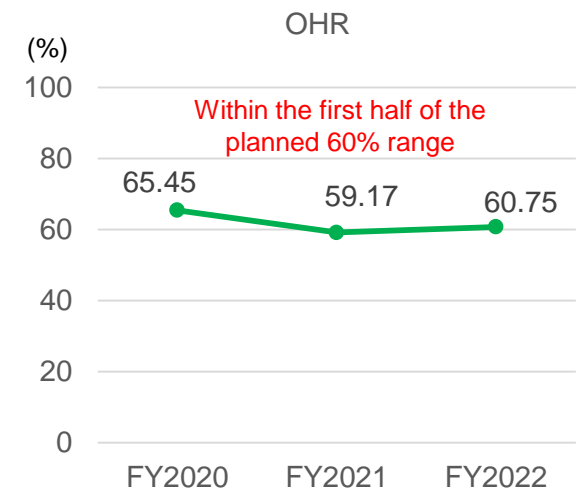
Final fiscal year: Plan JPY20.0 bn → Actual JPY27.2 bn



Final fiscal year: Plan 4%+ → Actual 5.63%



Final fiscal year: Plan 60% range → Actual 60.75%

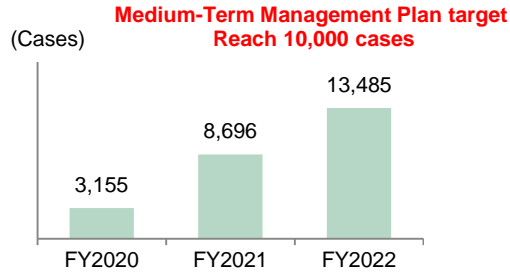


Maintained capital-to-asset ratio of 10%+ during the Plan period

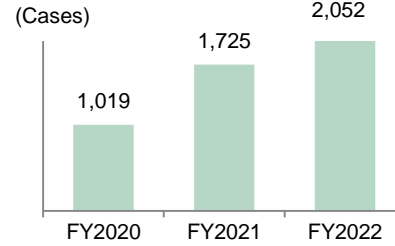
Steady increase in income from comprehensive corporate services and loan customers through business matching, M&A and other consulting services

## Number of business matching meetings set up

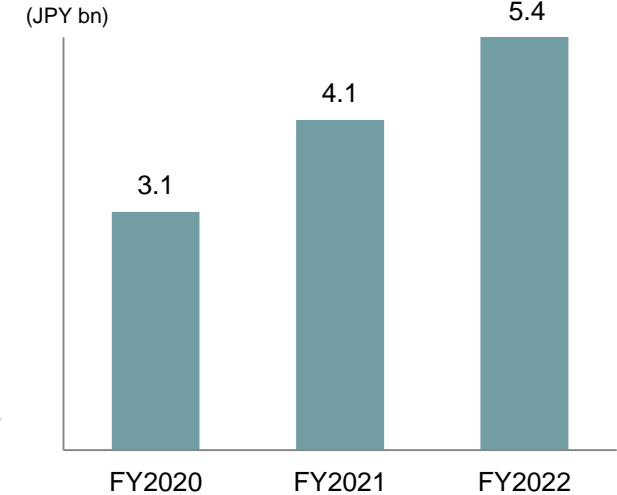
(cumulative total for the Medium-Term Management Plan period)



## Number of business matching contracts signed

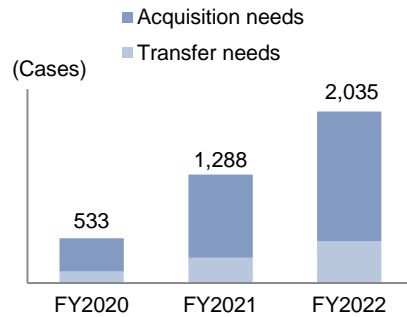


## Income from comprehensive corporate services

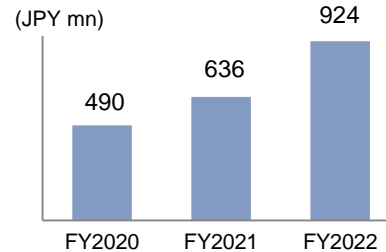


## Number of M&A needs received

(cumulative total for the Medium-Term Management Plan period)

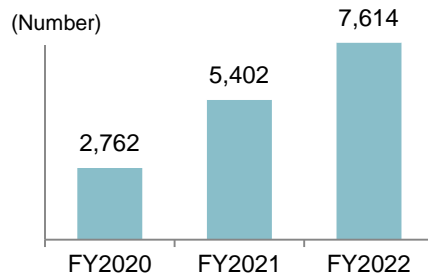


## M&A fee performance



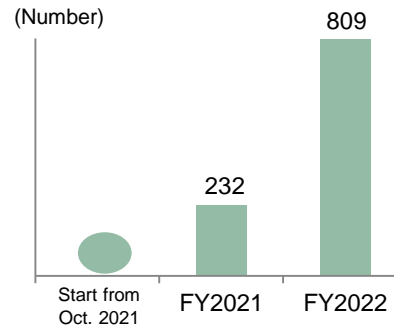
## Number of COVID-19 support recipients

(cumulative total for the Medium-Term Management Plan period)



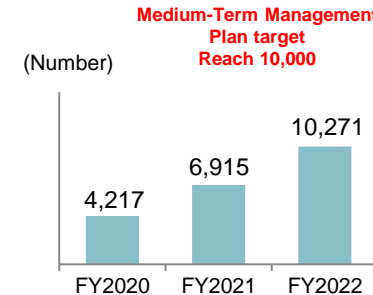
## Support initiatives for SDGs declaration

(Cumulative total for the Medium-Term Management Plan period)



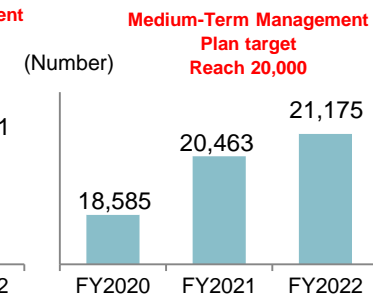
## Number of new loan customers

(Cumulative total for the Medium-Term Management Plan period)



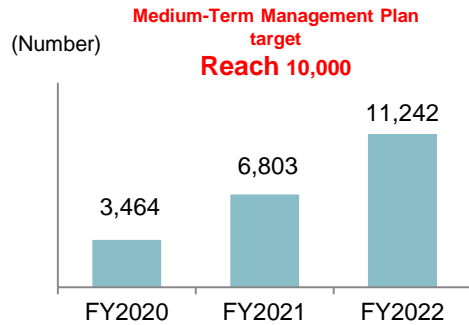
## Number of main business customers

(cumulative total for the Medium-Term Management Plan period)

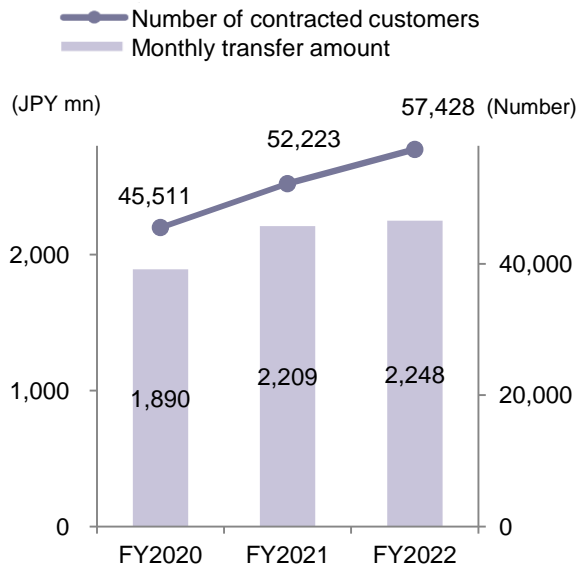


Income from assets under custody and related income increased thanks to accurate understanding of needs and solutions

## Number of “Customer Consulting Sheets” created (cumulative total for the Medium-Term Management Plan period)



## Automatic investment trust savings/Automatic savings service for foreign currency savings accounts Monthly transfer amount/Number of contracted customers



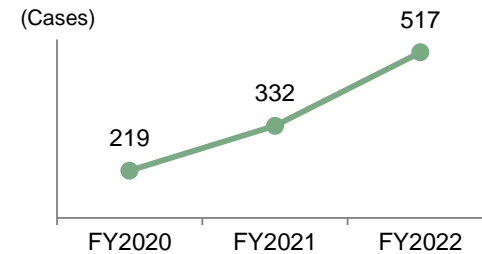
## Specialized inheritance and asset succession support facilities

Inheritance and Asset Succession Consulting Plaza

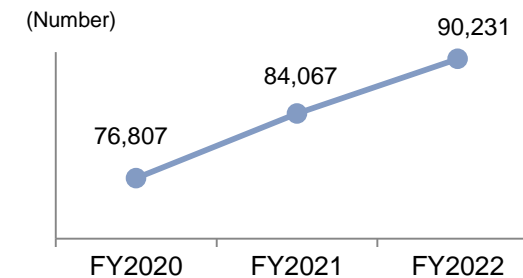
Established specialized facility with full-time staff specializing in inheritance  
Further strengthened solution functions for each life stage

Kyoto-Kita (in Fukuchiyama Ekinan Branch) opened in July 2021  
Kyoto-Chuo (in the East Wing of the Head Office) opened in Apr. 2022  
Kyoto-Minami (in Tanabe Branch) opened in Apr. 2023

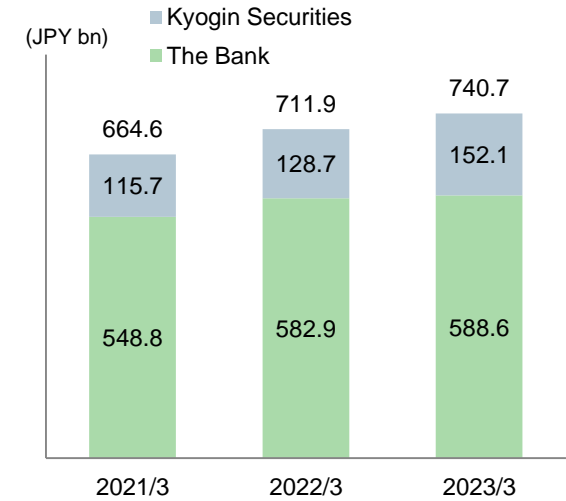
## Testamentary trusts: Number of wills in custody (cumulative total)



## Number of investment trust clients

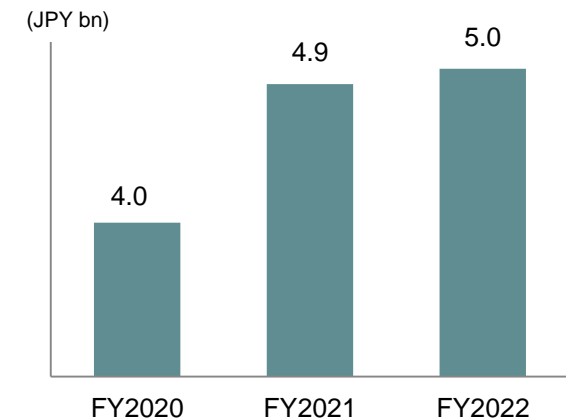


## Assets under custody



## Income from assets under custody and trust-related income

(The Bank of Kyoto + Kyogin Securities)



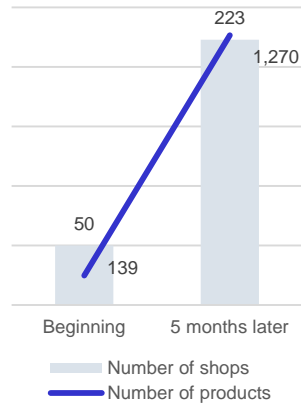
## [Digital Strategy] Development of new businesses and progress in digitalization of operations, administrative procedures and services

**[New business: Entry into non-financial business]**  
**Launched e-commerce mall "COTOYOLI MALL"**  
 (opened Nov. 28, 2022)

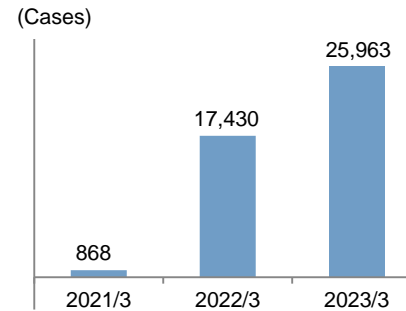
Contribute to the local community by opening an e-commerce mall for the products of local companies

5 months from opening:  
 Number of shops: 4 ×  
 Number of products: 9 ×

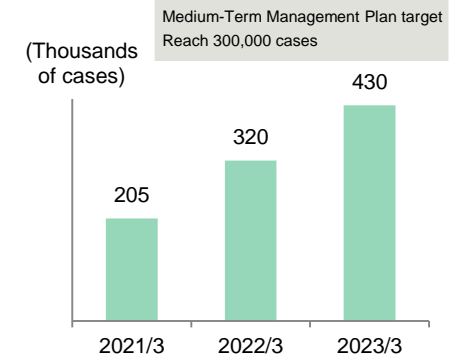
COTOYOLI MALL shops



**[Corporate]**  
**Kyogin Business Portal Site**

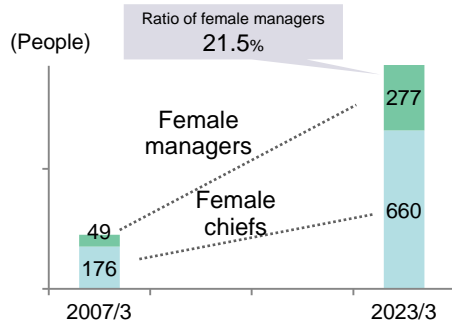


**[Private]**  
**Kyogin App**



## [Human Resources Strategy] Active participation of diverse and professional human resources

**Support for women's active participation**



Launched the Women's Career Support Project in FY2007

**Number of employees with specialist certifications**

(as of Mar. 31, 2023)

CFP	484
FP1	202
Securities analyst	29
AFP	1,222
FP2	2,566

**Professional**

A system for selecting and appointing employees who will play a leading role in pursuing greater specialization in their respective sectors and achieving further growth and development from banking to comprehensive financial solutions business

- Business succession operations
- M&A operations
- Market operations
- System sector

**Senior professional**

- IT & Digital sector
- Trust operations
- Office administration sector
- System sector



New/First Medium-Term Management Plan (Apr. 2023 - Mar. 2026)

“A long-lasting relationship,” now and forever

## New Stage 2023

“A long-lasting relationship” with our customers and the community, now and forever. With the transition into a holding company, we are entering a new stage, and together we will create the future.

Transition to a comprehensive solutions provider (1 × 2 × 3)

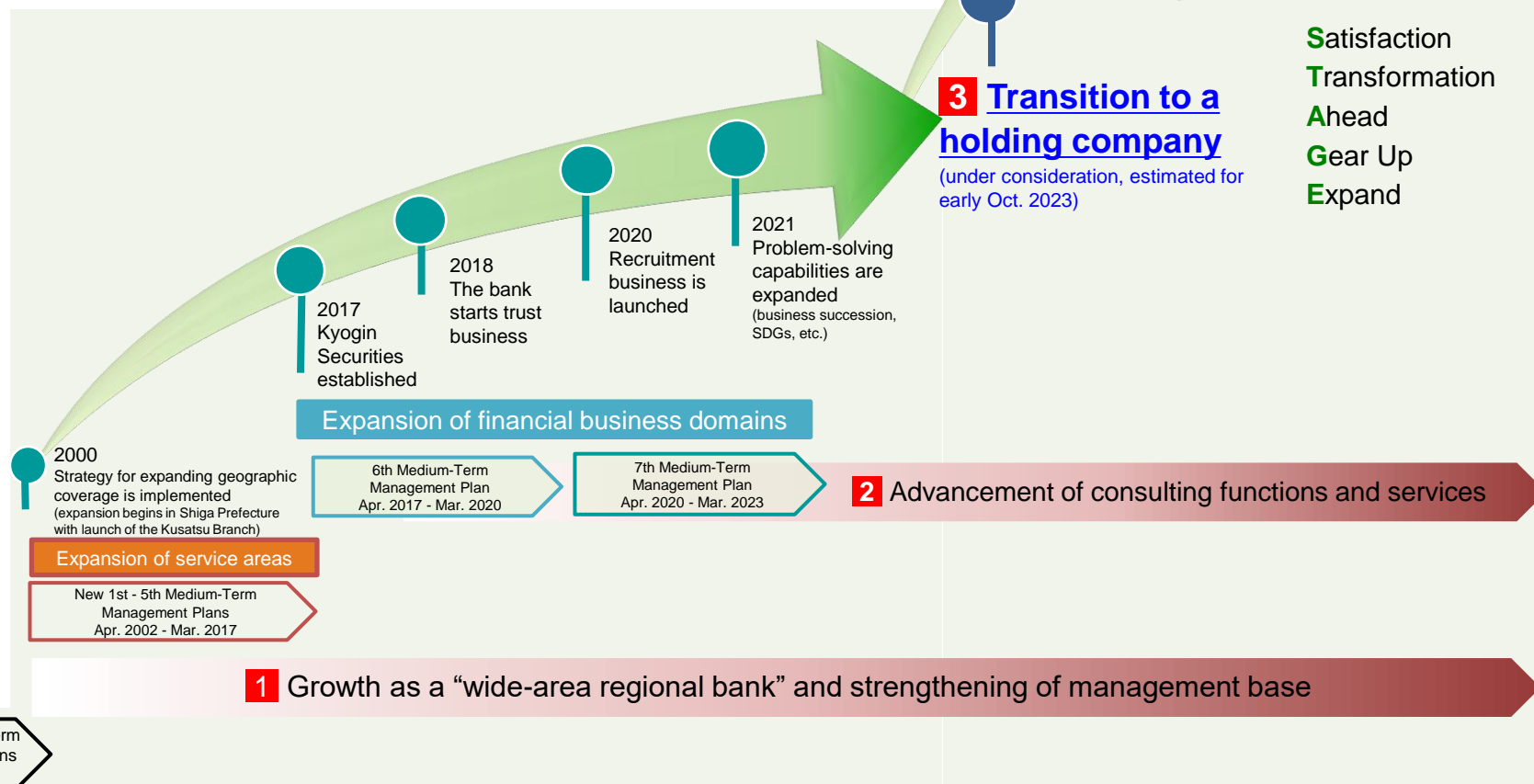
New/First Medium-Term Management Plan  
Apr. 2023 -

New Stage 2023

**3** Transition to a holding company

(under consideration, estimated for early Oct. 2023)

Satisfaction  
Transformation  
Ahead  
Gear Up  
Expand



# 6. Outline of the New/First Medium-Term Management Plan

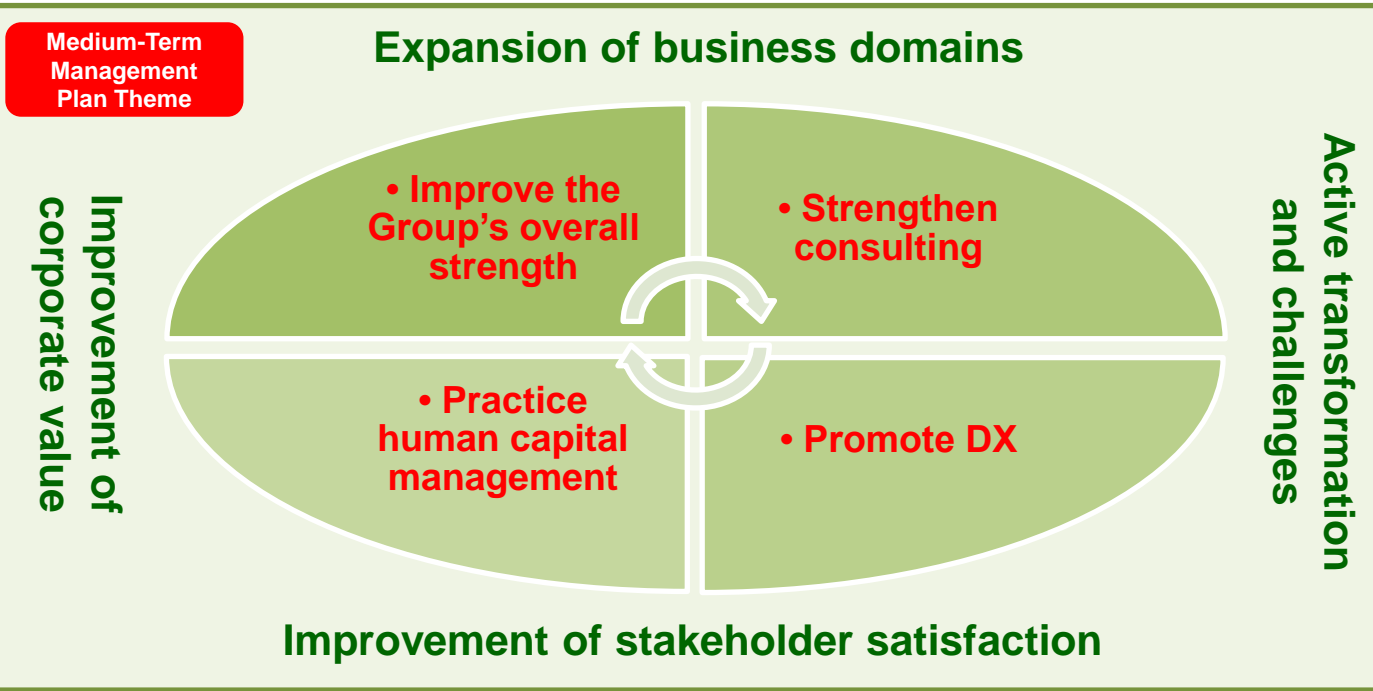
Long-term goals to achieve the management philosophy

**Comprehensive solutions provider that drives community growth and creates the future together**

**Positioning**

**Three years to take a strong first step on the new stage**

**Medium-Term Management Plan Theme**



**Investment strategy to achieve the Plan**

- Strategic management investment**
  - Strengthen consulting functions and invest management resources (human and financial) to expand business domains and take on new challenges
- Asset investment**
  - Improve profitability through appropriate risk-taking by leveraging our financial strength
  - Sustainable finance to achieve a sustainable society
- Digital and IT investments**
  - Deepen existing businesses and explore new businesses based on the social environment and technological progress
  - Data-driven management

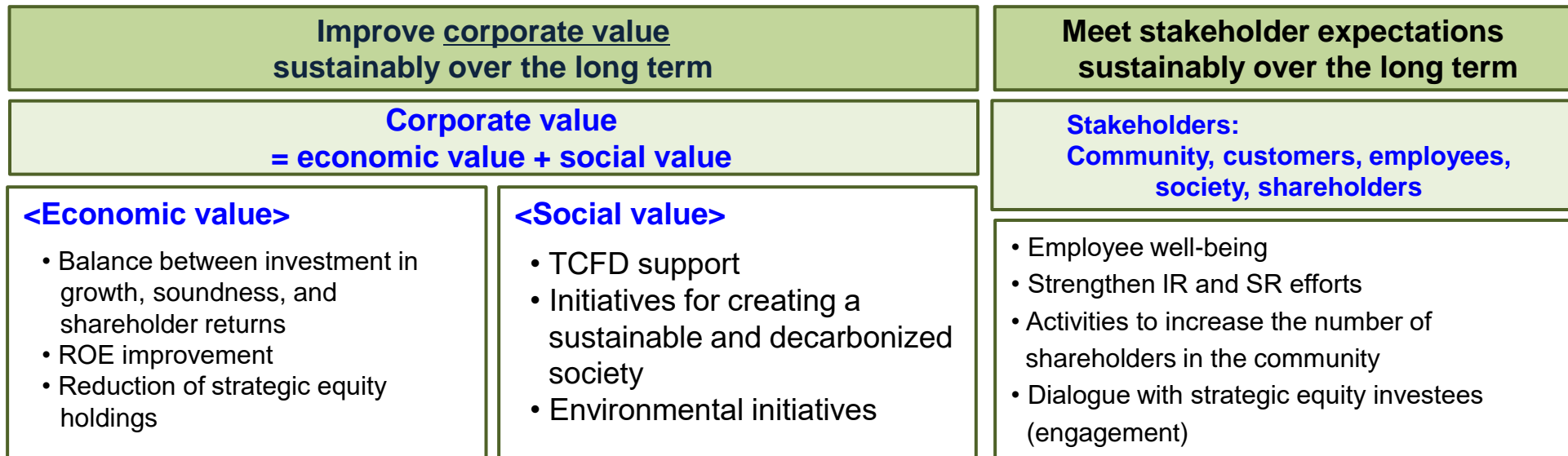
**Governance to support the Plan**

**Risk appetite framework**  
**Active risk management**

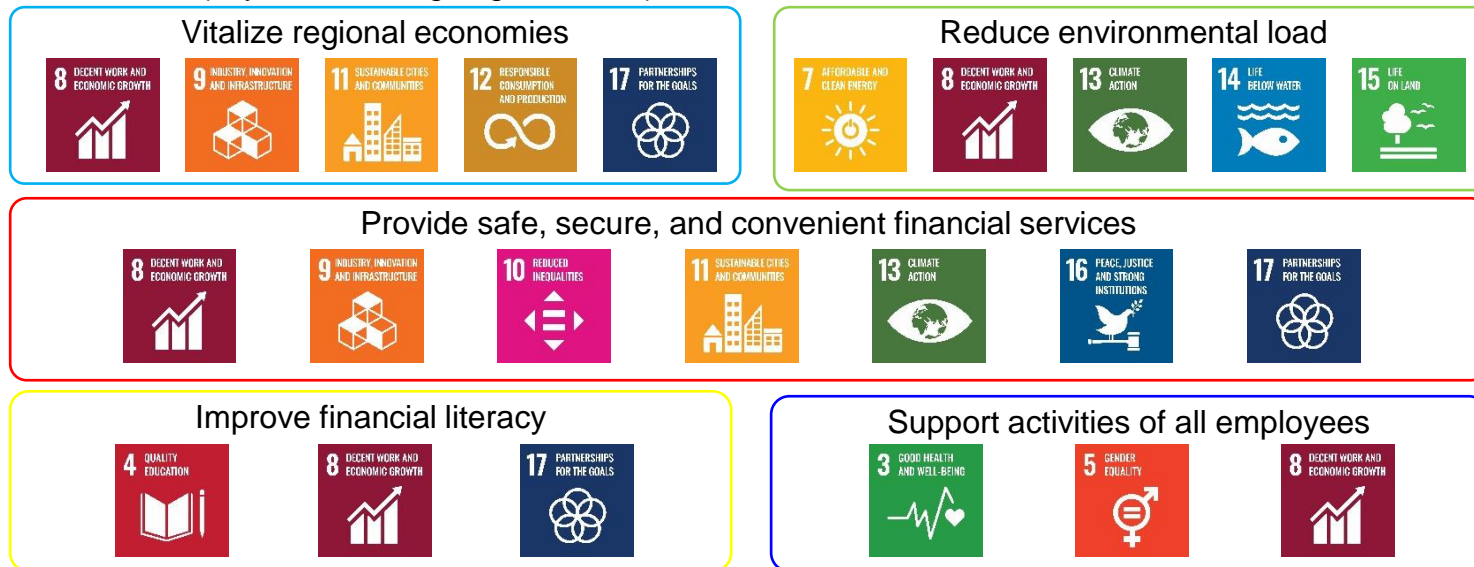
**Perpetual initiatives**

- Strengthen countermeasures for money laundering, etc.**
- Strengthen cyber risk management system**

Medium-Term Management Plan Theme	Objectives
<ul style="list-style-type: none"> <li>• Improve the Group's overall strength</li> <li>• Strengthen consulting</li> <li>• Promote DX</li> <li>• Practice human capital management</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement of corporate value (economic value + social value)</li> <li>• Expansion of business domains</li> <li>• Active transformation and challenges</li> <li>• Improvement of stakeholder satisfaction</li> </ul>



## Approach to SDGs (key themes: ongoing initiatives)



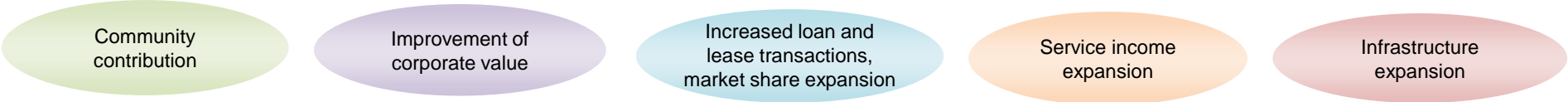
# 8. Targets and Targeted Levels

KGI		Results (FY2022)	Targets (FY2025)	Targeted Levels
	ROE Shareholder's equity basis (net assets basis)	5.63% (2.62%)	6% (3%)	8% (5%)
	Net income attributable to owners of the parent (consolidated net income)	JPY27.2 bn	JPY30.0 bn	JPY50.0 bn
	Capital-to-asset ratio (consolidated)	13.51%	11% range	About 11%

KPI	Item	Targets
	Total return ratio	50%+ Enhance shareholder returns while maintaining a balance between investment in growth and ensuring the company's sound financial position, and flexibly distribute returns to shareholders
	Investment in core business (cumulative total during the Plan period)	Accumulation of loans, securities and other assets* JPY1.2 tn + extra (credit risk assets: JPY500 bn + extra)
	Group Income (FY2025) Net income attributable to owners of the parent - Bank non-consolidated net income	JPY5.0 bn Ratio of consolidated profit to parent company's profit from 1.1 times to 1.2 times
	IT and DX investments (cumulative total during the Plan period)	JPY10.0 bn
	Human capital management (FY2025)	Promotion and allocation based on requests, such as through the open recruitment system, etc. 80%+ of total
Sustainable (environmental targets)	Sustainable finance	JPY1 tn (cumulative total from FY2020 to FY2030)
	CO <sub>2</sub> emission reduction	- 50% (FY2030 target, compared to 2013)

\* Achieve the income plan by building up assets incorporated in measures and take on the challenge of investing in new growth areas to secure future sources of income by leveraging our financial strength

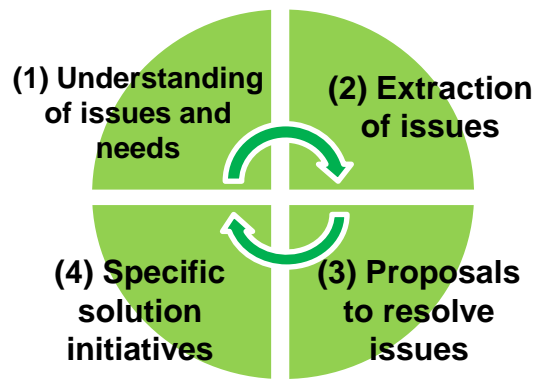
Become a more valuable business, starting with problem-solving sales



Solving customers' problems, as many as possible!

**[Sales Branch Activities]**  
**Deepen and expand problem-solving sales**

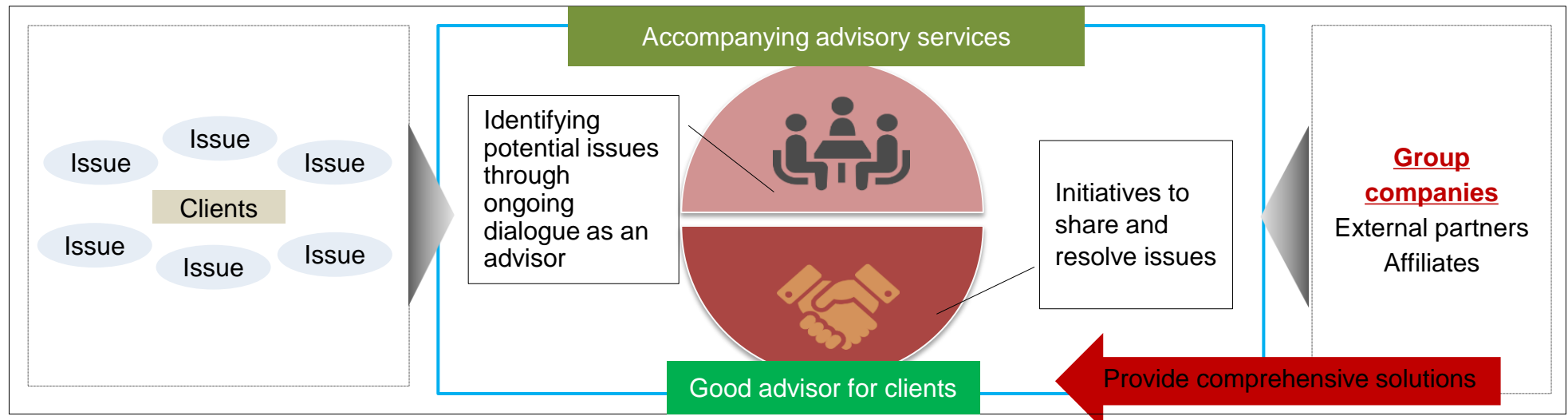
- Utilize Action Plan Sheets
- Conduct problem-solving meetings
- Fully utilize functions of each company in the Group
- Develop consulting human resources



**[Headquarters Activities]**  
**Expand accompanying support to clients**

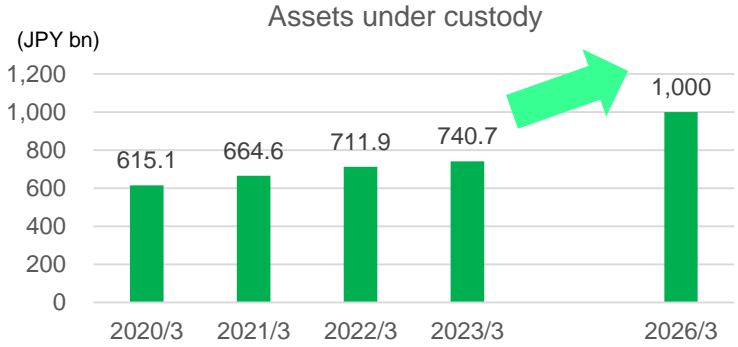
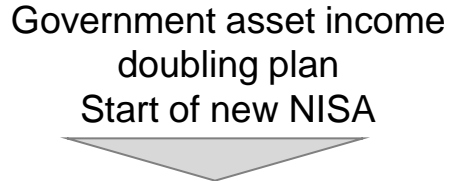
- **[Newly established]** Start accompanying advisory services
- Strengthen growth areas (SDGs and decarbonization support)
- Strengthen business related to business succession
- Strengthen the advanced finance sector
- Advance international operations

Accompanying advisory services: Image



–Realizing the best interests of our customers–

**Provide all customers with consulting services through “Banking, Securities, and Trust” to achieve a balance of JPY1 tn in assets under custody**



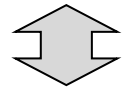
## The Bank’s Personal Asset Doubling Plan



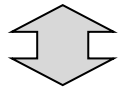
**Number of customers for assets under custody: 2x**  
100,000 customers ⇒ **200,000 customers**

**Number of testamentary trusts and estate planning services: 2x**  
200 cases/year ⇒ **400 cases**

Establishment of a new financial education team  
Establishment of an asset formation desk



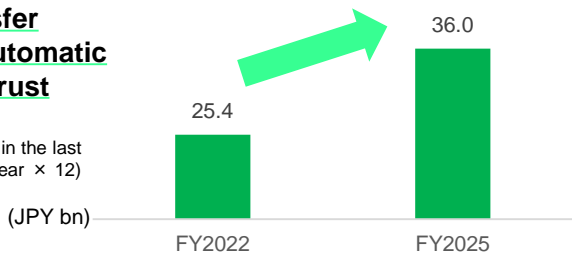
Reinforcement of sales branch support by Kyogin Securities



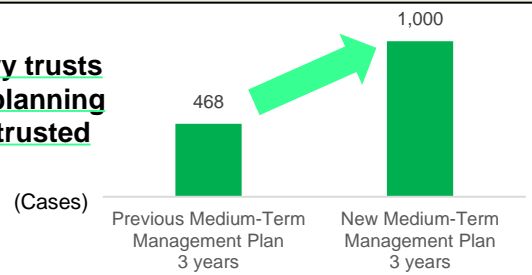
Expansion of Inheritance and Asset Succession Consulting Plaza

- (1) “Spread of financial education”
- (2) “Marketing through DX and AI”
- (3) “Maximization of contact with customers by utilizing call centers and the Kyogin App”
- (4) Strengthen portfolio proposals through “Banking-securities collaboration (The Bank of Kyoto and Kyogin Securities)”

**Annual transfer amount of automatic investment trust savings**  
(amount transferred in the last month of the fiscal year × 12)



**Number of testamentary trusts and estate planning services entrusted**



## Mass retail

Marketing	One to One recommendation tailored to the customer
Non-face-to-face transaction	Web-based completion of consumer loans and centralization at headquarters
Cashless	Promotion of mainstay cards from younger generations by strengthening debit cards

	2023/3 results	Final fiscal year of the Medium-Term Management Plan
Consumer loans per year	JPY6.9 bn	JPY15.0 bn
Number of debit card members	45,000	150,000

## Local and regional revitalization

### Regional revitalization through collaboration with local and public entities

- Support for decarbonization → Cooperation in Kyoto Prefecture Industrial Creation Leading Zone
- DX support → Regional DX support in response to the Comprehensive Strategy for the Digital Garden City Nation Concept

### Creating innovation through startup support

- Expand investment in startup companies, centered on the “Kyogin Bright Future Support Fund”
- Promote “open innovation matching” to connect startups and large companies
- Implement various programs for entrepreneurship development
- Strengthen startup support functions

### Further deepen the equity business, starting with the business succession fund

- Expand investment in companies that do not have successors, centered on the “Kyogin NextStage Fund”
- Strengthen consulting function
- Strengthen project formulation in collaboration with the Bank’s solutions



<Basic Policy>  
 Aim for **JPY10.0 bn**  
 Continuous investment over 10 years since Nov. 2018



<Basic Policy>  
 Aim for **JPY10.0 bn**  
 Continuous investment over 10 years since Jan. 2021

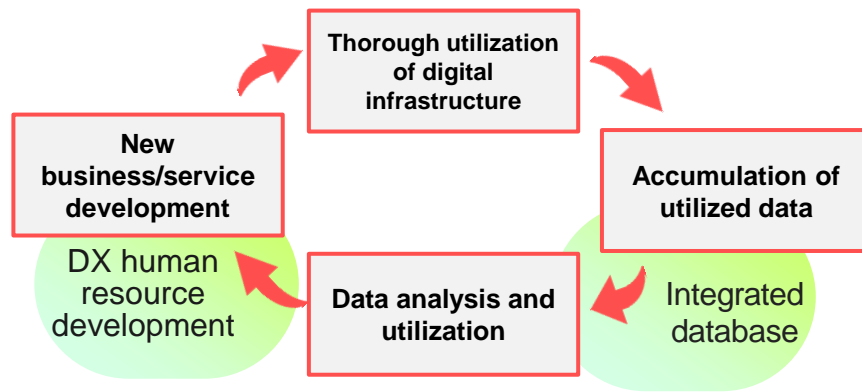


## Transformation to data-driven management

“Deepen existing business” and “explore new business”

- Establish data accumulation, analysis, and utilization infrastructure to realize data-driven management
- Introduce “AI analysis tool” as part of data analysis infrastructure
- Train data scientists who can utilize AI analysis tools
- Fully operate “Data Driven Promotion Office” as an engine for promoting data-driven management
- Centralize and accumulate data held by the Bank and Group companies, and use it effectively and efficiently

### Data driven management

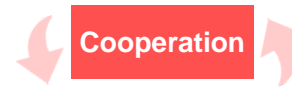


### Data Driven Promotion Office

<<Data Driven Promotion Office (first year)>>

- Data scientists: 3

Dedicated staff



- Planning staff in each division: 10

Concurrently serving staff

Target

- Data scientists  
Train 35 personnel (during the Medium-Term Management Plan period)

## IT strategy

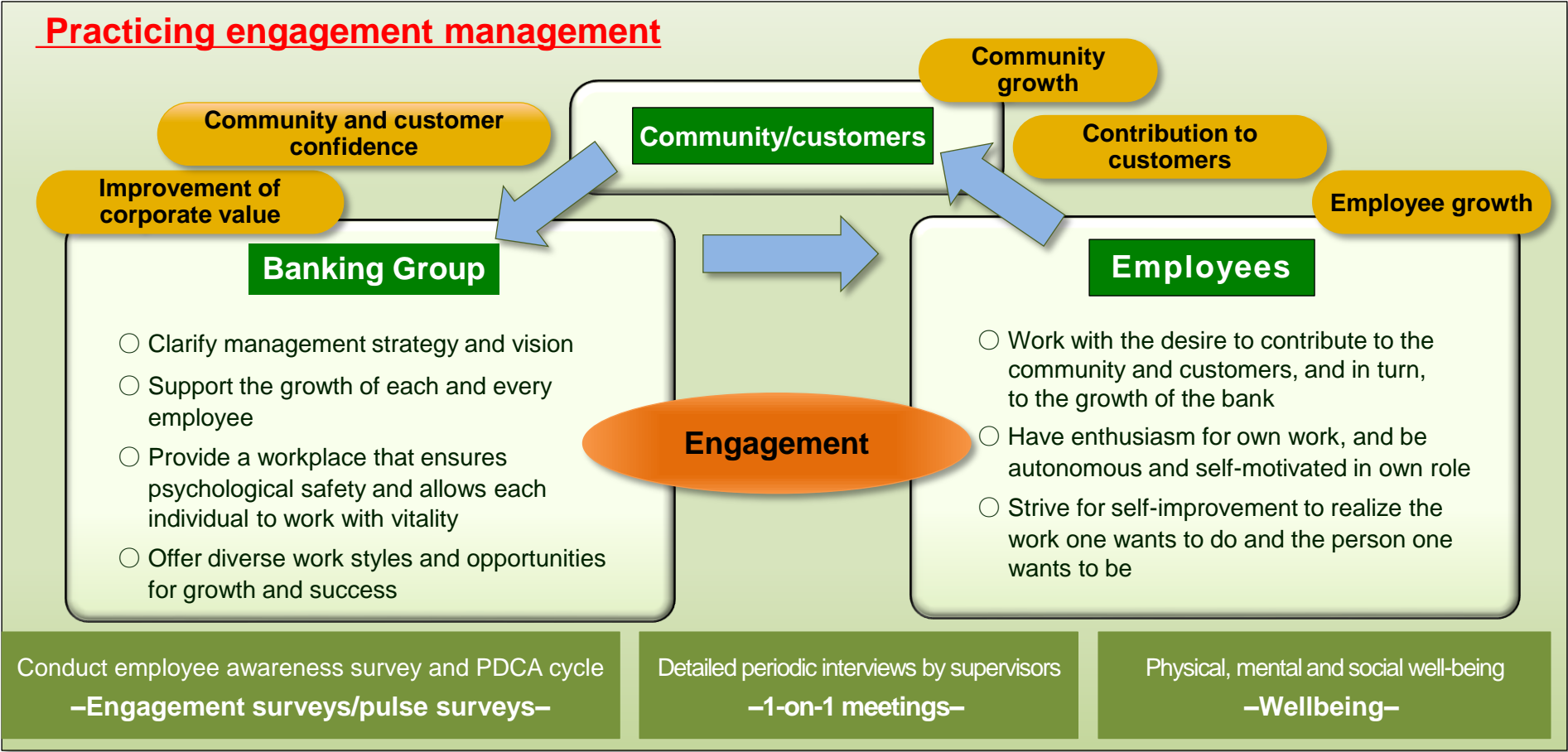
### Optimize and strengthen IT infrastructure

- Migrate server equipment scattered around the Bank’s centers to virtual consolidation infrastructure, cloud, and regional bank joint centers
- Migrate batch and branch systems with heavy development and operation burdens to regional bank joint centers
- Upgrade accounts to integrated banking cloud
- Establish a strong infrastructure against risks such as cyber-attacks and system failures, and a system for early recovery in the event of an incident

### Secure IT human resources

- Systematic development of human resources to enable sustainable and stable provision of infrastructure
- Secure human resources and exchange personnel to improve the resilience of the Group’s IT division





**Expansion of opportunities for growth and success, including young and senior employees**

- Establish **“Career Challenge System”** and expand various open recruitment systems throughout the Group
- Foster a culture of willingness to speak up and revitalize the organization by **promoting and allocating employees based on their motivation and desires**

**Develop and allocate human resources with the right skills in the right places**

- Maintain and utilize human capital data
- Manage the Group’s overall human capital portfolio
- **Cultivate “strategic human resources”**

Develop human resources and implement various measures to secure the human resources necessary to realize management strategies and to realize “medium- to long-term improvement of corporate value” by “maximizing the value of human capital”

### Strengthen human resources of the Bank of Kyoto Group

#### “Career Challenge System”

- Expand open recruitment system for headquarters and Group companies

#### From sales personnel of the “Bank” to that of the “Bank of Kyoto Group”

- Develop consulting human resources that make full use of the Group companies’ solution functions

### Gender diversity

#### Implementation of the “Designing the Future” program

#### Female corporate general sales personnel Target: 150 employees

#### Ratio of female managers

Deputy level or higher Target: 20%

Section chief/investigator

level or higher Target: 30%

Male childcare leave utilization rate Target: 100%

### Internal accreditation system

#### Consulting human resources: 1,000 employees

- 600 corporate, 300 private, 100 loans

#### Administrative core human resources: 200 employees

- Cultivate human resources who will play a central role in building a stable internal structure and administrative infrastructure

### Development of GX, DX, and specialized human resources

#### Promote acquisition of carbon accounting advisor certification

Target: 1,000 employees

#### DX human resource development

DX specialists: 50 employees

DX advisors: Gold certified 500 employees

Digital supporters: Gold certified 1,000 employees

#### Development of specialized human resources

Training 100 employees newly

(Headquarters and Group companies)

**Business Loans**      **Activities to expand the operating base –Improving profitability through appropriate risk-taking–**

Developing strategies with clearly defined points of reinforcement in accordance with the characteristics of each region	
<p><b>Increase in trading position/share</b></p> <ul style="list-style-type: none"> <li>• Strengthening cash management support and activities ahead of other banks based on individual company policies</li> <li>• Creation of “Share-Up and Mainstay Promotion Fund”</li> <li>• <u>Strengthening real estate-related financing (e.g. apartment loans)</u></li> </ul>	<p><b>Expanding the base of clients by strengthening new activities</b></p> <ul style="list-style-type: none"> <li>• <u>Creation of “Fund for New Clients”</u></li> <li>• Strategic allocation of sales personnel</li> <li>• Utilization of corporate offices and new development groups</li> </ul>
Zero-zero loan exit response, asset accumulation in the middle-risk demographic	

Development of new business credit recipients <b>[10,000 recipients in 3 years]</b> (approx. 3,000 recipients in FY2022)	Expansion of the number of business credit recipients <b>[40,000 recipients after 3 years]</b> (approx. 37,000 recipients at the end of FY2022)	Increase in SME loan volume <b>[FY2025 Increase of JPY100.0 bn in a year]</b> (JPY60.0 bn in FY2022)
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**Structured Finance Funds**      **Building a portfolio that will generate stable income**  
**Continuing to accumulate investment and loan expertise (increase personnel, dispatch external trainees, etc.)**

Amount spent on the initiatives (3 years) SFF (loans) JPY145.0 bn SFF (investment) JPY37.0 bn	Balance (after 3 years) SFF (loans) JPY376.0 bn SFF (investment) JPY88.0 bn	Income (FY2025) JPY8.0 bn (+JPY3.5 bn compared to FY2023)
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**Mortgage**      Evolution of the loan business, mainly through the Loan Sales Division, and development of comprehensive personal sales activities triggered by mortgage loans  
 Improvement of sales productivity and maximization of Group income by fully utilizing Kyogin Mortgage Loan Online Application Service

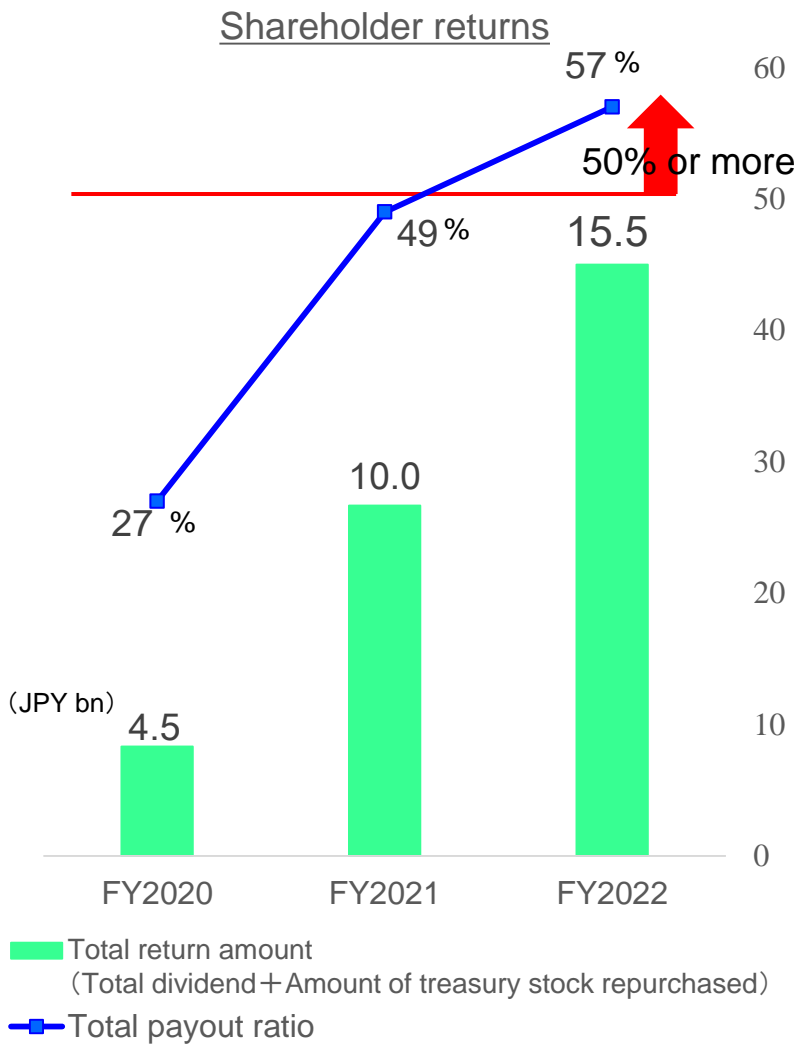
(FY2025) Annual execution amount: JPY150.0 bn  
 (JPY135.0 bn in FY2022)

**Market Operations**      **Restructuring the portfolio with a focus on yen bonds, and balance restoration of REIT and balanced fund**  
**Building a portfolio centered on medium- and short-term bonds in anticipation of the Bank of Japan’s monetary normalization**

Investment balance (FY2025) JPY2.8 tn	Income (FY2025) JPY13.0 bn
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Shareholder return policy : a total payout ratio of 50% or more

While committing to a total return ratio of 50% or more, deftly balancing “invest for growth,” “ensuring sound management,” “enhancing shareholder returns”



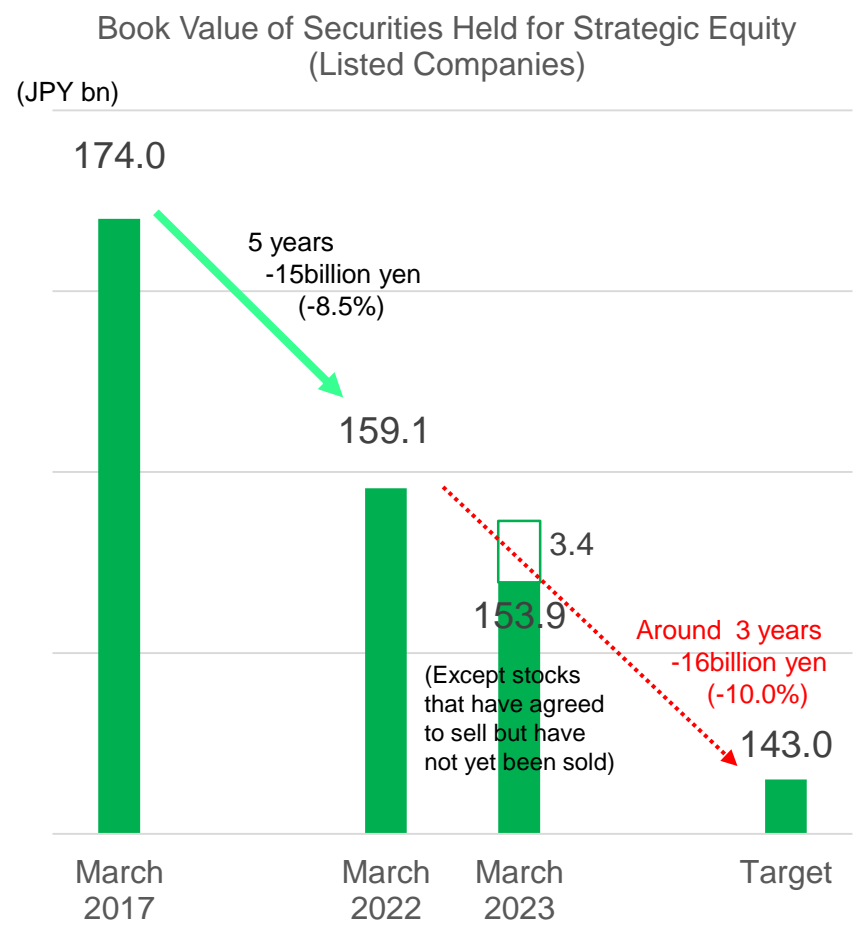
Shareholder returns

	Shareholder return policy	Annual dividend per share	Share repurchase
FY2020	Dividend payout ratio Around 30%	60 yen	-
FY2021	Dividend payout ratio Around 30%	100 yen	2.5 billion yen
FY2022	<u>Total payout ratio around 50%</u>	140 yen	5.0 billion yen
FY2023	<u>Total payout ratio of 50% or more</u>	(forecast) 160 yen	

	Total dividend (1)	Amount of treasury stock repurchased (2)	Total return amount (1)+(2)	Total payout ratio
FY2020	4.5 billion yen		4.5 billion yen	27%
FY2021	7.5 billion yen	2.5 billion yen	10.0 billion yen	49%
FY2022	10.5 billion yen	5.0 billion yen	15.5 billion yen	57%

## Policy on Reducing Securities Held for Strategic Equity (Announced in May 2022)

Reduce securities held for strategic equity by 16.0billion yen around 3 years

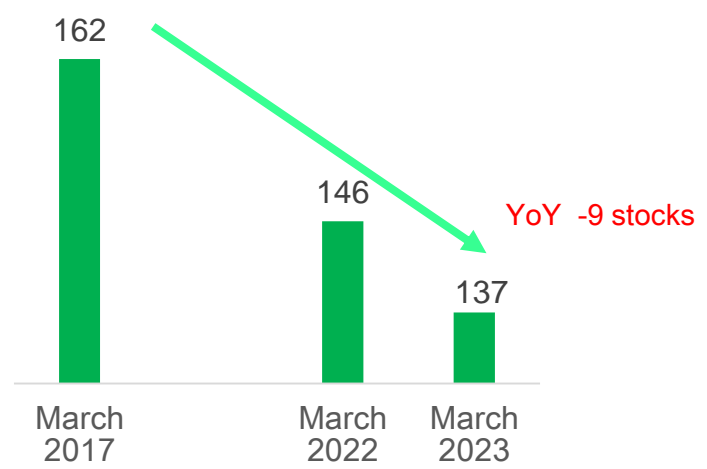


### Progress of reduction in FY2022

**Agreed to reduce 5 billion yen in 10 months**  
**Progress on schedule**

Stocks sold	1.6 billion yen
Stocks that have agreed to sell but have not yet been sold	3.4 billion yen
<b>Total</b>	<b>5.0 billion yen</b>

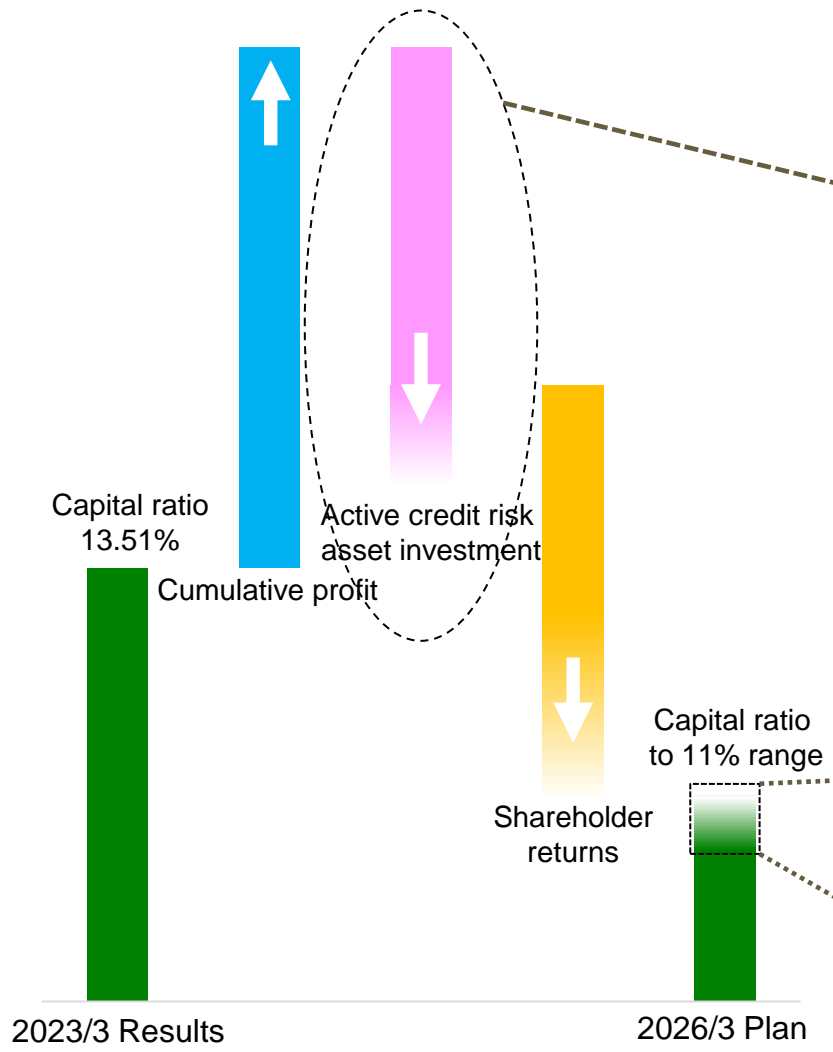
### Number of Stocks Classified as Securities Held for Strategic Equity (Listed)



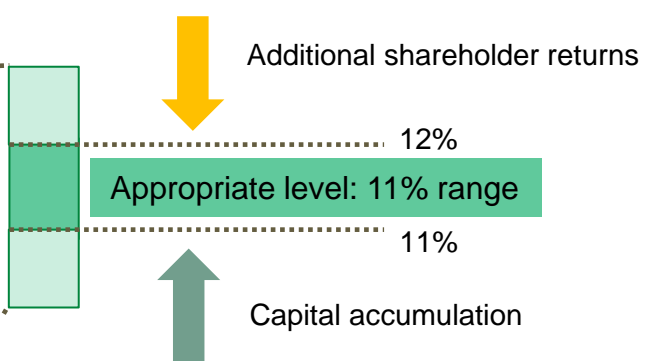
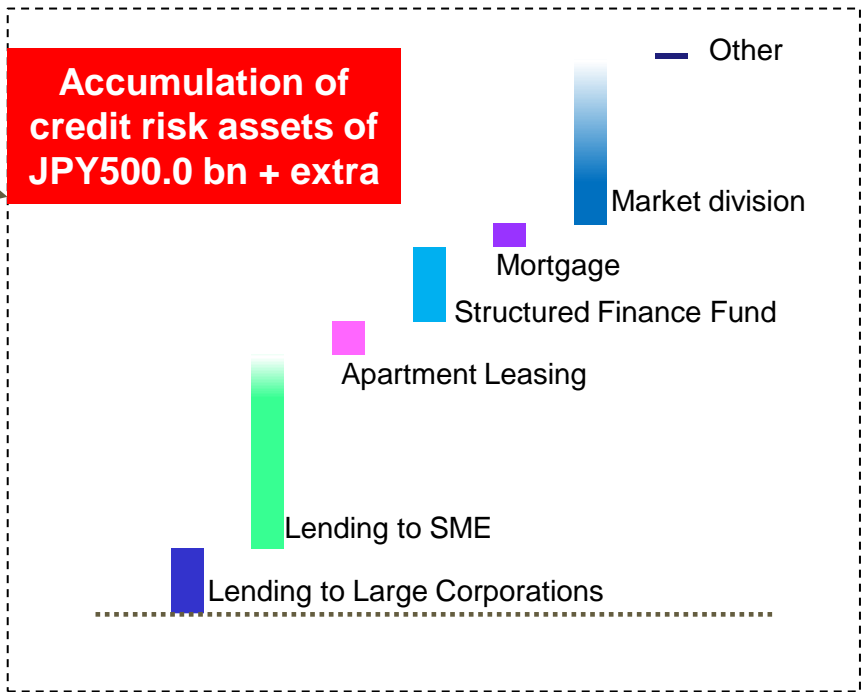
# 18. Capital Allocation

Controlled capital ratio in the 11% range, which enables stable provision of financial services to local communities  
 Aggressively accumulate credit risk asset investment of JPY500.0 bn + extra to achieve net income of JPY30.0 bn

Capital Allocation Image



Credit Risk Asset: Image



Improving corporate value through green growth

FY2050

Achievement of carbon neutrality

FY2030

Reduction of CO<sub>2</sub> emissions (compared to FY2013: -50%)

Execution of sustainable finance (cumulative total since FY2020: JPY1 tn)

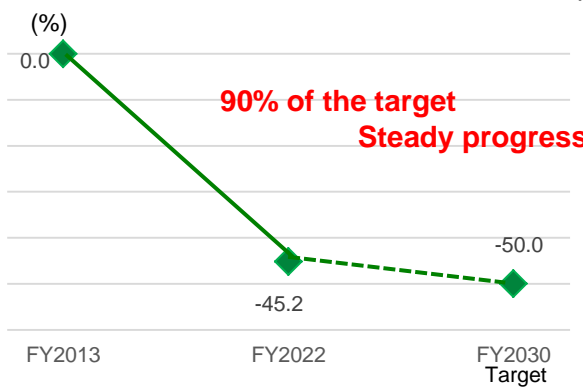
FY2023 (start of new Medium-Term Management Plan)

Participation in GX league

FY2020 - FY2022 (previous Medium-Term Management Plan period)

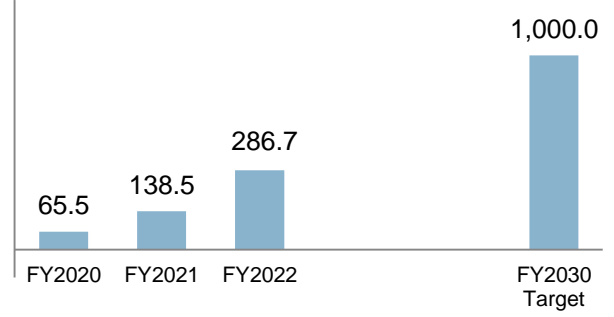
“ZET-valley” cooperation agreement  
Cooperation with Kyoto Prefecture and Kyoto City  
Announcement of endorsement of TCFD recommendations

CO<sub>2</sub> emissions compared to FY2013 (subject to Scope 1 and 2)



Sustainable finance initiatives (investments and loans) performed

(Cumulative total of executed amount: JPY bn)

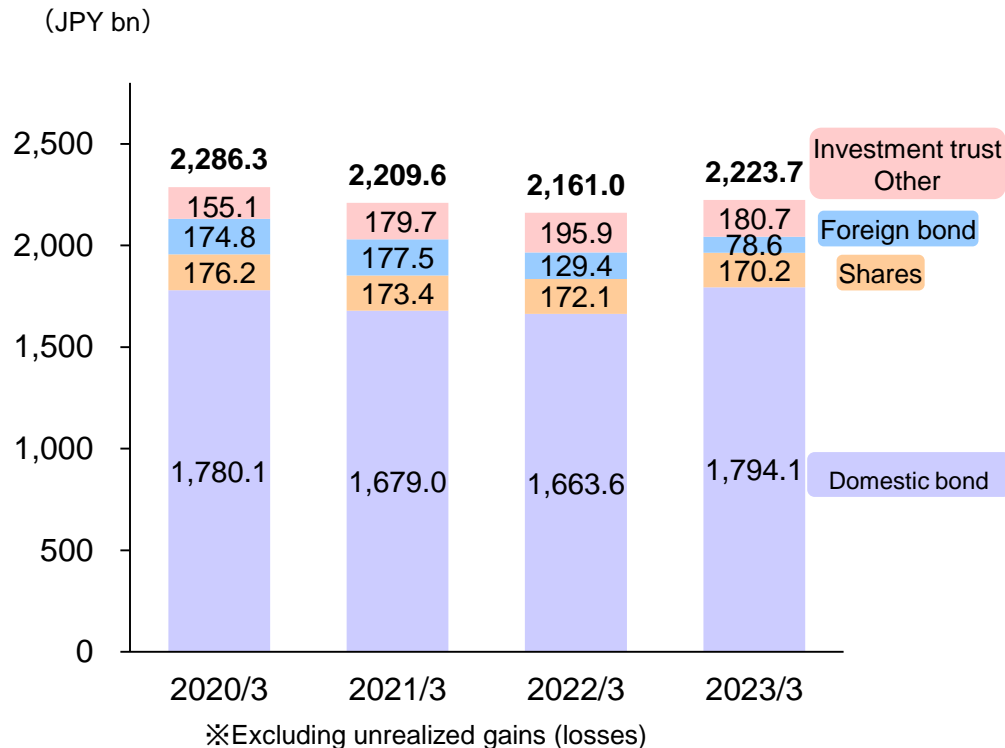


- Kyoto Prefecture Industrial Creation Leading Zone “ZET-valley”
  - Establishment of a world-class startup cluster “ZET-valley” by Kyoto Prefecture with the theme of decarbonization
  - Collaboration among Kyoto Prefecture, Muko City, West Japan Railway Company, and the Bank
- Participation in Kyoto Prefecture’s “Regional Decarbonization Kyoto Consortium”
  - Support for decarbonization of SMEs and structuring and promotion of Sustainability Linked Loans (Kyoto version)
- Participation in Kyoto City’s “Consortium for Promotion of Leading Regions in Decarbonization”

## Building a portfolio with attention to interest rate risk

- Domestic bonds: Continue to increase the balance mainly in government bonds and municipal bonds, while shortening the investment period.
- Foreign bonds: Sell bonds such as low-yield US dollar-denominated bonds. Invest in bonds that can secure margins while keeping a close eye on monetary policy in the future.
- Investment trusts: Income is secured through trading of REITs and Japanese and US equities investment trusts. Continue to conduct flexible trading.

## Balance of securities



## Unrealized gains (losses) on securities

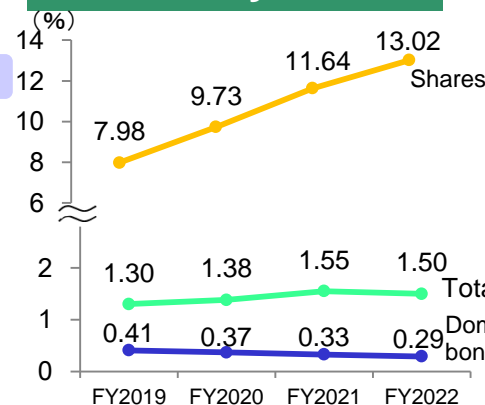
(JPY bn)

Breakdown	Unrealized gains (losses)
Domestic bond	- 27.9
Shares	762.2
Foreign bond	- 3.4
Other	- 10.3
Total	720.4

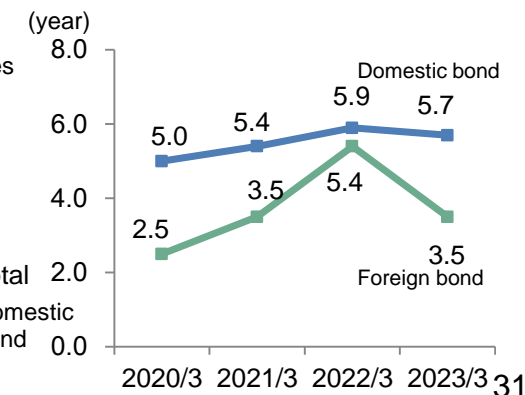
## <Reference> Range of fluctuation in unrealized gains (losses)

- Changes in unrealized gains (losses) if yen interest rate rises 1%  
- JPY90.6 bn
- Changes in unrealized gains (losses) on stocks if the Nikkei average falls by JPY1,000  
- JPY32.9 bn

## Trends in yield



## Changes in average annual maturity







## KYOTO FINANCIAL GROUP

### <About the logo>

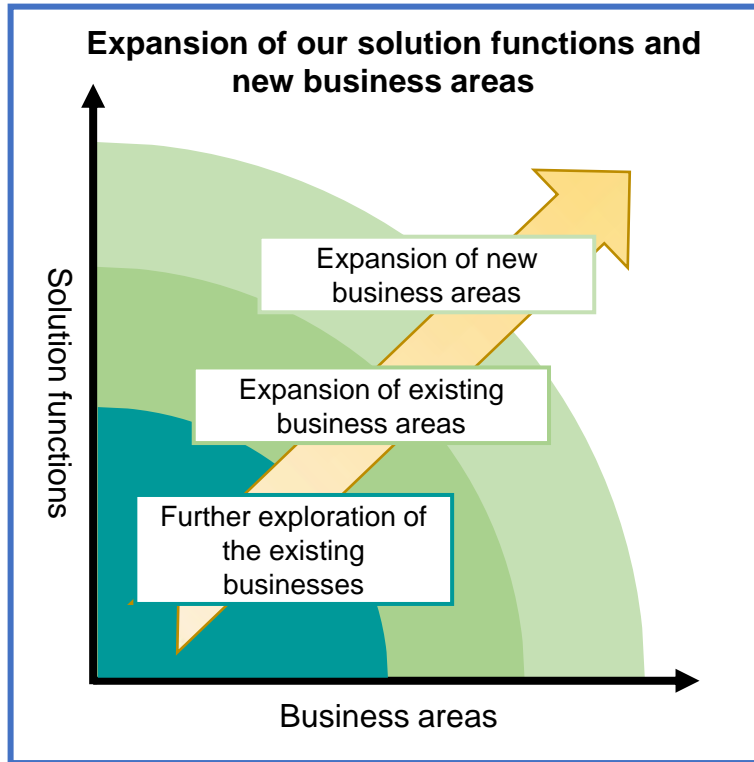
The design is based on the motif of “ripples” that spread and connect.

It symbolizes how the Group’s executives and employees will spread a positive influence in the community, just as a drop of water creates an expanse. Even if the influence of each individual is small, we promise to become a group that creates new value for the society as those small influences spread across and connect us with those around us.

The three lines forming the logo represent “customers,” “local communities,” and “shareholders.”

Trade name	Kyoto Financial Group, Inc.
Location of head office	700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto, Japan
Representative	Representative Director and President Nobuhiro Doi (currently President of the Bank of Kyoto)
Business description	<ol style="list-style-type: none"> <li>1. Management and administration of banks and companies that may be made subsidiaries under the Banking Act</li> <li>2. All operations incidental and related to the operations listed in the preceding item</li> <li>3. Operations other than those listed in the preceding two items that may be conducted by a bank holding company under the Banking Act</li> </ol>
Capital	40 billion yen
Date of incorporation	October 2, 2023
Accounting period	March 31
Stock exchange of Listing	Tokyo Stock Exchange Prime Market
Number of shares per unit	100 shares
Accounting auditor	Deloitte Touche Tohmatsu LLC
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

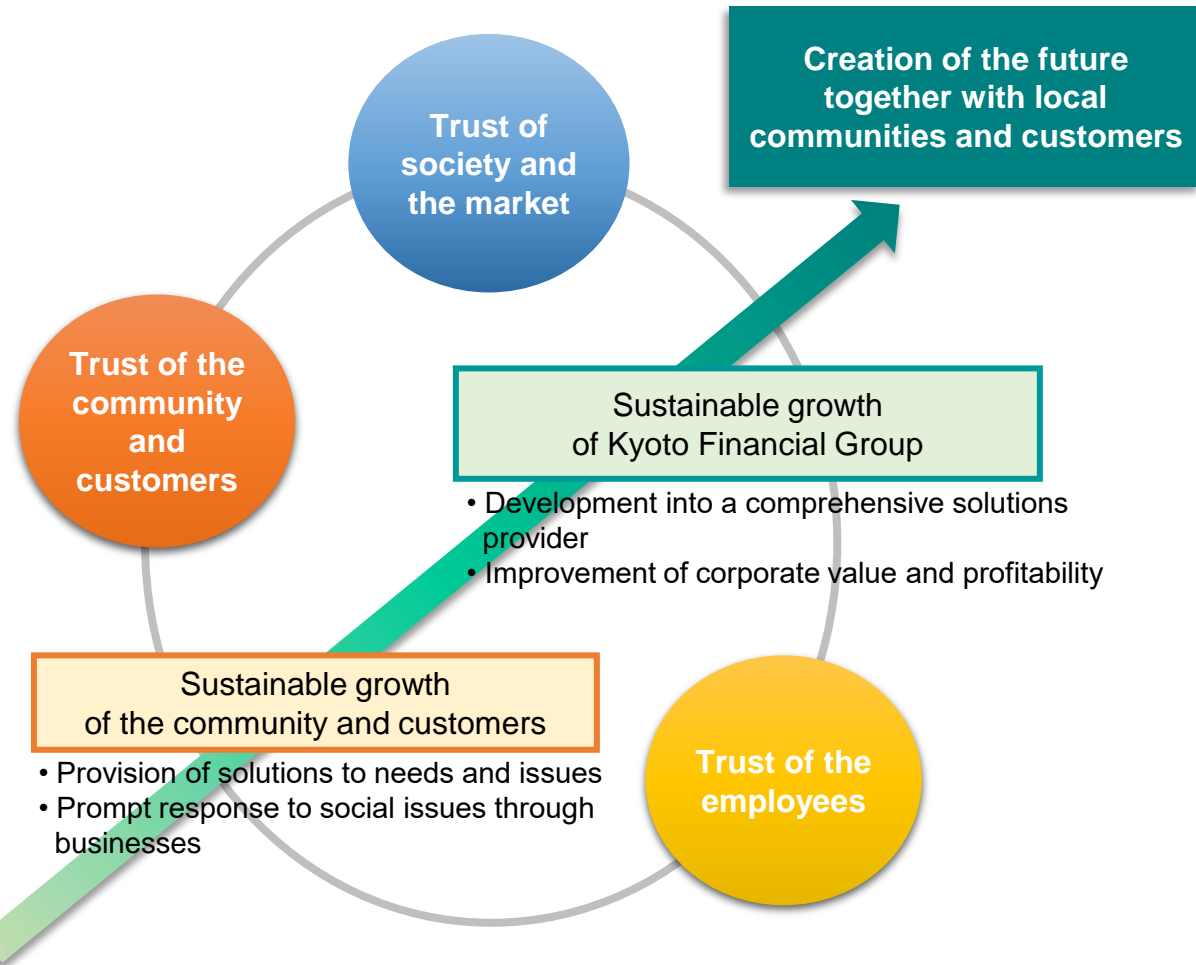
By working to resolve the diverse needs and issues of the community and customers, we aim to lead the Group to sustainable growth and become a “comprehensive solutions provider that drives community growth and creates the future together”.



**Reformation of the mindset and behavior of executives and employees, and promotion of independence and cooperation of each group company**

**Enhancement of governance and improvement of the speed of business execution**

Maximize Group synergies and drive community growth through the three objectives of the transition to a holding company structure



**Trust of the community and customers**

**Trust of society and the market**

**Trust of the employees**

**Sustainable growth of Kyoto Financial Group**

- Development into a comprehensive solutions provider
- Improvement of corporate value and profitability

**Sustainable growth of the community and customers**

- Provision of solutions to needs and issues
- Prompt response to social issues through businesses

**Creation of the future together with local communities and customers**

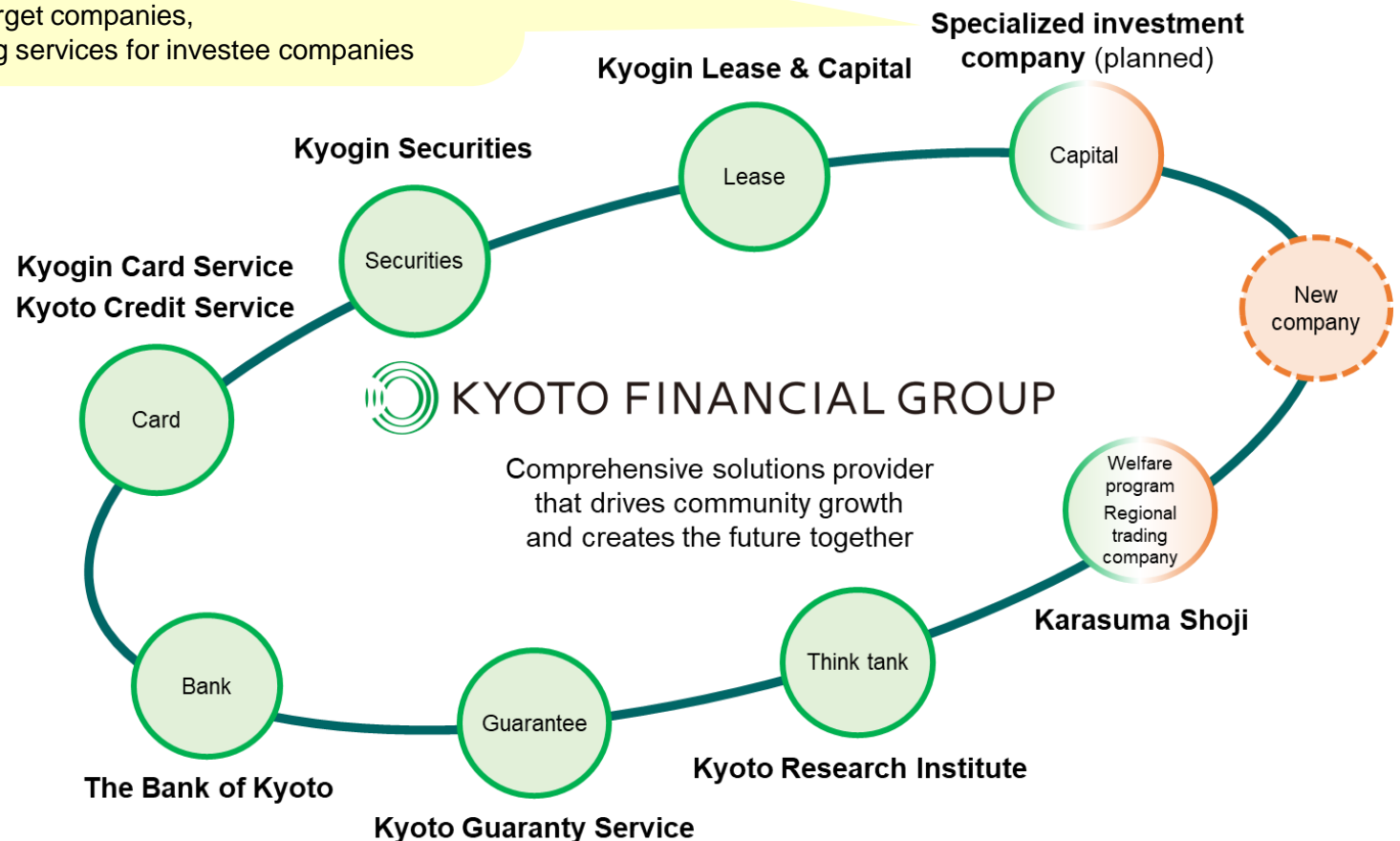
# 23. Holding company structure(3) (Maximize of Group Synergies) Bank of Kyoto

We will leverage Group synergies by further strengthening integrated Group management and intra-group cooperation under the holding company structure to provide diverse solutions to communities and customers.

**The specialized investment company is scheduled to be established in September 2023.**

Strengthen functions by increasing the specialization of "support and development of venture companies" and "business succession support"

- Formation and operation of funds
- Consulting for investment target companies,
- Providing business matching services for investee companies



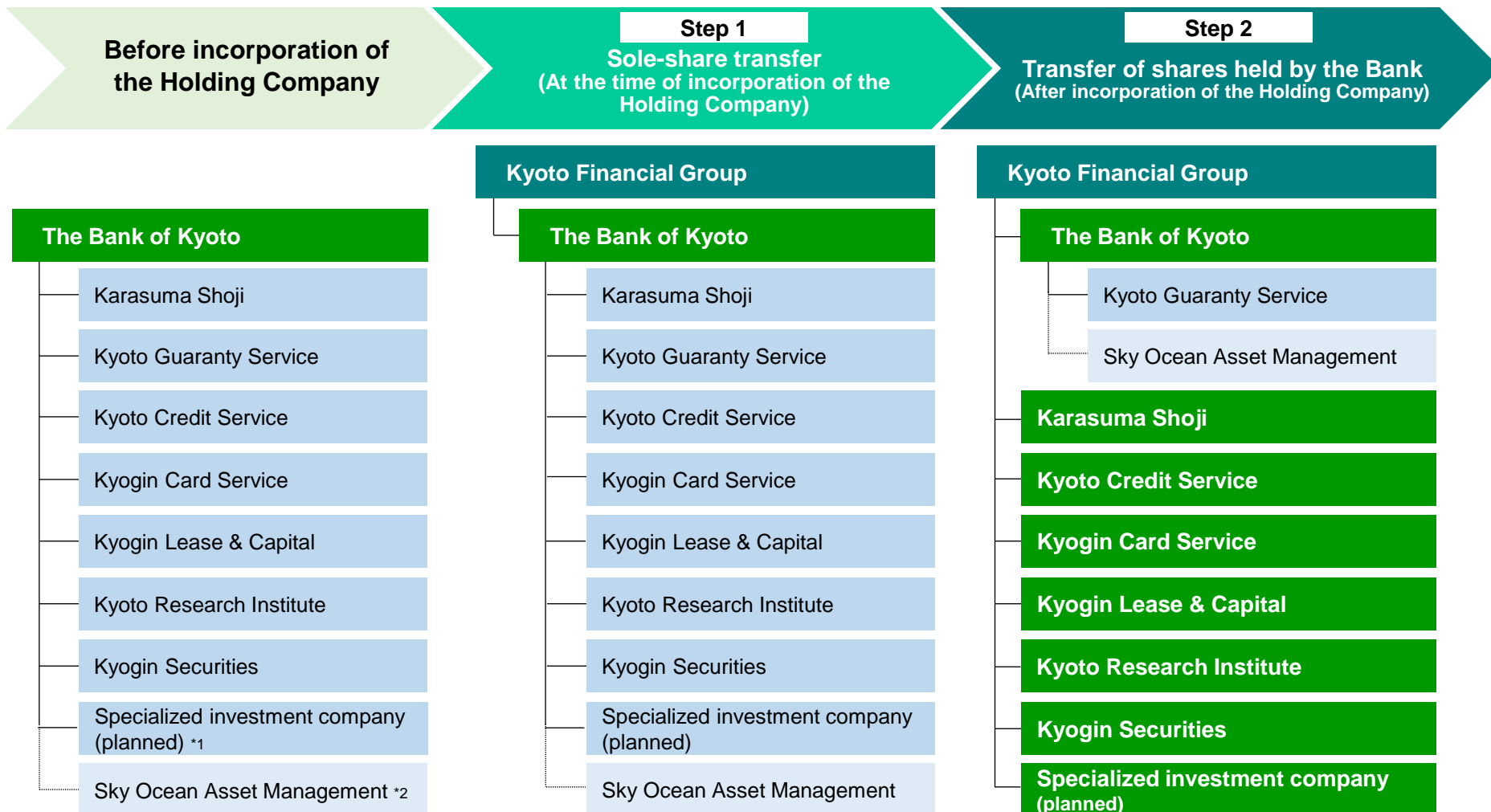
# 24. Holding company structure(4) (Group Structure)

## Step 1

The Bank will become a wholly owned subsidiary of the Holding Company by incorporating the Holding Company through a sole-share transfer by the Bank effective as of October 2, 2023.

## Step 2

From the perspective of further strengthening intra-group collaboration and synergies, we plan to reorganize the seven (7) consolidated subsidiaries of the Bank (excluding Kyoto Guaranty Service) as direct investment subsidiaries of the Holding Company.



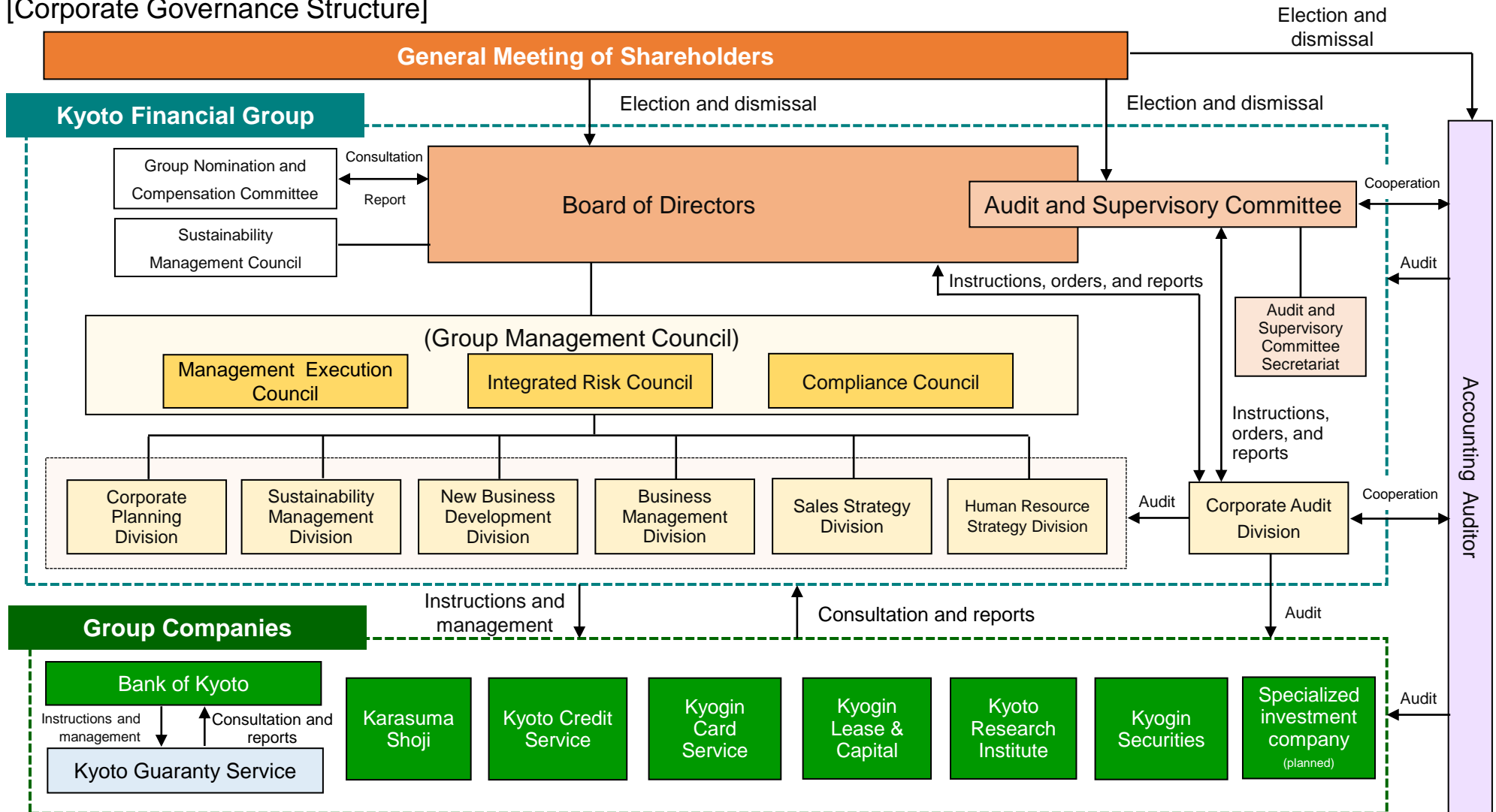
\*1: The specialized investment company is scheduled to be established in September 2023

\*2: Sky Ocean Asset Management is an equity method associate

# 25. Holding company structure(5) (Governance Structure)

Along with the transition to a holding company structure, the Holding Company will be a “company with an audit and supervisory committee” to enable highly effective supervision of management and prompt decision-making as we aim to expand into new business areas and achieve independent business operations for each group company, thereby enhancing group governance from both offensive and defensive perspectives.

## [Corporate Governance Structure]



## III. Reference material

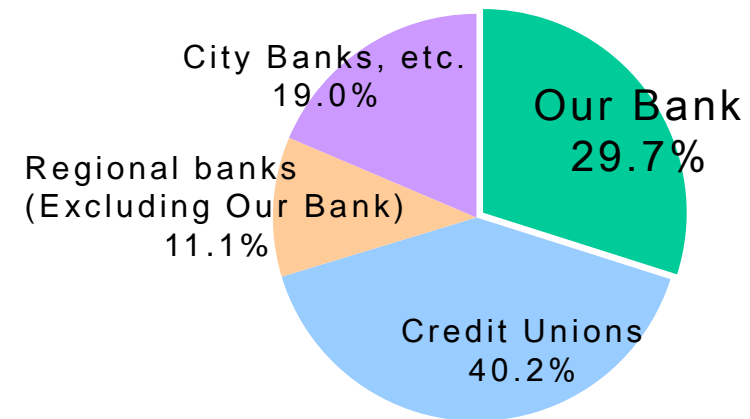
## Corporate Date (As of March 31,2023)

	(Non-consolidated)
Date of Establishment	October 1941
Total Assets	JPY 11,017.6 bn
Total Deposits	JPY 9,104.6 bn
Loans and Bills	JPY 6,305.9 bn
Capital(Paid-in)	JPY 42.1 bn
Unrealized gains/losses on securities	JPY 720.4bn
Capital ratio(Domestic standards)	Con 13.51% Non 12.97%
Rating	R&I : A S&P: A-
Number of Employees	3,303
Number of Offices (※)	198 (Branches:174, Specialist Offices:24)
Representative Offices(Overseas)	Hong Kong, Shanghai Dalian, Bangkok

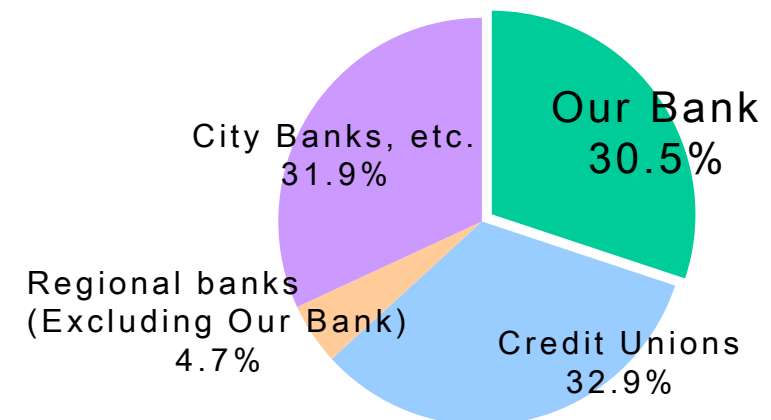
※Including "Inheritance and Asset Succession Consulting Plaza Kyoto-Minami (opened in April 2023)"

## Share in Kyoto Prefecture (As of March 31,2023)

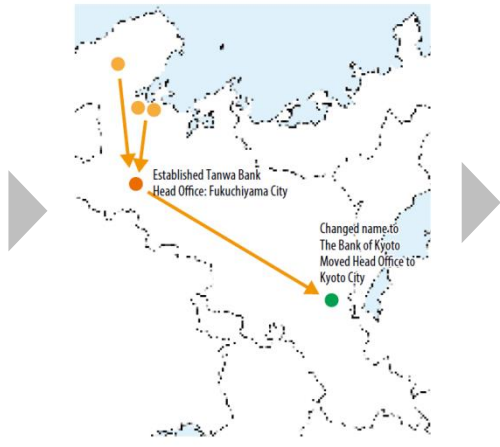
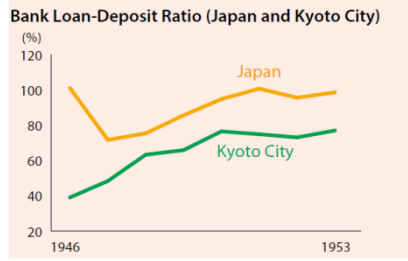
### Loans and Bills



### Total Deposits



In Kyoto City, financial difficulties for small and medium-sized enterprises were a problem.



## Expansion of branch network

	Kyoto	Osaka	Shiga	Nara	Hyogo	Aichi	Tokyo	total
March 2000	105	9	0	0	0	0	1	115
March 2020	111	31	14	7	8	2	1	174

## Human Resources Development

	Number of employees
March 2000	2,862
March 2020	3,440

+20%

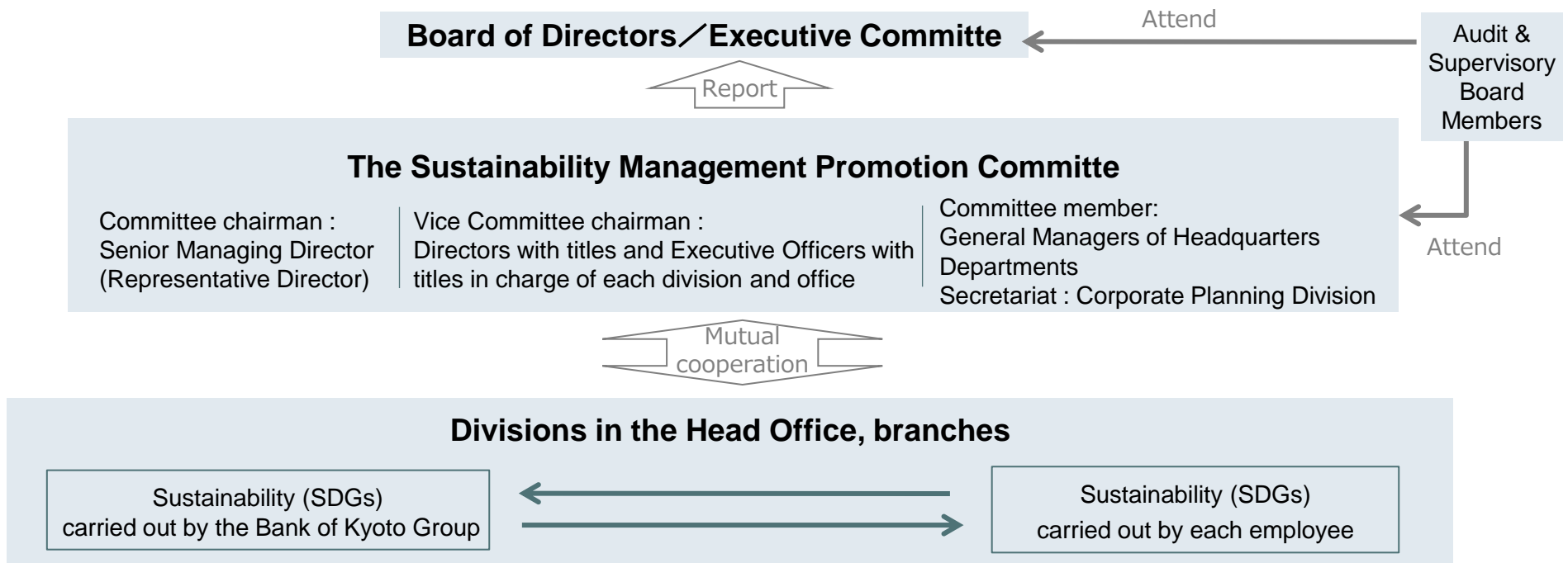
**Upfront investment for growth**

+51%

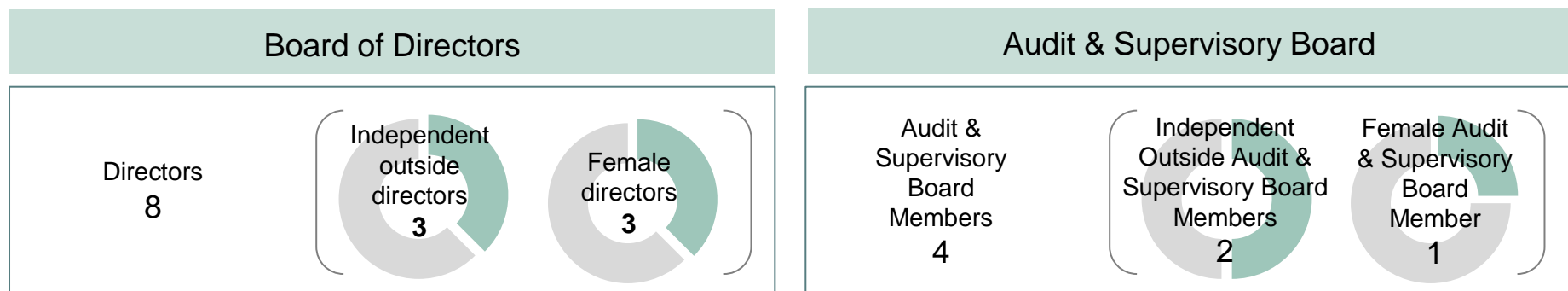
Year	Event	Category
1941	Established Tanwa Bank	Post-war recovery
1950	Commissioned to provide main depository service for Kyoto Prefecture	Post-war recovery
1951	Changed name to the Bank of Kyoto	High and stable growth
1953	Relocated Head Office to Kyoto City	High and stable growth
1955	Established symbol mark	High and stable growth
1966	Completed construction of current Head Office	High and stable growth
1966	Established current emblem	High and stable growth
1973	Listed on the Kyoto Stock Exchange	High and stable growth
1984	Listed on the second sections of the Tokyo Stock Exchange and the Osaka Securities Exchange	High and stable growth
1985	Established symbol mark	High and stable growth
1986	Changed designation to the first sections of both exchanges	High and stable growth
1989	Opened representative office in Hong Kong	Japanese financial Big Bang
1998	Started over-the-counter sales of investment trusts	Japanese financial Big Bang
1999	Opened the Direct Banking Center	Japanese financial Big Bang
1999	The Bank recorded its sole loss	Japanese financial Big Bang
2000	Established Kusatsu Branch (Shiga Prefecture)	Globalization and reorganization of financial industry
2001	Started agency sales of non-life insurance	Globalization and reorganization of financial industry
2002	Started agency sales of life insurance	Globalization and reorganization of financial industry
2004	Opened Takanohara Branch (Nara Prefecture) and Amagasaki Branch (Hyogo Prefecture)	Globalization and reorganization of financial industry
2004	Opened representative office in Shanghai	Globalization and reorganization of financial industry
2007	The Bank started credit card issuing services	Global financial crisis of 2008
2010	Established Kyoto Banking College	Global financial crisis of 2008
2011	Opened Nagoya Branch (Aichi Prefecture)	Global financial crisis of 2008
2012	Opened representative office in Dalian	Global financial crisis of 2008
2013	Opened representative office in Bangkok	Global financial crisis of 2008
2013	Made Higashinagaoka Branch into a zero-CO <sub>2</sub> -emission environmentally friendly branch	Global financial crisis of 2008
2014	Completed construction of Kyoto Banking College Katsuragawa Campus	Global financial crisis of 2008
2017	Kyogin Securities Co., Ltd. started operations	Population decline and low growth
2018	The Bank entered the trust services business	Population decline and low growth



## Sustainability management promotion structure



## Strengthen governance (As of the end of May 2023)

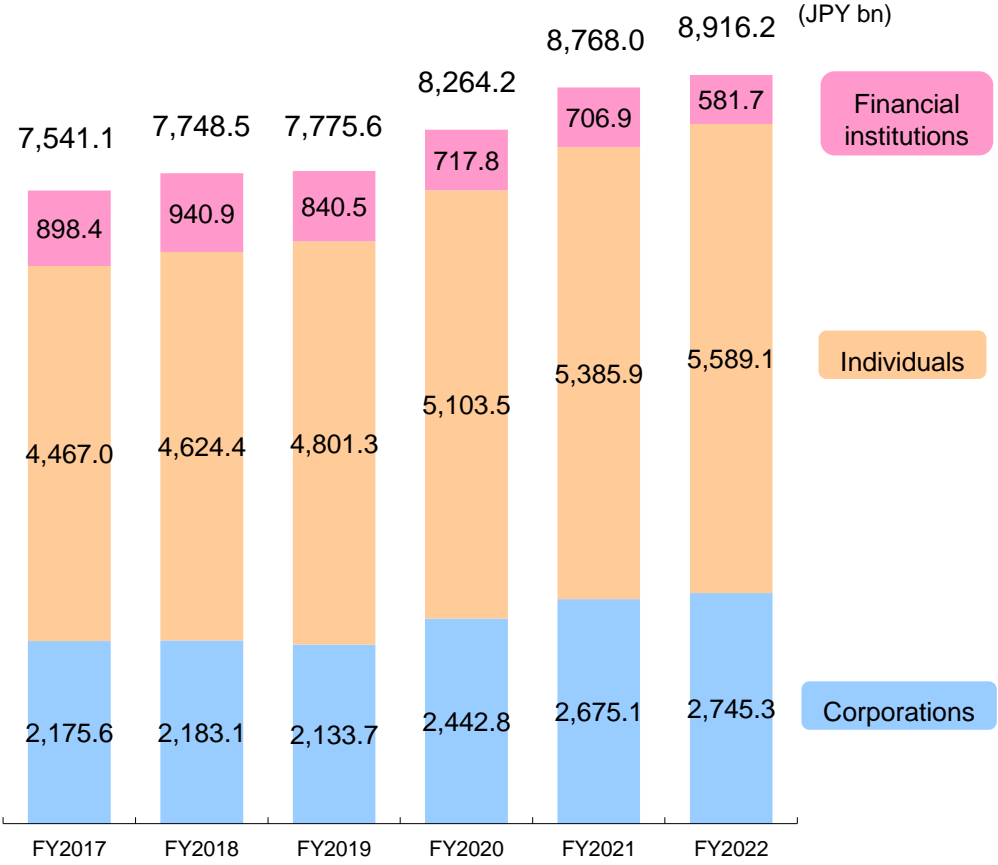


Deposits and negotiable certificates of deposit(term-average)

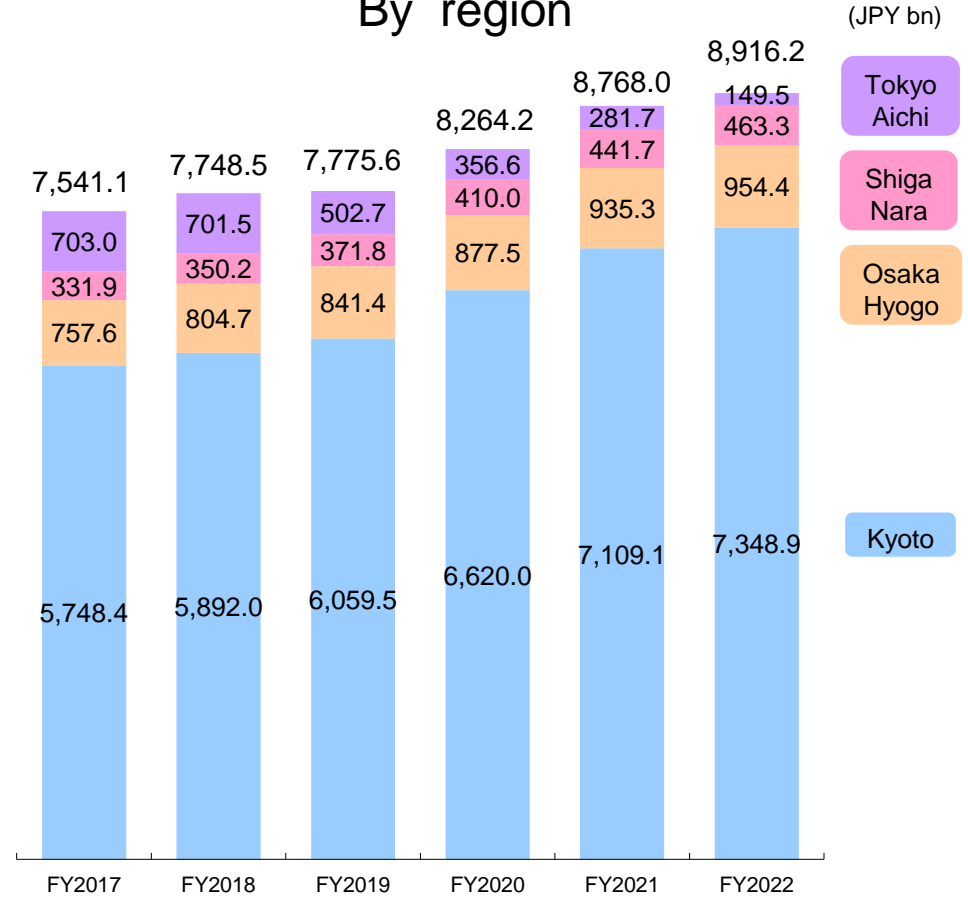
**Results of FY2022(YoY change)**  
 Corporations +JPY70.2bn, Individuals +JPY203.1bn,  
 Financial institutions -125.1bn

**Results of FY2022(YoY change)**  
 Kyoto +JPY239.8bn, Osaka · Hyogo +JPY19.1bn,  
 Shiga · Nara +JPY21.5bn, Tokyo · Aichi -JPY132.2bn

By attribute



By region

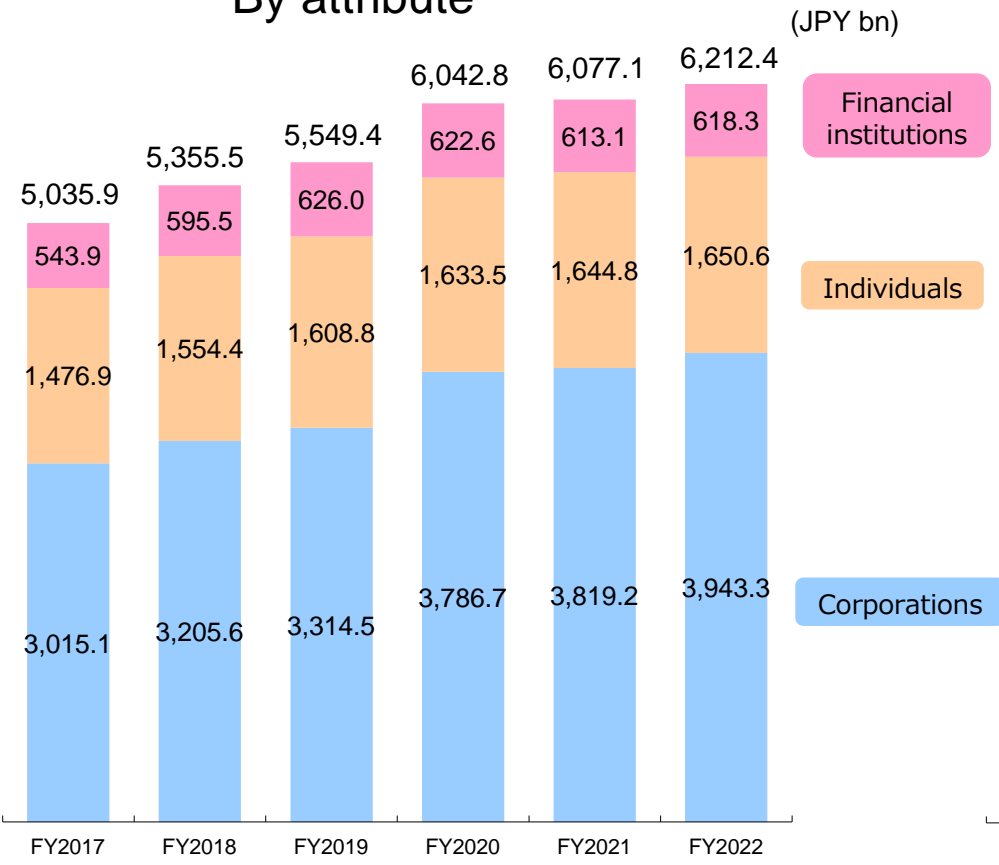


Loans and bills discounted(Term-average)

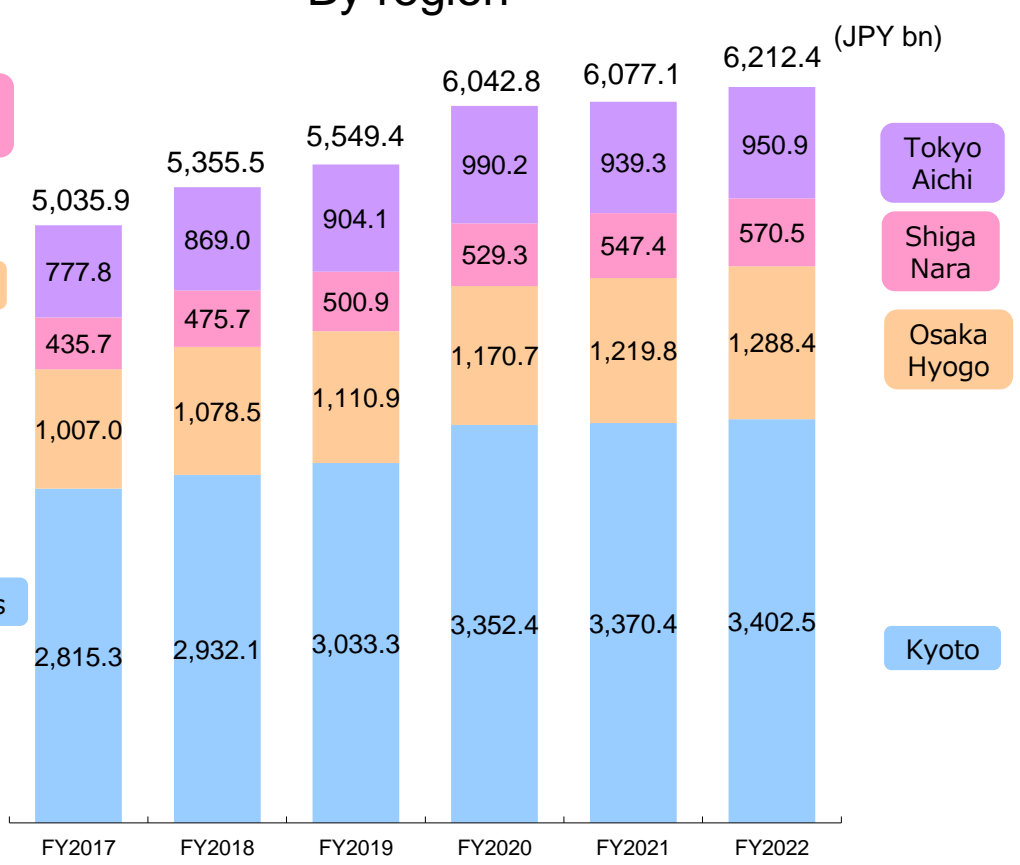
**Results of FY2022(YoY change)**  
 Corporations+JPY124.1bn, Individuals+JPY5.8bn,  
 Financial institutions +JPY5.2bn

**Results of FY2022(YoY change)**  
 Kyoto+JPY32.0bn, Osaka・Hyogo+JPY68.5bn,  
 Shiga・Nara+JPY23.0bn, Tokyo・Aichi+JPY11.6bn

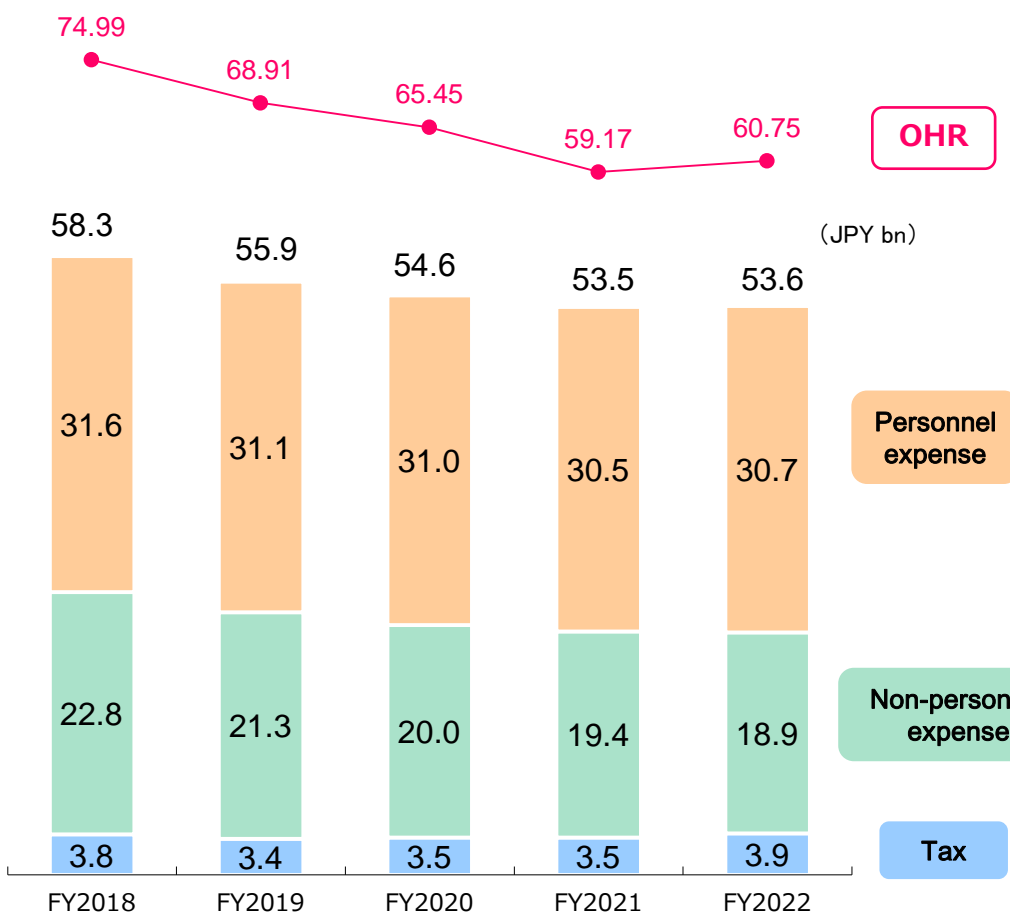
By attribute



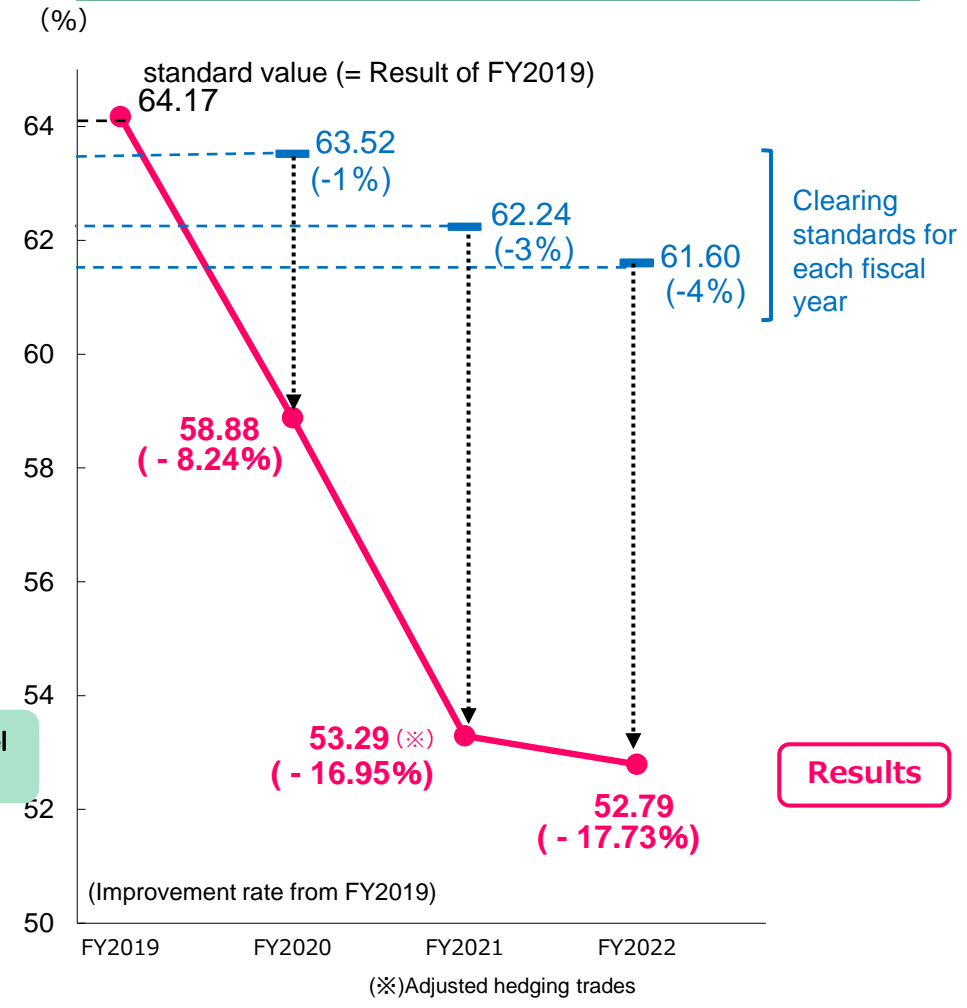
By region



## Expenses and OHR (Non-consolidated)



## OHR based on the Bank of Japan's "Special Current Account System for Strengthening Regional Finance"



(Note) OHR (consolidated) based on the Bank of Japan's "Special Current Account System for Strengthening Regional Finance"

$$= \frac{\text{Consolidated expenses (excluding depreciation, etc.)}}{\text{Consolidated gross profit (excluding gains/losses on sales of bonds such as government bonds)}} \times 100 (\%)$$

## [Status of Comprehensive Risk Amount]

- The capital allocation amount for the second half of fiscal 2022 was 244 billion yen, and the integrated risk amount as of the end of March 2023 was 123.7 billion yen.

## [Interest rate risk in the banking book (IRRBB)]

- At the end of March 2023, delta EVE (decrease in economic value against interest rate shock) was 9.1 billion yen, and the ratio to equity was 2.0%.

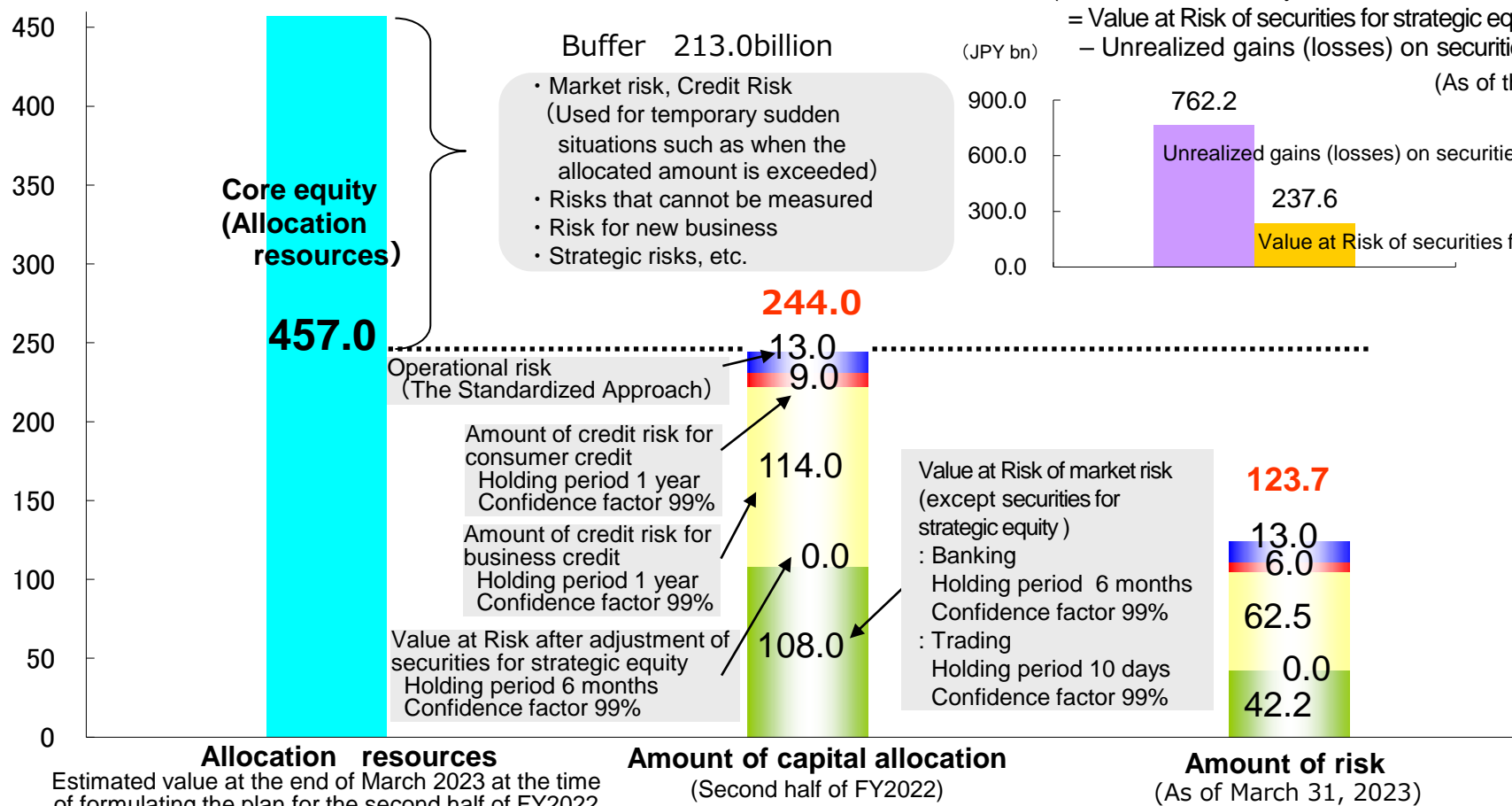
## Interest rate risk in the banking book (As of the end of March 2023)

delta EVE	Equity	delta EVE/Equity
JPY9.1bn	JPY458.0bn	2.0%

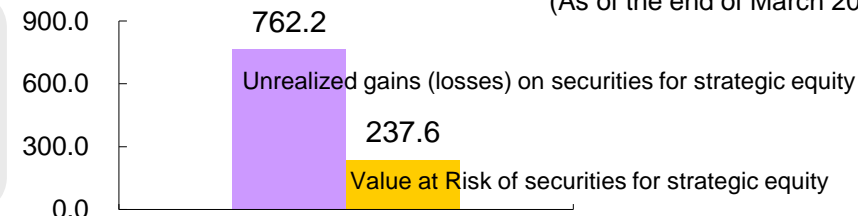
The ratio of delta EVE to equity capital is within 20%

## Status of Comprehensive Risk Amount (As of the end of March 2023)

(JPY bn)



(JPY bn)  
 ( Value at Risk after adjustment of securities for strategic equity  
 = Value at Risk of securities for strategic equity  
 - Unrealized gains (losses) on securities for strategic equity )  
 (As of the end of March 2023)



**Consolidated subsidiaries and Equity method associate**

<Subsidiaries>	Line of business
Karasuma Shoji Co., Ltd.	Managing real estate service for the Bank of Kyoto Operation of e-commerce site
Kyoto Guaranty Service Co., Ltd.	Credit guarantee service
Kyogin Lease & Capital Co., Ltd.	Leasing and investment services
Kyoto Credit Service Co., Ltd.	Credit card services (DC)
Kyogin Card Service Co., Ltd.	Credit card services (JCB, Diners)
Kyoto Research Institute, Inc.	Research and business consulting services
Kyogin Securities Co., Ltd.	Securities business
<Affiliated Company>	
Sky Ocean Asset Management Co., Ltd.	Investment trust management business

(JPY bn)

Consolidated profit and loss	<Consolidated> FY2022	<Non-consolidated> FY2022	Amount reflecting profits of consolidated subsidiaries, etc.
Gross operating profit	93.5	88.3	5.2
Ordinary profit	38.1	35.5	2.6
Net Income Attributable to Owners of Parent	27.2	25.6	1.5

(Reference) Image of “A Long-Lasting Relationship” for corporations .

# Maximization of Lifetime Value (LTV)

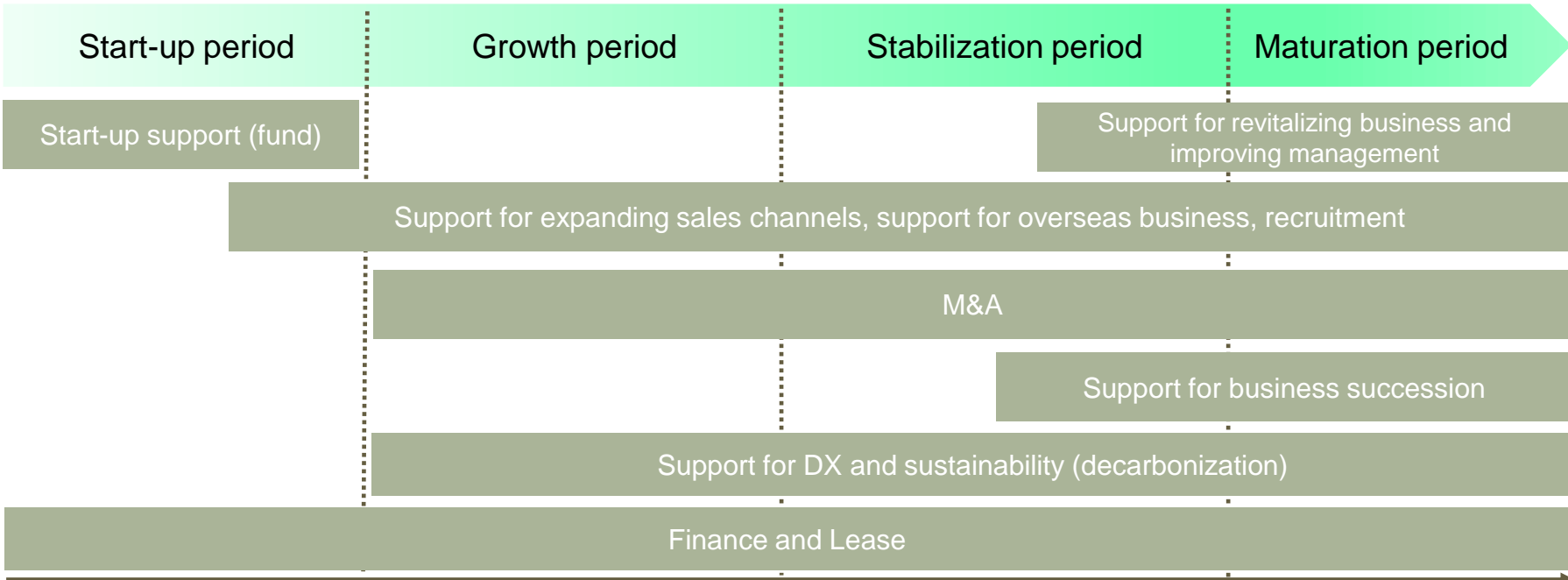
$$= \text{unit price} \times \text{transaction frequency} \times \text{transaction duration} - (\text{cost of retaining existing customers} + \text{cost of acquiring new customers})$$



Productivity innovation, reform of sales channels to branches, DX

Expansion of service areas

Various financial & consulting menu (industrial company)



This material has been translated from the Japanese-language original for reference purposes only. In the event of any conflict or discrepancy between this document and the Japanese-language original, the Japanese-language original shall prevail in all respects

And This material contains descriptions about future performance.

Such descriptions do not guarantee future results and include risks and uncertainties.

Please note that future results may differ from current expectations and plans due to changes in the management environment and/or other factors.

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