

The Bank of Kyoto, Ltd.

Integrated Report 2023



“A long-lasting relationship,”
now and forever

New Stage 2023





tradition

Management Principle

Serving the Prosperity of the Community

— Drive community growth and create the future together



innovation

We have been a regional financial institution in Kyoto for more than 80 years. Since our founding, we have consistently upheld the management principle of “serving the prosperity of the community” and we have grown together with the local community and everyone who lives in it.

Our mission is to respond with full effort to the community’s sentiment for the growth of the community. For this purpose, it is our duty to challenge into uncharted territory.

This is what we believe.



contribution

Also, as the community’s most needed and indispensable financial institution, we will continue to grow in order to help realize a sustainable community.

“A long-lasting relationship,” now and forever.

Contents

Introduction

Introduction	1
Table of Contents	3
What Is the Bank of Kyoto Group?	5

Value Creation Sources

Message from Our Leadership	7
Capital Policy	13
Performance Highlights	15
Current Status of Major Markets,	
Mission of the Bank of Kyoto Group	17
History and Growth Model	19
Further Growth Strategies	23
Value Creation through Leveraging Our Strengths	25
Stakeholder Communication	27

Growth Strategy

Toward Realizing a Sustainable Society	29
Initiatives toward Achieving a Decarbonized Society	31
Medium-Term Management Plan	33
Priority Strategy: Strengthen Consulting Capabilities (Corporate Sector)	35
Priority Strategy: Strengthen Consulting Capabilities (Consumer Sector)	39
Priority Strategy: Promote DX	41
Priority Strategy: Practice Human Capital Management	43

Management Foundation That Supports Value Creation

Corporate Governance	45
Risk Management/Business Continuity System and Cyber Security	51
Compliance System/System for Anti-Money Laundering, etc.	53

Financial Section and Corporate Profile

Financial Section	56
Corporate Profile	86

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 of the Banking Act. Please refer to the documents section (in Japanese only) on the Bank's website when using it as a disclosure document. This report contains forward-looking statements regarding the Bank'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 future performance and involve various risks and uncertainties.



Meaning of the Cover

Using the Bank's symbol as a motif, it expresses our determination to step forward to a new stage, while cherishing the sentiment we have had for the community until now.



Profile As of March 31, 2023

Name: The Bank of Kyoto, Ltd.
Location of head office: 700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto, Japan

Founded: October 1941
Total assets: ¥11,017.6 billion
Deposits and negotiable certificates of deposit: ¥9,104.6 billion
Loans and bills discounted: ¥6,305.9 billion
Employees: 3,353
Number of offices: 197
 Head office, branches, and sub-branches*: 174, Loan sales departments: 11, Corporate offices: 3, Mobile branch vehicle: 1, Representative offices: 4 (Hong Kong, Shanghai, Dalian, Bangkok), Others: 4
* Includes 11 in-store branches, 1 Net Direct branch, and 1 transfer-only branch

Our MISSION

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

In order to resolve the increasingly diverse and complex issues faced by the local community and our customers, the Bank of Kyoto Group is actively developing the corporate activities of the Bank, its eight subsidiaries (including a specialized investment company planned to be established), and one affiliate, and providing a wide variety of services.

For the purpose of further community growth, we will transition to a holding company structure in October 2023 as the first step toward a new stage of growth and development.



*1 Scheduled to be established in September 2023.

*2 Will continue to be an equity-method affiliate of the Bank of Kyoto after the transition to a holding company.

Transition to a holding company structure in October 2023

For details, see page 23.

Toward setting sail anew as a regional financial institution



Chairman
Nobuhiko Doi

Greetings

At the General Meeting of Shareholders in June of this year, I was replaced as President and appointed as Chairman of the Board. I would like to express my deepest gratitude to all of our stakeholders for your warm support and encouragement during my eight years as President.

I will continue to strive for the prosperity of the local community and look forward to your continued support.

I hope that this message from the Chairman will help you to better understand the management of the Bank by providing a general overview of the Group's path over the past eight years.

The 6th Medium-Term Management Plan "Timely & Speedy" (April 2017 to March 2020)

When I assumed the position of President in June 2015, it was a time when Japan was aiming for economic growth through overcoming deflation. The Bank of Japan was in the midst of an unprecedented monetary easing policy, including the introduction of the "Quantitative and Qualitative Monetary Easing Policy" (in 2013), followed by the "Negative Interest Rate Policy" (in 2016), and the lending rates of domestic banks were steadily declining. As the monetary easing policy became prolonged, it was foreseeable that the deposit and loan-oriented business of banks would eventually come to a standstill.

In the first Medium-Term Management Plan during my time as President, the immediate issue to address was to transform the Bank into a structure that can generate stable profits even under low interest rates by addressing the improvement of productivity and the expansion of business domains.

As a wide-area regional bank, we decided to develop higher value-added businesses by improving the efficiency of our branch operations and establishing consulting capabilities to help customers resolve their issues, based on the principle of making the most of the customer base and branch network we had built up to date.

<Productivity Improvement>

First, before the start of the Medium-Term Management Plan, we established (in February 2017) the Productivity Innovation Headquarters, a time-limited organization dedicated to planning, formulating, and promoting various measures to fundamentally reform and innovatively improve the productivity of branch operations; I myself was the head of the organization, which made strong, bank-wide efforts. We promoted the conversion of branches from administrative offices to sales offices, with the goal of reducing the administrative burden on branches and shifting their energy towards sales. Under the slogan of "becoming a location where we talk to as many customers as possible and for as long as possible," we worked to centralize various branch operations at the headquarters and promote the use of tablets, among other initiatives. In the course of these efforts, and with a view towards digitalization accelerating throughout society, we established the Innovation & Digital Strategy Division (in June 2019) to expansively inherit the operations of the Productivity Innovation Headquarters, as well as to plan and promote cashless and digital banking.

<Expansion of Business Domains>

As specific measures to develop our consulting capabilities, we worked to strengthen venture support, business matching, M&A, and business succession support for corporations, and to provide services for consumers that are suited to their life plans. At the time, the balance of consumer financial assets had reached approximately ¥1,800 trillion and asset management was a major issue; in particular, asset succession and inheritance planning had become a major concern among elderly customers. Therefore, the Bank of Kyoto established Kyogin Securities as a wholly-owned group company and started operations (in 2017), the Bank itself entered the will and inheritance trust business (in 2018), and expanded consulting services in the financial business.

The 7th Medium-Term Management Plan "Phase Change 2020" (April 2020 to March 2023)

In the second Medium-Term Management Plan during my time as President, as measures to further the initiatives of the previous plan, we worked on expansion of our business domains by further developing our consulting capabilities, finding the best mix of face-to-face and digital services, and developing human resources.

In formulating this Medium-Term Management Plan, we incorporated a process of confirming the thoughts and volitions of all 4,000 of our employees and reflecting them in management as "how we want to be," and we sought to integrate the achievement of the SDGs, which were beginning to permeate society at the time, with the management plan.

<Branch Strategy>

As we had made steady progress in improving the overall efficiency of our branches through productivity reform initiatives, we decided that the next step was to focus on improving the profitability of each individual branch.

In preparation for the start of the Medium-Term Management Plan, we decided to fundamentally review the way in which our locations serve as points of contact with customers, and to establish a Branch Strategy Headquarters (in February 2020) as a time-limited organization to plan and formulate a basic plan for branches and to promote and oversee various measures; I myself was the head of the organization, which made strong, cross-organizational efforts.

The Branch Strategy Headquarters has been active for about three years without being bound by conventional frameworks, organizing the Bank's management issues from the perspective of the "branches," and has implemented the following four major initiatives, which have produced the following results (as of June 30, 2023).

1. Organization of the regional group sales structure

We have established 16 groups with the aim of creating a structure that shares roles and functions between branches in a region/area, without presuming there being only the conventional full-function branches and independent branches.

In the area of corporate sales, the consolidation of business loan customers into controlling branches has enabled more effective sales activities by centralizing information within the area and utilizing the advanced skills and know-how of the controlling branches. Meanwhile, in consumer sales, we were able to increase the effectiveness of sales activities by digging deeper into each branch's territory and sharing examples of best practices within the Group.

2. Improvement of branch operating efficiency

For branches that were deteriorating or needed to be made earthquake-resistant, we did not presume rebuilding them in their present locations, but took individual measures to strengthen and streamline the operating structure, finding the balance between cost containment and maintaining convenience in the community, while taking into account the future outlook for the region, such as relocating branches to government office buildings or changing their location to reduce investment and rent (10 branches), placing branches within stores (12 branches), and closing branches during lunchtime (67 branches, excluding branches within stores).

[Relocation to within government office buildings]



3. Effective use of branches

Based on the premise of achieving both the satisfaction of local needs and the reduction of branch operating costs, the Bank took advantage of the deregulation of branch operations when rebuilding branches to introduce new formats of branches being attached to a hotel (one branch) and rental dormitories (two branches). The project was able to contribute to solving a local issue (a shortage of hotels and employee dormitories), and the rent received by the Bank also reduced the branch's operating costs.

[Rebuilding with a hotel attached]



4. Specialized-function locations

As locations with specialized functions according to the characteristics of their region, we have established three locations specializing in corporate services, one digital location, and three locations specializing in inheritance and asset succession.

[Specialized corporate sales location]



[Digital location]



[Specialized inheritance and asset succession location]



<Expansion of Business Domains>

Amid the increasingly diverse issues faced by our corporate customers, we worked to expand our problem-solving capabilities, such as acquiring a Fee-Charging Employment Placement Business license and commencing placement services to support the securing of human resources, as well as commencing the provision of consulting services related to business succession and the SDGs. We also launched an e-commerce mall business as the Bank of Kyoto Group, and expanded our business domains to regional development and non-financial businesses by supporting the expansion of sales channels for our customers' commercial products.

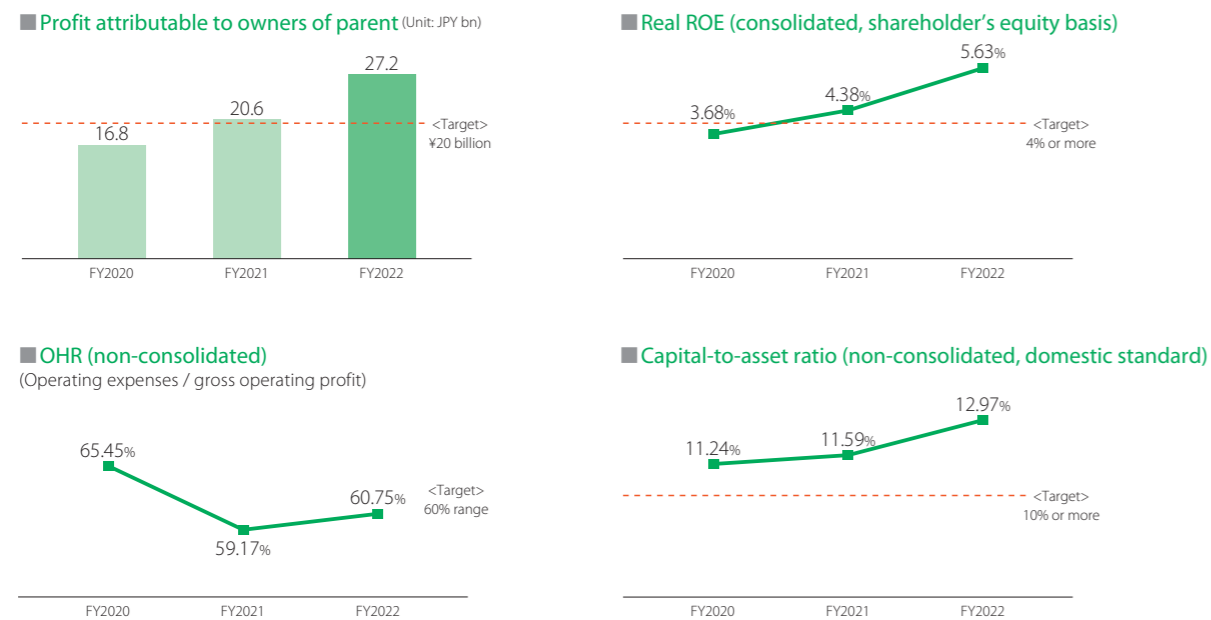
End of the 7th Medium-Term Management Plan (April 2020 to March 2023)

In 2020, the COVID-19 virus appeared and began to spread early in the year, making the three years of the 7th Medium-Term Management Plan an environment that was unimaginable at the time of the Plan's formulation. Although it was also a very difficult work environment for each of our employees, they were united in their commitment to support the local economy and worked together to provide financing support and teller services to our corporate customers. Management were also faced with making difficult decisions at times, but as a result, we were able to make significant progress in the promotion of digitalization and other areas. We are grateful to our employees for their hard work, as well as to their families for their understanding and cooperation, which enabled us to continue our operations.



<Key Financial Indicators>

As shown below, we were able to achieve all four of the targets we had set as key financial indicators.



As a result of various initiatives, our overhead ratio (OHR), which I recognized as an issue when I assumed the position of President, has improved significantly compared to the average for regional banks, as shown below, and has been transformed into a condition that can maintain stability.

OHR Trend	FY2014	FY2019 (Final year of the 6th Medium-Term Management Plan)	FY2022 (Final year of the 7th Medium-Term Management Plan)
The Bank (Ranking among regional banks)	69.24% (28th)	68.91% (23rd)	60.75% (9th)
Regional bank average	69.36%	73.23%	77.99%

<Net fees and commissions>

As a result of efforts to strengthen non-interest income through consulting and other means, Net fees and commissions has steadily increased, rising approximately ¥2.7 billion, or 30%, over the past eight years. Corporate-related transactions have been steadily increasing, and were at a record high for the third consecutive year in FY2022.

FY2014	FY2022	Increase (% increase)
¥8.99 billion	¥11.70 billion	¥2.71 billion (30%)

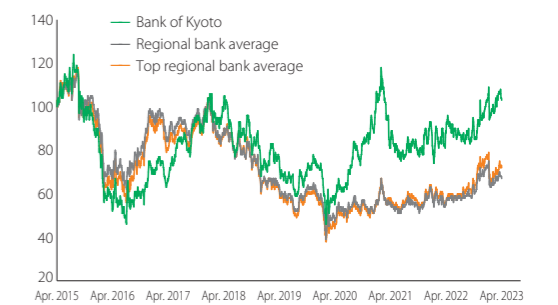
<Number of Credit Transaction Customers>

As a wide-area regional bank, while becoming deeply engrained in each area, we have steadily increased the number of customers to whom we extend credit by approximately 6,400, or 18%, over the past eight years. We will continue to support the growth of our customers not only through traditional financing but also by solving various issues, which will also lead to business for the Group.

March 31, 2015	March 31, 2023	Increase (% increase)
Approx. 34,700	Approx. 41,100	Approx. 6,400 (Approx. 18%)

<Market Capitalization>

Over the past eight years, we have worked to manage the Bank to sustainably improve its corporate value as a publicly traded company, not only by implementing various measures to improve earnings, but also by strengthening governance, addressing climate change such as through the TCFD, and working on our capital policy. As shown in the chart on the right, the Bank's market capitalization (indexed) has performed well above the average for regional banks, and we believe that our shareholders have high expectations for the Bank's management. We will continue to make further efforts to meet your expectations in the future.



* Market capitalization as of April 1, 2015 is indexed at 100.
* Top regional bank average: Average of the top 15 regional banks based on deposits as of March 31, 2015

New 1st Medium-Term Management Plan "New Stage 2023" (April 2023 to March 2026)

We believe that for a regional financial institution to improve its corporate value continuously over the long term, it is important to realize "investment for growth," "ensuring sound management," and "enhancing shareholder returns" in a balanced manner. In the new Medium-Term Management Plan (p. 33, capital policy on p. 13), we intend to further improve profitability and ROE by building up credit risk-weighted assets as growth investments and strengthening consulting capabilities, while maintaining our soundness. In terms of shareholder returns, our total payout ratio was 57% in FY2022, and we will continue to meet the expectations of our shareholders in accordance with our policy of a total payout ratio of 50% or more.

Amidst this policy, at our 120th Ordinary General Meeting of Shareholders held in June 2023, there were two shareholder proposals regarding a special dividend and treasury stock repurchase from the same shareholder as the previous year, but as was the case in the previous year, the Bank's Board of Directors opposed these proposals on the grounds that they were significantly out of line with the Bank's approach and "would not lead to the improvement of the Bank's corporate value as a regional financial institution over the medium to long term." The votes in favor of the shareholder proposals were 23% and 20%, respectively, and they were rejected. Despite the increase in the percentage of voting rights held by the proposing shareholder, the fact that the approval rate was lower than previous year's rate (25%) is considered to be a result of a greater understanding of the Bank's management as a regional financial institution and support for the Bank's approach among a greater number of shareholders than the previous year.

There is no formula for corporate management, nor is there a universal management style. Stakeholders are not uniform in their views of the Bank's management; for example, some shareholders believe that the Bank's strategic equity holdings, which consist mainly of Kyoto companies, are a core competence of the Bank and should continue to be held by the Bank. I will continue to listen to the opinions of our stakeholders and work on management toward our ideal state as a publicly listed company and as a regional financial institution, and will make further efforts to meet your expectations.

During my eight years as President, I have managed the bank in the face of headwinds such as monetary policy and the COVID-19 pandemic, but during such times all of the executives and employees of the Bank of Kyoto Group have come together as one, drawing on their collective wisdom to take on new challenges and move forward. If I were to compare the Bank to a yacht, I would say that we were all able to maneuver the sails and steer the wheel while these headwinds and crosswinds were blowing, and we sailed in the direction we were aiming for.

The Kyoto Financial Group is scheduled to be established in October (p. 23). I am looking forward to embarking on a new journey in our new organizational structure to fulfill our mission as a regional financial institution.

I sincerely appreciate your continued support and patronage.



Aiming for the Bank of Kyoto that cooperates and grows together with the community

President
M. Yasui

On Assuming the Role of President

I am pleased to announce that I have assumed the position of the ninth President of the Bank of Kyoto, effective June 29, 2023. I am humbled by the importance of this responsibility. I will continue to do my utmost to help the sustainable development of the local community, which is the most important mission of a regional financial institution. I sincerely hope that you will continue to support us as you have in the past.

Practice of the Management Principle

In "New Stage 2023," the New 1st Medium-Term Management Plan which started in April 2023, the phrase "drive community growth and create the future together" was added to the existing management principle of "serving the prosperity of the community." I believe that practicing this is precisely the role and mission of the Bank of Kyoto as a regional financial institution.

The local economy is now generally looking brighter, with the normalization of socioeconomic activities progressing as the COVID-19 pandemic subsides. However, the environment surrounding SMEs remains challenging, including rising raw material prices and responding to labor shortages, and there are concerns about a future slowdown in overseas economies as a risk factor.

For this reason, we will continue to provide our business customers with financing support and consultation on management issues, and contribute to the vitalization of the local economy by offering optimal financial services and developing our consulting capabilities.

Management Issues to be Addressed

First and foremost, we will work to enhance the Bank's corporate value through the implementation of the various measures described in the Medium-Term Management Plan.

We have set the following three investment strategies to achieve the plan, and we intend to use them as growth drivers.

Strategic management investment	Strengthening of consulting capabilities Investment of management resources towards expansion of business domains and challenges
Asset investment	Improved profitability through appropriate risk-taking by leveraging our financial strength Sustainable finance for achieving a sustainable society
Digital and IT investments	Deepen existing business and explore new business Data-driven management

In addition, we will work to strengthen and enhance governance as one of our top management priorities, by practicing business operations in accordance with our Basic Policy on Customer-First Operations and by strengthening our risk management framework, including against cyber and systemic risks.

The target plan indicators for the Medium-Term Management Plan are as follows, and we will strive to reach the targeted levels as soon as possible, with the FY2025 targets as a checkpoint.

Target Plan Indicators	Results (FY2022)	Targets (FY2025)	Targeted levels
ROE	Shareholder's equity basis: 5.6% (Net asset basis: 2.6%)	Shareholder's equity basis: 6% (Net asset basis: 3%)	Shareholder's equity basis: 8% (Net asset basis: 5%)
Net income attributable to owners of the parent (consolidated net income)	¥27.2 billion	¥30.0 billion	¥50.0 billion
Capital-to-asset ratio (consolidated)	13.5%	11% range	About 11%

In Closing

When I was a branch manager more than a decade ago, each day I rode my bicycle around the center of Kyoto, where old-fashioned stores selling items such as antiques and Japanese sweets lined the streets. Even now, it is still a pleasure to be called by the customers from those days. I think it is a great blessing and I take it as a sign that my customers still remember me somewhere in their hearts, and that they remember me and think "I will ask him a little about this" when something arises. It is truly a dream for a banker such as myself. Based on my own experiences such as these, I have told our employees that the most rewarding part of our job is when people say to us, "Thank you, I'm glad you are here," and that



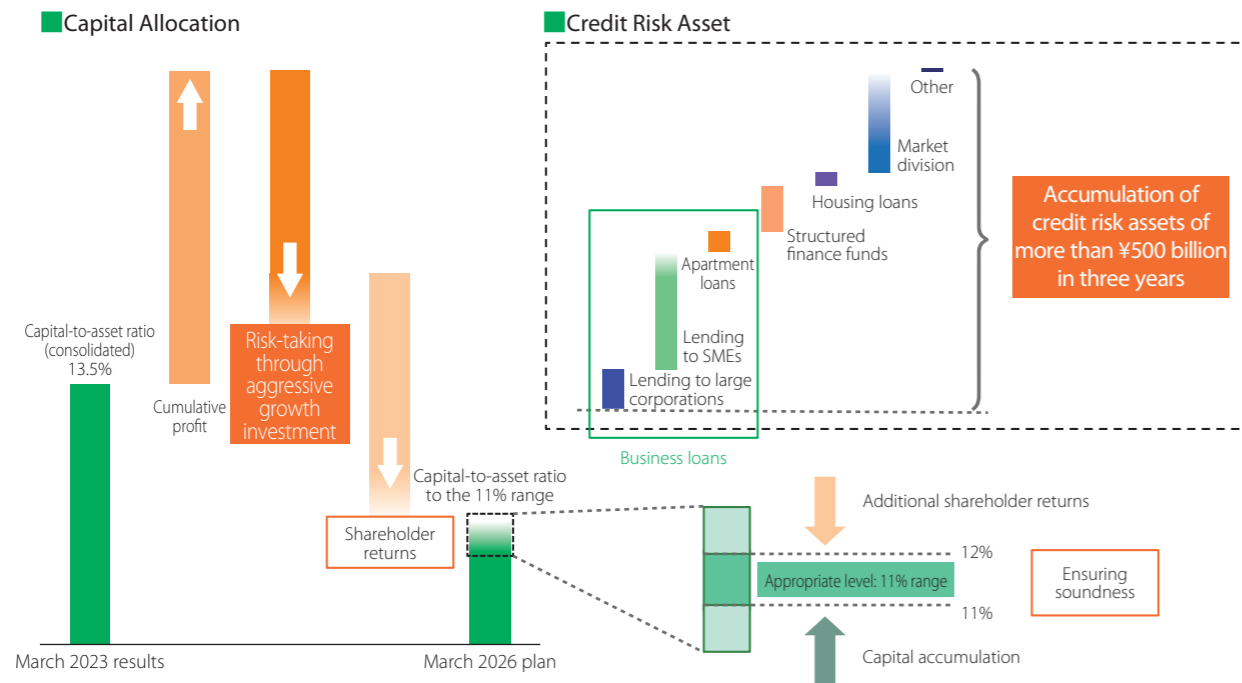
in our daily work, we should know our customers better than anyone else and work closely with them to meet their various needs and issues. On top of that, I have told them that I expect them to become a memorable business person for their customers, colleagues, and peers.

I believe that if our employees meet our customers' expectations and accumulate their trust as memorable business people, we will become an even better bank and improve our business performance and corporate value. I am committed to fulfilling my responsibilities as President, including the development of human resources to achieve this goal.

I would like to thank all of our stakeholders for your continued support.

Capital Policy to Increase Corporate Value — Balancing Three Factors

We believe that for a regional financial institution to improve its corporate value continuously over the long term, it is important to realize “investment for growth,” “ensuring sound management,” and “enhancing shareholder returns” in a balanced manner. In the capital allocation control under the new Medium-Term Management Plan that started in April 2023, which is aimed at achieving our goal of 8% ROE (shareholder’s equity basis), we will appropriately implement the next growth investments and shareholder returns while maintaining soundness, which is the foundation of the trust, the most important value for a financial institution.



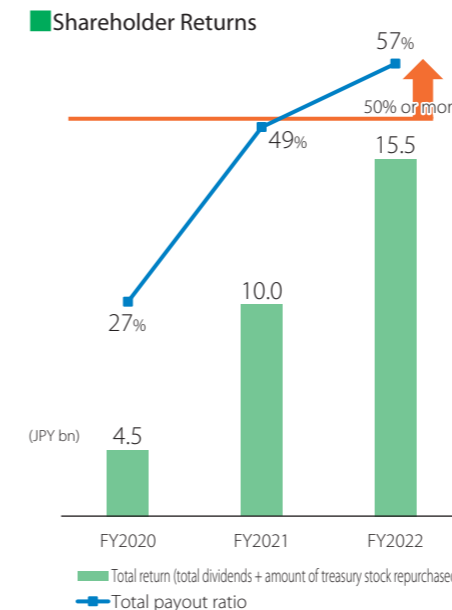
Growth Investment

In the new Medium-Term Management Plan that is described later in this report (p. 33), one of the Bank’s investment strategies is to improve profitability through appropriate risk-taking by leveraging our financial strength. As shown in the figures above and on the right, we plan to accumulate more than ¥500 billion in credit risk assets over the next three years, mainly in the area of business loans. In order to expand our operating base, we will work to improve the profitability of our financing operations by entering into advanced financing fields such as M&A financing and LBO financing and expanding our structured finance fund operations, in addition to our traditional SME lending. In addition to asset investment, we will also actively invest in strategic management, such as strengthening the consulting capabilities and expanding and challenging business domains, as well as investing in digital and IT investments intended to explore new businesses based on the social environment and technological progress. Although not all of these businesses will show signs of success immediately, they include an aspect of growth investment as “creating businesses for the next 10 years and the 10 years after that” from a medium-long term perspective.



Enhancement of Shareholder Returns

Regarding shareholder returns, a policy of “total payout ratio of around 50%” was announced in December 2021 and applied from FY2021. The new Medium-Term Management Plan starting from April 2023 lays out our stance on strengthening shareholder returns by specifying a “total payout ratio of 50% or more.” In the past, we have considered achieving a good balance between “investment for growth,” “ensuring sound management,” and “enhancing shareholder returns” as important and have flexibly implemented shareholder returns, but the decision was made after repeated discussions among the directors, including the outside directors, a comprehensive consideration of capital efficiency, capital-to-asset ratio, future growth investments and other factors, with reference to the opinions of investors. We will continue to ensure soundness as a regional financial institution and achieve a high level of enhancement of shareholder returns in an agile and flexible manner for the benefit of investors who have high expectations of the Bank.



Shareholder Returns Initiatives

	Shareholder returns policy	Annual dividend per share	Amount of treasury stock repurchased
FY2020	Dividend payout ratio: around 30%	¥60	—
FY2021	Dividend payout ratio: around 30%	¥100	¥2.5 billion
FY2022	Total payout ratio: around 50%	¥140	¥5.0 billion
FY2023	Total payout ratio: 50% or more	(Planned) ¥160	

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

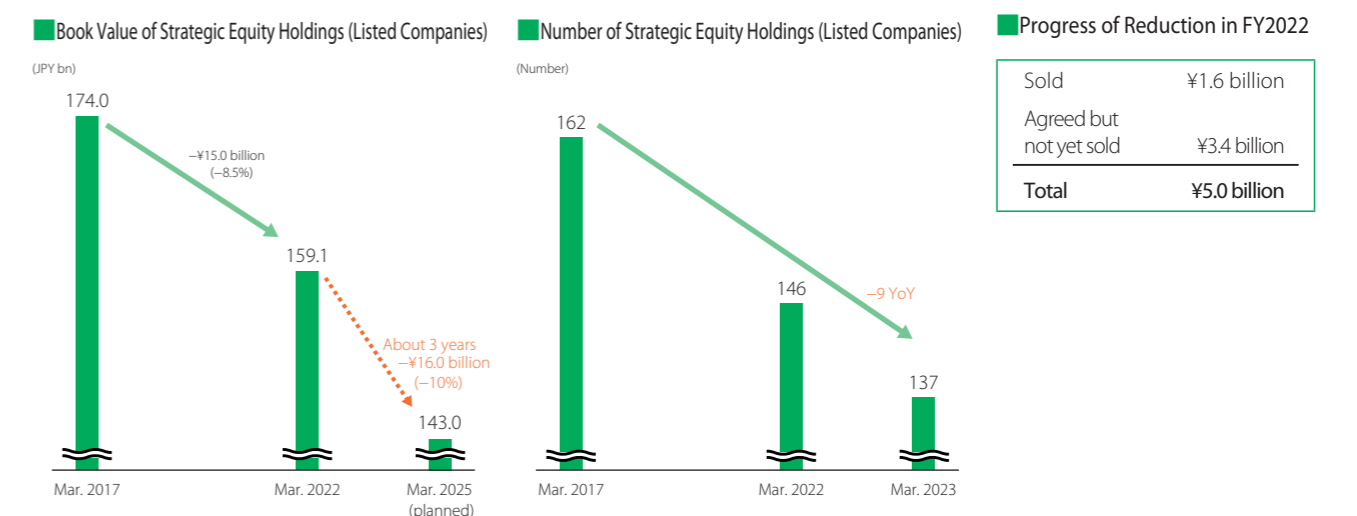
Reduction of Strategic Equity Holdings

In order to accelerate the speed of reduction of our strategic equity holdings, we established a policy in May 2022 to “reduce strategic equity holdings by ¥16 billion, or 10% of book value, in about three years.”

The selection of target stocks is via a process of verifying the significance of holding the shares, and if the criteria for holding the shares is not met, we will move to the process of selling the shares after obtaining the understanding of the relevant company.

Regarding actual reductions in FY2022, there was a ¥5.0 billion reduction in about 10 months, including amounts that have been agreed but not yet sold, and progress is being made at the planned speed.

The number of stocks held has also decreased by nine companies compared to the end of the previous fiscal year.

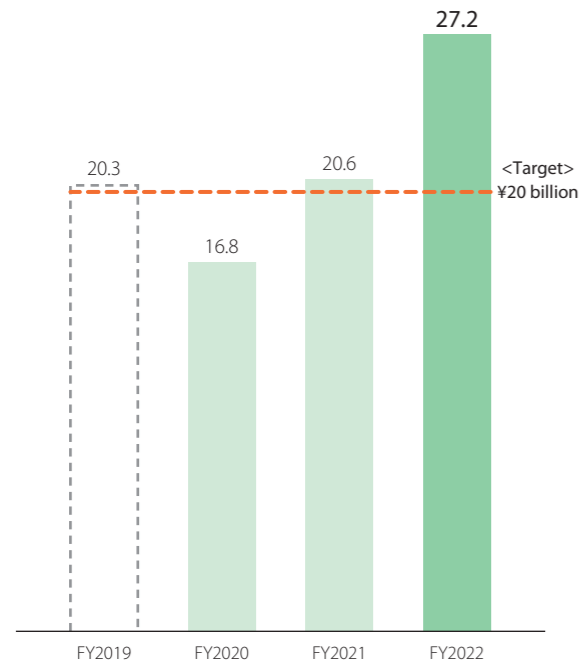


Results of the 7th Medium-Term Management Plan

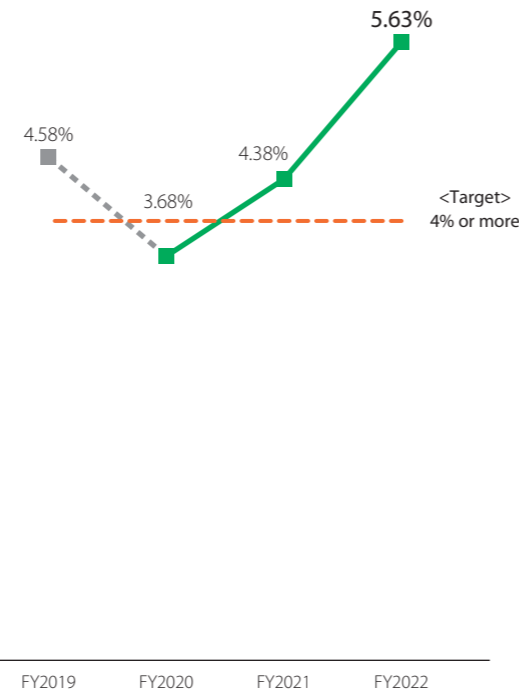
The 7th Medium-Term Management Plan "Phase Change 2020" (April 2020 - March 2023) was completed, having achieved all of the key financial indicators.

Key Financial Indicators

Profit attributable to owners of parent (Unit: JPY bn)

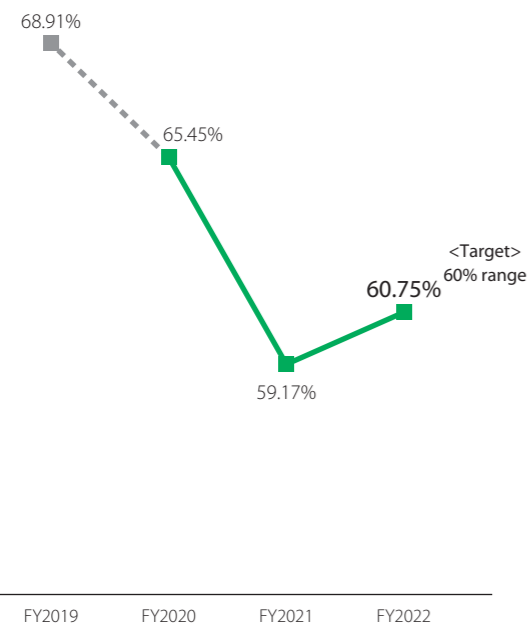


Real ROE (consolidated, shareholder's equity basis)

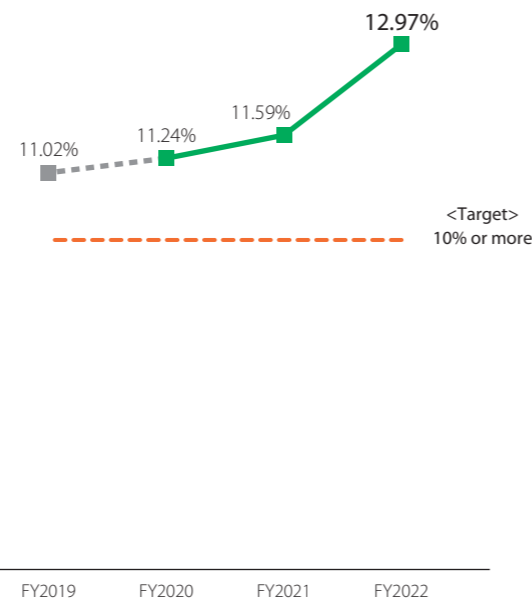


OHR (non-consolidated)

(Operating expenses / gross operating profit)



Capital-to-asset ratio (non-consolidated, domestic standard)



Major KPIs

Business Transactions

Item		KPI	End of FY2020	End of FY2021	End of FY2022
Activity KPIs	Number of COVID-19 support recipients	Cumulative total for period 10,000	2,762	5,402	7,614
	Number of business succession support cases	Cumulative total for period 1,500	352	779	1,211
	Number of business matching meetings arranged	Cumulative total for period 10,000	3,155	8,696	13,485
Outcome KPIs	Number of main business customers (No. 1 in outstanding loans excluding government financial institutions)	20,000	18,585	20,463	21,175
	Annual increase in SME loans (monthly average balance in March of each fiscal year)	Annual increase ¥100.0 billion	¥244.6 billion	Management as a KPI ended based on the significant increase in SME loans in FY2020	
	Number of new loan customers	Cumulative total for period 10,000	4,217	6,915	10,271

Consumer Transactions

Item		KPI	FY2020	FY2021	FY2022
Activity KPIs	Creation and use of consulting sheets	Cumulative total for period 10,000	3,464	6,803	11,242
	Number of testamentary trusts entrusted	Cumulative total for period 600	78	201	401
	Transfer amount of automatic investment trust savings (amount transferred in March x 12)	¥40.0 billion	¥20.6 billion	¥24.6 billion	¥25.4 billion
Outcome KPIs	Number of main consumer customers	430,000*	385,213	420,881	438,989
	Assets under Group custody (investment trusts + brokerage + insurance + foreign currency deposits + public bonds)	¥800.0 billion	¥664.6 billion	¥711.9 billion	¥740.7 billion
	Number of investment trust and brokerage (securities) customers	125,000	94,641	104,573	112,640

* The KPI was raised due to achieving the initial target of 400,000 customers ahead of schedule.

Digital Strategy

Item		KPI	FY2020	FY2021	FY2022
For corporations	Number of Kyogin Business Portal Site registrations (from December 2020)	30,000	868	17,430	25,963
	Number of Kyogin Big Advance registrations (from June 2020)	7,500	2,564	3,348	3,432
For consumers	Number of Kyogin App registrations	400,000*	204,622	319,685	429,960
	Number of smart passbook registrations	300,000	108,865	165,464	223,518

* The KPI was raised due to achieving the initial target of 300,000 customers ahead of schedule.

Potential of the Kinki Region

(1) Economic scale

The Kinki region, which includes the Group's main market, accounts for approximately 15% of the total population and gross domestic product in Japan.

The major urban area consists of the major cities of Kyoto, Osaka, and Kobe, which each have a population of over one million and are within commuting distance of each other, and has nurtured unique cultures. Each city has a concentration of industry and a certain presence within Japan.

The unique characteristic of the large size of the market and three individualistic cities is a major strength for the Group's business.

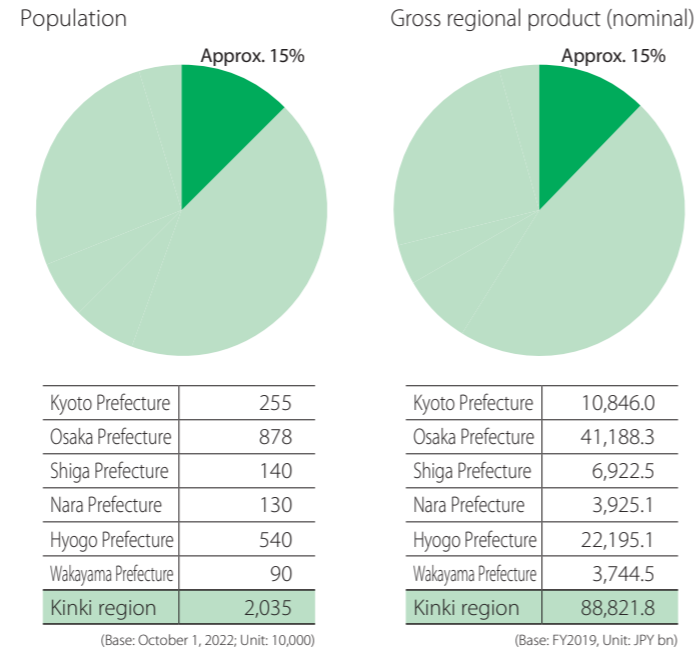
(2) Foundation for innovation

The five prefectures in the Kinki region, which are the Group's main market, have long been political, economic, and cultural centers, with a corresponding concentration of industry. As a result, there are many long-established companies that have been in business for more than 100 years, but the large number of long-established companies with a long history does not mean that there are many companies that follow tradition. Rather, they are able to operate their businesses over the long term because they continue to change and take on new challenges in response to the times.

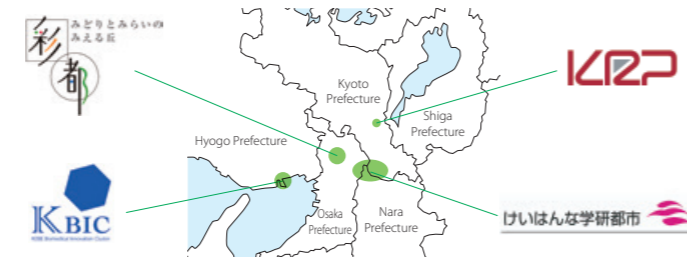
The culture of proactively taking on new challenges remains unchanged to this day. In Kyoto Prefecture, the Bank's major market, many venture companies that create superior products through advanced technological development and creative management have emerged since around World War II, and many of these companies have grown to become leading global companies that represent Japan. In addition, the top-class domestic universities of Kyoto University and Osaka University and other research institutions have congregated in the region, and a strong enterprising spirit is still firmly rooted in the city, with university-developed venture businesses flourishing.

This foundation, which can be described as sustainable because it continues to change, is a great strength for surviving in an age when it is difficult to predict the future.

Scale of Kinki Region



Major Cities and Major Research Cities in the Kinki Region



Number of University Patent Registrations

Ranking	University name	Number
1	The University of Tokyo	253
2	Tohoku University	213
3	Osaka University	206
4	Kyoto University	191
5	Tokai National Higher Education and Research System	131

(2021)

Source: Japan Patent Office Annual Report 2022 (Japan Patent Office)

Number of University-Developed Venture Businesses by University

Ranking	University name	Number of companies
1	The University of Tokyo	371
2	Kyoto University	267
3	Keio University	236
4	University of Tsukuba	217
5	Osaka University	191

(As of October 2022)

Source: FY2022 Survey on University-Developed Venture Businesses (Ministry of Economy, Trade and Industry)

Environment Surrounding the Group

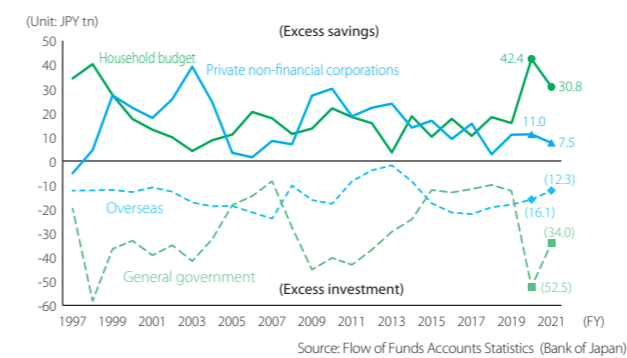
In the environment surrounding financial institutions, the quantitative and qualitative monetary easing policy (in 2013) followed by the negative interest rate policy (in 2016) spurred a decline in interest rates, placing the traditional business centered on deposits and loans at a crossroads. In addition, irreversible changes are underway, including the decline of local economies due to population decline, acceleration in the falling birthrate and aging population, heightened awareness of social and environmental issues, and behavioral changes in people following the COVID-19 pandemic. The following are changes that we believe are particularly important to the Group's strategy.

(1) Diversification and sophistication of customer needs

Traditionally, customers' needs for banks have been exclusively related to financing. However, while financing will continue to be a major issue for business customers, it is beginning to no longer be a major issue, and they are increasingly looking to banks for solutions to their management issues.

Similarly, individual customers expect banks to respond to the needs and issues in their overall life planning in order to live through the era of 100-year lives.

Funding Excess/Deficiency by Sector



(2) Progress of digitalization

The enhancement of digital services is greatly changing the environment that surrounds the Bank. Many procedures can now be performed without the need to visit a branch, and barriers between different industries are disappearing. Most financial institutions have been forced to review their strategies regarding customer contact. The Bank is no exception, but we take the view that real contact points are essential when it comes to touch points.

(3) Financial deregulation

The deregulation of banks has been progressing in recent years, particularly with the revised Banking Act coming into force in May 2021, which significantly eased regulations on the scope of business and investment. The options for financial institutions have expanded in the non-financial sector, and they are now able to step into business domains that were not previously available.

The Group's Vision

The abovementioned environment surrounding the Group can also be viewed negatively. For example, the diversification and sophistication of customers' needs can be seen as a relative decline in the position of finance, and the advance of digitalization can be seen as being exposed to entry by other industries.

However, the Bank views this surrounding environment positively and sees it as an opportunity to take on new challenges. In doing so, we asked ourselves again how we will achieve our mission of realizing our management principle. Rather than being a comprehensive financial solutions provider that is focused on finance, as we have traditionally professed to be, we have chosen to realize this as our vision of becoming a comprehensive solutions provider that provides financial services as one of the values we offer, and we will pioneer the next era.

■ Mission

Realization of Management Principle

■ Vision

Comprehensive solutions provider

■ Values

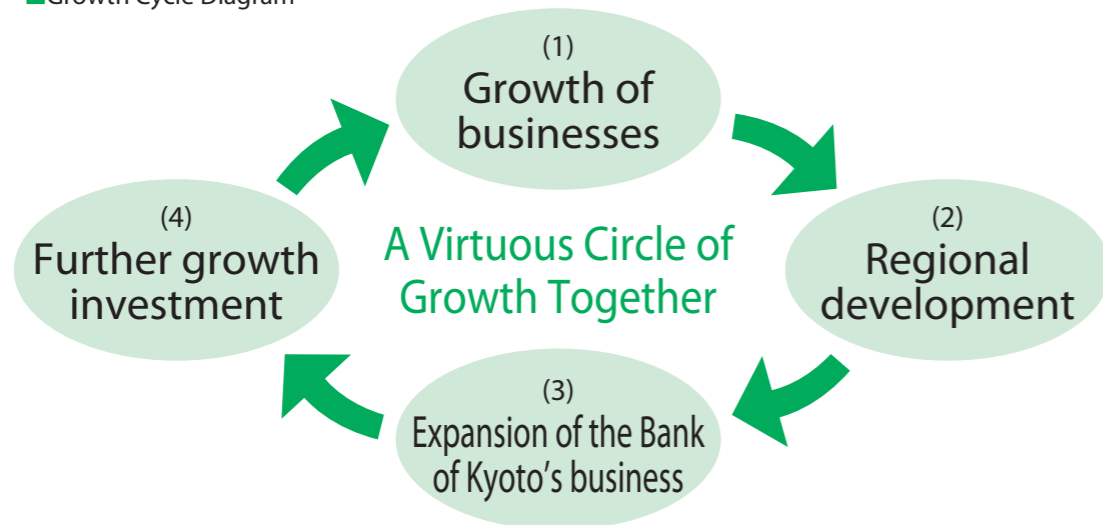
(Themes of the Medium-Term Management Plan)

- Strengthen the Group's overall strength
- Strengthen consulting capabilities
- Promote DX

Bank of Kyoto Group's Core Growth Model and the Supporting Foundation

Since its founding, the Bank of Kyoto Group has held "serving the prosperity of the community" as its management principle and has grown as a regional financial institution together with local customers and the community by working to resolve their issues and continuing to meet their expectations.

■ Growth Cycle Diagram



Growth Centered on Supporting the Establishment and Growth of Local Companies

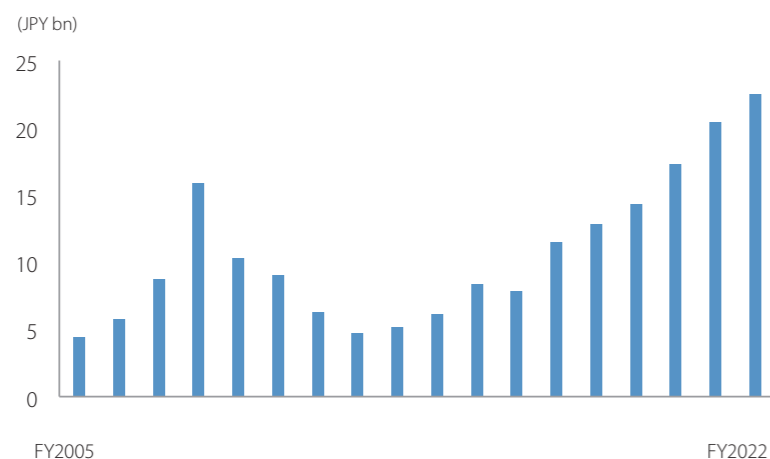
Originating in Fukuchiyama City in the northern part of Kyoto Prefecture, the Bank relocated its head office to Kyoto City in response to strong demand from the Kyoto business community. Although we were not the first bank in Kyoto City, we supported the postwar reconstruction by actively providing financial 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 manufacturing 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 employees to some of the companies so that we grow together and build close relationships.

Many of the companies that the Bank 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 Bank'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 Bank's financial base and served as a source for further growth investment.

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

■ Strategic Equity Holdings Dividend Income



Robust Financial Foundation

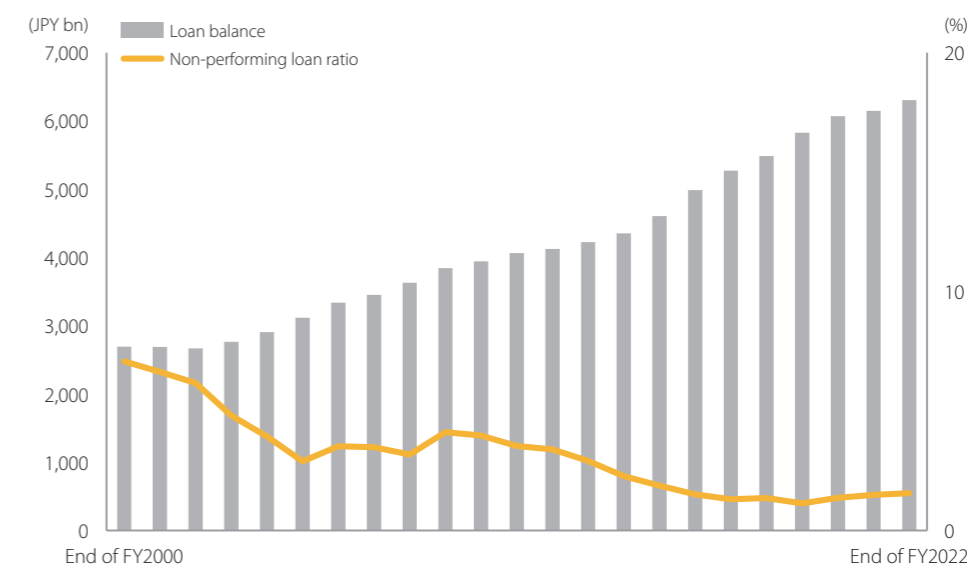
Even during the bubble economy period, the Bank maintained a solid management style. As a result, while many financial institutions were later plagued by bad loans, we were able to take early steps towards aggressive management in the form of a strategy for expanding geographic coverage.

During our subsequent development as a wide-area regional bank (see below), the ratio of non-performing loans to loans has declined significantly relative to the increase in loans, indicating that we have expanded our scale in a healthy manner.

We have also continued to provide active support centered on financial support during sharp downturns in the global economy, such as the global financial crisis and the recent COVID-19 pandemic. It is the role of financial institutions to bear the cost (credit cost) in times of drastic changes in economic conditions, and to support and accompany customers during the period of economic recovery and business revitalization. However, this is only possible because the financial institution itself has a strong financial base. On the other hand, customers (corporate executives) also have a strong expectation regarding the soundness of the banks they deal with.

Sound and solid banking management and a strong financial base are the Bank's strengths.

■ Loan Balance and Non-Performing Loan Ratio



Topic

Growth as a Wide-Area Regional Bank

Since the establishment of the Kusatsu Branch in December 2000, our first branch in Shiga Prefecture, we have been on a path of growth as a wide-area regional bank. By expanding our sales area, we have achieved growth through quantitative expansion that has increased our transaction base.

The foundation that made this long-term expansion strategy possible was having high-quality human capital and developing and securing human resources in a stable manner even after expansion.

<Number of branches per area>

Expansion of branch network		Kyoto	Osaka	Shiga	Nara	Hyogo	Aichi	Tokyo	Total	
Mar. 2000		105	9	0	0	0	0	1	115	+51%
Mar. 2023		111	31	14	7	8	2	1	174	

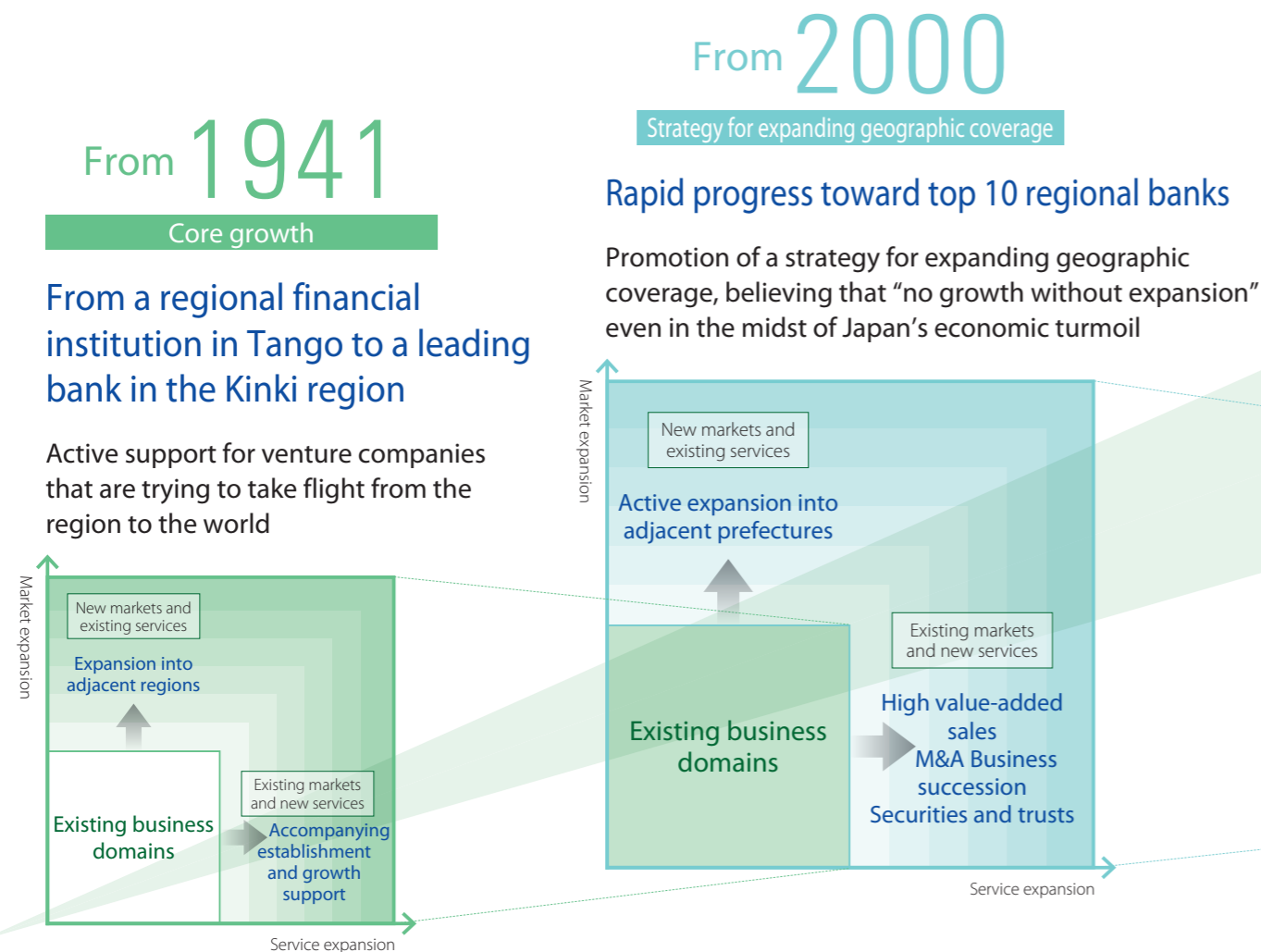
<Number of employees (non-consolidated)>

Human capital			
Mar. 2000		2,862	+17%
Mar. 2023		3,353	

Upfront investment for growth

The Bank 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 growth investments, we are strengthening our social and relationship capital, intellectual capital, human capital and financial capital, which are the foundation for challenging new fields today.



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, we 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 Bank 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 realizing expansion of its scale as a bank.

On the other hand, from early on we have worked to build a business model that provides solutions to our customers’ various issues. For example, in addition to launching M&A services in the early 2000s and business succession services in the late 2000s, we are actively promoting service expansion, including the launch of the Kyogin Future Fund in 2016, our own fund for supporting establishment and growth, the commencement of operations of Kyogin Securities in 2017, and the Bank entering the trust business in 2018. By steadily developing this solutions business, the Bank has enhanced its value through the provision of new added value in addition to its traditional deposit and loan-oriented business.



From **2023**
Towards a new stage



One Step Towards a New Stage

Over the past 20 years, the Bank has built an extensive sales network and a high value-added sales structure through its growth investment in the strategy for expanding geographic coverage. However, the fruits of those efforts are now also in the category of existing business domains.

Considering that even the Bank’s strategy for expanding geographic coverage is a framework of preconceived ideas and stereotypes, prior to the start of the previous Medium-Term Management Plan, all executives and employees reaffirmed the ideal image of the Bank in order to reset the mindset of executives and employees as well as the Bank itself. In the past three years, we have continued to move forward with the passionate desire to “provide a full range of services and continue to grow together with the local community and customers” and the strong will to “continue to demonstrate an overwhelming presence in the wide-area market” as our driving force towards the next phase.

From here on, by combining our solid management foundation and ability to provide advanced functions and services, together with the completely new mechanism of transitioning to a holding company structure, we aim to cause an unprecedented chemical reaction and make a leap forward as a comprehensive solutions provider. The first step toward this goal is “New Stage 2023,” our new 1st Medium-Term Management Plan.

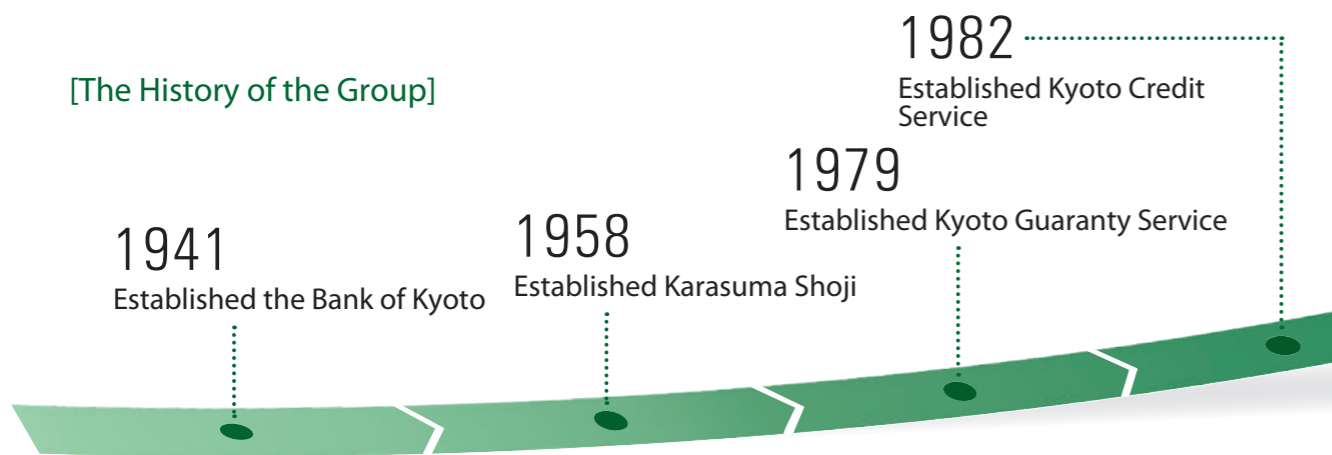
October 2023 Transition to a Holding Company Structure

With "serving the prosperity of the community" as its management principle, the Bank's fundamental mission is to contribute to the greater prosperity of local communities and the development of local industries, and has worked to revitalize communities and resolve issues through the provision of high-quality financial services and solutions.

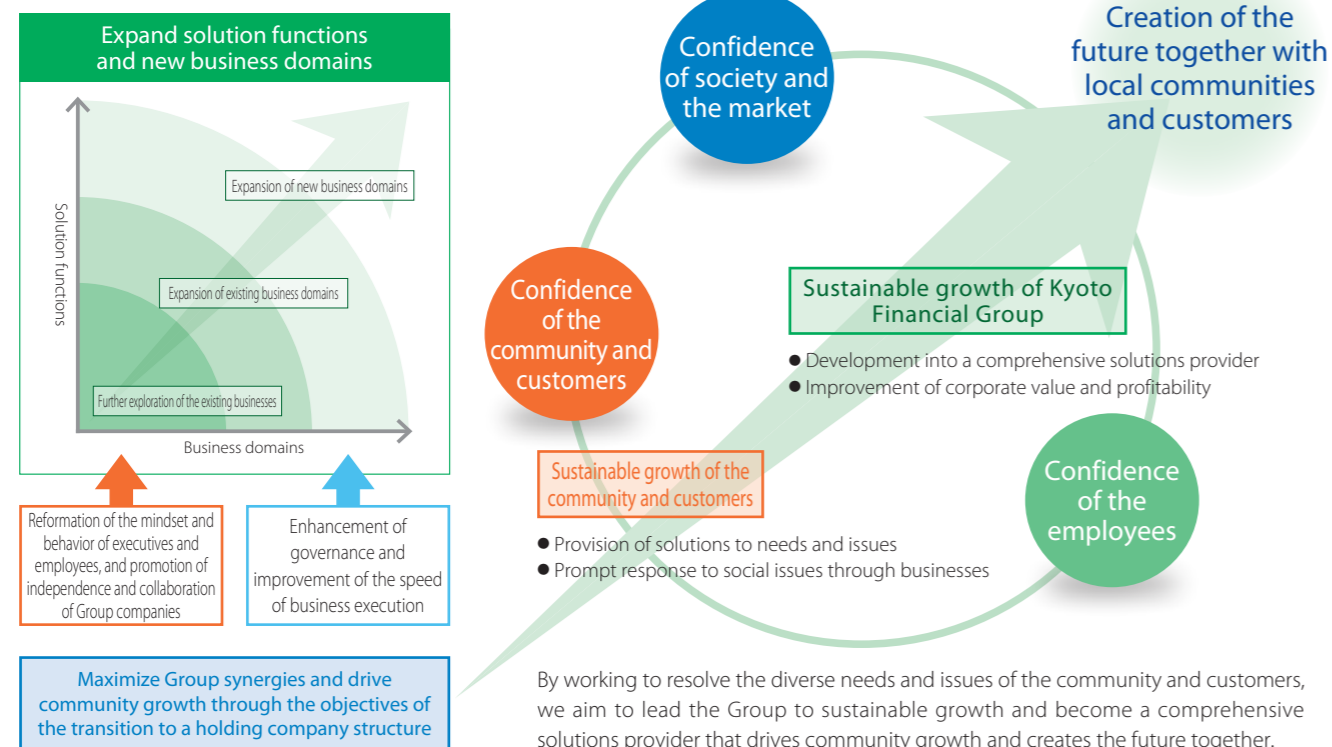
Meanwhile, in addition to social issues such as population decline, the challenges faced by local communities and customers are becoming more diverse and complex, with new social issues such as responding to DX and the realization of carbon neutrality. As such, the role that the Group must play is also changing significantly.

In light of the above, the Bank has decided to transition to a holding company structure with the aim of "expansion of our 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. We will establish a sustainable business model that can dynamically and flexibly respond to changes in the environment, thereby enhancing corporate value for all stakeholders (customers, shareholders and investors, local community, and employees).

[The History of the Group]



[Business Model]



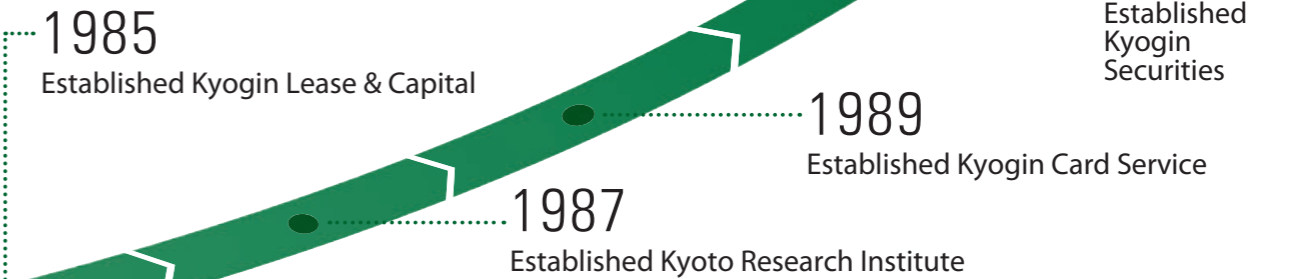
October 2023: The Holding Company will be born



About the logo

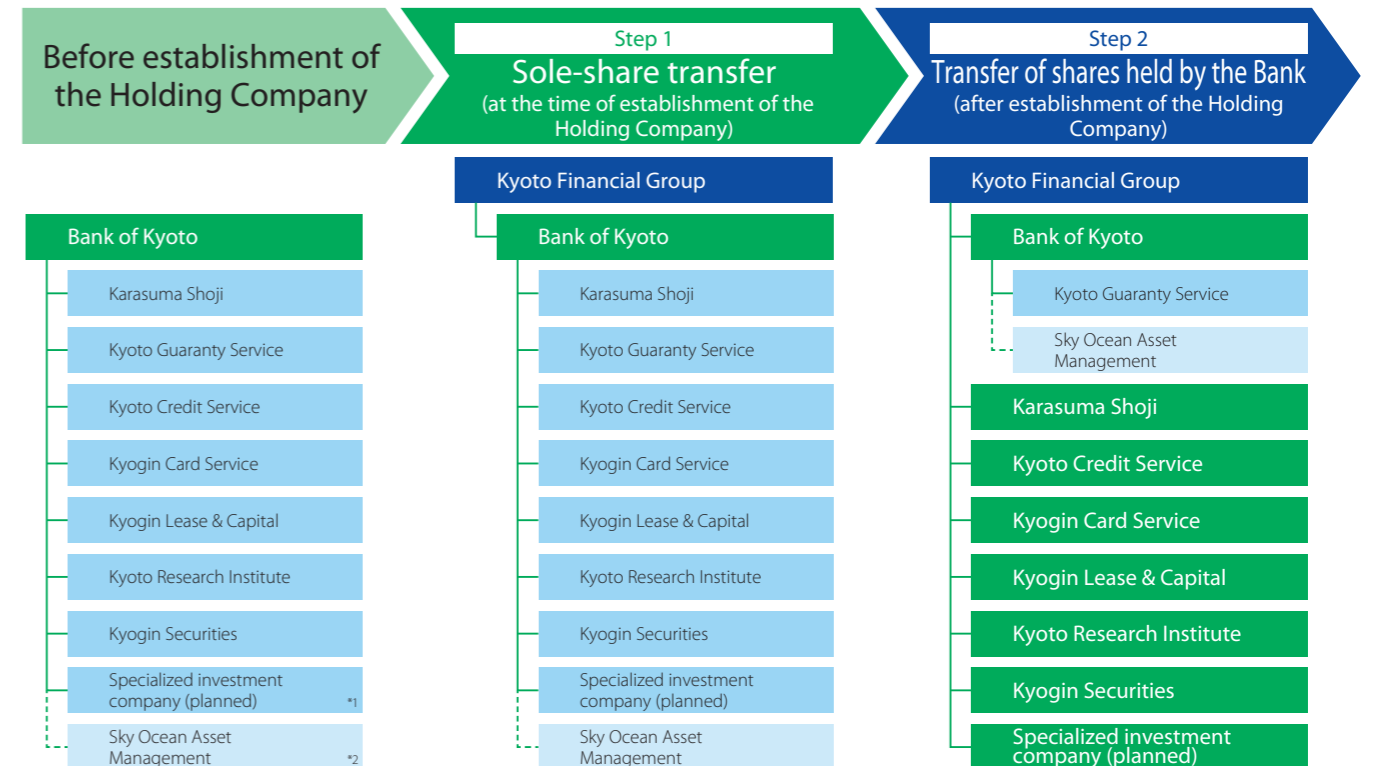
Dry landscape gardens (karesansui) are a familiar sight in Kyoto. The design was inspired by the ripple pattern represented in the sand pattern of a karesansui.

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 Structure Following Transition]

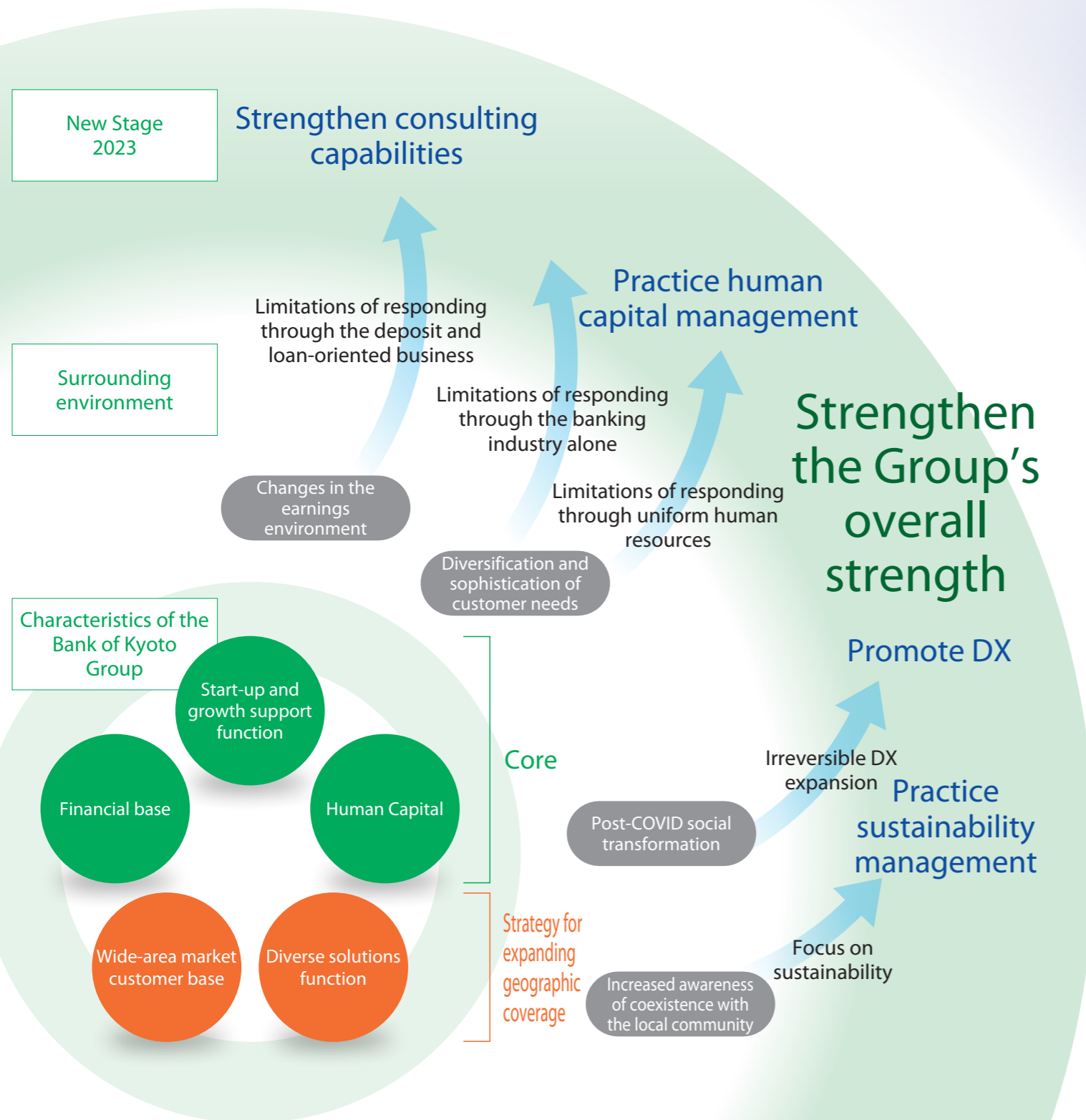
- Step 1** The Bank will become a wholly owned subsidiary of the Holding Company by incorporating the Holding Company through the sole-share transfer of the Bank effective as of October 2, 2023.
- Step 2** From the perspective of further strengthening intra-group collaboration and synergies, we plan to reorganize the seven 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 affiliate.

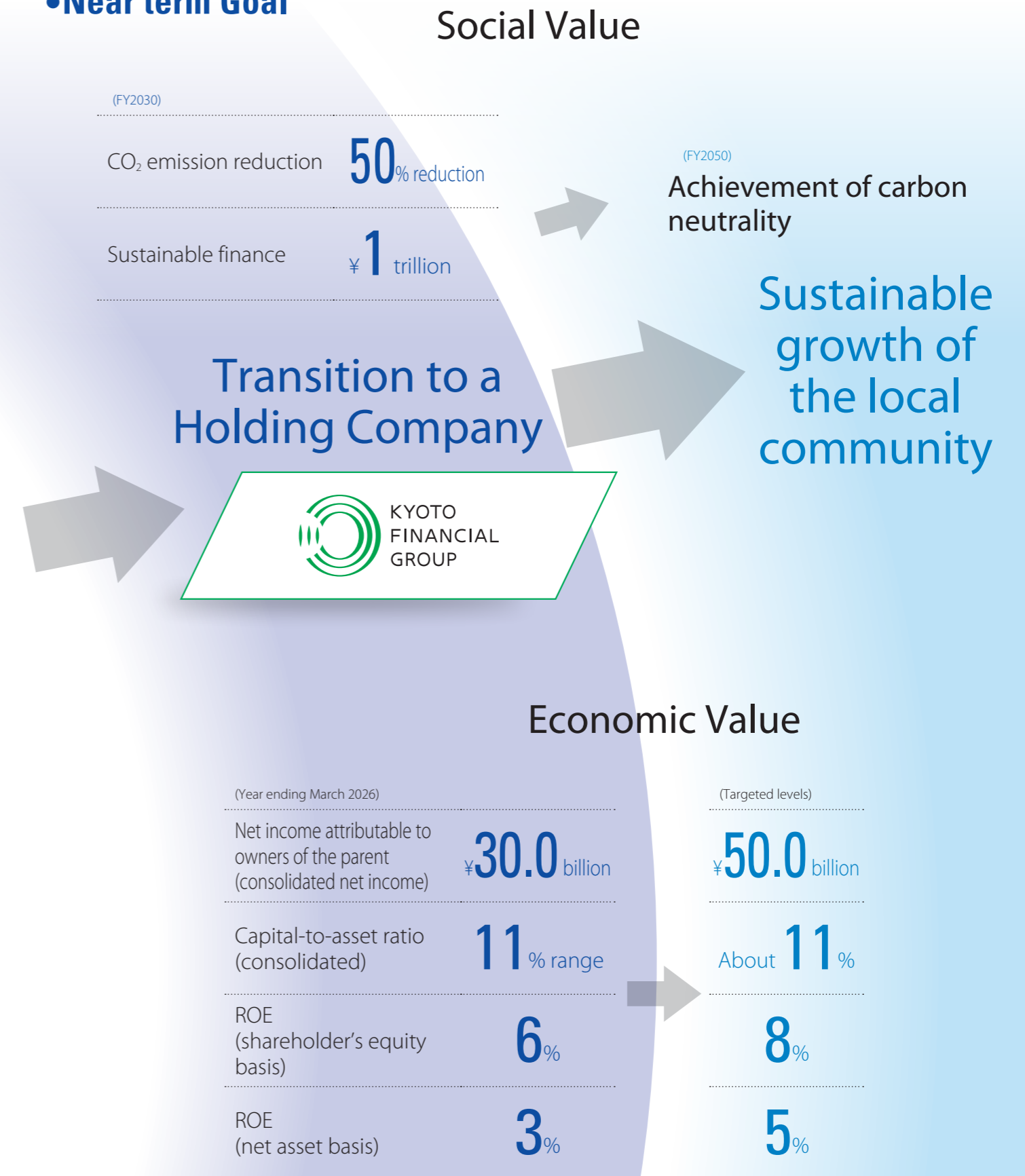
Value Creation through Leveraging Our Strengths

The Bank of Kyoto Group is characterized by its core strengths of (1) a start-up and growth support function, (2) a strong financial base, (3) a high-quality human resources base and strategy for expanding geographic coverage, which has built (4) a broad market and customer base, and (5) a diverse solutions function. The surrounding environment is constantly changing, but we will meet the expectations of our stakeholders to practice sustainability management and realize the sustainable growth of the community by leveraging our strengths and maximizing economic and social value.



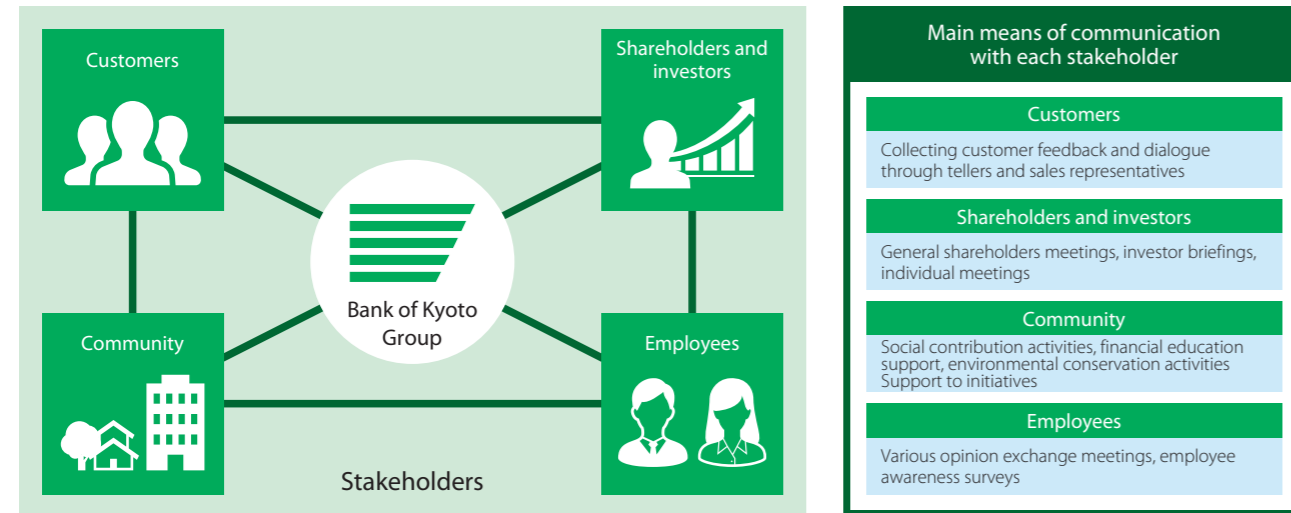
•Long term target

•Near term Goal



Basic Approach

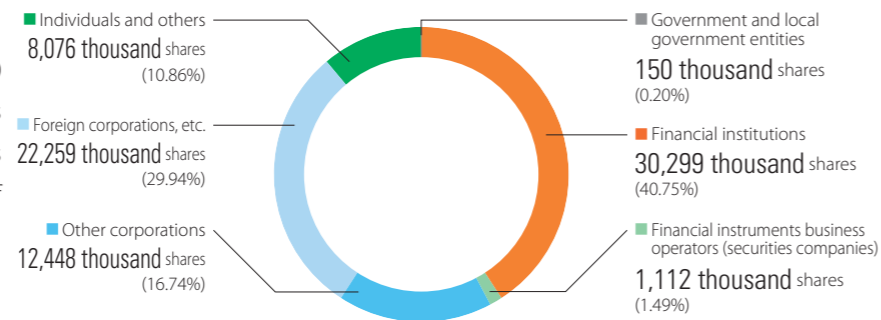
The Bank of Kyoto Group aims to “meet stakeholder expectations sustainably over the long term” as part of its sustainability management. To realize this, we are focusing on opportunities for dialogue with our various stakeholders, including customers, shareholders and investors, the community, and employees, and leveraging the knowledge we gain in the provision of new value. This section describes the status of the dialogue with our shareholders and investors.



Dialogue with Shareholders and Investors

Shareholder Composition

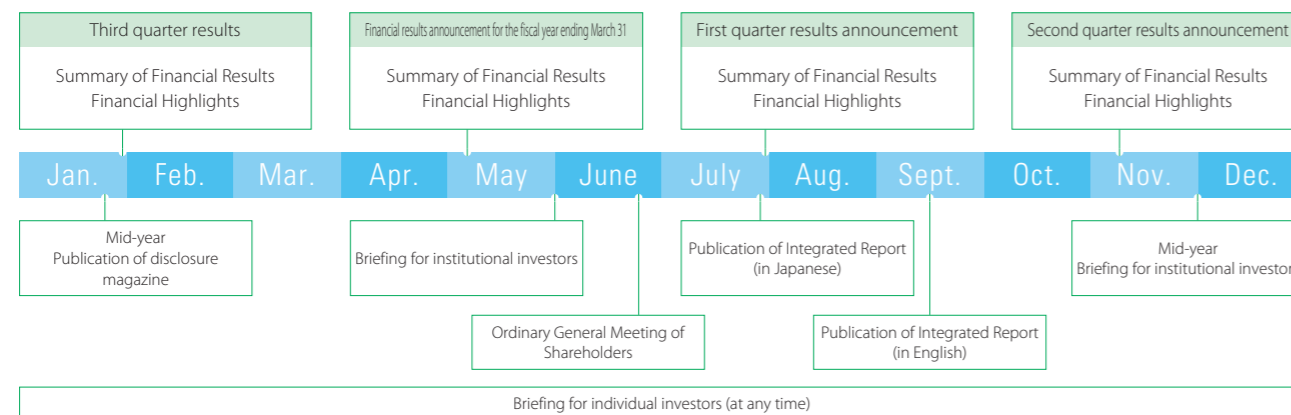
The Bank has approximately 9,000 shareholders, and the categories are as shown in the figure on the right. Shares in the Bank are held by a diverse range of shareholders, both domestic and foreign.



Enhancement of Information Disclosure

The Bank is striving to enhance information disclosure as the basis for dialogue with stakeholders. Our disclosure magazine, which discloses our financial situation and growth strategies, has been published as an integrated report since 2020, and in addition to focusing on non-financial information disclosure, we are also actively disclosing our information in English.

Disclosure Schedule



Enhancement of Dialogue

The Bank is striving for proactive communication, including the establishment of initiative policies in addition to eliminating information asymmetries through enhanced disclosure and promoting more constructive dialogue. Opinions received through such dialogue are regularly reported to the Board of Directors and reflected in our policies and measures.

Also, in August 2022 we established the Sustainability Management Promotion Department to strengthen our dialogue with shareholders and investors and to enhance our efforts to improve our corporate value.

FY2022 Results

General meeting of shareholders	Held in June
For institutional investors and securities company analysts	Financial results briefing (May/Dec.) Individual interviews: Total of 72 companies
For individual shareholders and individual investors	Company information meeting (Dec.)
Provision of information	Integrated Report (Annual Report) in Japanese (July) in English (Sept.) Interim disclosure magazine (Jan.) Mini disclosure magazine (June/Nov.)

Establishment of Shareholder Benefit Program

We have introduced a shareholder benefit program to thank our shareholders for their ongoing support, to increase the attractiveness of investment in our shares and to encourage more people to hold our shares.

In addition, we would like to contribute to the local community by having our shareholders use the products of local companies that are displayed on the e-commerce mall operated by the Group as the benefit gifts.

Outline of shareholder benefit program

Eligible shareholders

Shareholders listed or recorded in the shareholders' register as holding 200 shares (2 units) or more of the Bank's stock on March 31 are eligible (once a year).

Details of shareholder benefits

Information will be sent by post to eligible shareholders at around the end of June.

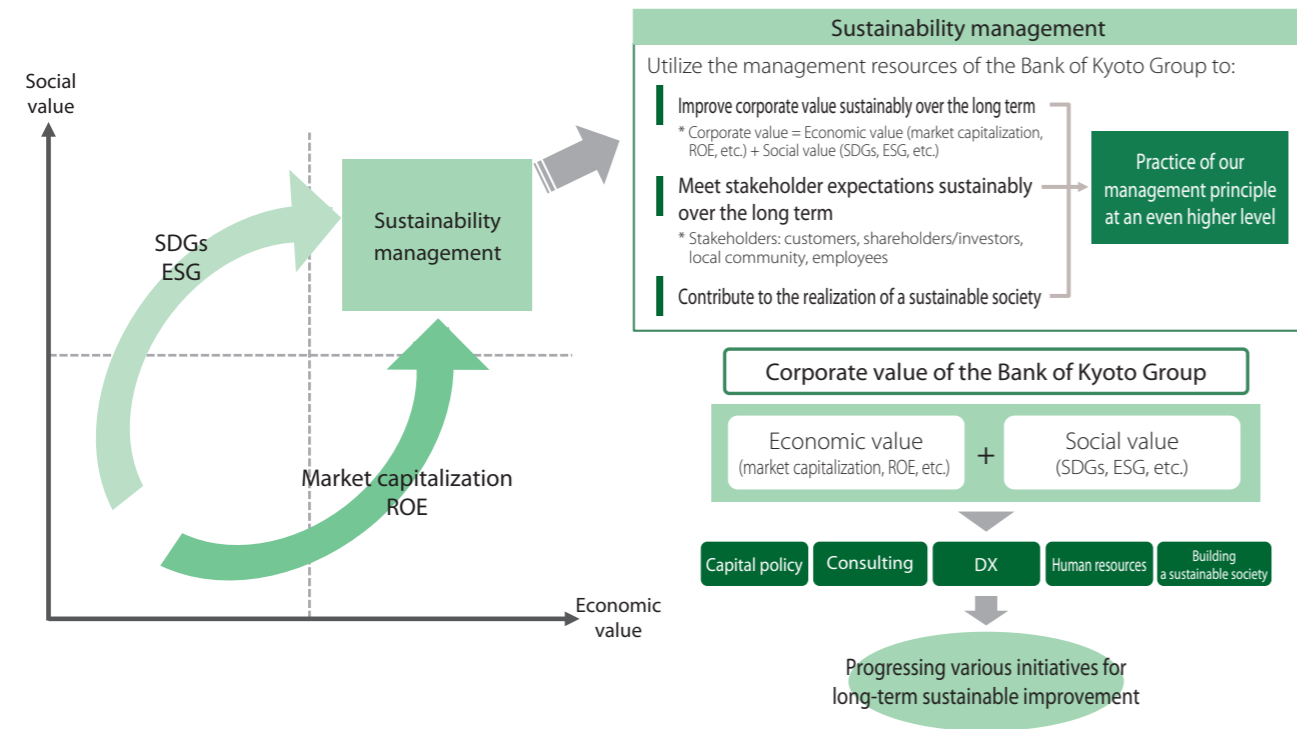
Either 1, 2, or 3 below may be chosen.

- Discount (worth ¥4,000) for purchases at Cotoyoli Mall, the online store operated by the Group
* Please register as a member to use Cotoyoli Mall (no membership fee).
* An Internet connection is required to use Cotoyoli Mall.
- A gift of products sold on Cotoyoli Mall (worth ¥3,000)
* Please select an item from the products specified by the Bank and apply by postcard.
- Donation to social contribution activities (¥3,000)

Practicing Sustainability Management

Since its founding, the Bank of Kyoto Group has held "serving the prosperity of the community" as its management principle and has grown as a regional financial institution together with the local community by working to resolve local community issues and environmental problems. We 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



Promotion Structure

The Sustainability Management Promotion Committee deliberates important issues related to sustainability, including climate change, reports its deliberations to the Board of Directors, and promotes the Bank-wide initiatives.

Sustainability Management Promotion Structure of the Bank of Kyoto Group



(As of July 1, 2023)

Achieving Sustainability Management for Our Customers

The term SDGs has become sufficiently well known, but when it comes to tackling the SDGs, many SMEs say, "We know the term, but we don't know what to do."

The Bank has established an integrated consulting system that includes understanding at the entry point through to implementation and evaluation, via the Kyogin SDGs Declaration Support, Kyogin Sustainability Management Support and Kyogin SDGs Execution Support.

We are also working to expand and promote sustainable finance to support our customers' initiatives from a financial perspective, and we provide support tailored to the initiatives of our customers, including international standard finance that has been evaluated by external institutions, donation-type private placement bonds where a portion of the fees are used to make donations and contributions, and loans that can be used for disaster risk management and business continuity planning.

Initiatives to Create Sustainable Communities

In addition to developing our own sustainability management system and working to achieve sustainability management for our customers, the Bank of Kyoto Group is also working to improve the sustainability of the region as a whole.

Initiatives That Utilize Funds

In respect of community development too, we are implementing initiatives to utilize our know-how of accompanying support through fund investment, which we have cultivated through our past support of SMEs. In January 2021, we jointly established the Kyogin Machizukuri Fund with the Organization for Promoting Urban Development to undertake initiatives related to the revitalization of Uji, Maizuru, and Nantan cities. In March of the same year, the Chiikizukuri Kyo Fund was established in collaboration with Shinkin banks with headquarters in Kyoto Prefecture and destination marketing organizations (DMOs), and efforts are underway to renovate local resources throughout Kyoto Prefecture.

Initiatives in Cooperation with Government Policies

We are also focusing on initiatives in collaboration with government policies that will lead to the revitalization of the entire region, and are working to support applications by local governments, DMOs, and other entities for the Japan Tourism Agency's Project for the Revitalization of Community-Integrated Tourist Attractions and High Value-Added Tourism Services.

We are also providing ongoing support for selected projects, including loans and financial assistance through the aforementioned funds.

Examples of Initiatives



Accommodation facilities for learning about the tea industry during a long-term stay in the Japanese tea region
* This project was also funded by the Chiikizukuri Kyo Fund



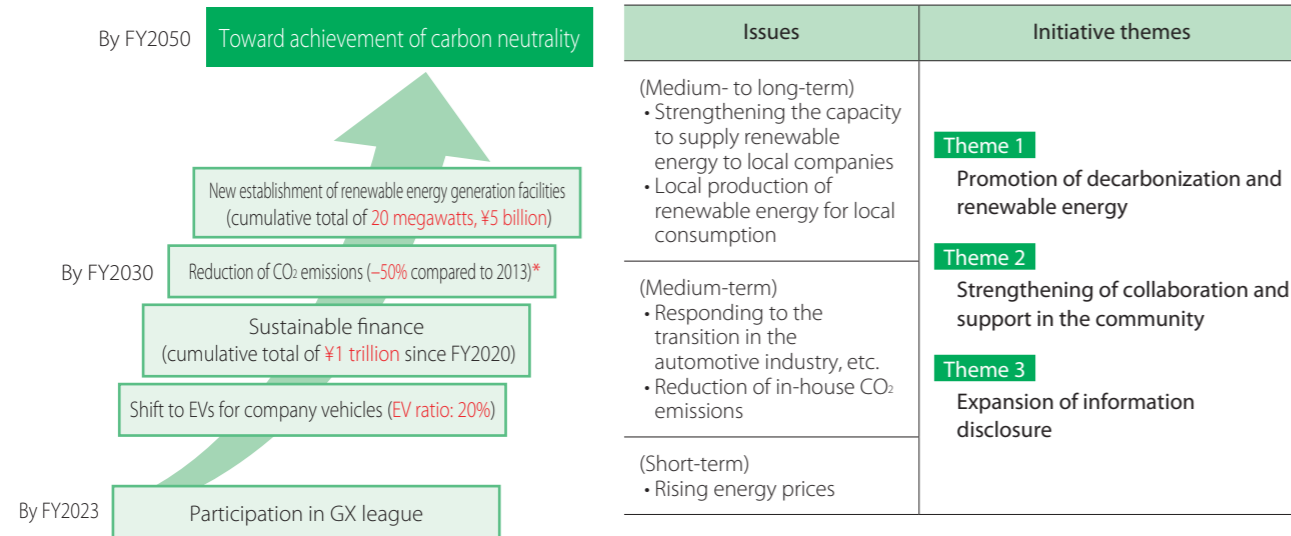
Accommodation facilities in rented traditional houses to enjoy stay-and-go tourism

Practicing Sustainability Management

We believe that efforts to realize a decarbonized society, as typified by carbon neutrality, are one of the most important initiatives in sustainability management.

The Bank is committed to green growth that also enhances corporate value through efforts to achieve a decarbonized society.

Improving Corporate Value through Green Growth



* Covering Scope 1 and 2

Issues	Initiative themes
(Medium- to long-term) • Strengthening the capacity to supply renewable energy to local companies • Local production of renewable energy for local consumption	Theme 1 Promotion of decarbonization and renewable energy
(Medium-term) • Responding to the transition in the automotive industry, etc. • Reduction of in-house CO ₂ emissions	Theme 2 Strengthening of collaboration and support in the community
(Short-term) • Rising energy prices	Theme 3 Expansion of information disclosure

Disclosure Based on the TCFD Recommendations

[Governance]

- The Sustainability Management Promotion Committee deliberates important matters regarding organizational initiatives aimed at issues related to sustainability, including the SDGs and ESG in particular, and reports its deliberations to the Board of Directors.
- We have positioned sustainability management as "practice of our management principle at an even higher level" and have been implementing it. In order to further promote our efforts to solve social and environmental issues through these business activities, we reestablished the Sustainability Management Policy in March 2022 and revised the Environmental Policy formulated in 2008.

[Strategy]

• In order to analyze the impact of climate change on the Bank, we have identified the impact on our customers' assets and businesses and on the Bank's assets and businesses by dividing climate change-initiated events into physical events (physical risks) and events related to economic and social transitions (transition risks). 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 Bank. 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 Bank's assets	Suspension of the Bank'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 Bank'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)	Business loan recipients belonging to the electric power and automobile sectors
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 ¥4.8 billion	Additional credit costs that may be incurred: ¥5.6 to ¥9.5 billion cumulative

• Furthermore, we have identified loans to four industry groups that are considered vulnerable to climate change based on the definitions recommended by the TCFD Recommendations: "energy," "transportation," "materials and buildings," and "agriculture, food, and forest products."

	Energy	Transportation	Materials and buildings	Agriculture, food, and forest products
Percentage*	1.9%	3.4%	17.5%	3.5%

* Balance of loans to the four industry groups as a percentage of the total Bank's 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

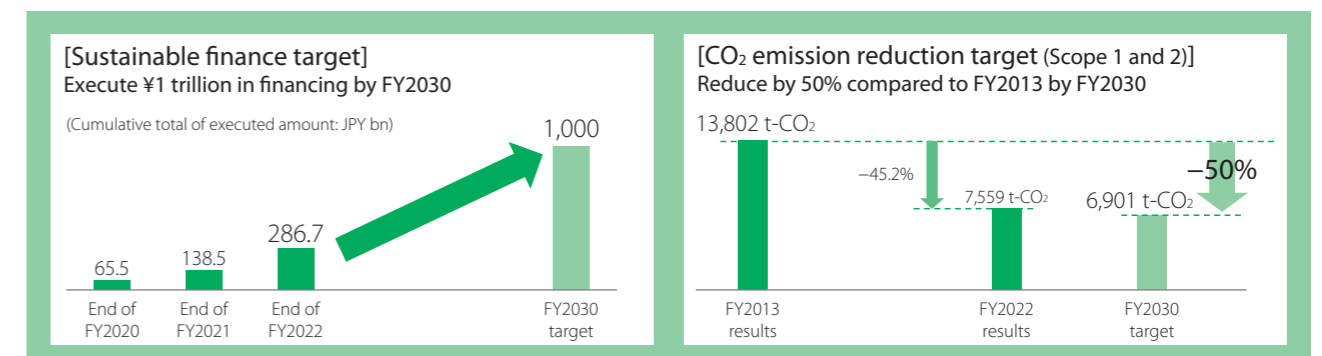
[Risk Management]

- 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]

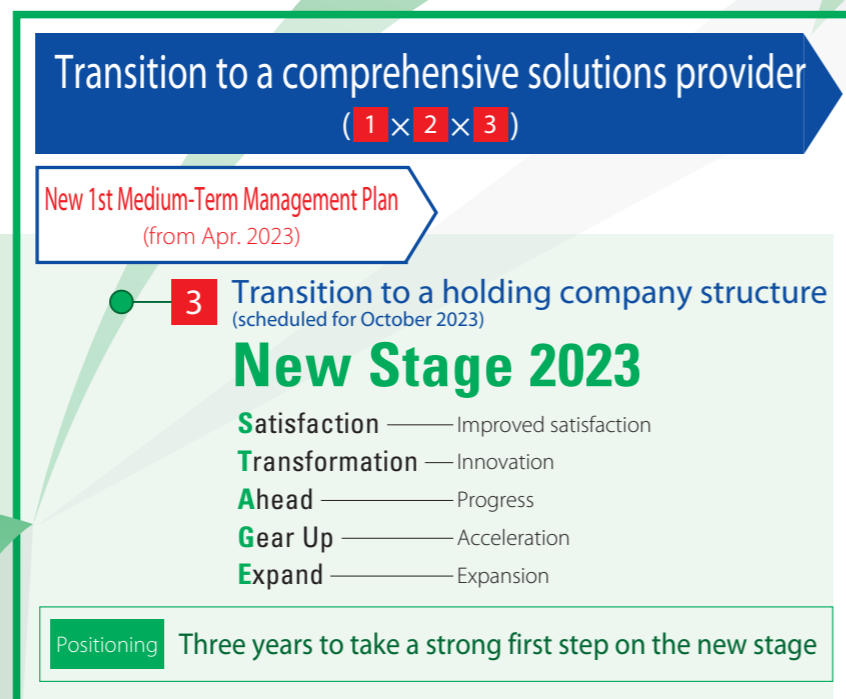
• We have set "achieving carbon neutrality by FY2050" as a particularly important sustainability-related target, and are working on the following two immediate targets for FY2030.

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



Positioning of the Medium-Term Management Plan

- The combination of the management foundation that we have been strengthening as a wide-area regional bank, the functions and services that we have been enhancing, and the transition to a holding company structure that we are planning for October 2023, will allow us to transition to a new stage of growth and development as a comprehensive solutions provider.
- As this is the first management plan in the new stage of our development, we have named it the “New 1st Medium-Term Management Plan” and have positioned it as a three-year period in which we will promote measures to take a strong first step forward.



Long-term goals to achieve the management principle

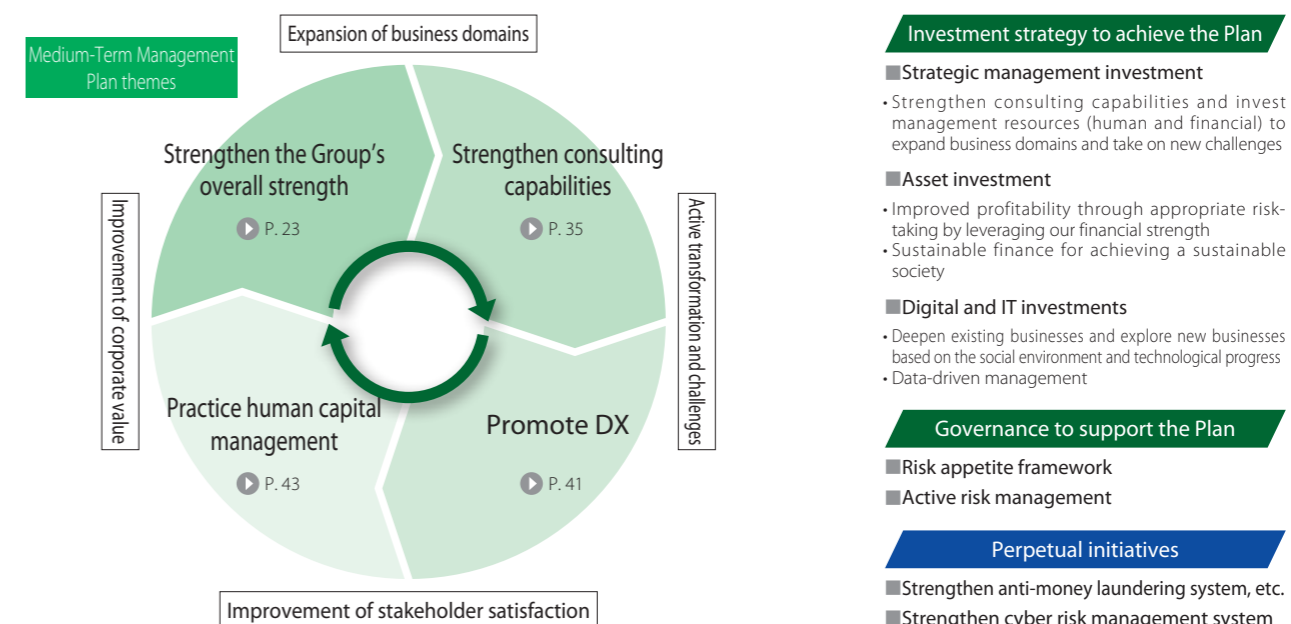
Comprehensive solutions provider that drives community growth and creates the future together

“A long-lasting relationship,” now and forever

New Stage 2023

“A long-lasting relationship” with the community and customers, now and forever.
We are entering a new stage, and together we will create the future.

Planning Themes and Realization



Target Plan Indicators	Results (FY2022)	Targets (FY2025)	Targeted levels
ROE	Shareholder's equity basis: 5.6% (Net asset basis: 2.6%)	Shareholder's equity basis: 6% (Net asset basis: 3%)	Shareholder's equity basis: 8% (Net asset basis: 5%)
Net income attributable to owners of the parent (consolidated net income)	¥27.2 billion	¥30.0 billion	¥50.0 billion
Capital-to-asset ratio (consolidated)	13.5%	11% range	About 11%

Item	Targets	
Total payout ratio	50% or more 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 ¥1.2 trillion + extra Achieve the income plan by building up assets incorporated in measures + take on the challenge of investing in new growth areas to secure future sources of income by leveraging our financial strength	
Group income (FY2025) Net income attributable to owners of the parent – Bank non-consolidated net income	¥5.0 billion	
IT and DX investments (cumulative total during the Plan period)	¥10.0 billion	
Human capital management (FY2025)	80% or more of total promotions and allocations based on requests, such as through the open recruitment system, etc.	
Sustainability (environmental targets)	Sustainable finance	¥1 trillion (cumulative total from FY2020 to FY2030)
	CO ₂ emission reduction	-50% (FY2030 target, compared to FY2013)

- 2021: Problem-solving capabilities were expanded (business succession fund, SDGs, etc.)
- 2020: Recruitment business was launched
- 2018: The Bank started will and inheritance trust business
- 2016: Kyogin Securities was established

Expansion of financial business domains



2 Advancement of consulting functions and services

2000: Strategy for expanding geographic coverage was implemented (First expansion into Shiga Prefecture with launch of the Kusatsu Branch)

Expansion of service areas



1 Growth as a “wide-area regional bank” and strengthening of management foundation

Environmental Awareness and Action Policy

The issues faced by our business customers are not limited to financing, and are becoming increasingly diverse and sophisticated. Since 2000, the Bank has adopted two expansion strategies concerning its market and services, through its strategy for expanding geographic coverage.

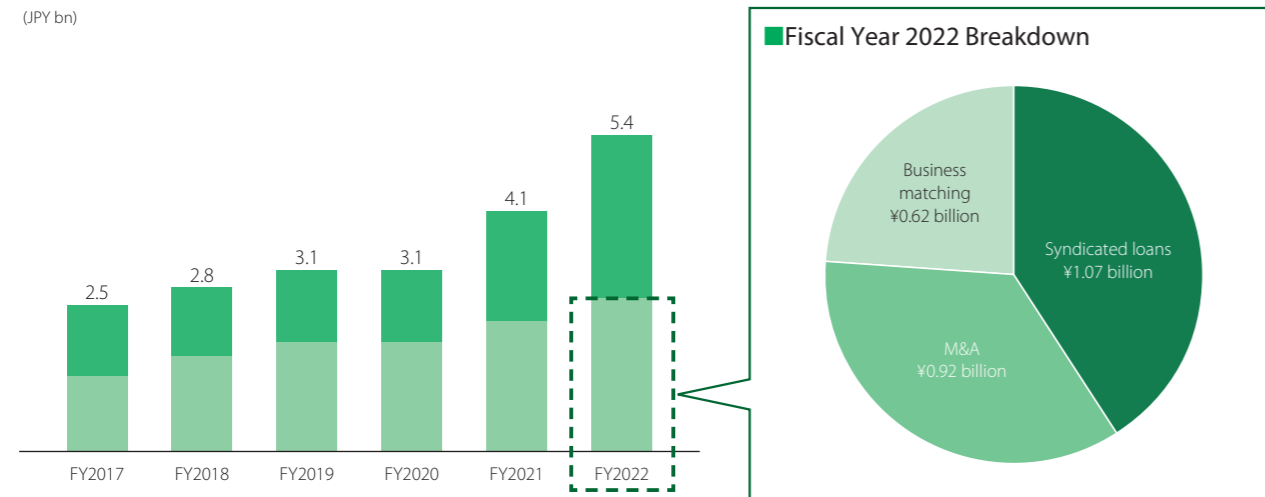
We further accelerated our solutions business under the slogans of “fully leverage consulting capabilities” in the 6th Medium-Term Management Plan, which started in April 2017, and “fully establish solutions-based sales activities” in the subsequent 7th Medium-Term Management Plan. As a result, our “income from comprehensive corporate services,” which represents revenue from corporate services in FY2022, more than doubled compared to FY2017, the first year of the 6th Medium-Term Management Plan, which indicates that the Bank is steadily growing. The number of credit customers and main customers is also increasing, which we believe is proof that we are able to conduct in-depth transactions with customers by resolving their issues.

The New 1st Medium-Term Management Plan, which started this April, takes into account the transition to a holding company structure that is scheduled for October 2023, and we will step forward from our orientation as a comprehensive financial solutions provider to a comprehensive solutions provider. One of themes of the plan is to “strengthen our consulting capabilities.”

In this new stage as well, our style of solving customers’ issues will not change. The entire Group will refine its solutions functions to meet our customers’ expectations.

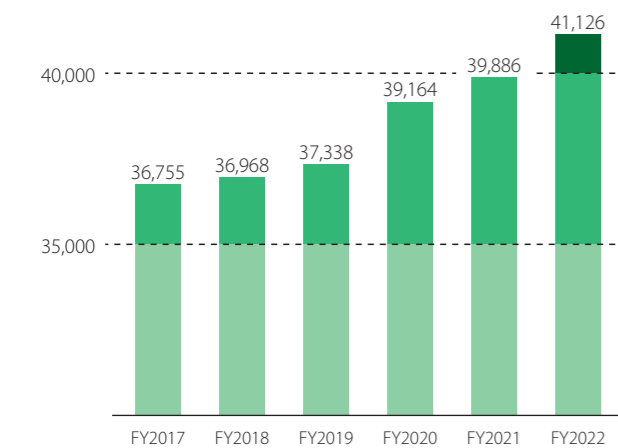
Income from Comprehensive Corporate Services (Revenue from syndicated loans, M&A, business matching, etc.)

(JPY bn)



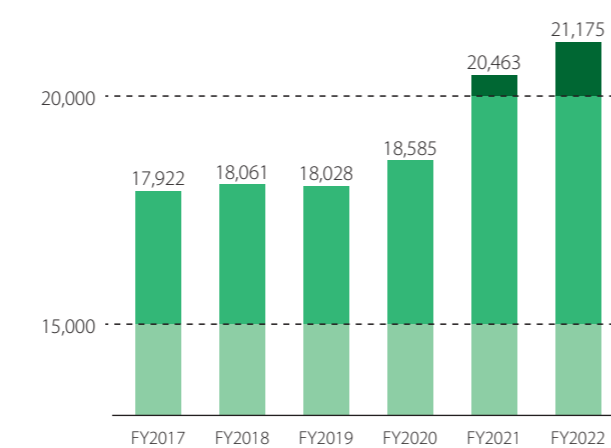
Number of Credit Customers

(Customers)



Number of Main Customers*

(Customers)



* Ranked first in outstanding loans excluding government financial institutions

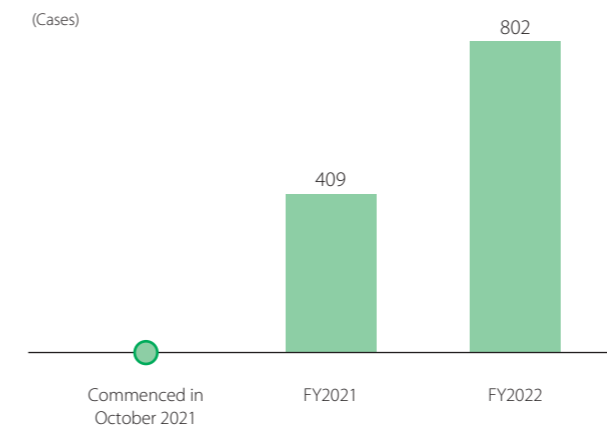
SDGs Consulting

The Bank has been enhancing its consulting services so that our customers can proceed with SDGs initiatives in a sequential manner. We provide a consistent set of services in the form of Kyogin SDGs Declaration Support for recognizing issues and ascertaining the current situation, Kyogin Sustainability Management Support for developing strategies and plans, and Kyogin SDGs Execution Support for the implementation stage. Considering how it was not so long ago that many of our customers were unaware of the SDGs, or knew of them but did not know where to start, our customers’ awareness of the SDGs is becoming positive and proactive. Accordingly, the number of customers utilizing our SDGs consulting services has increased significantly. We also have a lineup of financing options, including green loans and sustainability-linked loans, and have built a structure that can provide total consulting services.

As for the future, we will expand our efforts in two directions. One is the expansion of our footprint. We have received consultations from many customers who we have continued to steadily support from the first stage of addressing the SDGs, one example being the promotion of ESG financing through Kyoto Prefecture’s original Sustainability Linked Loan (Kyoto Version) model, which we began handling in January 2023. The other is deepening solutions. In addition to the refinement of initiatives to ascertain and reduce emissions, we believe that in the future there will be some customers who not only review their existing business processes, but also change their business models. While some issues can be addressed through the SDGs consulting services that we already provide, we will work to prepare and provide an array of more specialized solutions.

Number of SDGs Consulting Cases

(Cases)



▲ Kyogin SDGs Declaration Support declaration form and feedback sheet

Services According to the Customer’s Stage

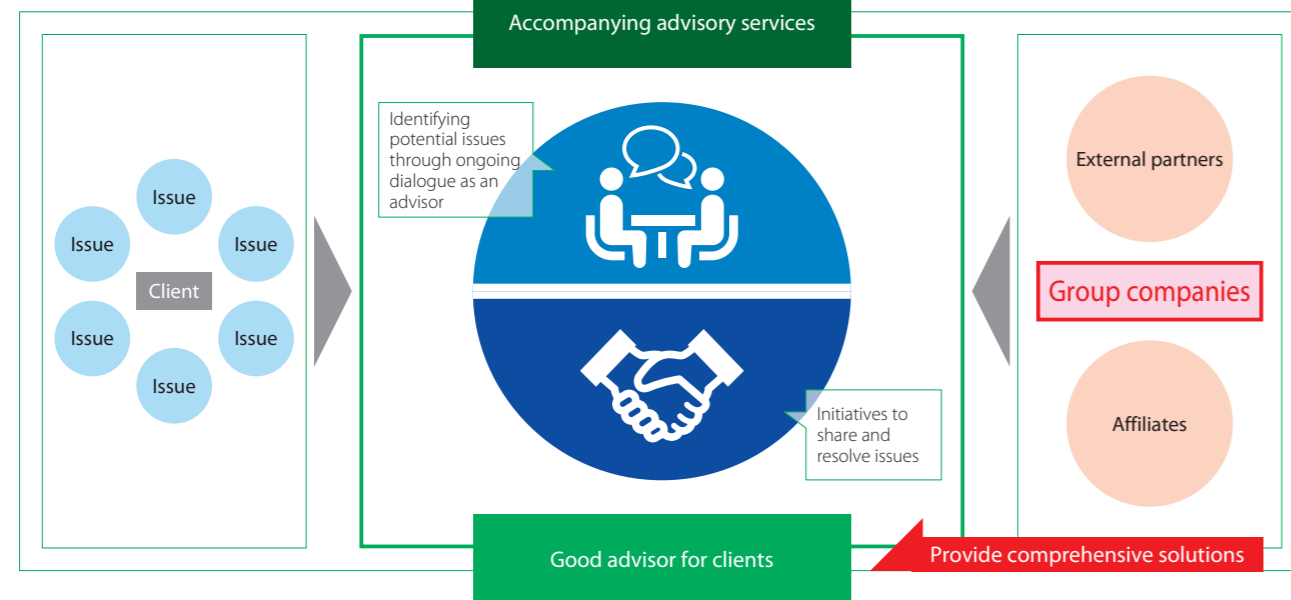


Accompanying Advisory

While the Bank has promoted its consulting sales, it has broadened the scope and raised the standards of the consulting. We have diverse solutions, including M&A, business succession, fund investment, and business matching. It is these solutions that are the so-called actions which are taken to solve the customer's issues. In reality, however, before any action is taken, the customer has to make a decision, and there is a process of ascertaining the issues and determining the priorities.

The Bank is working toward the provision of accompanying advisory services, in which the Bank acts as an advisor to the customer from the identification of issues to the execution of the project.

Accompanying Advisory Services (conceptual diagram)



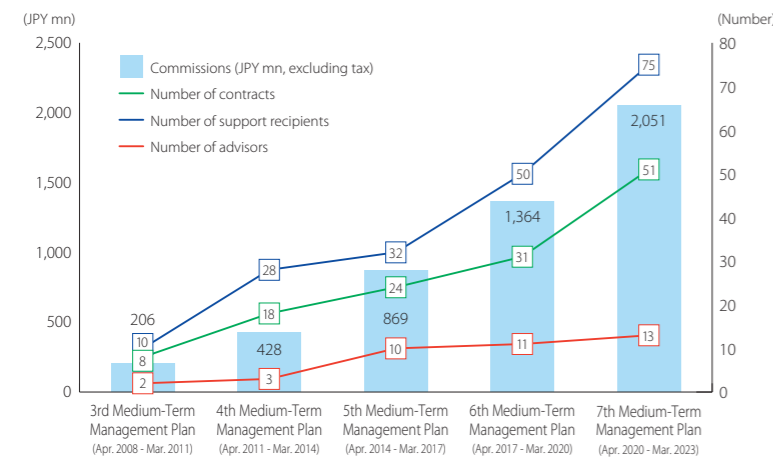
M&A Consulting

The Bank started M&A operations in 2001, and since then has enhanced its structure by assigning specialist staff (since 2007) and proactively engaging external trainees, and currently has 15 specialist staff to provide solutions. In addition to supporting initiatives that mark a turning point in business strategy, we have a wide range of achievements in cross-border and fund projects.

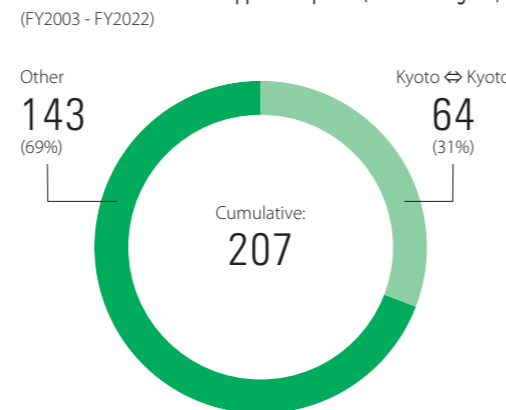
In addition, we have built a consulting system that allows us to handle everything from formation to execution of a project, which leads to gaining the trust of not only customers, but also specialist institutions.

We believe the steady increase in revenue is a result of the functioning of the Bank's M&A consulting system, which includes branches. In addition, we are often involved in our customers' projects outside of Kyoto Prefecture, which demonstrates our strength as a wide-area network.

M&A Results and Promotion Structure



Cumulative Number of Support Recipients (Contracts Signed) (FY2003 - FY2022)

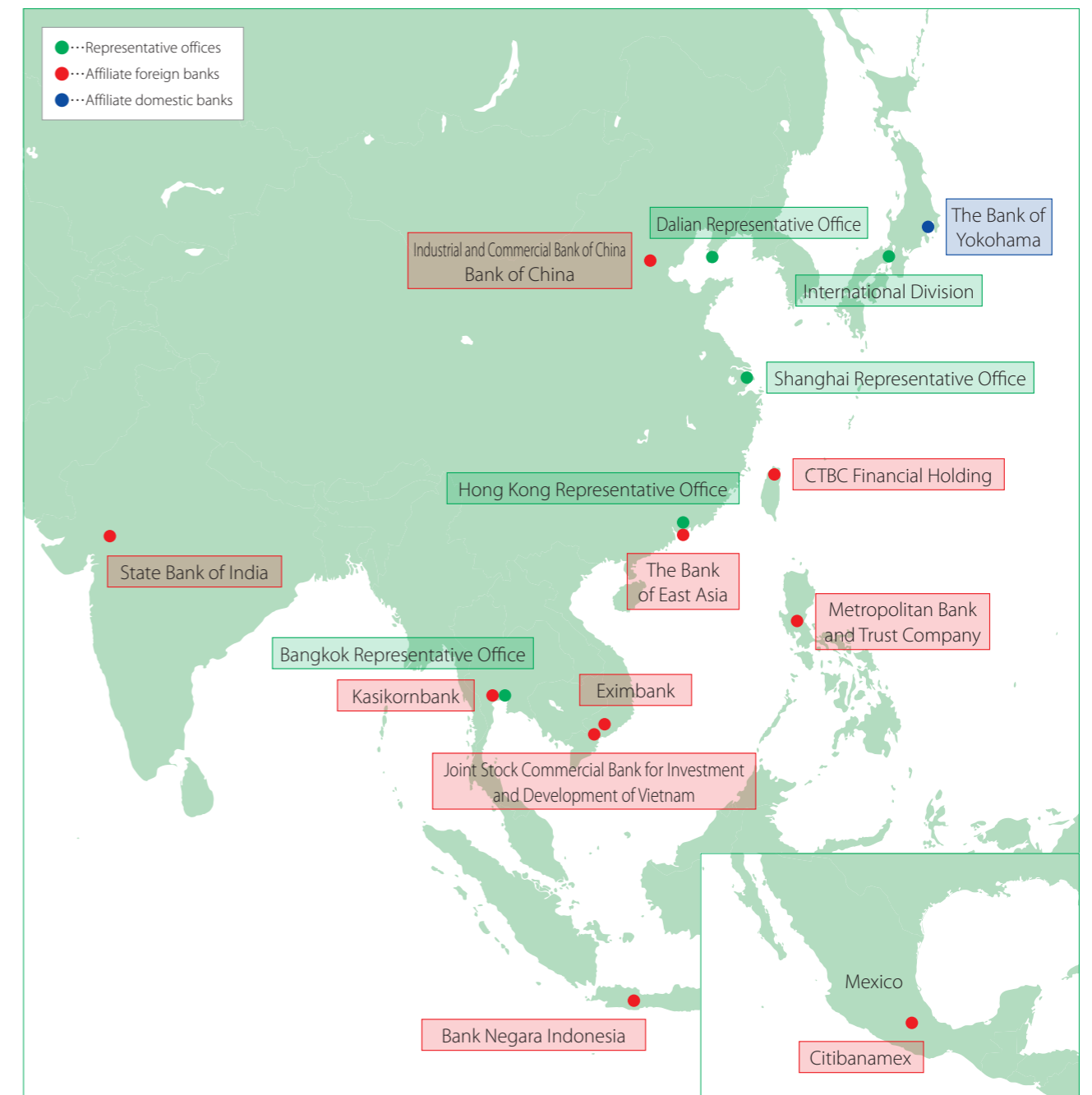


Overseas Expansion Consulting

Since establishing a representative office in Hong Kong in 1989, the Bank now has offices in Shanghai, Dalian, and Bangkok, and we have created a substantial overseas network, mainly in East and Southeast Asia, through partnerships with 11 overseas financial institutions.

In addition to providing overseas business support to customers who are considering or implementing overseas expansion of their business, we offer a diverse lineup of services to meet the specific needs of our customers, including cross-border loans and standby letters of credit.

Overseas Network



Advancement in the Finance Field

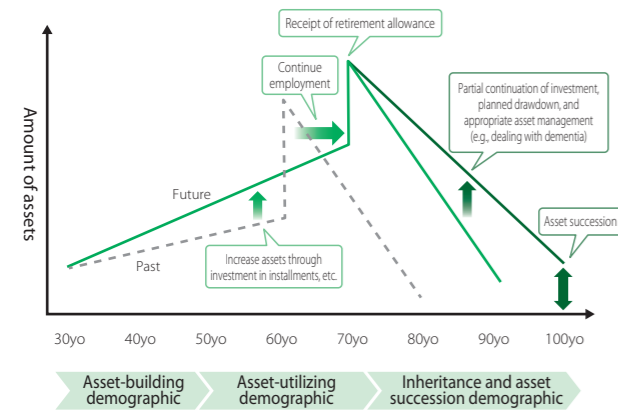
We consider financing to be one part of our problem-solving sales activities, and we are responding to our customers' increasingly sophisticated and diverse financing needs. We are able to offer a wide variety of schemes, including sustainable finance, M&A finance that also utilizes a fund, and loans that anticipate business continuity and growth without relying on collateral or guarantees.

Environmental Awareness and Action Policy

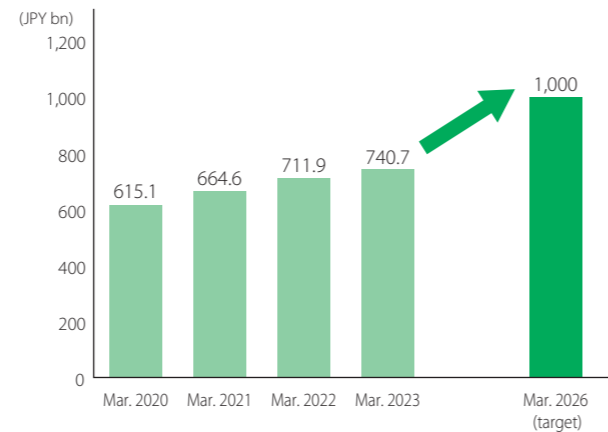
The needs and challenges of individual customers are becoming increasingly diverse and sophisticated due to factors such as changes in the way people work and consume, as well as the increase in healthy life expectancy. Financial institutions are playing an increasingly important role in the lives of many people from a financial perspective.

The Bank has been proposing appropriate products and services to individual customers in accordance with their life stages in the era of 100-year lives. We will implement consulting proposals that utilize the functions of banking, securities, and trusts for all of our customers, and respond to the wide range of needs of customers of all generations.

■ Lifetime Assets Needed in the Era of 100-Year Lives



■ Assets under Group Custody

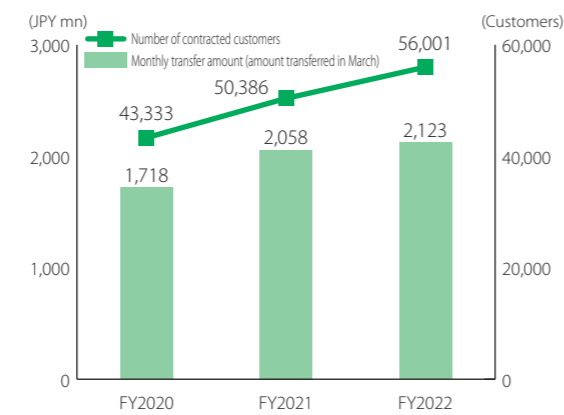


Asset-Building Demographic

As more and more people enjoy the era of 100-year lives, asset building from an early stage is becoming more important than ever before.

The Bank has been making proposals to its customers to support their long-term stable asset building based on effective long-term, accumulating, and diversified investment, and as a result, the use of automatic savings in investment trusts has been increasing.

■ Status of Automatic Investment Trust Savings

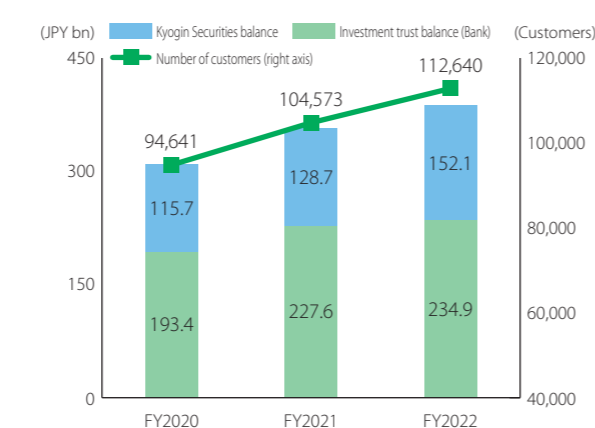


Asset-Utilizing Demographic (Management)

For consultations regarding the effective use of a large amount of assets, we offer a wide range of financial products and services in cooperation with Kyogin Securities, one of our Group companies.

Through dialogue with our customers, we get to know them better and provide careful consulting services in line with their life stages, which has led to an increase in the balance of assets under custody and the number of customers within our Group.

■ Number of Customers and Balance of Investment Trusts and Kyogin Securities



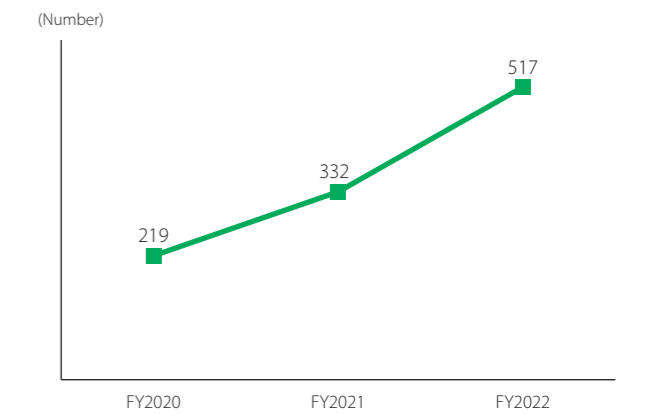
Inheritance and Asset Succession Demographic (Management)

Until now, the Bank has acted as a trust agent in response to customers' requests for advice on asset succession. However, many customers told us that they wanted to continue banking with the Bank of Kyoto for as long as possible, which led to the bank's entry into the trust business in 2018.

Even if the daily contact at branches acts as an entry point, it is still not easy to provide optimal solutions without consulting staff. Therefore, in July 2021, we established the Inheritance and Asset Succession Consulting Plaza Kyoto-Kita in Fukuchiyama City, in the northern area of Kyoto Prefecture, to provide consulting services through specialist staff in a more familiar environment. Having someone reliable (a staff member of the Bank) nearby has helped to reassure customers, and as the establishment of the location has had a certain effect, we have increased the locations with the Inheritance and Asset Succession Consulting Plaza Kyoto-Chuo (Shimogyo-ku, Kyoto, April 2022) and Inheritance and Asset Succession Consulting Plaza Kyoto-Minami (Kyotanabe City, Kyoto Prefecture, April 2023). We will continue to leverage our strength of having daily contact at branches and specialized consulting by headquarters staff.



■ Testamentary Trusts: Number of Wills in Custody (cumulative total)



Topic

Customer-First Operating Policy

The Bank of Kyoto Group is committed to serving the prosperity of the community by providing high quality services and earning the increased trust of our customers.

In particular, in the area of asset building and management, we have established the Basic Policy on Customer-First Operations as a policy to become a more trusted and credible banking group by thoroughly implementing customer-first operations, and are working to establish it as part of our corporate culture.

In addition, we have established action plans and KPIs to measure and disclose the progress of the initiatives.

As one of the results of these efforts, we have also been highly rated in external evaluations, receiving an S+ rating (the highest rating among financial institutions at the time of rating) in the R&I Customer-First Investment Trust Retailer Ratings conducted by Rating and Investment Information, Inc. in 2023, which was an improvement on the previous year.

Environmental Awareness and Action Policy

The environment surrounding financial services is changing drastically, as people's values and behaviors are changing after the COVID-19 pandemic, in addition to the shift to cashless transactions due to the rapid development of digital technology and the entry into the financial business by different industries. Meanwhile, the creation of new services and value is beginning to become possible through deregulation and technological innovation.

In the year prior to the start of the previous Medium-Term Management Plan (2019), the Bank created the Innovation & Digital Strategy Division, a division that plans, develops, and oversees our digital strategies. During the period of the previous Medium-Term Management Plan, we progressed digitalization in three areas in a staged manner: "digitalization of banking activities and administrative procedures (digitalization of the Bank itself)," "digitalization of banking services," and "support for customers' digitalization." We have now launched a new Medium-Term Management Plan under the slogan of "data-driven management," which refers to business development and decision-making based on data.

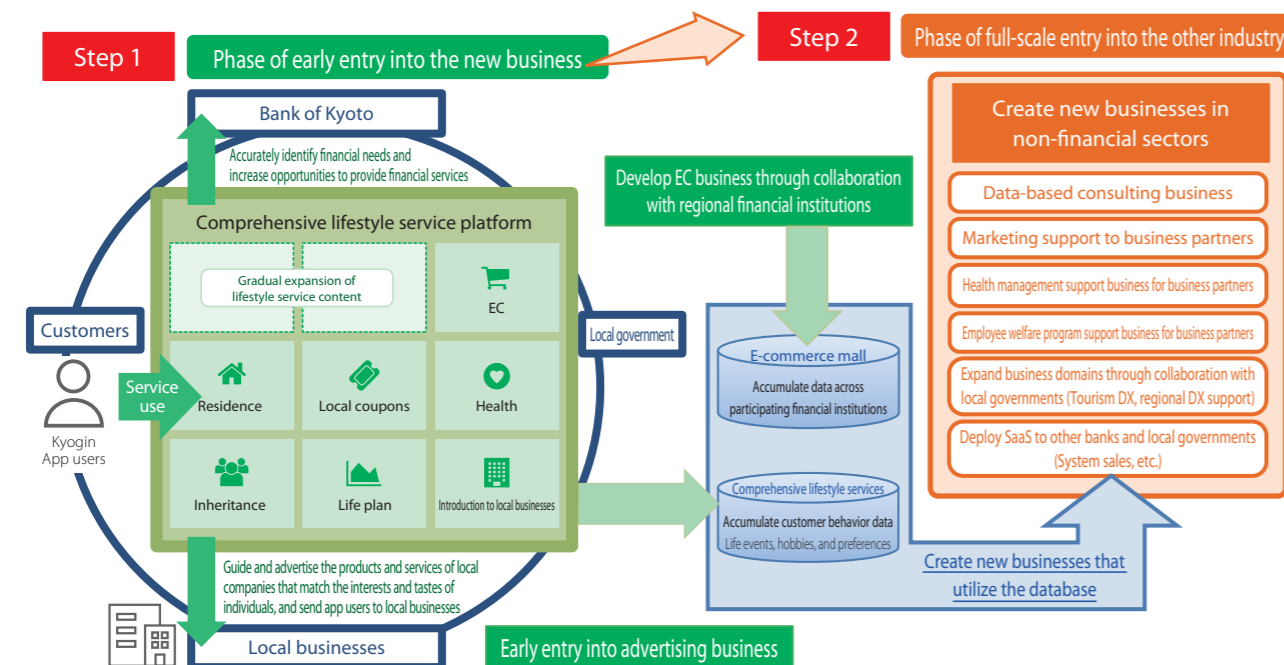
Expansion into New Businesses

In August 2022, the DX Business Development Department was newly established within the Innovation & Digital Strategy Division and aimed towards creating new non-financial businesses in the DX field, and as the first phase of non-financial businesses, we began offering the Cotoyoli Mall online store and the "&WA" platform service that links the e-commerce sites of regional financial institutions in November 2022. The Cotoyoli Mall was born from the desire to contribute to local development and support local businesses, and the lineup includes products known only to those in the know and top-selling products that only an online store operated by a regional financial institution can offer.

Furthermore, we are building a comprehensive lifestyle service platform on the Kyogin App that connects individual customers with local businesses. By combining the Bank's financial data with non-financial data that can be obtained from this platform, we are aiming to make it possible to provide information and proposals that match the true needs of customers and lead to solving their problems.

We will proactively undertake the challenge to create new businesses in the non-financial sector, using the e-commerce mall business and advertising business developed on our comprehensive lifestyle service platform as a foothold.

Development of New Businesses



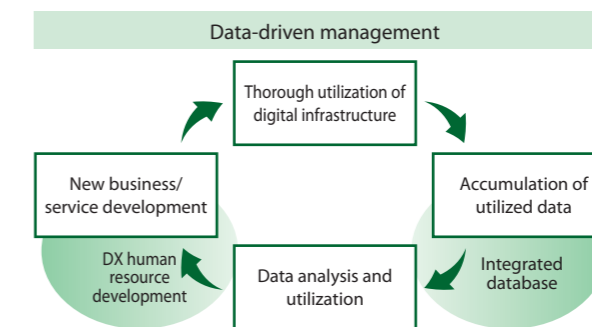
Promotion of Data-Driven Management

In order to survive the competition, not only from other competing banks and credit unions but also from other industries, we must work with a greater sense of urgency than ever before to develop businesses based on the true needs of our customers and continuously explore and study new technologies and business models. To this end, in February 2023, the Data Driven Promotion Office was newly established to promote the accumulation, analysis, and utilization of data across the Bank's Group.

In addition, we are building an integrated database that will centrally manage, consolidate, analyze, and utilize the vast and diverse data scattered across various systems within the Bank, as well as information from Group companies and external sources.

Further, by fully utilizing the newly introduced AI analysis tools and BI tools as well as the CRM system already in place, we are building a framework and system that will lead to the establishment of effective and efficient sales methods, improved business productivity, and the creation of innovative businesses.

Data-Driven Management



DX Human Resource Development

We have already commenced initiatives to create and utilize specialized human resources to implement these DX strategies. Specifically, the Bank has established internal certifications by proficiency level and is developing 50 DX Specialists (the highest level), 500 DX Advisors (gold certification), and 1,000 Digital Supporters (gold certification). We also aim to develop 35 data scientists by FY2025.



Toward a New Form of Branches through DX

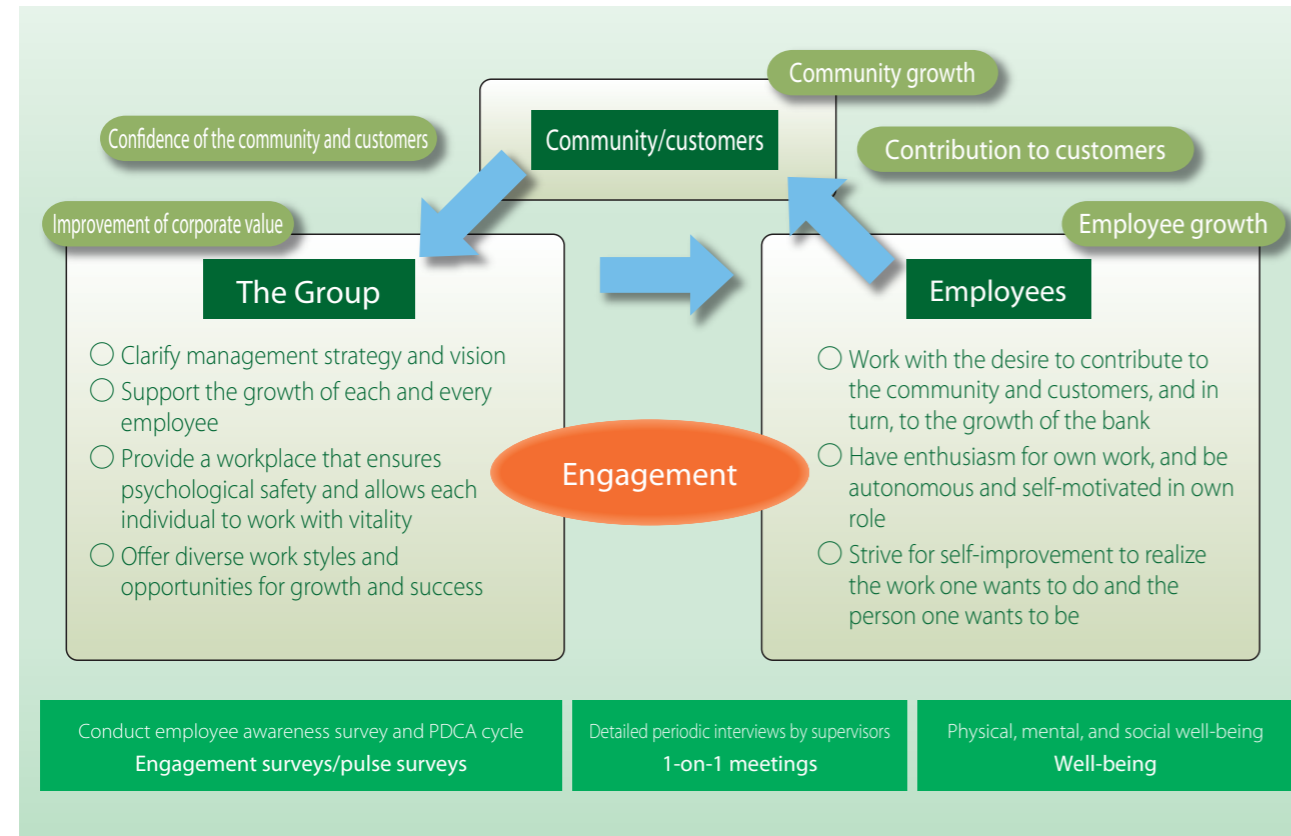
In recent years, many financial institutions have been reducing the number of their locations due to changes in the external environment, but we recognize that locations are indispensable as points of contact with customers, and we have focused on achieving efficient location operations and providing full consulting services. While implementing measures to enhance the sophistication of our consulting on the one hand, such as establishing new specialist locations and raising the level of solutions throughout the area by utilizing the regional group sales structure, the Bank has reviewed its conventional administrative procedures to improve the efficiency of location operations.

Under the new Medium-Term Management Plan, we will work to further improve convenience by treating neighboring branches within a certain region or area as a single entity and strengthening consulting capabilities for the entire area, as well as expanding the branches and operations subject to the Kyogin Remote Service, whereby customers visiting a branch can have various procedures explained by a bank employee with expertise from the headquarters via a tablet terminal or other device.

Basic Approach

We regard our employees as assets (human resources) that are a source of improvement of corporate value, and are working based on the recognition that human resource development is a top management priority. As previously mentioned, since 2000, the Bank has been expanding both its market area and its business domains through the strategy for expanding geographic coverage. This strategy has been made possible over the long term not only because of the Bank's high soundness as a base, but the fact we have continuously produced human resources that provide high-quality solutions in new markets is also an important factor. Under the new Medium-Term Management Plan as well, we are working to implement a human resources strategy linked to the management strategy (human capital management).

The Bank's Human Capital Management



Practice Human Capital Management

Under the New Medium-Term Management Plan that started in April, through the transition to a holding company structure in addition to the two types of expansion in our market and business domains, we aim to cause unprecedented chemical reactions within our organization and make a leap forward as a comprehensive solutions provider based on the foundation we have built until now. Therefore, we believe it is important to "promote reform in the awareness and thinking of all employees" in anticipation of the transition to a holding company structure, as well as "realize human resource development and allocation of human resources in response to the further expansion of our business domains." To achieve these goals, we have launched the Human Capital Management Practice Project and are implementing the following human capital management practices.

Practice engagement management	Through the Bank's support for the growth and activity of its employees, all employees will work autonomously toward their own growth and success, which will foster an organizational culture of being more enthusiastic towards work and more willing to contribute to the bank than ever before, leading to increased corporate value.
Expand opportunities for growth and activity	In order to respond to the new expansion of business domains, we will communicate the expansion of opportunities for growth and activity and elicit voluntary and motivated initiatives by the Bank's employees.
Develop and allocate human resources with the right skills in the right places	Practice human resource development and allocation by utilizing human resource data, and foster personnel as strategic human resources in new business and strategic fields.

Human Resource Development Initiatives

We have established the Kyoto Banking College as an in-house school for the purpose of acquiring the high level of expertise required of the Bank's employees and fostering talented individuals who will serve the local community. In addition to expanding various types of training to enable all employees to grow and play an active role as human resources with expertise in their fields of specialty, we offer a number of voluntary holiday courses to foster a corporate culture in which all employees learn proactively. Under the new Medium-Term Management Plan, the following human resource development policies have been established, and efforts are being made to develop consulting human resources, core administrative human resources, GX/DX human resources, and specialist human resources to support initiatives for new business operations.

[Human Resource Development Policy]

- Each of us will renew our awareness and actions in our new fields of activity as the Bank of Kyoto Group's human resources.
- We will all envision our own career, and evolve through autonomous and independent skill redevelopment (reskilling).
- We will deepen our sense of group unity towards maximum organizational performance by sharing common values even in the midst of our diversity.

[Priority Measures]

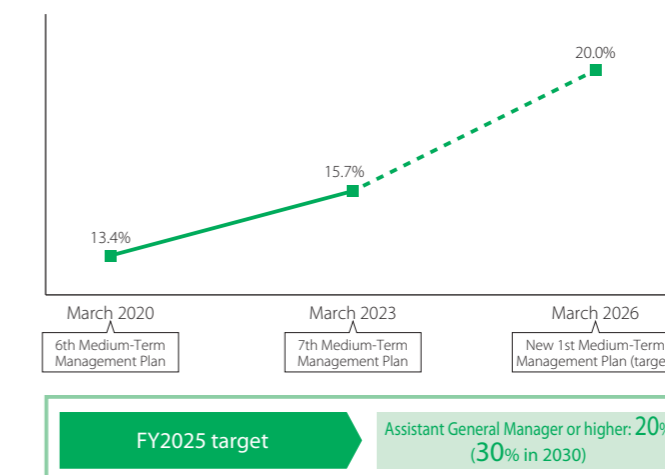
- Strengthen human resources of the Bank of Kyoto Group**
Develop consulting human resources who make full use of the solution functions of Group companies by implementing the Group Functional Sales Practice Program
- Career challenge system**
Open recruitment system for the headquarters and Group companies
- Internal accreditation system**
Certification based on the MS (My Skills) Check and testing/qualifications

Ensuring Diversity

Regarding the promotion of active female participation, we have implemented various measures, such as a childcare leave system that allows employees to take childcare leave for up to four years and establishing support measures for work-life balance including a shortened working hour system, created a workplace where female employees can work permanently, promoted career advancement and increased the ratio of female managers. When the Act on the Promotion of Women's Active Engagement in Professional Life came into effect in 2016, we were the first company in the Kansai region to receive three-star "Eruboshi" certification. We also encourage male staff to take parental leave, and all eligible employees took such leave in FY2022. Regarding mid-career hiring, we are actively recruiting experienced personnel, particularly those from megabanks, and many of these recruits are now in general manager positions. Regarding the promotion of older employees, we have established a system that allows employees with a strong desire to work and with knowledge and experience to continue working until the age of 75, and more than 100 employees are currently working under this system.

[Development of Upper-Level Staff (Management Level)]

Women in Executive Positions (Assistant General Manager or Higher)



Basic Approach

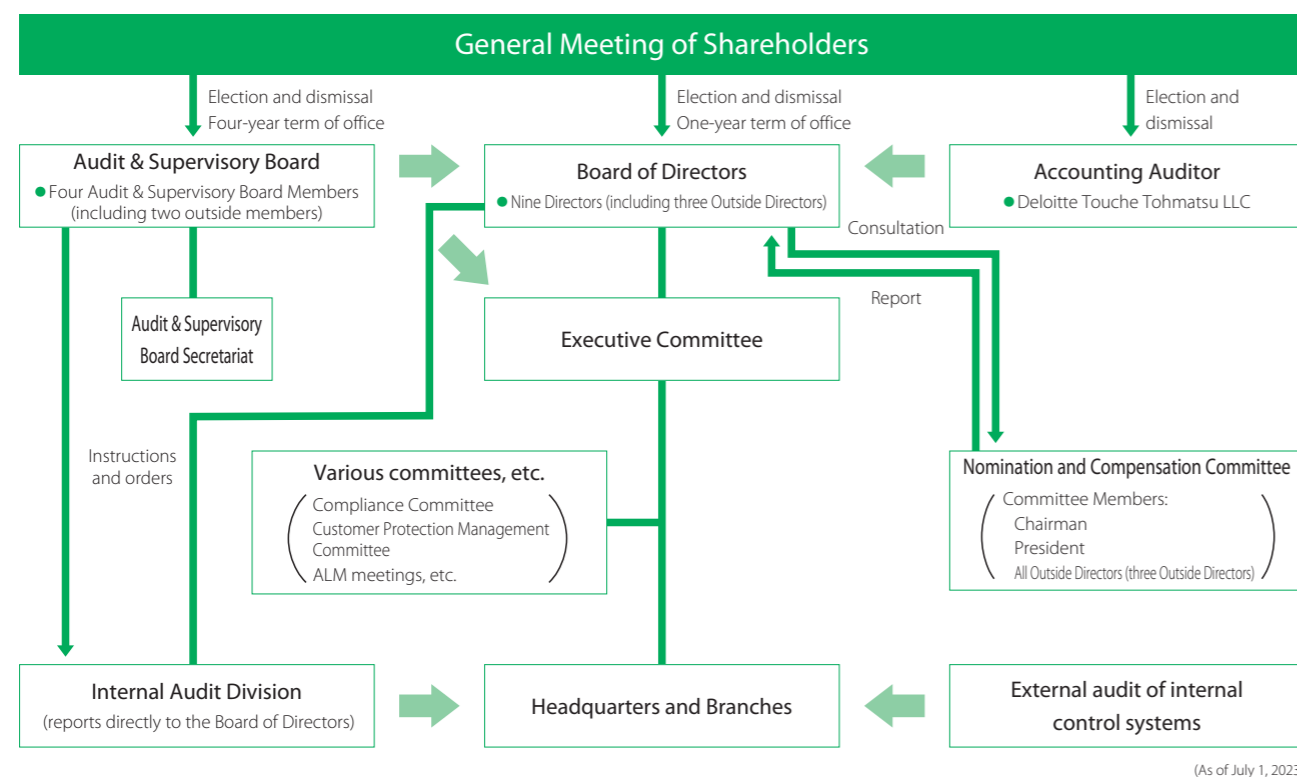
The Bank has embraced “serving the prosperity of the community” as its management principle. Therefore, the Bank’s fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. To achieve its management principle through business activities, the Bank views strengthening and enhancing corporate governance as one of its top management priorities. Accordingly, the Bank is making every effort to implement effective corporate governance.

Corporate Governance Structure

The Bank endeavors to enhance corporate governance practices, with the aim of achieving greater managerial transparency and soundness, which involves having the Board of Directors and Audit & Supervisory Board Members monitor the Directors’ execution of their duties.

The Bank has built a structure for quick management decision-making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest-ranking decision-making body. Further, in order to strengthen the auditing function, the Bank conducts internal audits based on risk analysis and external audits of the financial statements and internal control systems.

In addition, in order to ensure the soundness and appropriateness of our operations, we have established Governance Regulations for the purpose of ensuring the fulfillment of our financial intermediary function, legal compliance, customer protection, and accurately managing the various risks, under appropriate governance. The Governance Regulations are positioned to integrate the financial facilitation management system, legal compliance system, customer protection management system, and integrated risk management system.



(As of July 1, 2023)

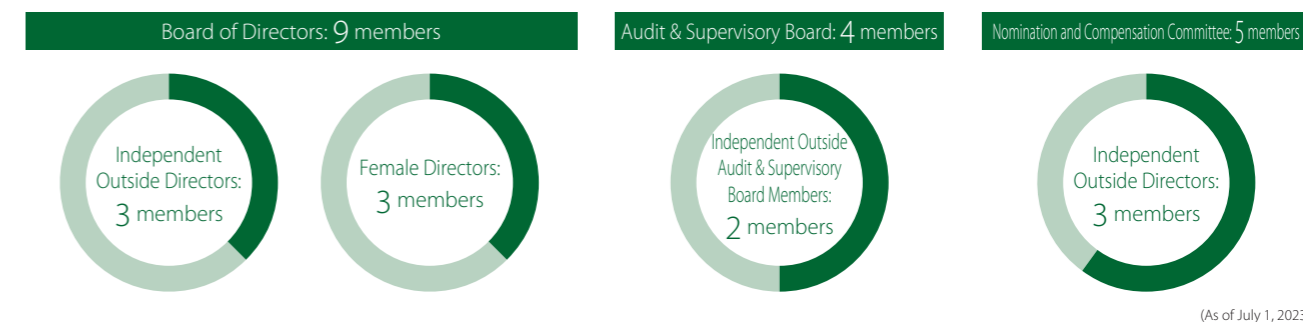
Election of Officers

Regarding the appointment of Directors and Audit & Supervisory Board Members, following deliberation by the Nomination and Compensation Committee, a non-compulsory advisory body to the Board of Directors, candidates for Director are decided upon by resolution of the Board of Directors, and candidates for Audit & Supervisory Board Member are decided upon by resolution of the Board of Directors after obtaining the consent of the Audit & Supervisory Board, and each is appointed at the general meeting of shareholders.

Term of Office of Directors

The term of office of Directors is set at one year in order to further invigorate the Board of Directors and to flexibly build an optimal management structure that can respond to changes in the business environment.

Composition and Functions



(As of July 1, 2023)

● Board of Directors

The Board of Directors, consisting of nine Directors (including three Outside Directors), makes decisions on basic policies and important matters concerning the execution of business operations, and the Directors monitor and supervise each other.

● Executive Committee

The Executive Committee is vested with authority from the Board of Directors and promptly makes decisions on important matters pertaining to day-to-day business management.

● Nomination and Compensation Committee

The Nomination and Compensation Committee is consulted by the Board of Directors when it makes decisions on important matters regarding the nomination and compensation of officers, and the committee reports its opinions on those matters to the Board of Directors. This process helps to ensure managerial transparency and procedural adequacy. The Committee is chaired by an Outside Director.

● Audit & Supervisory Board

The Audit & Supervisory Board consists of four Members (including two Outside Members), and implements appropriate auditing in accordance with auditing policies and plans approved by the Audit & Supervisory Board.

Business Execution

The Board of Directors makes decisions on basic policies and important matters concerning the execution of business operations, and the Executive Committee, which has been delegated authority from the Board of Directors, makes decisions on important matters in daily business operations to speed up and improve the efficiency of decision-making.

Based on these decisions, in addition to the execution of the business from the Representative Director down, the Bank has introduced an executive officer system to strengthen management execution capabilities.

Internal Auditing

Operating Structure of Internal Auditing

To audit the status of business execution, the Internal Audit Division has been established as an organization that reports directly to the Board of Directors, and conducts internal audits and continuously works to improve audit quality. With the aim of ensuring the appropriateness of business operations and the soundness of assets, the Internal Audit Division evaluates the effectiveness and efficiency of operations via internal audits based on the Audit Regulations decided by the Board of Directors and the Audit Implementation Guidelines decided by the Executive Committee, and not only identifies areas for improvement but also makes recommendations for resolving problems. The results, etc. of audits are reported directly by the General Manager of the Internal Audit Division to the Board of Directors, etc., and written reports are submitted directly to the President.

Initiatives to Improve the Sophistication and Efficiency of Internal Audits

The Bank has introduced auditing methods in accordance with the standards of the Institute of Internal Auditors Japan and conducts risk-based audits. In order to conduct effective and efficient internal audits, the Bank also incorporates monitoring of the Bank and its Group companies by obtaining internal control documents. 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.

List of Executive Officers

Name	Nobuhiro Doi	Mikiya Yasui	Hiroyuki Hata	Minako Okuno	Kanji Habuchi	Etsuji Motomasa	Junko Otagiri	Chiho Oyabu	Eiji Ueki	Hiroyuki Ando	Minoru Wada	Hiroyuki Nakatsukasa	Motoko Tanaka
Role	Chairman (Representative Director)/ Nomination and Compensation Committee Member	President (Representative Director)/ Nomination and Compensation Committee Member	Senior Managing Director	Director	Director	Director	Director (external)/Nomination and Compensation Committee Member	Director (external)/Nomination and Compensation Committee Member	Director (external)/Nomination and Compensation Committee Member	Standing Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member (external)	Audit & Supervisory Board Member (external)
Significant concurrent positions outside the Bank	—	—	—	—	—	—	—	—	Representative Director and President, NTT Data Financial Technology Corporation Director, NTT Data Force Corporation	—	—	Outside Director of Maruka Furusato Corporation	Outside Director, The Kansai Electric Power Company, Incorporated
Career summary	Apr. 1980 Joined the Bank June 2006 General Manager, Personnel Division June 2007 Director, General Manager, Personnel Division June 2008 Managing Director June 2010 Managing Director General Manager, Head Office Business Department June 2012 Managing Director June 2015 President June 2023 Chairman (present position)	Apr. 1987 Joined the Bank Apr. 2011 General Manager, General Secretariat Nov. 2014 General Manager, Personnel Division June 2015 Executive Officer, General Manager, Personnel Division June 2017 Director June 2018 Managing Director, General Manager, Head Office Business Department June 2021 Managing Director June 2023 President (present position)	Apr. 1987 Joined the Bank June 2010 General Manager, Personnel Division June 2012 General Manager, Kujo Branch June 2015 Executive Officer, General Manager, Compliance Management Division and Customer Service Office, Compliance Management Division June 2016 Executive Officer, General Manager, Risk Management Division Feb. 2017 Executive Officer, General Manager, Productivity Innovation Headquarters Secretariat June 2018 Director, General Manager, Productivity Innovation Headquarters Secretariat June 2019 Managing Director June 2023 Senior Managing Director (present position)	Apr. 1989 Joined the Bank June 2009 General Manager, Takatsuki Minami Branch June 2011 General Manager, Nishinanajo Branch June 2013 General Manager, Kyoto Banking College June 2018 General Manager, Public & Regional Affairs Division June 2019 Executive Officer, General Manager, Public & Regional Affairs Division June 2022 Director (present position)	Apr. 1993 Joined the Bank June 2015 General Manager, Shimogamo Branch June 2017 General Manager, Human Resources and General Affairs Division June 2021 Executive Officer, General Manager, Human Resources and General Affairs Division June 2023 Director (present position)	Apr. 1993 Joined the Bank Aug. 2013 General Manager, Seikacho Branch June 2016 General Manager, Corporate Communications Division June 2017 General Manager, Corporate Planning Division, and General Manager, Corporate Communications and Research Office of Corporate Planning Division Apr. 2020 General Manager, Corporate Planning Division June 2021 Executive Officer, General Manager, Corporate Planning Division June 2023 Director, General Manager, Corporate Planning Division (present position)	Apr. 1979 Research Associate, Junior College of Economics, Shiga University Apr. 1980 Lecturer, Junior College of Economics, Shiga University Apr. 1987 Assistant Professor, Junior College of Economics, Shiga University Apr. 1993 Assistant Professor, Faculty of Economics, Shiga University Apr. 1998 Professor, Faculty of Economics, Shiga University June 2017 Director, the Bank (present position) Apr. 2018 Professor Emeritus, Shiga University (present position)	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 Director, the Bank (present position) Apr. 2021 Vice President, Gifu University, Tokai National Higher Education and Research System (present position)	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 Director, the Bank (present position) Apr. 2022 Representative Director and President, NTT Data Financial Technology Corporation (present position) June 2022 Director, NTT Data Force Corporation (present position)	Apr. 1985 Joined the Bank June 2012 General Manager, Administrative Division June 2015 Executive Officer, General Manager, Administrative Division June 2016 Executive Officer, General Manager, General Affairs Division June 2017 Executive Officer, General Manager, General Secretariat June 2021 Executive Officer June 2021 Audit & Supervisory Board Member June 2023 Standing Audit & Supervisory Board Member (present position)	Apr. 1987 Joined the Bank Apr. 2005 General Manager, Yamazaki Branch June 2008 General Manager, Shichijo Branch Apr. 2011 General Manager, Head Office Business Department second section June 2016 Executive Officer, General Manager, Credit Examination Division June 2019 Managing Executive Officer June 2023 Audit & Supervisory Board Member (present position)	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 Audit & Supervisory Board Member, the Bank (present position) Oct. 2021 Outside Director, Maruka Furusato Corporation (present position)	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) Nov. 2020 Guest Lawyer, Katayama and Hirazumi Law Office (present position) June 2021 Audit & Supervisory Board Member, the Bank (present position) June 2023 Outside Director, The Kansai Electric Power Company, Incorporated (present position)
Date of appointment as Director	June 2007	June 2017	June 2018	June 2022	June 2023	June 2023	June 2017	June 2020	June 2021	—	—	—	—
Number of shares held	11,614	6,502	7,182	4,200	1,588	2,346	2,000	0	100	4,800	2,507	0	100
Attendance at Board of Directors meetings (Year ended March 31, 2023)	14/14	14/14	14/14	11/11	—	—	14/14	14/14	14/14	14/14	—	14/14	14/14
Skills possessed/diversity													
Corporate management and organizational operation	●	●	●	●	●	●			●	●	●	●	
Risk management	●	●	●	●	●	●			●	●	●	●	●
Finance and accounting/Economy	●	●	●	●	●	●	●	●		●	●	●	
DX/IT/Systems		●	●						●	●			
Human resources/Diversity	●	●	●	●	●	●		●	●				●
Regional development	●	●	●	●	●	●	●			●	●		
Market management and investment business	●	●	●	●		●					●		

Executive Officers

Managing Executive Officer	Hiroshi Nishimura	Managing Executive Officer (General Manager, Head Office Business Department)	Kenji Hashi	Managing Executive Officer (General Manager, Tokyo Business Department)	Hiroyuki Tsuji	Managing Executive Officer (General Manager, Osaka Business Department, General Manager, Namba Branch)	Takashi Kawasaki	Managing Executive Officer	Motoyoshi Tanaka	Managing Executive Officer	Kenichi Uegaki	Executive Officer (General Manager, Internal Audit Division)	Hisamitsu Ito
Executive Officer (General Manager, Risk Management Division, General Manager, Customer Service Office, Risk Management Division)	Hiroyuki Shikata	Executive Officer (President, Kyogin Securities Co., Ltd.)	Takanori Nakajima	Executive Officer (General Manager, Market Finance Division)	Shintaro Morimoto	Executive Officer (General Manager, Business Headquarters)	Takashi Kawakatsu	Executive Officer (General Manager, Nagoya Branch)	Hirofumi Yamamoto	Executive Officer (General Manager, Fukuchiyama Branch, General Manager, Osadano Sub-Branch, General Manager, Fukuchiyama Ekinan Branch)	Yuki Hata	Executive Officer (General Manager, Sanjo Branch)	Kazuo Asada

Message from the Chair of the Nomination and Compensation Committee



As a consultation body to the Board of Directors, the Nomination and Compensation Committee deliberates and reports to the Board of Directors on matters related to the nomination of director candidates and the compensation system.

The Nomination and Compensation Committee also deliberated on the change of President that has occurred on this occasion.

Mikiya Yasui has a wealth of experience and accomplishments in a wide range of divisions as a Director, and through discussions and debates at Board of Directors meetings, etc., we felt that he has an excellent sense of balance and a strong commitment to local customers and the Bank of Kyoto.

The Nomination and Compensation Committee was of the same opinion and reported to the Board of Directors that he has sufficient aptitude, qualifications, experience, and skills as a leader, and that the new structure is expected to strengthen the management structure even further.

We expect that he will be able to lead the Bank of Kyoto to sustainable growth as the leader of a regional financial institution.

Junko Otagiri, Chair of the Nomination and Compensation Committee

Executive Compensation

Policy on Remuneration, etc.

Directors' remuneration consists of base compensation, which is paid monthly in accordance with the role and responsibility, an executive bonus, which is paid in accordance with the contribution to the Bank's performance in a single fiscal year, and restricted stock compensation, which is intended to motivate the Directors to increase corporate value and raise their awareness of shareholder-oriented management.

The upper limit of each type of compensation is set in accordance with the resolution of the 103rd Ordinary General Meeting of Shareholders held in June 2006 and the 118th Ordinary General Meeting of Shareholders held in June 2021, and the distribution of each type of compensation is delegated to the Representative Directors to decide the specific details in accordance with the resolution of the Board of Directors.

Upper Limit of Each Type of Compensation

Type of compensation	Upper limit
Fixed-amount compensation (base compensation, executive bonus)	¥600 million per year
Annual amount of restricted stock compensation	¥150 million and 27,000 shares

In order to ensure that such authority is properly exercised, the delegated Representative Directors shall consult with the Nomination and Compensation Committee for a draft proposal and obtain its report, and the decisions are made in accordance with the contents of the report.

Outside Officers' Meeting

In January 2022, the Bank established the Outside Officers' Meeting in which only Outside Directors and Audit & Supervisory Board Members participate and exchange opinions. In FY2022, four meetings were held on such topics as "the transition to a holding company structure," "the next Medium-Term Management Plan," and "initiatives to deepen understanding of banking activities." A system is in place for the outside officers, who are responsible for providing management advice and checks and balances within the Board of Directors from an independent and objective standpoint, to build mutual trust and share their understanding regarding management strategies and other matters.

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Institutional design, etc.	December Establishment of the Nomination and Compensation Committee		October Change of stock unit (from 1,000 shares to 100 shares)				January Establishment of the Sustainability Management Promotion Committee	April Transfer to the TSE Prime Market	
Board of Directors		June Commencement of Board of Directors effectiveness assessment	June Appointment of a female Outside Director			June Achievement of an Outside Director ratio of at least 1/3	June Appointment of an Outside Director with management experience	June Appointment of a female internal Director	
Audit & Supervisory Board		April 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		
Other	June Compliance with all items of the Corporate Governance Code	February Development of voting criteria for strategic equity holdings		December 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%)

Management Debate — Holding Company Structure Transition Headquarters Council

Regarding the transition to a holding company structure scheduled for October 2023, following consideration from various angles, the Board of Directors resolved and publicly announced the decision to proceed with a formal study in October 2022.

After the public announcement, a Holding Company Structure Transition Headquarters Council was established to discuss in detail how to realize the goals 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," which are aimed to be achieved through the transition to a holding company structure.

The presidents of the Group companies as well as the Bank's officers participate at the Transition Headquarters Council and are working to ensure that the transition to a holding company structure will be effective by having repeated discussions on "what kind of image we want to achieve in 5 years, 10 years, and beyond," and "specific policies to achieve this image," etc.

[Main Agenda Items]

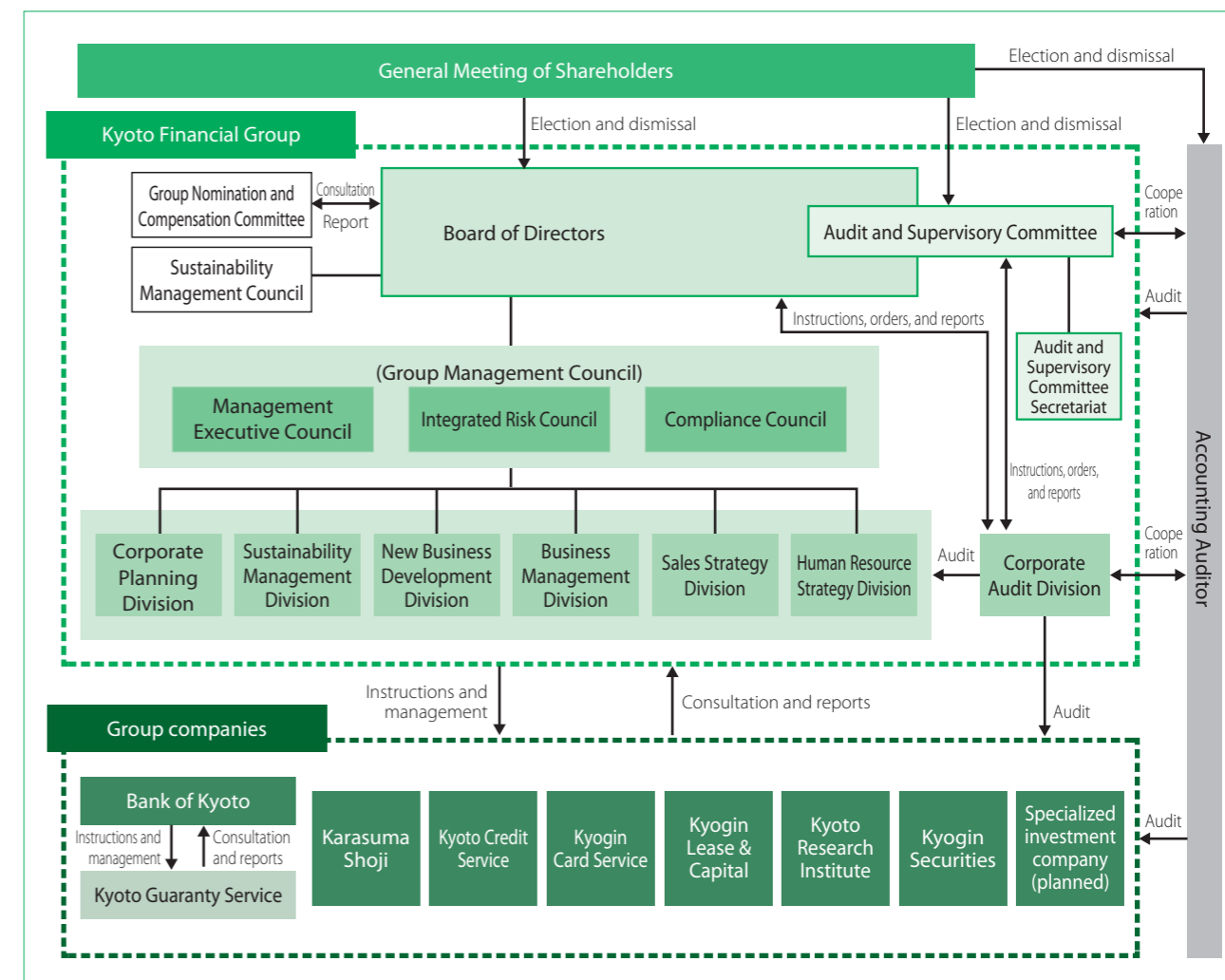
- Governance structure after transition to the holding company structure
 - Long-term vision for each Group company
 - Establishment of a specialist investment subsidiary
- etc.



Governance Structure after Transition to the Holding Company Structure

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

Corporate Governance Structure



Risk Management

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 Bank has designated risk management as a crucial management issue and is taking all possible measures to address the issue in order to maintain the safety and soundness of our operations and secure stable earnings.

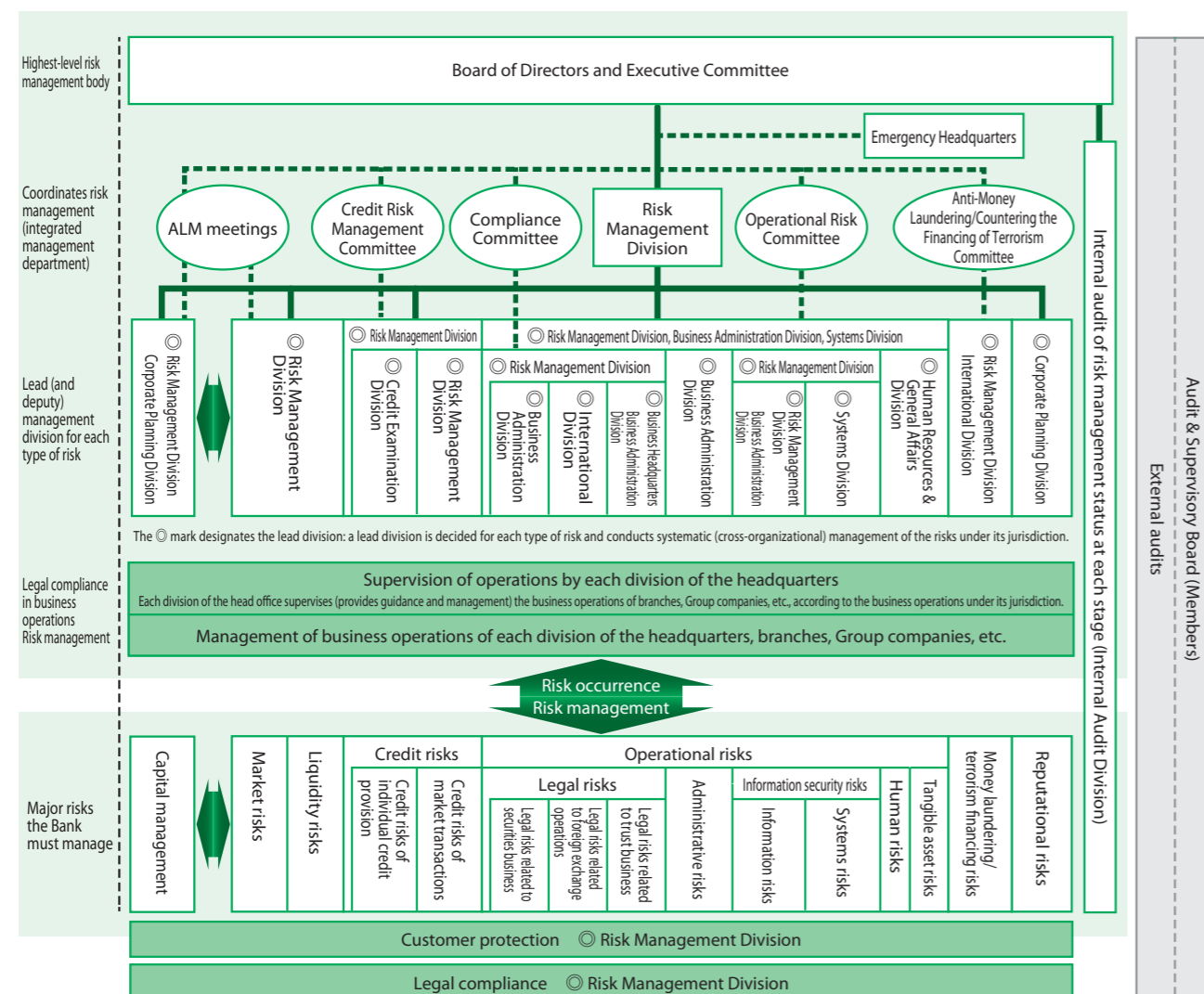
Integrated Risk Management

We have established a set of Comprehensive Risk Management Guidelines and maintained a self-managed risk management framework for comparing and contrasting aggregate risk to the Bank's capital, with the aims of completely and accurately identifying all risks inherent in conducting operations and ensuring safety and soundness of the Bank's management base.

We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our headquarters that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify principal risks (credit risk, market risk, and operational risk) and allocate capital to them. As regards the amount of risk, the amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. The estimated risk amount is reported to the management at the monthly ALM meetings. In addition, we conduct comprehensive stress tests assuming the simultaneous appearance of various risks based on comprehensive risk scenarios.

The Bank's Risk Management System



(As of July 1, 2023)

(Note) Regarding the details of major risks, please refer to p. 12 onwards of the Documentation section (in Japanese only) on the Bank's website.

Business Continuity System and Cyber Security

Basic Policy for Business Continuity

The following policy has been established to ensure the prompt restoration of operations in the event of a crisis that threatens the continuity of the Bank's operations due to large-scale damage caused by natural disaster, the spread of infectious disease, accident, human-caused disaster, etc.

- We will strive to continue our financial services in order to maintain the livelihoods and economic activities of local residents in the affected areas.
- We will strive to maintain our financial settlements function and limit disruptions to economic activity.
- We will ensure the safety of our executives and employees and mitigate the impact on the Bank's operations, such as loss of customer confidence resulting from the suspension of business operations.

Crisis Management System in the Event of a Disaster

During normal times, we have established a business continuity program as an annual plan to review and improve the crisis management system based on the BCP, and are working to improve the system.

In the event of a crisis such as a natural disaster or the spread of an infectious disease, the Emergency Headquarters will be put in place to provide centralized directions and orders, and we will aim to restore operations as soon as possible based on the Business Continuity Manual, Business Continuity Procedures and Contingency Plans prepared for each disaster scenario.

Cyber Security

The Bank is committed to improving cyber security by working with internal and external organizations and experts to detect, resolve, limit the damage of, and prevent the occurrence of computer security incidents.

Specifically, based on the Information Security Policy, we have established Systems Risk Management Regulations and Cyber Security Response Regulations to appropriately manage risks related to cyber attacks and establish a framework for cyber security response. In order to respond to the threat of cyber attacks, which are becoming more sophisticated and ingenious every day, we have established a Cyber Security Response Office within the Systems Division to collect and understand information on cyber attack trends and vulnerabilities, and to respond to cyber attack incidents (detection, resolution, damage limitation, countermeasures, etc.) in a unified manner.

In addition, we conduct periodic drills that assume a cyber-attack and are working to improve the effectiveness of the system. For our Internet-based services provided to customers, we have implemented measures to prevent unauthorized access and service interruption attacks, as well as measures to prevent unauthorized use of Internet banking services.

Example

Initiative That Utilizes External Evaluations

In our cyber security initiatives to provide a comfortable working environment that allows maximum performance, in addition to self-assessments based on materials from the Financial Services Agency until now, we also conduct objective and bird's-eye view evaluations that utilize the Secure SketCH automatic diagnostics function provided by NRI SecureTechnologies, Ltd. (in conjunction with SecurityScorecard's risk ratings). At present, we have received the highest rating on a five-point scale, which is a higher rating than the average for our industry, but we will work to resolve the issues discovered and upgrade our information security in the future in response to changes in risk conditions.

Results of Secure SketCH Evaluation (excerpt)



Compliance System

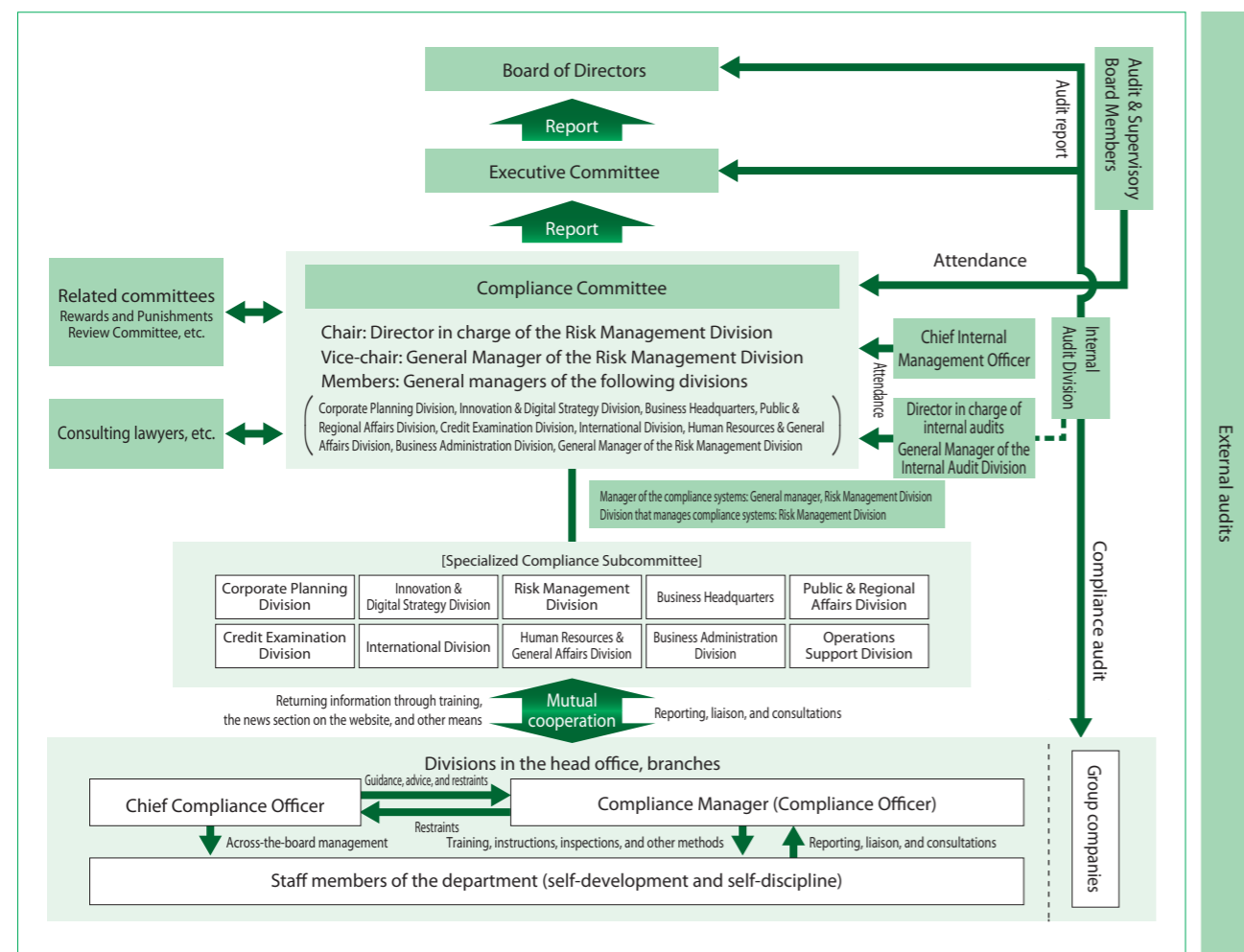
Basic Approach

Given the public nature of banks, compliance will always be the cornerstone of management. The Bank 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 “the Bank of Kyoto, an attractive bank 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 executives and employees.

Establishment and Appropriate Operation of the Compliance System

We have been strengthening our compliance structures by having the Compliance Committee (chaired by the Director in charge of the Risk Management Division) centrally manage and respond to compliance-related problems. In order to ensure compliance, the Bank has established Our Business Ethics and Standards of Conduct and endeavors to make these principles known to all employees. The Board of Directors establishes compliance programs every fiscal year and enforces a variety of policies in accordance with these programs. The Bank 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 Bank 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 Bank 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 Bank has designated an external contact point and auditors as reporting channels, in addition to an internal contact point. Furthermore, by taking steps such as making multiple means of reporting available, the Bank has worked to encourage the use of the whistleblowing system. The Bank strives to operate the system appropriately by informing employees of the purpose of the system and the results of its use.

Compliance Structure of the Group



(As of July 1, 2023)

System for Anti-Money Laundering, etc.

Basic Approach

In recent years, there have been mounting calls worldwide regarding Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), particularly amid ongoing globalization. The Bank has acknowledged AML/CFT as a critical management issue for ensuring business adequacy, and is strengthening related systems.

Initiatives

As a basic policy for AML/CFT, the Bank has established its Anti-Money Laundering/Countering the Financing of Terrorism Policy, and is raising the sophistication of related systems. Specifically, the Bank regularly holds meetings of the Anti-Money Laundering/Countering the Financing of Terrorism Committee, which discuss matters such as AML/CFT 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, the Bank has designated its Risk Management Division as the organization in charge of AML/CFT measures, and the division is working closely with other divisions to implement measures tailored to risks. In addition, the Bank makes every effort to block relationships with anti-social forces through a system developed based on its Basic Stance on Anti-Social Forces.

Policies, Procedures, and Approaches

Our 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 of “serving the prosperity of the community.”

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

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

The Bank of Kyoto Group establishes the governance structure and sets the following policies, procedures and approaches in order to comply with all legal and regulatory requirements and obligations to implement appropriate Anti-Money Laundering / Countering the Financing of Terrorism / Countering Proliferation Financing (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
9. Monitoring and Testing			

Basic Stance on Anti-Social Forces

The Bank 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	

Consolidated Balance Sheet

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries As of March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
ASSETS:			
Cash and due from banks (Notes 4 and 26)	¥ 1,201,115	¥ 2,703,179	\$ 8,995,097
Call loans and bills bought (Note 26)	416,033	146,020	3,115,653
Monetary claims bought	15,342	14,059	114,902
Trading securities	222	252	1,663
Money held in trust (Note 6)	13,305	13,087	99,645
Securities (Notes 5, 11, 16 and 26)	2,940,949	3,038,030	22,024,638
Loans and bills discounted (Notes 8, 12 and 26)	6,298,081	6,140,120	47,166,040
Foreign exchanges (Note 9)	7,758	9,998	58,101
Lease receivables and investment assets (Note 23)	12,641	12,585	94,673
Other assets (Notes 11 and 26)	72,893	72,420	545,897
Tangible fixed assets (Note 10)	75,753	77,083	567,313
Buildings	29,469	27,614	220,698
Land (Note 13)	43,616	43,257	326,641
Construction in progress	30	3,186	228
Other tangible fixed assets	2,636	3,024	19,744
Intangible fixed assets	2,701	2,774	20,229
Software	2,602	2,668	19,489
Other intangible fixed assets	98	106	740
Deferred tax assets (Note 25)	1,006	1,025	7,537
Customers' liabilities for acceptances and guarantees (Note 16)	17,174	16,574	128,619
Allowance for loan losses	(37,368)	(36,245)	(279,853)
TOTAL ASSETS	¥11,037,611	¥12,210,967	\$82,660,160
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 11, 14 and 26)	¥ 9,074,171	¥ 8,956,370	\$67,956,048
Call money and bills sold		105,273	
Payables under securities lending transactions (Notes 11 and 26)	392,501	474,585	2,939,424
Borrowed money (Notes 11 and 15)	254,090	1,212,046	1,902,868
Foreign exchanges (Note 9)	233	143	1,748
Borrowed money from trust account	4,174	4,533	31,264
Other liabilities (Note 26)	76,925	75,887	576,091
Liability for employees' retirement benefits (Note 24)	27,683	27,870	207,318
Liability for reimbursement of deposit losses	219	302	1,640
Liability for contingent losses	578	700	4,332
Reserves under special laws	0	0	3
Deferred tax liabilities (Note 25)	197,273	246,316	1,477,369
Deferred tax liabilities for land revaluation (Note 13)	208	46	1,564
Acceptances and guarantees (Note 16)	17,174	16,574	128,619
Total liabilities	10,045,233	11,120,650	75,228,292
EQUITY (Notes 17, 18 and 30):			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2023 and 2022	42,103	42,103	315,312
Capital surplus	34,158	34,171	255,811
Stock acquisition rights	264	316	1,977
Retained earnings	421,490	404,044	3,156,521
Treasury stock – at cost, 1,495 thousand shares in 2023 and 664 thousand shares in 2022	(8,521)	(3,645)	(63,814)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 7)	501,966	613,274	3,759,206
Deferred gains (losses) on derivatives under hedge accounting	227	(367)	1,700
Land revaluation surplus (Note 13)	473	104	3,544
Defined retirement benefit plans	(2,533)	(2,191)	(18,969)
Total	989,629	1,087,810	7,411,290
Noncontrolling interests	2,747	2,506	20,576
Total equity	992,377	1,090,316	7,431,867
TOTAL LIABILITIES AND EQUITY	¥11,037,611	¥12,210,967	\$82,660,160

See notes to consolidated financial statements.

Financial Section and Corporate Profile

Financial Section

- 56 Consolidated Balance Sheet
- 57 Consolidated Statement of Income
- 57 Consolidated Statement of Comprehensive Income
- 58 Consolidated Statement of Changes in Equity
- 59 Consolidated Statement of Cash Flows
- 60 Notes to Consolidated Financial Statements
- 84 Non-Consolidated Balance Sheet (Unaudited)
- 85 Non-Consolidated Statement of Income (Unaudited)

Corporate Profile

- 86 The Bank's Organization
- 86 International Service Network
- 86 Consolidated Subsidiaries

Consolidated Statement of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 47,550	¥ 44,122	\$356,105
Interest and dividends on securities	34,001	34,160	254,637
Other interest income	4,464	3,589	33,430
Trust fees	8	11	67
Fees and commissions	21,557	20,482	161,441
Other operating income (Note 19)	12,611	22,963	94,449
Other income (Note 20)	4,438	2,144	33,241
Total income	124,633	127,475	933,372
EXPENSES:			
Interest expenses:			
Interest on deposits	6,034	1,181	45,189
Interest on borrowed money	189	53	1,419
Other interest expenses	1,176	1,589	8,812
Fees and commissions	6,087	6,223	45,591
Other operating expenses (Note 21)	13,144	20,626	98,440
General and administrative expenses	56,159	55,750	420,574
Other expenses (Note 22)	4,064	13,610	30,439
Total expenses	86,857	99,035	650,468
INCOME BEFORE INCOME TAXES	37,776	28,440	282,904
INCOME TAXES (Note 25):			
Current	10,169	9,644	76,156
Deferred	247	(1,986)	1,853
NET INCOME	27,359	20,782	204,894
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	146	160	1,096
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 27,213	¥ 20,621	\$203,798

	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE INFORMATION (Notes 2, r and 30):			
Basic net income	¥362.81	¥272.82	\$2.71
Diluted net income	362.51	272.55	2.71
Cash dividends applicable to the year	140.00	100.00	1.04

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥ 27,359	¥ 20,782	\$ 204,894
OTHER COMPREHENSIVE INCOME (LOSS) (Note 28)	(110,955)	(91,294)	(830,943)
Unrealized losses on available-for-sale securities	(111,209)	(98,744)	(832,839)
Deferred gains on derivatives under hedge accounting	594	7,380	4,451
Defined retirement benefit plans	(341)	69	(2,555)
COMPREHENSIVE LOSS	¥ (83,596)	¥(70,512)	\$(626,048)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (83,841)	¥(70,577)	\$(627,882)
Noncontrolling interests	244	64	1,833

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2023

	Thousands						Millions of Yen						
	Outstanding of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE AT APRIL 1, 2021	75,606	¥42,103	¥34,190	¥356	¥388,575	¥(1,279)	¥711,922	¥(7,747)	¥(132)	¥(2,261)	¥1,165,728	¥2,424	¥1,168,153
Net income attributable to owners of the parent					20,621						20,621		20,621
Cash dividends, ¥65.00 per share, including special dividends of ¥5.00 per share					(4,915)						(4,915)		(4,915)
Purchases of treasury stock	(455)					(2,505)					(2,505)		(2,505)
Disposals of treasury stock	25		(19)			140					120		120
Reversal of land revaluation surplus					(236)						(236)		(236)
Net change in the year				(40)			(98,647)	7,380	236	69	(91,001)	81	(90,920)
BALANCE AT MARCH 31, 2022	75,176	42,103	34,171	316	404,044	(3,645)	613,274	(367)	104	(2,191)	1,087,810	2,506	1,090,316
Net income attributable to owners of the parent					27,213						27,213		27,213
Cash dividends, ¥125.00 per share					(9,398)						(9,398)		(9,398)
Purchases of treasury stock	(854)					(5,003)					(5,003)		(5,003)
Disposals of treasury stock	23		(12)			127					114		114
Reversal of land revaluation surplus					(368)						(368)		(368)
Net change in the year				(52)			(111,307)	594	368	(341)	(110,737)	241	(110,496)
BALANCE AT MARCH 31, 2023	74,345	¥42,103	¥34,158	¥264	¥421,490	¥(8,521)	¥501,966	¥ 227	¥ 473	¥(2,533)	¥ 989,629	¥2,747	¥ 992,377

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE AT MARCH 31, 2022	\$315,312	\$255,907	\$2,369	\$3,025,868	\$(27,297)	\$4,592,782	\$(2,750)	\$783	\$(16,414)	\$8,146,562	\$18,768	\$8,165,330
Net income attributable to owners of the parent				203,798						203,798		203,798
Cash dividends, \$0.93 per share				(70,384)						(70,384)		(70,384)
Purchases of treasury stock					(37,468)					(37,468)		(37,468)
Disposals of treasury stock		(96)			951					855		855
Reversal of land revaluation surplus				(2,760)						(2,760)		(2,760)
Net change in the year			(392)			(833,576)	4,451	2,760	(2,555)	(829,311)	1,808	(827,503)
BALANCE AT MARCH 31, 2023	\$315,312	\$255,811	\$1,977	\$3,156,521	\$(63,814)	\$3,759,206	\$ 1,700	\$3,544	\$(18,969)	\$7,411,290	\$20,576	\$7,431,867

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 37,776	¥ 28,440	\$ 282,904
Depreciation	3,216	3,267	24,091
Losses on impairment of long-lived assets	76	266	569
Equity in earnings of an affiliated company	(1)	(17)	(14)
Increase in allowance for loan losses	1,123	7,536	8,411
Decrease in liability for employees' retirement benefits	(679)	(677)	(5,086)
Decrease in liability for reimbursement of deposit losses	(83)	(110)	(621)
Decrease in liability for contingent losses	(121)	(219)	(909)
Interest income	(86,016)	(81,873)	(644,173)
Interest expense	7,400	2,824	55,421
Losses (gains) on securities	2,068	(14,744)	15,489
(Gains) losses on money held in trust	(218)	4	(1,637)
Foreign exchange gains	(6,414)	(9,823)	(48,034)
Losses on sales of fixed assets	324	468	2,433
Net decrease (increase) in trading securities	30	(77)	227
Net increase in loans	(157,961)	(80,652)	(1,182,964)
Net increase in deposits	57,155	321,188	428,031
Net increase (decrease) in negotiable certificates of deposit	60,645	(52,780)	454,171
Net (decrease) increase in borrowed money (excluding subordinated loans)	(957,956)	103,410	(7,174,093)
Net decrease in due from banks (excluding due from Bank of Japan)	8,467	2,142	63,414
Net (increase) decrease in call loans and bills bought	(271,295)	47,803	(2,031,721)
Net decrease in call money	(105,273)	(353,726)	(788,387)
Net (decrease) increase in payables under securities lending transactions	(82,083)	45,272	(614,722)
Net decrease (increase) in foreign exchanges (assets)	2,239	(3,011)	16,774
Net increase (decrease) in foreign exchanges (liabilities)	90	(19)	677
Net (increase) decrease in lease receivables and investment assets	(56)	188	(421)
Net (decrease) increase in borrowed money from trust account	(359)	363	(2,689)
Interest and dividends received (cash basis)	86,261	83,235	646,009
Interest paid (cash basis)	(6,661)	(2,899)	(49,887)
Other, net	4,297	3,307	32,185
Subtotal	(1,404,008)	49,087	(10,514,553)
Income taxes – paid	(10,121)	(9,292)	(75,796)
Net cash (used in) provided by operating activities	¥(1,414,129)	¥ 39,795	\$(10,590,350)
INVESTING ACTIVITIES:			
Purchases of securities	¥ (863,499)	¥ (394,388)	\$ (6,466,708)
Proceeds from sales of securities	507,100	145,871	3,797,652
Proceeds from redemption of securities	293,686	319,663	2,199,407
Purchases of tangible fixed assets	(1,673)	(3,770)	(12,535)
Proceeds from sales of tangible fixed assets	702	360	5,260
Purchases of intangible fixed assets	(1,032)	(1,171)	(7,731)
Payments for asset retirement obligations	(130)		(977)
Other, net	(215)	176	(1,614)
Net cash (used in) provided by investing activities	(65,062)	66,740	(487,247)
FINANCING ACTIVITIES:			
Purchases of treasury stock	(5,003)	(2,505)	(37,468)
Dividends paid by the Bank	(9,398)	(4,915)	(70,384)
Dividends paid by subsidiaries to noncontrolling shareholders	(3)	(3)	(24)
Net cash used in financing activities	(14,404)	(7,424)	(107,877)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,493,596)	99,112	(11,185,474)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,660,909	2,561,796	19,927,426
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	¥ 1,167,312	¥2,660,909	\$ 8,741,951

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Year Ended March 31, 2023

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank") 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 International Financial Reporting 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. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2023 and 2022 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 ¥133.53 to \$1, the approximate rate of exchange at March 31, 2023. 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, 2023 include the accounts of the Bank and its 7 significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Bank, 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.

Investments in 1 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 Bank's

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 Bank’s self-assessment system. 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 Bank’s standards for self-assessment of asset quality.
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” due to their uncertainties in developing the business recovery plan due to the impact of 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.

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. Certain 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.
- l. 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 years including dividends to be paid after the end of the year.

- s. Changes in Accounting Policies**
Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement
The Bank has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current consolidated fiscal year. The Bank prospectively applies the new accounting policies established by the Implementation Guidance in accordance with the transitional treatment set forth in paragraph 27-2 of the Implementation Guidance.
The effect of this accounting change is immaterial.
The Bank does not present notes on investment trusts pertaining to the previous fiscal year in the breakdown of financial instruments by level in the fair value hierarchy of the notes on “FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES” in accordance with paragraph 27-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Allowance for loan losses

(1) Allowance for loan losses at March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Allowance for loan losses	¥37,368	¥36,245	\$279,853

- (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 are deemed difficult to determine whether their business improvement plans will be formulated or not, 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, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Cash and due from banks	¥1,201,115	¥2,703,179	\$8,995,097
Due from banks, excluding due from Bank of Japan	(33,802)	(42,270)	(253,145)
Cash and cash equivalents	¥1,167,312	¥2,660,909	\$8,741,951

5. SECURITIES

Securities at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Japanese government bonds	¥ 478,681	¥ 420,757	\$ 3,584,819
Japanese local government bonds	707,251	662,040	5,296,575
Japanese corporate bonds	585,304	575,159	4,383,318
Japanese corporate stocks	923,960	1,052,024	6,919,497
Other securities	245,752	328,049	1,840,427
Total	¥2,940,949	¥3,038,030	\$22,024,638

Securities include investments in unconsolidated subsidiaries and an affiliated company, accounted for by the equity method or the cost method, of ¥5,439 million (\$40,734 thousand) and ¥2,896 million as of March 31, 2023 and 2022, respectively.

The securities placed under unsecured lending agreements are included in the above Japanese government bonds in the amount of ¥30,104 million (\$225,451 thousand) and ¥10,142 million for the years ended March 31, 2023 and 2022, respectively.

Held-to-maturity debt securities at March 31, 2023 and 2022 were as follows:

	Millions of Yen				
	2023				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	¥4,112	¥4,053	¥(58)	¥3	¥62
Japanese corporate bonds	1,001	1,003	1	1	
Japanese bonds – total	¥5,113	¥5,056	¥(56)	¥5	¥62

	Millions of Yen				
	2022				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	¥3,608	¥3,594	¥(14)	¥5	¥19
Japanese corporate bonds	1,003	1,005	2	2	
Japanese bonds – total	¥4,611	¥4,599	¥(11)	¥7	¥19

	Thousands of U.S. Dollars				
	2023				
	Carrying Amount	Fair Value	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese local government bonds	\$30,795	\$30,355	\$(440)	\$28	\$469
Japanese corporate bonds	7,498	7,512	14	14	
Japanese bonds – total	\$38,294	\$37,868	\$(426)	\$42	\$469

The cost and aggregate fair value of available-for-sale securities at March 31, 2023 and 2022 were as follows:

	Millions of Yen				
	2023				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	¥ 157,726	¥ 920,658	¥762,931	¥763,659	¥ 728
Japanese government bonds	492,753	478,681	(14,072)	827	14,899
Japanese local government bonds	711,829	703,139	(8,690)	667	9,358
Japanese corporate bonds	589,523	584,303	(5,219)	189	5,409
Japanese bonds – total	1,794,106	1,766,123	(27,982)	1,685	29,667
Foreign bonds	71,281	67,829	(3,451)	28	3,480
Other	160,343	150,038	(10,304)	1,156	11,460
Other – total	231,624	217,868	(13,756)	1,185	14,941
Total	¥2,183,457	¥2,904,650	¥721,193	¥766,529	¥45,336

	Millions of Yen				
	2022				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	¥ 159,505	¥1,048,680	¥889,175	¥890,731	¥ 1,556
Japanese government bonds	426,918	420,757	(6,161)	1,588	7,749
Japanese local government bonds	661,235	658,432	(2,802)	1,330	4,133
Japanese corporate bonds	575,442	574,156	(1,285)	862	2,147
Japanese bonds – total	1,663,596	1,653,345	(10,250)	3,780	14,030
Foreign bonds	125,306	120,556	(4,749)	49	4,799
Other	182,816	190,263	7,447	8,286	839
Other – total	308,122	310,820	2,697	8,336	5,638
Total	¥2,131,224	¥3,012,847	¥881,622	¥902,848	¥21,225

	Thousands of U.S. Dollars				
	2023				
	Cost	Carrying Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Japanese corporate stocks	\$ 1,181,208	\$ 6,894,767	\$5,713,559	\$5,719,013	\$ 5,453
Japanese government bonds	3,690,204	3,584,819	(105,385)	6,194	111,579
Japanese local government bonds	5,330,860	5,265,779	(65,081)	5,002	70,083
Japanese corporate bonds	4,414,912	4,375,820	(39,092)	1,422	40,514
Japanese bonds – total	13,435,978	13,226,420	(209,558)	12,619	222,177
Foreign bonds	533,820	507,970	(25,850)	216	26,066
Other	1,200,803	1,123,634	(77,169)	8,659	85,828
Other – total	1,734,623	1,631,604	(103,019)	8,875	111,894
Total	\$16,351,810	\$21,752,792	\$5,400,981	\$5,740,507	\$339,525

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2023 and 2022.

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

	Millions of Yen		
	2023		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	¥ 4,040	¥2,433	¥ 53
Debt securities	410,701	1,343	90
Other securities	92,276	2,702	8,265
Total	¥507,018	¥6,479	¥8,409

	Millions of Yen		
	2022		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	¥ 1,940	¥ 888	¥ 56
Debt securities	25,809	172	107
Other securities	117,755	15,193	1,063
Total	¥145,506	¥16,254	¥1,227

	Thousands of U.S. Dollars		
	2023		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities:			
Equity securities	\$ 30,262	\$18,221	\$ 398
Debt securities	3,075,722	10,065	677
Other securities	691,054	20,241	61,899
Total	\$3,797,039	\$48,527	\$62,975

The classification of securities has not changed for the years ended March 31, 2023 and 2022.

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 total losses on devaluation of available-for-sale securities (other than nonmarketable available-for-sale equity securities and investment in capital of partnership) amounted to ¥143 million (\$1,076 thousand) and ¥476 million, respectively, for the years ended March 31, 2023 and 2022.

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

- For securities issued by debtors classified as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.
- For securities issued by debtors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.
- 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	
	2023	2022
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	¥13,305	

	Millions of Yen	
	2022	2022
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	¥13,087	

	Thousands of U.S. Dollars	
	2023	2022
	Carrying Amount	Unrealized Gains (Losses) Included in Earnings
Money held in trust classified as trading	\$99,645	

(2) No money held in trust was classified as held-to-maturity at March 31, 2023 and 2022.

(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, 2023 and 2022.

7. NET UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Net unrealized gains on available-for-sale securities	¥ 721,193	¥ 881,622	\$ 5,400,981
Deferred tax liabilities	(218,933)	(268,154)	(1,639,583)
Other	(54)	(54)	(410)
Net unrealized gains on valuation (before adjustment)	502,204	613,413	3,760,987
Noncontrolling interests	(237)	(139)	(1,781)
Net unrealized gains on valuation	¥ 501,966	¥ 613,274	\$ 3,759,206

8. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Bills discounted	¥ 12,861	¥ 12,639	\$ 96,320
Loans on bills	19,755	35,500	147,948
Loans on deeds	5,728,826	5,571,182	42,902,920
Overdrafts	536,637	520,797	4,018,851
Total	¥6,298,081	¥6,140,120	\$47,166,040

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24. The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥13,402 million (\$100,369 thousand) and ¥13,324 million at March 31, 2023 and 2022, respectively.

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
	2023	2022	2023
Bankruptcy reorganization loans and similar loans	¥ 9,221	¥ 6,472	\$ 69,059
Doubtful loans	84,862	80,664	635,530
Past due loans (three months or more)			
Restructured loans	6,242	6,284	46,752
Total	¥100,326	¥93,421	\$751,342

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, 2023 and 2022 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Assets:			
Due from foreign correspondents	¥6,817	¥8,768	\$51,054
Foreign bills of exchange purchased	540	684	4,048
Foreign bills of exchange receivable	400	544	2,998
Total	¥7,758	¥9,998	\$58,101
Liabilities:			
Foreign bills of exchange sold	¥ 121	¥ 66	\$ 908
Accrued foreign bills of exchange	112	76	840
Total	¥ 233	¥ 143	\$ 1,748

10. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2023 and 2022, amounted to ¥82,450 million (\$617,469 thousand) and ¥83,370 million, respectively.

11. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Securities	¥655,745	¥1,092,687	\$4,910,846
Loans and bills discounted		606,821	

Collateralized liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deposits	¥ 34,718	¥ 52,267	\$ 260,005
Payables under securities lending transactions	392,501	474,585	2,939,424
Borrowed money	253,900	1,211,816	1,901,445

In addition, securities totaling ¥487,062 million (\$3,647,591 thousand) and ¥293,552 million at March 31, 2023 and 2022, respectively, were pledged as collateral for 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
	2023	2022	2023
Cash collateral paid for financial instruments	¥53,783	¥55,523	\$402,778
Surety deposits	1,476	1,509	11,056

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, 2023 and 2022, such commitments amounted to ¥1,679,127 million (\$12,574,908 thousand) and ¥1,664,276 million, respectively, of which ¥1,593,357 million (\$11,932,577 thousand) and ¥1,566,741 million, respectively, 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 the Group 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, the Group requests customers to pledge collateral, such as buildings, land, and securities, upon execution of the contracts, and takes 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, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current deposits	¥ 436,397	¥ 442,542	\$ 3,268,163
Ordinary deposits	5,477,784	5,335,501	41,022,877
Savings deposits	94,330	91,248	706,439
Deposits at notice	14,850	10,774	111,211
Time deposits	2,039,527	2,110,642	15,273,930
Other deposits	305,051	320,078	2,284,518
Subtotal	8,367,943	8,310,788	62,667,140
Negotiable certificates of deposit	706,227	645,582	5,288,907
Total	¥9,074,171	¥8,956,370	\$67,956,048

15. BORROWED MONEY

Borrowed money at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Borrowing from banks and other	¥254,090	¥1,212,046	\$1,902,868
Total	¥254,090	¥1,212,046	\$1,902,868

At March 31, 2023 and 2022, the weighted-average interest rates applicable to borrowed money were 0.00033% and 0.00718%, respectively.

Annual maturities of borrowed money at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥160,230	\$1,199,955
2025	30,020	224,818
2026	20	149
2027	63,820	477,945
2028		
2029 and thereafter		
Total	¥254,090	\$1,902,868

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 Bank'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 ¥59,766 million (\$447,589 thousand) and ¥55,451 million as of March 31, 2023 and 2022, respectively.

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.

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.

On October 1, 2017, the Bank implemented a one-for-five reverse stock split for each outstanding share.

18. STOCK OPTIONS

There were no stock-based compensation expenses for the year ended March 31, 2023. Stock-based compensation expenses for the year ended March 31, 2022 was ¥18 million.

The stock options outstanding as of March 31, 2023, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	12 directors and 6 executive officers of the Bank	17,420 shares	July 29, 2008	¥1 (\$0.01)	From July 30, 2008, to July 29, 2038
2009 Stock Option	12 directors and 5 executive officers of the Bank	22,380 shares	July 29, 2009	¥1 (\$0.01)	From July 30, 2009, to July 29, 2039
2010 Stock Option	12 directors and 7 executive officers of the Bank	28,740 shares	July 29, 2010	¥1 (\$0.01)	From July 30, 2010, to July 29, 2040
2011 Stock Option	12 directors and 8 executive officers of the Bank	29,960 shares	August 1, 2011	¥1 (\$0.01)	From August 2, 2011, to August 1, 2041
2012 Stock Option	13 directors and 10 executive officers of the Bank	32,960 shares	July 30, 2012	¥1 (\$0.01)	From July 31, 2012, to July 30, 2042
2013 Stock Option	13 directors and 8 executive officers of the Bank	28,880 shares	July 30, 2013	¥1 (\$0.01)	From July 31, 2013, to July 30, 2043
2014 Stock Option	13 directors and 10 executive officers of the Bank	24,880 shares	July 30, 2014	¥1 (\$0.01)	From July 31, 2014, to July 30, 2044
2015 Stock Option	10 directors and 14 executive officers of the Bank	15,020 shares	July 30, 2015	¥1 (\$0.01)	From July 31, 2015, to July 30, 2045
2016 Stock Option	9 directors and 14 executive officers of the Bank	31,680 shares	July 28, 2016	¥1 (\$0.01)	From July 29, 2016, to July 28, 2046
2017 Stock Option	8 directors and 11 executive officers of the Bank	15,900 shares	July 30, 2017	¥1 (\$0.01)	From July 31, 2017, to July 30, 2047
2018 Stock Option	9 directors and 10 executive officers of the Bank	17,520 shares	July 30, 2018	¥1 (\$0.01)	From July 31, 2018, to July 30, 2048
2019 Stock Option	7 directors and 10 executive officers of the Bank	21,220 shares	July 30, 2019	¥1 (\$0.01)	From July 31, 2019, to July 30, 2049
2020 Stock Option	6 directors and 14 executive officers of the Bank	20,740 shares	July 30, 2020	¥1 (\$0.01)	From July 31, 2020, to July 30, 2050

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

The stock option activity was as follows:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option
Year Ended March 31, 2022													
Non-vested													
March 31, 2021 – Outstanding													20,740
Granted													
Canceled													
Vested													20,740
March 31, 2022 – Outstanding													
Vested													
March 31, 2021 – Outstanding	1,020	1,320	1,560	1,600	3,460	3,220	3,260	5,060	12,220	8,900	10,400	16,060	
Vested													20,740
Exercised					880	840	680	940	2,220	1,560	1,740	2,300	2,710
Canceled													
March 31, 2022 – Outstanding	1,020	1,320	1,560	1,600	2,580	2,380	2,580	4,120	10,000	7,340	8,660	13,760	18,020

The number of stock options has been converted to the number of shares after the one-for-five reverse stock split implemented on October 1, 2017.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option	Stock Option
Year Ended March 31, 2023													
Non-vested													
March 31, 2022 – Outstanding													
Granted													
Canceled													
Vested													
March 31, 2023 – Outstanding													
Vested													
March 31, 2022 – Outstanding	1,020	1,320	1,560	1,600	2,580	2,380	2,580	4,120	10,000	7,340	8,660	13,760	18,020
Vested													
Exercised					880	840	680	700	1,700	1,240	1,420	2,300	2,720
Canceled													
March 31, 2023 – Outstanding	1,020	1,320	1,560	1,600	1,700	1,540	1,900	3,420	8,300	6,100	7,240	11,460	15,300
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					¥5,560 (\$41.64)	¥5,560 (\$41.64)	¥5,560 (\$41.64)	¥5,560 (\$41.64)	¥5,560 (\$41.64)	¥5,560 (\$41.64)	¥5,560 (\$41.64)	¥5,560 (\$41.64)	¥5,560 (\$41.64)
Fair value price at grant date	¥4,890 (\$36.62)	¥4,025 (\$30.14)	¥3,430 (\$25.69)	¥3,390 (\$25.39)	¥2,630 (\$19.70)	¥3,810 (\$28.53)	¥4,510 (\$33.78)	¥7,195 (\$53.88)	¥3,295 (\$24.68)	¥5,225 (\$39.13)	¥5,450 (\$40.81)	¥3,917 (\$29.33)	¥3,651 (\$27.34)

"Average stock price at exercise" and "Fair value price at grant date" have been converted to the price after the one-for-five reverse stock split implemented on October 1, 2017.

19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gains on foreign exchange transactions – net	¥ 2,410	¥ 1,334	\$18,052
Gains on trading securities	784	1,200	5,878
Gains on sales of bonds	3,534	14,939	26,467
Gains on financial derivatives	587		4,396
Lease receipts	4,806	4,793	35,996
Other	488	695	3,657
Total	¥12,611	¥22,963	\$94,449

20. OTHER INCOME

Other income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Recovery of loans previously charged off	¥ 1	¥ 1	\$ 11
Gains on sales of stocks and other securities	2,968	1,518	22,230
Gains on investments in money held in trust	218	7	1,637
Gains on sales of tangible fixed assets	299	53	2,243
Equity in earnings of an affiliated company	1	17	14
Other	948	545	7,104
Total	¥4,438	¥2,144	\$33,241

21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Losses on sales of bonds	¥ 8,370	¥ 1,167	\$62,689
Losses on devaluation of bonds	6		48
Losses on derivatives		14,484	
Lease costs	4,207	4,203	31,508
Other	559	770	4,193
Total	¥13,144	¥20,626	\$98,440

22. OTHER EXPENSES

Other expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Provision for allowance for loan losses	¥2,259	¥10,858	\$16,922
Charge-off claims	23	27	177
Losses on sales of stocks and other securities	53	60	398
Losses on devaluation of stocks and other securities	140	486	1,051
Losses on investments in money held in trust		12	
Losses on sales of tangible fixed assets	624	522	4,676
Losses on impairment of long-lived assets	76	266	569
Other	887	1,376	6,644
Total	¥4,064	¥13,610	\$30,439

23. LEASES

Lessee

The Group leases certain equipment.

The minimum rental commitments under noncancelable operating leases at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 149	¥ 154	\$ 1,119
Due after one year	1,328	1,437	9,951
Total	¥1,478	¥1,592	\$11,071

Lessor

The Group leases other assets.

The net leased investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gross leased investment assets	¥13,339	¥13,087	\$99,900
Estimated residual values	1	2	7
Unearned interest income	(1,198)	(1,099)	(8,978)
Leased investment assets	¥12,141	¥11,991	\$90,929

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
	2023			
2024	¥119	\$ 893	¥ 4,176	\$31,279
2025	101	758	3,296	24,690
2026	95	714	2,460	18,426
2027	188	1,408	1,667	12,484
2028	4	36	989	7,412
2029 and thereafter	7	54	748	5,606
Total	¥516	\$3,865	¥13,339	\$99,900

The minimum future rentals to be received under noncancelable operating leases at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 195	¥2	\$ 1,462
Due after one year	4,260	0	31,905
Total	¥4,455	¥3	\$33,368

24. 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. Certain 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 changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥58,569	¥57,637	\$438,627
Service cost	2,070	2,056	15,504
Interest cost	292	287	2,190
Actuarial losses	107	564	802
Benefits paid	(1,877)	(1,978)	(14,063)
Others	1	1	12
Balance at end of year	¥59,163	¥58,569	\$443,075

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

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥30,699	¥28,990	\$229,905
Expected return on plan assets	613	579	4,598
Actuarial (losses) gains	(1,031)	33	(7,727)
Contributions from the employer	2,650	2,592	19,850
Benefits paid	(1,453)	(1,498)	(10,881)
Others	1	1	12
Balance at end of year	¥31,480	¥30,699	\$235,757

(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, 2023 and 2022, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 47,091	¥ 46,874	\$ 352,666
Plan assets	(31,480)	(30,699)	(235,757)
	15,610	16,175	116,909
Unfunded defined benefit obligation	12,072	11,695	90,408
Net liability arising from defined benefit obligation	¥ 27,683	¥ 27,870	\$ 207,318

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for employees' retirement benefits	¥27,683	¥27,870	\$207,318
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥27,683	¥27,870	\$207,318

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥2,070	¥2,056	\$15,504
Interest cost	292	287	2,190
Expected return on plan assets	(613)	(579)	(4,598)
Recognized actuarial losses	647	631	4,847
Net periodic benefit costs	¥2,396	¥2,395	\$17,944

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) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial (losses) gains	¥(491)	¥99	\$(3,682)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial gains	¥3,650	¥3,159	\$27,341

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2023	2022
Debt investments	44%	49%
Equity investments	27	27
Cash and cash equivalents	14	9
Others	15	15
Total	100%	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 years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate	3.8%	3.8%

The amount to be paid to the Group's defined contribution pension plan was ¥353 million (\$2,650 thousand) and ¥350 million, respectively, for the years ended March 31, 2023 and 2022.

25. 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 30.6% for the years ended March 31, 2023 and 2022, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for loan losses	¥ 10,950	¥ 10,784	\$ 82,010
Liability for employees' retirement benefits	8,479	8,536	63,499
Devaluation of stocks and other securities	2,505	2,492	18,760
Deferred gains or losses on derivatives under hedge accounting		162	
Other	3,812	3,860	28,554
Less valuation allowance	(2,812)	(2,821)	(21,064)
Total	¥ 22,935	¥ 23,014	\$ 171,760
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥218,933	¥268,154	\$1,639,583
Other	268	150	2,008
Total	¥219,201	¥268,305	\$1,641,592
Net deferred tax assets	¥ 1,006	¥ 1,025	\$7,537
Net deferred tax liabilities	¥197,273	¥246,316	\$1,477,369

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, 2023, with the corresponding figures for 2022, was as follows:

	2023	2022
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.1	0.1
Income not taxable for income tax purposes	(3.6)	(4.4)
Per capita inhabitant tax	0.2	0.3
Increase in valuation allowance for deferred tax assets	0.0	0.0
Others	0.2	0.3
Actual effective tax rate	27.5%	26.9%

26. 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.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

(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 Bank enters into derivative financial instruments, such as interest rate swaps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2023. 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 Bank'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 Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives to actively meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

- ① 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.
- ② The hedge items are interest rate swaps and currency swaps. The hedged instruments are fixed-rate loans and currency-denominated available-for-sale securities.
- ③ The Bank assesses the hedge effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

The Bank 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 Risk Management Division's Credit Planning Office (the "Office") 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 Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly Credit Risk Management Committee.

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 Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments.

In managing credit to specific borrowers, the Bank has established a Credit Examination Division independent from business divisions to implement strict credit screening. Debtor's ratings are rigorously determined based on information including the debtor's financial condition, technical capabilities, and future viability by the Credit Examination Division. Comprehensive judgments of repayment ability are made considering the purpose of the loan and borrowers' repayment resources when application is made for borrowings. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Examination Division and works to keep the Bank's 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.

② Market risk management

The Bank is taking steps to strengthen market risk management, based on the Market Risk Management Guidelines. The Risk 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 Bank's capital to secure stable earnings.

To this end, the Risk 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 Bank 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 Bank sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's capital and net operating profit to achieve a balance between capital and profitability. The Bank regularly measures the fair value of securities under management appropriately and accurately and reports these to management.

For stocks, the Bank 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 Bank's Internal Audit Division.

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

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 Bank 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 Bank adopts the historical simulation method (at 6 months holding period and 99% confidence interval and 5 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 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2023 and 2022 was ¥42.2 billion (\$316 million) and ¥56.6 billion, respectively.

VaR by risk type at March 31, 2023 and 2022, was as follows:

	Billions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Interest rate fluctuation risk	¥19.2	¥18.9	\$143
Market price fluctuation risk (*)	22.9	37.6	171
Foreign currency fluctuation risk	0.1	0.1	0
Total	¥42.2	¥56.6	\$316

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

The Bank 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.

③ Liquidity risk management

The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank 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, Call money and bills sold 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 (b)).

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Held-to-maturity bonds	¥ 5,113	¥ 5,056	¥ (56)
Available-for-sale securities	2,904,650	2,904,650	
Loans and bills discounted	6,298,081		
Allowance for loan losses (*1)	(36,569)		
	6,261,512	6,260,508	(1,004)
Total	¥9,171,276	¥9,170,215	¥(1,060)
Deposits (other than negotiable certificates of deposit)	¥8,367,943	¥8,367,962	¥ 19
Negotiable certificates of deposit	706,227	706,226	(1)
Borrowed money	254,090	253,350	(739)
Total	¥9,328,261	¥9,327,540	¥ (720)
Derivatives (*2):			
Hedge accounting not applied	¥ 252	¥ 252	
Hedge accounting applied (*3)	112	112	
Total	¥ 364	¥ 364	

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Held-to-maturity bonds	¥ 4,611	¥ 4,599	¥ (11)
Available-for-sale securities	3,012,847	3,012,847	
Loans and bills discounted	6,140,120		
Allowance for loan losses (*1)	(35,472)		
	6,104,647	6,116,166	11,518
Total	¥ 9,122,106	¥ 9,133,613	¥11,506
Deposits (other than negotiable certificates of deposit)	¥ 8,310,788	¥ 8,310,815	¥ 27
Negotiable certificates of deposit	645,582	645,581	(0)
Borrowed money	1,212,046	1,212,069	22
Total	¥10,168,417	¥10,168,466	¥ 49

Total	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Derivatives (*2):			
Hedge accounting not applied	¥ (295)	¥ (295)	
Hedge accounting applied (*3)	(3,889)	(3,889)	
Total	¥ (4,185)	¥ (4,185)	

March 31, 2023	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Securities:			
Held-to-maturity bonds	\$ 38,294	\$ 37,868	\$ (426)
Available-for-sale securities	21,752,792	21,752,792	
Loans and bills discounted	47,166,040		
Allowance for loan losses (*1)	(273,864)		
	46,892,175	46,884,656	(7,519)
Total	\$68,683,262	\$68,675,317	\$(7,945)
Deposits (other than negotiable certificates of deposit)	\$62,667,140	\$62,667,285	\$ 145
Negotiable certificates of deposit	5,288,907	5,288,899	(8)
Borrowed money	1,902,868	1,897,332	(5,535)
Total	\$69,858,916	\$69,853,518	\$(5,398)
Derivatives (*2):			
Hedge accounting not applied	\$ 1,888	\$ 1,888	
Hedge accounting applied (*3)	842	842	
Total	\$ 2,730	\$ 2,730	

(*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 Bank 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) Although the discount rate used in calculation was changed due to the abolition of LIBOR, the impact on fair value fluctuation is negligible.

(b) 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
	2023	2022	2023
Nonmarketable available-for-sale equity securities (*1) (*2)	¥ 3,304	¥ 3,345	\$ 24,746
Investments in capital of partnership and others (*3)	27,881	17,226	208,805

(*1) Nonmarketable available-for-sale equity securities includes 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 ¥3 million (\$23 thousand) and ¥10 million were recorded for the years ended March 31, 2023 and 2022, respectively.
 (*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).

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

March 31, 2023	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	¥1,122,911					
Call loans and bills bought	416,033					
Securities:						
Held-to-maturity bonds	500	¥ 1,000	¥ 1,600	¥ 900		¥ 1,000
Available-for-sale	220,328	303,691	505,290	164,689	¥225,412	437,169
Loans and bills discounted (*)	1,213,182	1,133,112	1,025,235	713,245	727,453	1,383,384
Total	¥2,972,956	¥1,437,803	¥1,532,126	¥878,834	¥952,866	¥1,821,553

March 31, 2022	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	¥2,628,225					
Call loans and bills bought	146,020					
Securities:						
Held-to-maturity bonds	1,000	¥ 1,000	¥ 1,500			¥ 1,000
Available-for-sale	219,744	391,091	273,256	¥166,840	¥ 273,615	454,818
Loans and bills discounted (*)	1,223,680	1,054,241	978,260	690,755	728,978	1,368,291
Total	¥4,218,671	¥1,446,332	¥1,253,017	¥857,596	¥1,002,593	¥1,824,109

March 31, 2023	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	\$ 8,409,432					
Call loans and bills bought	3,115,653					
Securities:						
Held-to-maturity bonds	3,744	\$ 7,488	\$ 11,982	\$ 6,740		\$ 7,488
Available-for-sale	1,650,033	2,274,332	3,784,098	1,233,349	\$1,688,103	3,273,943
Loans and bills discounted (*)	9,085,470	8,485,824	7,677,944	5,341,460	5,447,867	10,360,099
Total	\$22,264,335	\$10,767,645	\$11,474,024	\$6,581,550	\$7,135,971	\$13,641,532

(*) At March 31, 2023 and 2022, 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 ¥93,195 million (\$697,935 thousand) and ¥86,327 million, respectively, were not included in the table. At March 31, 2023 and 2022, loans and bills discounted without fixed maturities of ¥9,272 million (\$69,437 thousand) and ¥9,586 million, respectively, were not included either.

(d) Maturity analysis of interest bearing liabilities

March 31, 2023	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) (*)	¥7,990,520	¥357,923	¥19,499			
Negotiable certificates of deposit	676,227	30,000				
Payables under securities lending transactions	392,501					
Borrowed money	160,230	30,040	63,820			
Total	¥9,219,479	¥417,963	¥83,319			

March 31, 2022	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) (*)	¥ 7,896,142	¥393,312	¥21,333			
Negotiable certificates of deposit	645,582					
Payables under securities lending transactions	474,585					
Borrowed money	1,181,956	30,050	40			
Total	¥10,198,266	¥423,362	¥21,373			

March 31, 2023	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) (*)	\$59,840,639	\$2,680,470	\$146,030			
Negotiable certificates of deposit	5,064,239	224,668				
Payables under securities lending transactions	2,939,424					
Borrowed money	1,199,955	224,968	477,945			
Total	\$69,044,258	\$3,130,107	\$623,975			

(*) 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: Fair value measured using quoted market prices in active markets for identical assets or liabilities.

Level 2 fair value: 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: 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, 2023	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	¥ 913,924	¥ 6,733		¥ 920,658
Japanese government bonds	478,681			478,681
Japanese local government bonds		703,139		703,139
Japanese corporate bonds		524,929	¥59,373	584,303
Others	1,914	215,953		217,868
Total	¥1,394,520	¥1,450,756	¥59,373	¥2,904,650
Derivatives:				
Interest rate		¥ 695		¥ 695
Currency		(331)		(331)
Total		¥ 364		¥ 364

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	¥1,046,162	¥ 2,518		¥1,048,680
Japanese government bonds	420,757			420,757
Japanese local government bonds		658,432		658,432
Japanese corporate bonds		519,088	¥55,068	574,156
Others (*)	22,380	98,182		120,563
Total	¥1,489,299	¥1,278,221	¥55,068	¥2,822,589
Derivatives:				
Interest rate		¥ (189)		¥ (189)
Currency		(3,995)		(3,995)
Total		¥ (4,185)		¥ (4,185)

March 31, 2023	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities:				
Stock	\$ 6,844,337	\$ 50,430		\$ 6,894,767
Japanese government bonds	3,584,819			3,584,819
Japanese local government bonds		5,265,779		5,265,779
Japanese corporate bonds		3,931,172	\$444,648	4,375,820
Others	14,340	1,617,264		1,631,604
Total	\$10,443,497	\$10,864,646	\$444,648	\$21,752,792
Derivatives:				
Interest rate		\$ 5,210		\$ 5,210
Currency		(2,479)		(2,479)
Total		\$ 2,730		\$ 2,730

(*) Investment trusts that apply the transitional treatment based on paragraph 26 of the "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the table above. The amount of such investment trusts in the consolidated balance sheet as of March 31, 2022 was ¥190,257 million.

b. Financial instruments other than those recorded on the consolidated balance sheet at fair value

March 31, 2023	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds				
Japanese corporate bonds		¥ 4,053		¥ 4,053
Japanese corporate bonds		1,003		1,003
Others				
Loans and bills discounted			¥6,260,508	6,260,508
Total		¥ 5,056	¥6,260,508	¥6,265,564
Due from banks		¥8,367,962		¥8,367,962
Negotiable certificates of deposit		706,226		706,226
Borrowed money		253,350		253,350
Total		¥9,327,540		¥9,327,540

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity bonds:				
Japanese government bonds				
Japanese local government bonds		¥ 3,594		¥ 3,594
Japanese corporate bonds		1,005		1,005
Others				
Loans and bills discounted			¥6,116,166	6,116,166
Total		¥ 4,599	¥6,116,166	¥ 6,120,765
Due from banks		¥ 8,310,815		¥ 8,310,815
Negotiable certificates of deposit		645,581		645,581
Borrowed money		1,212,069		1,212,069
Total		¥10,168,466		¥10,168,466

March 31, 2023	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities:				
Japanese government bonds				
Japanese local government bonds		\$ 30,355		\$ 30,355
Japanese corporate bonds		7,512		7,512
Others				
Loans and bills discounted			\$46,884,656	46,884,656
Total		\$ 37,868	\$46,884,656	\$46,922,524
Due from banks		\$62,667,285		\$62,667,285
Negotiable certificates of deposit		5,288,899		5,288,899
Borrowed money		1,897,332		1,897,332
Total		\$69,853,518		\$69,853,518

(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 Bank 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 reflect market interest rates in the short term, and the credit standing of the Group 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 Bank 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, 2023 was as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Securities			
Available-for-sale securities			
Japanese corporate bonds			
Privately-subscribed bonds	Discounted cash flow	Discount rate	0.2%-4.4%

Quantitative information about Level 3 fair value on significant unobservable inputs at March 31, 2022 was as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Securities			
Available-for-sale securities			
Japanese corporate bonds			
Privately-subscribed bonds	Discounted cash flow	Discount rate	0.2%-4.1%

A reconciliation beginning to ending balance, unrealized gains or losses included in earnings at March 31, 2023 and 2022, was as follows:

	Millions of Yen
	Securities
	Available-for-sale Securities
	Japanese Corporate Bonds
March 31, 2023	
Balance at beginning of year	¥55,068
Included in earnings (*1)	(4)
Included in other comprehensive income (*2)	(6)
Purchases, issues, sales and settlements	4,316
Transfers into Level 3	
Transfers out of Level 3 (*3)	
Balance at end of year	¥59,373
Unrealized gains (losses) included in earnings for assets and liabilities held at March 31, 2023 (*1)	

	Millions of Yen	
	Securities	
	Available-for-sale Securities	
	Japanese Corporate Bonds	Others
March 31, 2022		
Balance at beginning of year	¥47,375	¥883
Included in earnings (*1)	3	(8)
Included in other comprehensive income (*2)	(31)	(29)
Purchases, issues, sales and settlements	7,721	(382)
Transfers into Level 3		
Transfers out of Level 3 (*3)		(412)
Balance at end of year	¥55,068	
Unrealized gains (losses) included in earnings for assets and liabilities held at March 31, 2022 (*1)		

	Thousands of U.S. Dollars	
	Securities	
	Available-for-sale Securities	
	Japanese Corporate Bonds	
March 31, 2023		
Balance at beginning of year		\$412,405
Included in earnings (*1)		(35)
Included in other comprehensive income (*2)		(50)
Purchases, issues, sales and settlements		32,329
Transfers into Level 3		
Transfers out of Level 3 (*3)		
Balance at end of year		\$444,648
Unrealized gains (losses) included in earnings for assets and liabilities held at March 31, 2023 (*1)		

(Note)

(*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.

(*3) Transferred into Level 2 from Level 3 as an increase in market activity provided sufficient observable data. These transfers were made at the end of the fiscal year.

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.

27. DERIVATIVES

The contractual amounts of swap agreements, forward exchange contracts, option agreements, and other derivatives do not necessarily indicate the Bank's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related transactions

	Millions of Yen			
	2023			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	¥17,547	¥16,786	¥243	¥243
Receive floating and pay fixed	17,547	16,786	(66)	(66)
Total			¥176	¥176

	Millions of Yen			
	2022			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	¥18,116	¥17,632	¥394	¥394
Receive floating and pay fixed	18,148	17,663	(195)	(195)
Total			¥199	¥199

	Thousands of U.S. Dollars			
	2023			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Interest rate swaps:				
Receive fixed and pay floating	\$131,413	\$125,713	\$1,821	\$1,821
Receive floating and pay fixed	131,413	125,713	(499)	(499)
Total			\$1,322	\$1,322

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 were principally based on discounted values of future cash flows.

(2) Currency-related transactions

	Millions of Yen			
	2023			
	Contractual Amount	Contractual Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps				
Forward exchange contracts:				
Sold	¥48,154	¥1,215	¥(923)	¥(923)
Bought	47,562	1,128	999	999
Currency options:				
Sold	¥76,877	¥36,425	¥(2,347)	¥47
Bought	76,877	36,425	2,347	444
Total			¥75	¥567

	Millions of Yen			
	2022			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps	¥ 6,119		¥ (744)	¥ (744)
Forward exchange contracts:				
Sold	¥51,135	¥1,064	¥(2,423)	¥(2,423)
Bought	56,284	924	2,672	2,672
Currency options:				
Sold	¥34,257	¥5,797	¥ (954)	¥ (398)
Bought	34,257	5,797	954	632
Total			¥ (494)	¥ (261)

	Thousands of U.S. Dollars			
	2023			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Currency swaps				
Forward exchange contracts:				
Sold	\$360,623	\$ 9,103	\$ (6,916)	\$ (6,916)
Bought	356,194	8,452	7,481	7,481
Currency options:				
Sold	\$575,732	\$272,787	\$(17,579)	\$ 352
Bought	575,732	272,787	17,579	3,330
Total			\$ 565	\$ 4,248

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 were principally based on discounted values of future cash flows.

(3) Other

	Millions of Yen			
	2023			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	¥20,220		¥(187)	
Bought	20,220		187	
Weather derivatives:				
Sold	¥ 1,830		¥ (21)	
Bought	1,830		21	
Total			¥ 0	

	Millions of Yen			
	2022			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	¥15,770		¥(156)	
Bought	15,770		156	
Weather derivatives:				
Sold	¥ 1,750		¥ (20)	
Bought	1,750		20	
Total			¥ 0	

	Thousands of U.S. Dollars			
	2023			
	Contractual Amount	Amount Due after One Year	Fair Value	Unrealized Gains (Losses)
Earthquake derivatives:				
Sold	\$151,426		\$(1,406)	
Bought	151,426		1,406	
Weather derivatives:				
Sold	\$ 13,704		\$ (161)	
Bought	13,704		161	
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		
	2023		
	Contractual Amount	Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	¥33,761	¥33,637	¥519

	Millions of Yen		
	2022		
	Contractual Amount	Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	¥35,854	¥35,854	¥(388)

	Thousands of U.S. Dollars		
	2023		
	Contractual Amount	Amount Due after One Year	Fair Value
Interest rate swaps:			
Receive floating and pay fixed	\$252,835	\$251,907	\$3,887

Notes: 1. The Bank 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 values of the above derivatives were 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		
	2023		
	Contractual Amount	Amount Due after One Year	Fair Value
Currency swaps	¥29,141	¥3,891	¥(406)

	Millions of Yen		
	2022		
	Contractual Amount	Amount Due after One Year	Fair Value
Currency swaps	¥28,634	¥4,156	¥(3,500)

	Thousands of U.S. Dollars		
	2023		
	Contractual Amount	Amount Due after One Year	Fair Value
Currency swaps	\$218,239	\$29,139	\$(3,044)

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Committee Practical Guidelines No. 25.
2. The fair values of the above derivatives were principally based on discounted values of future cash flows.
3. The hedged items for currency swaps were foreign currency-denominated securities, etc.

28. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (losses) for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized losses on available-for-sale securities:			
Losses arising during the year	¥(162,502)	¥(127,702)	\$(1,216,975)
Reclassification adjustments to profit or loss	2,072	(14,551)	15,523
Amount before income tax effect	(160,429)	(142,253)	(1,201,451)
Income tax effect	(49,220)	(43,509)	(368,612)
Total	¥(111,209)	¥ (98,744)	\$ (832,839)
Deferred gains on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ (195)	¥9,079	\$ (1,464)
Reclassification adjustments to profit or loss	1,052	1,557	7,879
Amount before income tax effect	856	10,637	6,415
Income tax effect	262	3,257	1,964
Total	¥ 594	¥ 7,380	\$ 4,451
Defined retirement benefit plans:			
Losses arising during the year	¥ (1,139)	¥ (531)	\$(8,530)
Reclassification adjustments to profit or loss	647	631	4,847
Amount before income tax effect	(491)	99	(3,682)
Income tax effect	(150)	30	(1,127)
Total	¥ (341)	¥ 69	\$ (2,555)
Total other comprehensive losses	¥(110,955)	¥ (91,294)	\$ (830,943)

29. SEGMENT INFORMATION

Segment Information

Since the Group has a single reportable segment, which is the banking business, the disclosure of segment information is omitted from the current consolidated fiscal year.

Related Information

1. Information about services

	Millions of Yen			
	2023			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	¥49,047	¥40,504	¥34,782	¥124,333

	Millions of Yen			
	2022			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	¥45,637	¥50,619	¥31,164	¥127,422

	Thousands of U.S. Dollars			
	2023			
	Lending Services	Securities Investment	Other	Total
Operating income from outside customers	\$367,312	\$303,335	\$260,482	\$931,129

2. 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 years ended March 31, 2023 and 2022; 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, 2023 and 2022; therefore, geographical tangible fixed assets information is not presented.

3. 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 years ended March 31, 2023 and 2022; therefore, major customer information is not presented.

30. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
For the year ended March 31, 2023	Net Income	Weighted-average Shares	EPS	
Basic EPS – Net income available to common shareholders	¥27,213	75,006	¥362.81	\$2.71
Effect of dilutive securities – Stock acquisition rights		62		
Diluted EPS – Net income for computation	¥27,213	75,068	¥362.51	\$2.71

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
For the year ended March 31, 2022	Net Income	Weighted-average Shares	EPS	
Basic EPS – Net income available to common shareholders	¥20,621	75,584	¥272.82	
Effect of dilutive securities – Stock acquisition rights		74		
Diluted EPS – Net income for computation	¥20,621	75,659	¥272.55	

31. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Bank's general meeting of shareholders held on June 29, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥80.00 (\$0.59) per share	¥5,947	\$44,541

Transition to a Holding Company Structure through a Sole-Share Transfer

The Bank resolved at the Board of Directors meeting held on May 12, 2023 that, subject to the approval of the Ordinary General Meeting of Shareholders scheduled on June 29, 2023 and the necessary approval, etc. from the relevant authorities, the Bank will incorporate a holding company (wholly owning parent company), "Kyoto Financial Group, Inc." (the "Holding Company"), through a sole-share transfer (the "Share Transfer") by the Bank, and transition to a holding company structure effective as of October 2, 2023 (scheduled). The share transfer plan was approved at the Ordinary General Meeting of Shareholders of our bank held on June 29, 2023.

1. Purpose of transition to a holding company structure through a sole-share transfer
The Bank's management principle is "Serving the Prosperity of the Community," and the Bank's fundamental mission is to contribute to the greater prosperity of the local communities and the development of local industries. To that end, we have worked to revitalize the region and solve problems through the provision of high-quality financial services and solutions.
Meanwhile, in addition to social issues such as population decline, the challenges faced by local communities and customers are becoming more diverse and complex, with new social issues such as responding to digital transformation and the realization of carbon neutrality. As such, the role that the Group should play to contribute to the revitalization of local communities and continue to grow together with them is also changing significantly.
In light of the above, the Bank has decided to transition to a holding company structure 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 each group company," 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.

In order to achieve the long-term goal of becoming a "comprehensive solutions provider that drives community growth and creates the future together" as defined in the New/First Medium-Term Management Plan "New Stage 2023," which started in April this year, we will establish a sustainable business model that can respond quickly and flexibly to changes in the environment, thereby enhancing corporate value for all stakeholders (customers, local communities, shareholders, and employees).

In addition, the Holding 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.

As a result of the Share Transfer, the Bank will become a wholly owned subsidiary of the Holding Company and its shares will be delisted. However, the Bank plans to apply to list the shares of the Holding Company, which will be issued to shareholders as consideration for the Bank's shares, on the Prime Market of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"). The listing date will be subject to review by the Tokyo Stock Exchange, but is scheduled for October 2, 2023, the date of registration of the incorporation of the Holding Company (effective date of the Share Transfer), and the Holding Company intends to essentially maintain the listing of its shares.

2. Summary of the Share Transfer

- (1) Schedule of the Share Transfer
Record date for the Ordinary General Meeting of Shareholders: Friday, March 31, 2023

Board of Directors meeting for the approval of the share transfer plan: Friday, May 12, 2023

Ordinary General Meeting of Shareholders for the approval the share transfer plan: Thursday, June 29, 2023

Delisting date of the Bank's shares:
Thursday, September 28, 2023 (scheduled)

Registration date of the incorporation of the Holding Company (effective date):
Monday, October 2, 2023 (scheduled)

Stock listing date of the Holding Company:
Monday, October 2, 2023 (scheduled)

The schedule may be changed if necessary depending on the progress of the procedures for the Share Transfer or for other reasons.

- (2) Method of the Share Transfer
This is a sole-share transfer in which the Holding Company will be the wholly owning parent company incorporated through share transfer and the Bank will be the wholly owned subsidiary in share transfer.
- (3) Allotment of shares in connection with the Share Transfer

Company	Kyoto Financial Group, Inc. (Wholly owning parent company incorporated through share transfer)	The Bank of Kyoto, Ltd. (Wholly owned subsidiary in share transfer)
Share transfer ratio	1	1

 - (i) Share transfer ratio One common share of the Holding Company will be allocated for each common share of the Bank held by the shareholders of the Bank as of the time immediately preceding the time when the Holding Company acquires all of the issued shares of the Bank upon the Share Transfer (the "Record Time").
 - (ii) Number of shares per unit The Holding Company will adopt the unit share system, whereby each share unit will consist of 100 shares.
 - (iii) Basis of transfer ratio calculation Since the Share Transfer will incorporate the Holding Company, which will be the wholly owning parent company through the sole-share transfer of the Bank, and no change in the composition of shareholders

of the Bank and the Holding Company will occur at the time of the Share Transfer, the Bank will allot and issue one common share of the Holding Company for each common share of the Bank held by the shareholders with the primary objective of not causing any disadvantages to the shareholders. Therefore, the share transfer ratio has not been calculated by a third-party body.

- (iv) Number of new shares to be issued upon the Share Transfer (scheduled) Common shares of 75,840,688 shares are scheduled to be issued. However, if the total number of issued shares of the Bank changes prior to the Share Transfer taking effect, the above number of shares to be issued by the Holding Company will change. For each share held by the Bank as of the Record Time, an equal number of common shares of the Holding Company will be allocated and issued. As a result, the Bank will temporarily hold the common shares of the Holding Company, which will be disposed of promptly in accordance with applicable laws and regulations.
- (4) Matters concerning share acquisition rights and bonds with share acquisition rights in connection with the Share Transfer
With respect to the share acquisition rights issued by the Bank, equivalent share acquisition rights of the Holding Company will be issued and allocated to the holders of the Bank's share acquisition rights in lieu of the Bank's share acquisition rights held by them. The Bank has not issued any bonds with share acquisition rights.
- (5) Treatment of new listing of the Holding Company
The Holding Company plans to apply for new listing (technical listing) on the Prime Market of the Tokyo Stock Exchange for shares of the Holding Company to be newly incorporated with a scheduled listing date of October 2, 2023. Since the Bank will become a wholly owned subsidiary of the Holding Company through the Share Transfer, the Bank plans to delist from the Prime Market of the Tokyo Stock Exchange on September 28, 2023, prior to the listing of the Holding Company.
The delisting date is determined in accordance with the rules of the Tokyo Stock Exchange and may be subject to change.

3. Outline of the Holding Company to be newly incorporated through the Share Transfer (scheduled)

(1) Name	Kyoto Financial Group, Inc.		
(2) Location	700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto, Japan		
(3) Representatives and officers to be appointed	President (Representative Director)	Nobuhiro Doi	(Currently Chairman of the Board of the Bank of Kyoto)
	Director (Representative Director)	Hiroyuki Hata	(Currently Senior Managing Director of the Bank of Kyoto)
	Director	Mikiya Yasui	(Currently President of the Bank of Kyoto)
	Director	Minako Okuno	(Currently Director of the Bank of Kyoto)
	Director	Kanji Habuchi	(Currently Director of the Bank of Kyoto)
	Director	Etsuji Motomasa	(Currently Director of the Bank of Kyoto)
	Director (Audit and Supervisory Committee Member)	Toshiro Iwahashi	(Currently Executive Advisor of the Bank of Kyoto)
	Director (Audit and Supervisory Committee Member)	Chiho Oyabu	(Currently Outside Director of the Bank of Kyoto)
	Director (Audit and Supervisory Committee Member)	Eiji Ueki	(Currently Outside Director of the Bank of Kyoto)
	Director (Audit and Supervisory Committee Member)	Hiroyuki Nakatsukasa	(Currently Outside Audit & Supervisory Board Member of the Bank of Kyoto)
Director (Audit and Supervisory Committee Member)	Motoko Tanaka	(Currently Outside Audit & Supervisory Board Member of the Bank of Kyoto)	
(Note) Of the Directors (Audit and Supervisory Committee Members), Chiho Oyabu, Eiji Ueki, Hiroyuki Nakatsukasa and Motoko Tanaka are Outside Directors as defined in Article 2, Item 15 of the Companies Act.			
(4) Business description	(i) Management and administration of banks and companies that may be made subsidiaries under the Banking Act		
	(ii) All operations incidental and related to the operations listed in the preceding item		
	(iii) Operations other than those listed in the preceding two items that may be conducted by a bank holding company under the Banking Act		
(5) Capital	¥40,000 million (\$299,558 thousand)		
(6) Accounting period	March 31		

4. Outline of accounting treatment by share transfer

Since the Share Transfer falls under the category of "transactions under common control" for corporate accounting purposes, there is no impact on profit and loss.

5. Future outlook

Upon the Share Transfer, the Bank will become a wholly owned subsidiary of the Holding Company. As a result, the Bank's business performance will be reflected in the consolidated business performance of the Holding Company, which is the wholly owning parent company. The impact of the Share Transfer on the business performance is expected to be negligible.

Establishment of a Subsidiary

The Bank resolved at the Board of Directors meeting held on May 12, 2023 to establish a wholly owned subsidiary specializing in investment.

1. Purpose of establishment

The Group has decided to establish a subsidiary specializing in investment with the aim of becoming a driving force for regional revitalization by enhancing its expertise and strengthening its functions in businesses related to the support and development of venture companies and support for business succession, thereby contributing more than ever to revitalizing regional economies, creating innovation, and resolving issues related to succession.

2. Overview of the subsidiary to be established

- (1) Scheduled date of establishment: September 2023 (scheduled)
- (2) Composition of shareholders: The Bank of Kyoto, Ltd. (full ownership)
- (3) Business description: Fund formation and management services
Consulting services for investee companies, etc.
Business matching services for investee companies, etc.
Other services incidental to the above

3. Other

The trade name and other information of the subsidiary will be announced later.

NON-CONSOLIDATED BALANCE SHEET (UNAUDITED)

The Bank of Kyoto, Ltd. As of March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
ASSETS:			
Cash and due from banks	¥ 1,193,493	¥ 2,698,011	\$ 8,938,021
Call loans	416,033	146,020	3,115,653
Monetary claims bought	8,517	8,554	63,788
Trading securities	222	252	1,663
Money held in trust	13,305	13,087	99,645
Securities	2,944,262	3,042,173	22,049,448
Loans and bills discounted	6,305,947	6,148,969	47,224,952
Foreign exchanges	7,758	9,998	58,101
Other assets	68,068	67,696	509,760
Tangible fixed assets	75,133	76,448	562,674
Buildings	29,140	27,269	218,235
Land	43,359	43,000	324,714
Construction in progress	30	3,186	228
Other tangible fixed assets	2,603	2,992	19,496
Intangible fixed assets	2,602	2,638	19,491
Software	2,509	2,537	18,790
Other intangible fixed assets	93	101	700
Customers' liabilities for acceptances and guarantees	17,174	16,574	128,619
Allowance for possible loan losses	(34,864)	(33,698)	(261,098)
TOTAL ASSETS	¥11,017,656	¥12,196,727	\$82,510,722
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥ 9,104,694	¥ 8,987,866	\$68,184,637
Call money		105,273	
Payables under securities lending transactions	392,501	474,585	2,939,424
Borrowed money	253,900	1,211,816	1,901,445
Foreign exchanges	233	143	1,748
Borrowed money from trust account	4,174	4,533	31,264
Other liabilities	51,397	53,097	384,913
Liability for employees' retirement benefits	23,968	24,642	179,498
Liability for reimbursement of deposit losses	219	302	1,640
Liability for contingent losses	578	700	4,332
Deferred tax liabilities	198,157	247,186	1,483,991
Deferred tax liabilities for land revaluation	208	46	1,564
Acceptances and guarantees	17,174	16,574	128,619
Total liabilities	10,047,208	11,126,767	75,243,079
EQUITY:			
Common stock, authorized, 200,000 thousand shares; issued, 75,840 thousand shares in 2023 and 2022	42,103	42,103	315,312
Capital surplus	30,442	30,455	227,983
Stock acquisition rights	264	316	1,977
Retained earnings	403,676	387,804	3,023,115
Treasury stock - at cost, 1,495 thousand shares in 2023 and 664 thousand shares in 2022	(8,521)	(3,645)	(63,814)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	501,781	613,187	3,757,822
Deferred gains (losses) on derivatives under hedge accounting	227	(367)	1,700
Land revaluation surplus	473	104	3,544
Total equity	970,448	1,069,959	7,267,642
TOTAL LIABILITIES AND EQUITY	¥11,017,656	¥12,196,727	\$82,510,722

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted.

Accordingly, breakdown figures may not add up to sums.

2. 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 ¥133.53 to \$1, the approximate rate of exchange at March 31, 2023.

NON-CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

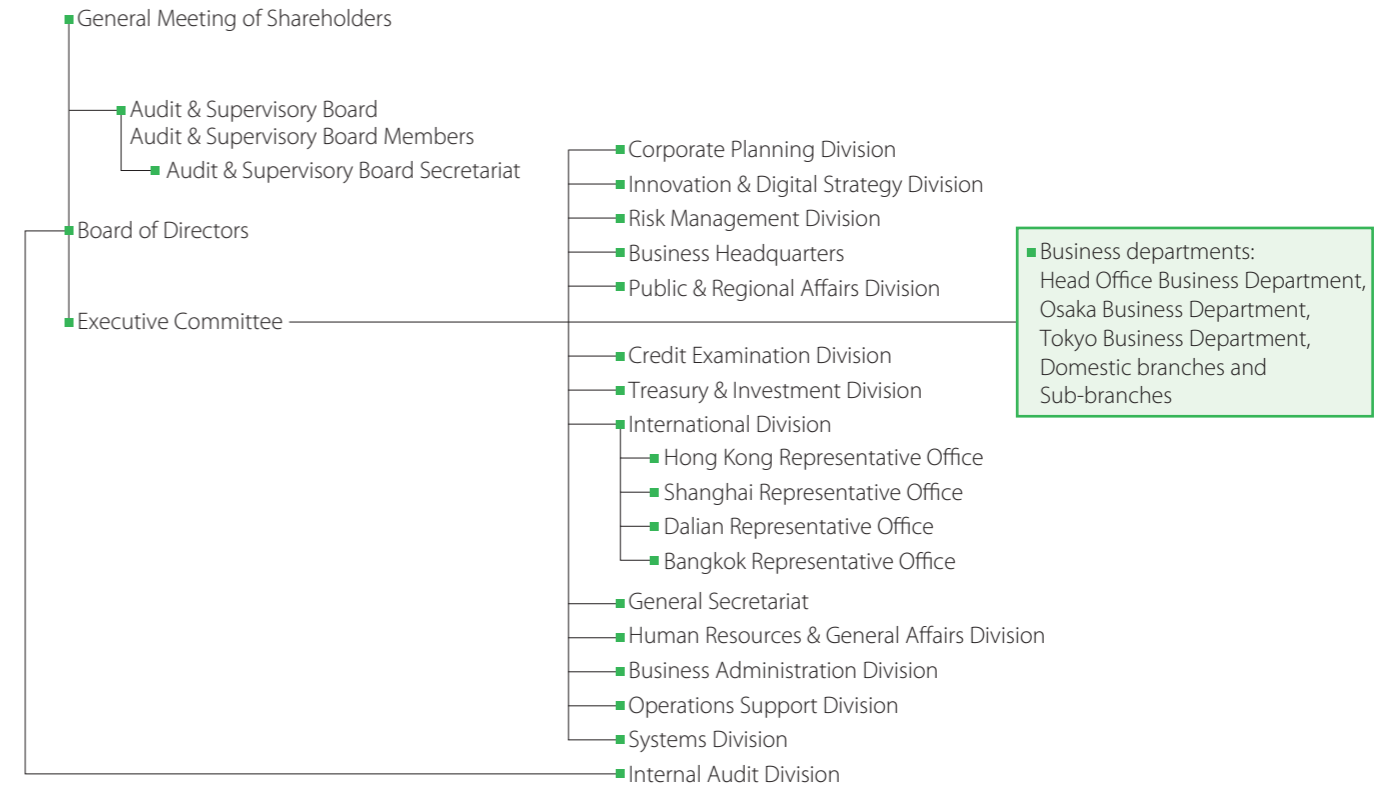
The Bank of Kyoto, Ltd. Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 47,542	¥ 44,113	\$356,045
Interest and dividends on securities	33,965	34,135	254,368
Other interest income	4,418	3,555	33,090
Trust fees	8	11	67
Fees and commissions	17,445	17,006	130,650
Other operating income	6,451	16,255	48,311
Other income	4,445	2,014	33,290
Total income	114,278	117,093	855,823
EXPENSES:			
Interest expenses:			
Interest on deposits	6,034	1,182	45,193
Interest on borrowed money	187	52	1,405
Other interest expenses	1,173	1,587	8,786
Fees and commissions	5,752	6,149	43,079
Other operating expenses	8,377	15,652	62,738
General and administrative expenses	53,651	53,530	401,794
Other expenses	3,957	13,589	29,634
Total expenses	79,134	91,744	592,631
INCOME BEFORE INCOME TAXES	35,143	25,348	263,191
INCOME TAXES:			
Current	9,308	8,662	69,711
Deferred	195	(2,032)	1,465
NET INCOME	¥ 25,639	¥ 18,718	\$192,014

	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE INFORMATION:			
Basic net income	¥341.83	¥247.65	\$2.55
Diluted net income	341.55	247.40	2.55
Cash dividends applicable to the year	140.00	100.00	1.04

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. 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 ¥133.53 to \$1, the approximate rate of exchange at March 31, 2023.

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Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto, Operation of e-commerce malls
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services
Kyogin Securities Co., Ltd.	October 2016	3,000	Securities business