

To our shareholders:

Transition to a Holding Company Structure

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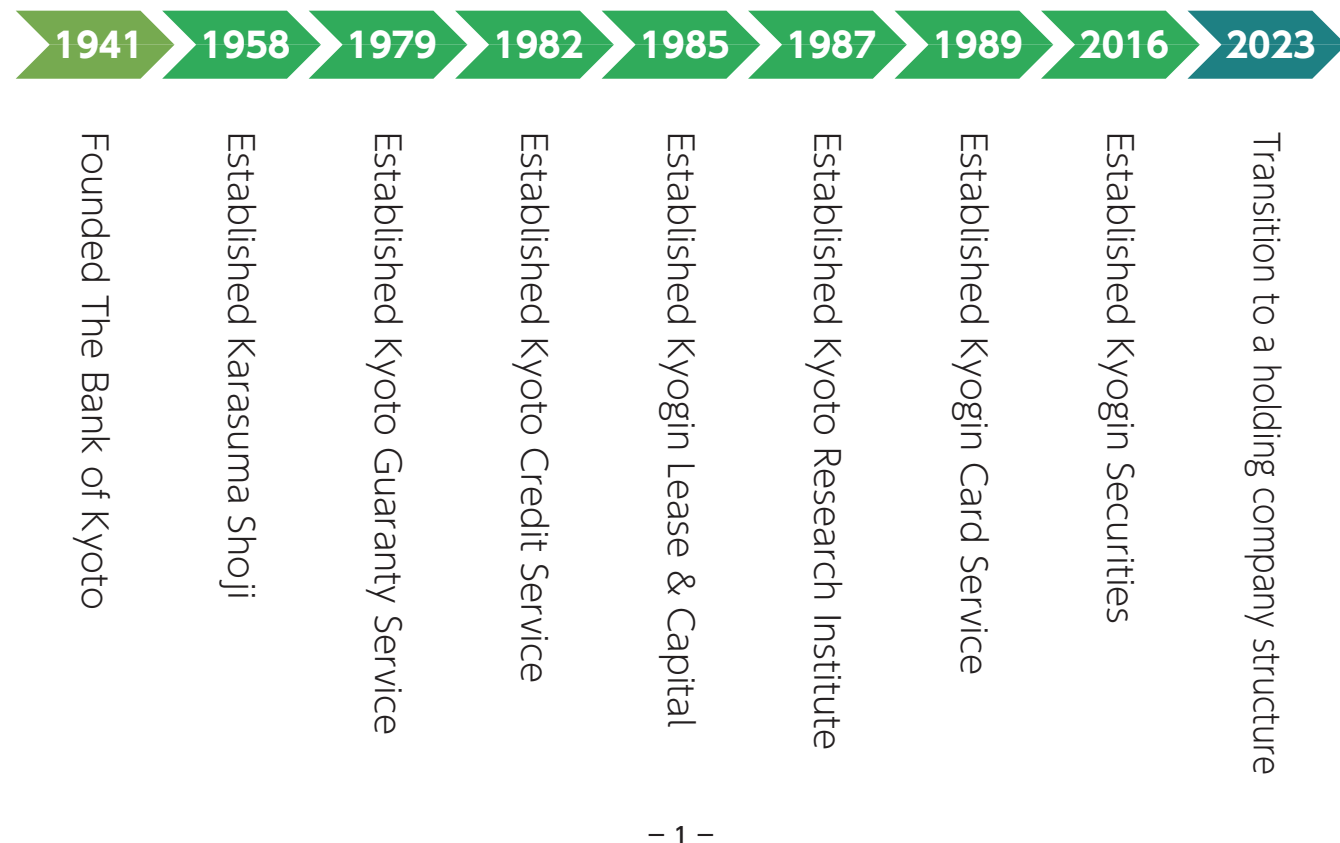
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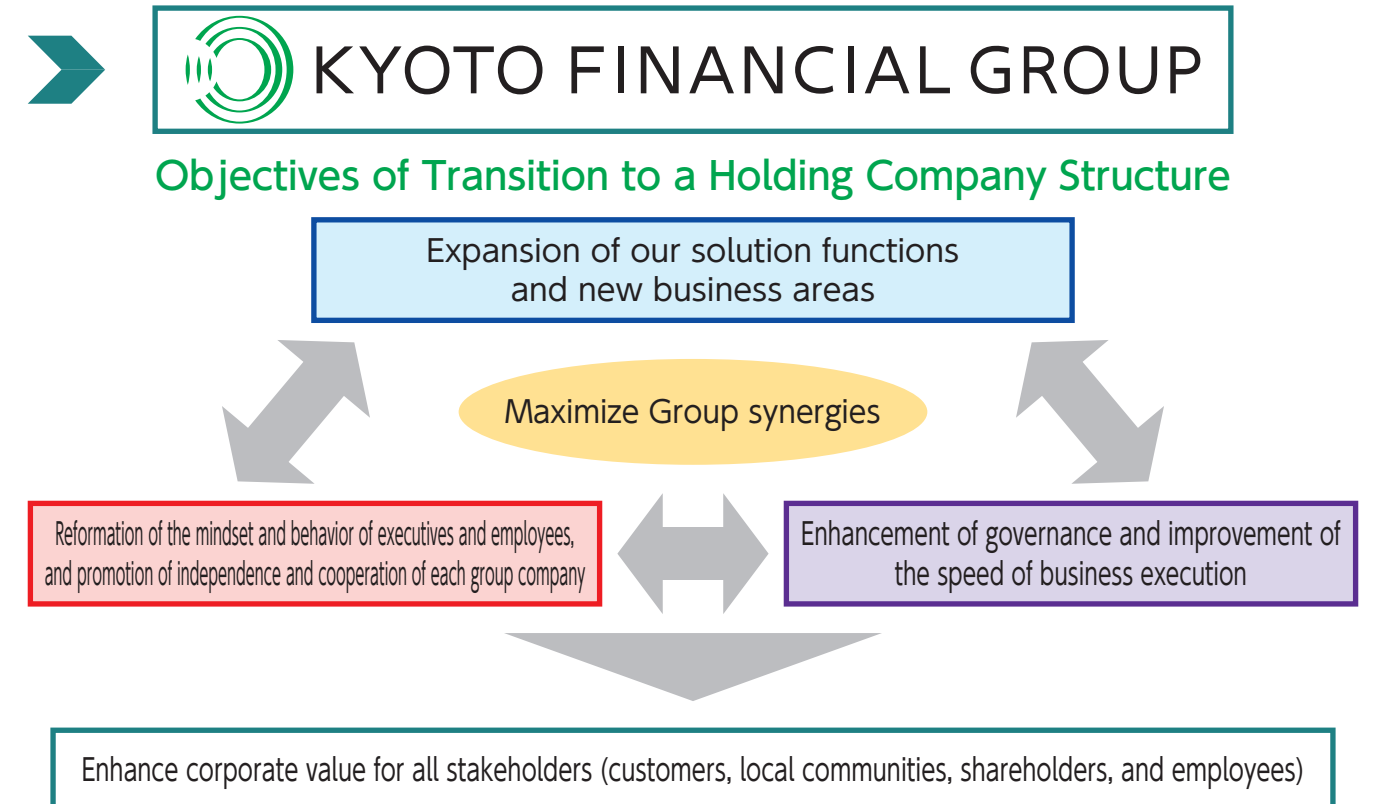
1. Background and Objectives of Transition to a Holding Company Structure

Guided by the management principle “Serving the Prosperity of the Community”, The Bank of Kyoto, Ltd.’s (the “Bank”) fundamental mission is to contribute to the greater prosperity of 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 DX and the realization of carbon neutrality. As such, the role that the Bank group should play to contribute to the revitalization of local communities and continue to grow together with them is also changing significantly.

The History of the Bank group



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,” 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).



2. Outline of the Holding Company



<About the logo>

The design is based on the motif of “ripples” that spread and connect. It symbolizes how the Group’s executives and employees will spread a positive influence in the community, just as a drop of water creates an expanse. Even if the influence of each individual is small, we promise to become a group that creates new value for the society as those small influences spread across and connect us with those around us. The three lines forming the logo represent “customers,” “local communities,” and “shareholders.”

Trade name	Kyoto Financial Group, Inc.
Location of head office	700, Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto, Japan
Representative	Representative Director and President Nobuhiro Doi (currently President of the Bank of Kyoto)
Business description	1. Management and administration of banks and companies that may be made subsidiaries under the Banking Act 2. All operations incidental and related to the operations listed in the preceding item 3. Operations other than those listed in the preceding two items that may be conducted by a bank holding company under the Banking Act
Capital	40 billion Yen
Date of incorporation	October 2, 2023
Accounting period	March 31
Stock exchange of Listing	Tokyo Stock Exchange Prime Market
Number of shares per unit	100 shares
Accounting auditor	Deloitte Touche Tohmatsu LLC
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

3. Group Management Principle

The Holding Company Group’s (the “Group”) management principle and management policy will be inherited from the Bank’s principle and policy, and the Group’s action guidelines for the realization of the principle and policy will be newly established on the occasion of the incorporation of the Holding Company.

Guided by the management principle that the Bank has consistently upheld since its founding, the Group will continue to contribute to the creation of greater prosperity of local communities and the development of local industries by making changes for the better based on the customer base, trust and confidence that the Bank group has built up over the years.



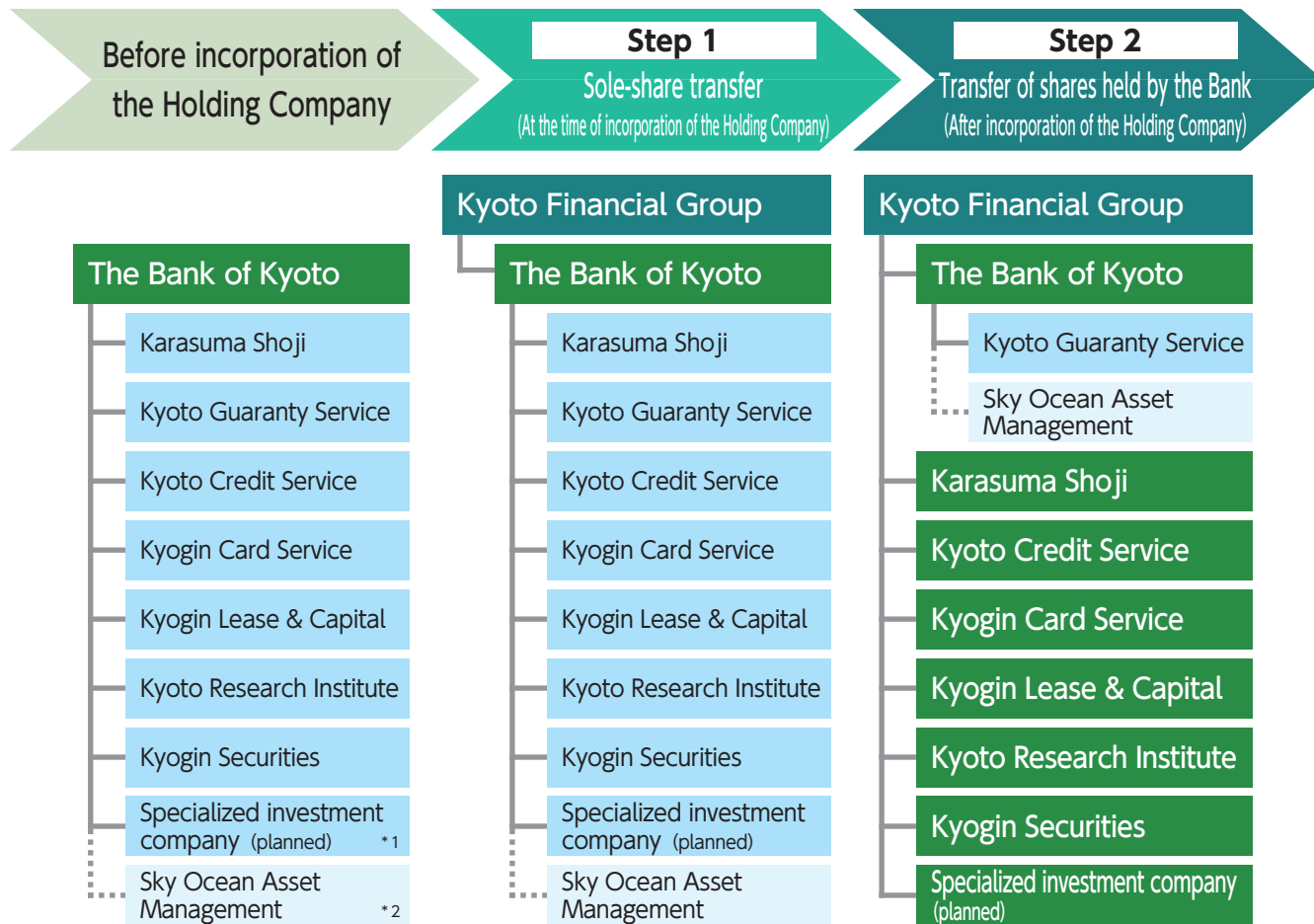
4. Group Structure

Step 1

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

Step 2

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



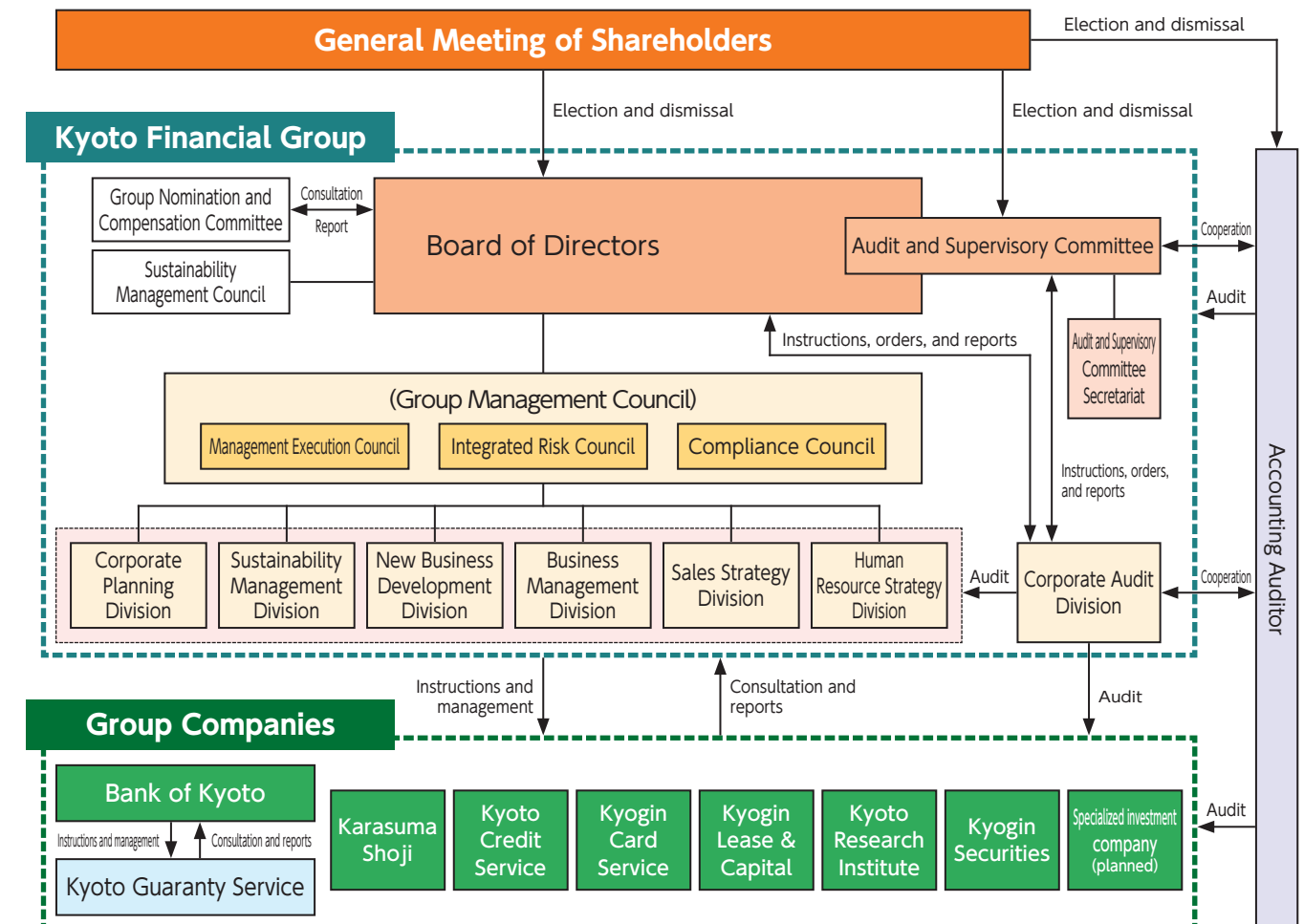
*1: The specialized investment company is scheduled to be established in September 2023

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

5. Management Structure of the Holding Company (Governance Structure)

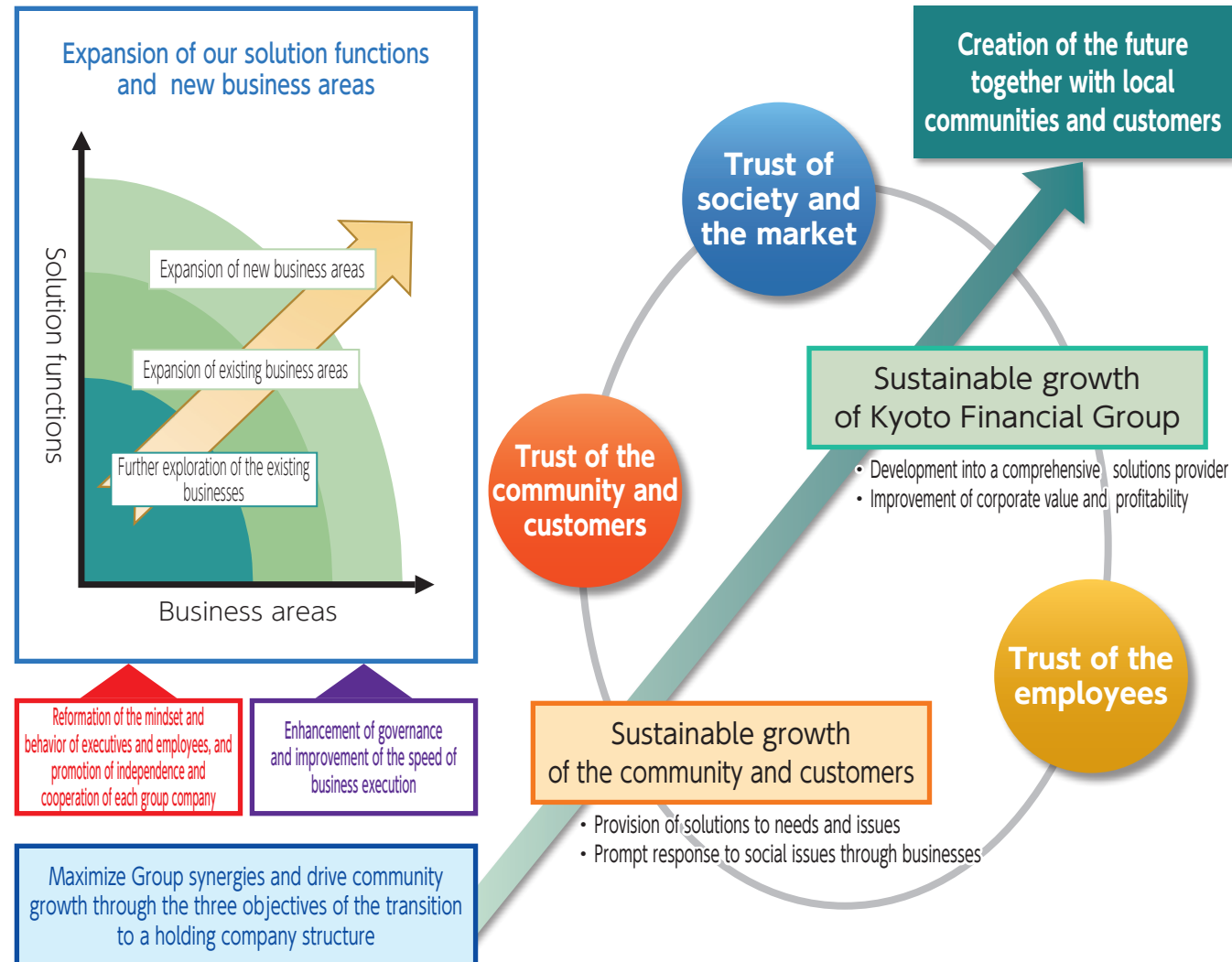
Along with the transition to a holding company structure, the Holding Company will be a “company with an audit and supervisory committee” to enable highly effective supervision of management and prompt decision-making as we aim to expand into new business areas and achieve independent business operations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

[Corporate Governance Structure]



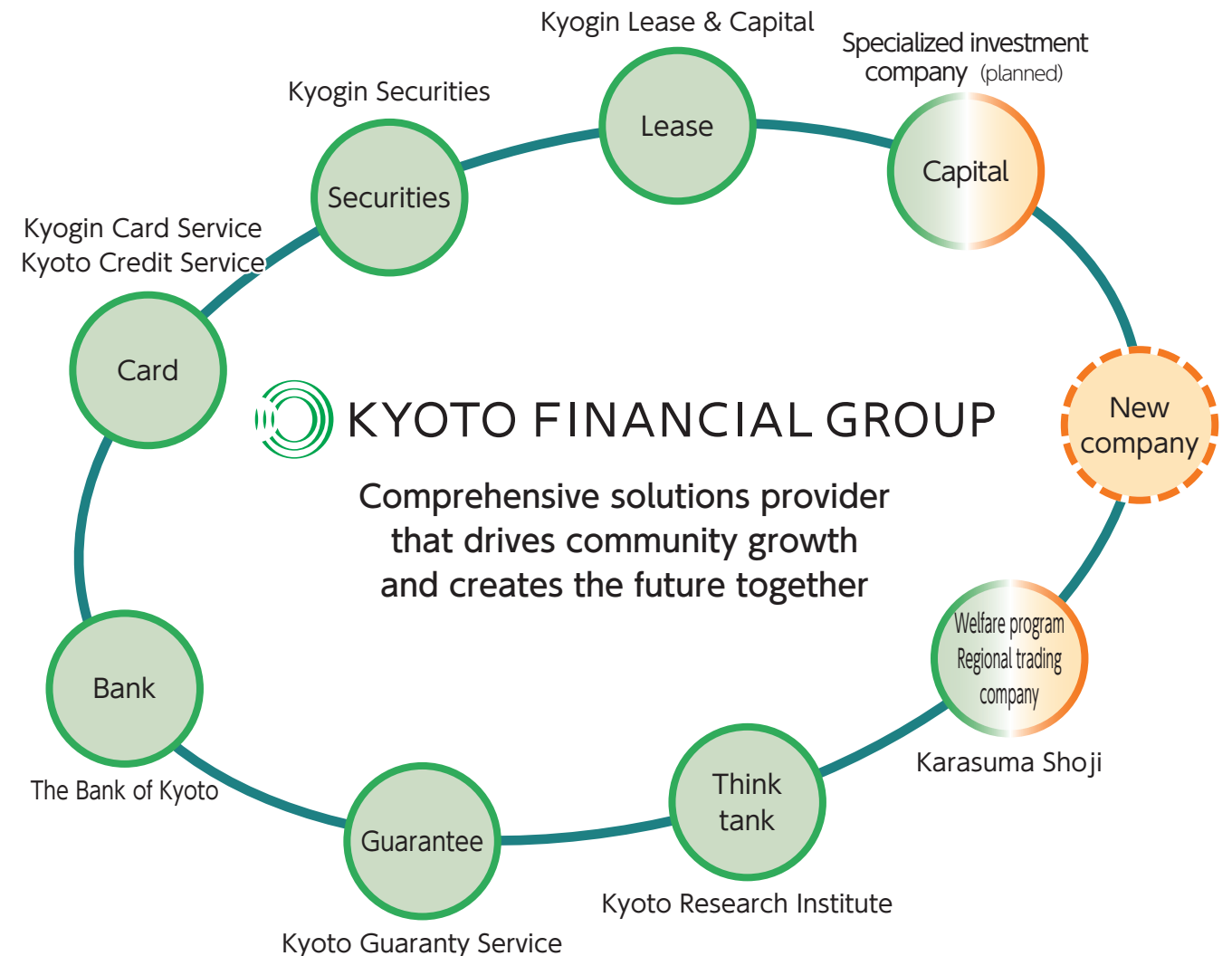
6. Business Model

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



7. Maximize of Group Synergies

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



8. Transition Schedule

Kyoto Financial Group plans to list its shares on the Prime Market of the Tokyo Stock Exchange on October 2, 2023, according to the following schedule, subject to the approval, etc. of the Bank's General Meeting of Shareholders and the approvals etc. from the relevant authorities.



9. Transition Q&A

Q What is a share transfer?

A A share transfer is when one or more stock companies cause all of their issued shares to be acquired by a newly incorporated stock company. In this case, the newly incorporated Kyoto Financial Group will acquire all of the shares of The Bank of Kyoto, and the shareholders will receive shares of Kyoto Financial Group instead through a sole share transfer.

Q What will happen to my Bank of Kyoto shares? Do I need to follow any procedures?

A If you continue to hold your Bank of Kyoto shares as they are, one share of Kyoto Financial Group stock will automatically be allocated for each share of the Bank of Kyoto stock on Monday, October 2, 2023. No special procedures are required of shareholders upon allotment.

Q Until when can current Bank of Kyoto shares be traded on the stock exchange? Also, when can I start trading Kyoto Financial Group shares on the stock exchange?

A Because The Bank of Kyoto will become a wholly owned subsidiary of a holding company due to this share transfer. The shares are scheduled to be delisted from the Prime Market of the Tokyo Stock Exchange on September 28, 2023 prior to the listing of Kyoto Financial Group. Accordingly, the Bank of Kyoto shares can be traded until Wednesday, September 27, 2023. In addition, an application has been submitted for a new listing (technical listing) on the Prime Market of the Tokyo Stock Exchange, and Kyoto Financial Group shares are scheduled to be available for trading from Monday, October 2, 2023.

Q What will happen to the interim dividend on September 30, 2023?

A The payment will be made in December 2023 by The Bank of Kyoto to shareholders or registered share pledgees listed or recorded in the shareholder registry of The Bank of Kyoto as of September 30, 2023.

Q What will happen to the securities code?

A It will be changed from the current securities code of the Bank of Kyoto, 8369, following the listing of Kyoto Financial Group. Further details will be announced as they become available.



The transition to a holding company structure described in this document involves securities of a Japanese company. The offer is subject to disclosure requirements of Japan that are different from those of the United States. Financial information included in this document, if any, was excerpted from financial statements prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since the issuer is located in Japan and some or all of its officers and directors reside outside of the United States. You may not be able to sue a Japanese company or its officers or directors in a Japanese court for violations of the U.S. securities laws. It may be difficult to compel a Japanese company and its affiliates to subject themselves to a U.S. court's judgment. You should be aware that the issuer may purchase securities otherwise than in connection with the transition to a holding company structure, such as in the open market or through privately negotiated purchases.

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