

Message from the President

Management Policy



Financial Results for the Fiscal Year Ended March 31, 2016

In the fiscal year ended March 31, 2016, the Japanese economy initially embarked on a moderate recovery, but the economic outlook grew uncertain in the second half of the fiscal year due to stagnant growth in exports, production and other corporate activities, as well as weak consumer spending.

During the fiscal year ended March 31, 2016, deposits at the Bank of Kyoto increased by ¥127.4 billion, centered on deposits held by individuals and corporations, while negotiable certificates of deposit decreased by ¥117.4 billion. As a result, the total of deposits and negotiable certificates of deposit expanded by ¥10.0 billion during the fiscal year to a year-end balance of ¥7,212.2 billion.

Turning next to loans and bills discounted, as lending to

corporations increased due to our active response to demand for funding, and loans to individuals, chiefly mortgage loans, also increased steadily, overall loans and bills discounted increased by ¥251.6 billion over the previous fiscal year to a year-end balance of ¥4,606.4 billion.

On the earnings front, the Bank of Kyoto focused efforts on streamlining and improving efficiency in all aspects of management, while efficiently managing and procuring assets in a challenging earnings environment. Ordinary profit decreased by ¥2.0 billion year on year to ¥31.4 billion, reflecting declines in interest income and equity-related profits. However, net income was largely unchanged at ¥20.4 billion, thereby ensuring a strong level of profits.

Issues to be Addressed

The social and economic fabric of Japan has further changed due to such factors as a shrinking population and the relocation of production bases overseas in line with the globalization of the economy. This has raised concerns that the Japanese economy will contract over the medium and long terms.

Meanwhile, business conditions in the banking sector have become increasingly challenging with the occurrence of unprecedented changes, as the Bank of Japan further pursued its monetary easing policy with the introduction of negative interest rates.

In this operating environment, the Bank of Kyoto is finishing its 5th medium-term management plan "Vision 75 Building a Good Bank" (running from fiscal 2014 through fiscal 2016), while management is addressing these changes and preparing for future changes.

Initiatives for Regional Revitalization

Regional economies are dealing with a range of issues, such as a declining number of business sites and aging social infrastructure, and local public organizations have been working hard to revitalize their communities.

Since its founding, the Bank has played a contributing role in a wide range of activities including initiatives to develop local industries and tackle environmental problems, under its management principle of "Serving the Prosperity of the Community." To reinforce these initiatives, the Bank of Kyoto established the Public & Regional Affairs Division in June 2016 as an entity that consolidates related offices dedicated to furthering local and regional revitalization. We aim to help revitalize regions by enhancing our responsiveness and consulting capabilities, including thorough alliances with local public organizations.

Building a Robust Business Foundation

After opening the Kusatsu Branch in Shiga Prefecture in December 2000, the Bank of Kyoto has established 56 new branches over the ensuing 15 years in line with its management vision of becoming a "wide-area regional bank." The Bank is advancing plans to expand its network of branch offices. In July 2016, the Bank of Kyoto opened the Kariya Branch in Kariya City, Aichi Prefecture, its second branch in the prefecture, and plans to open two new branches in Sakai City in Osaka in November.

The Bank is also working to update its non-face-to-face service channels, enhancing the features available on its online banking

and smartphone banking portals, and beginning to accept applications for consumer loans over the Internet.

The Bank of Kyoto will establish a wholly owned securities subsidiary to provide one-stop services for the diversifying asset management needs of its customers. This securities subsidiary is preparing to commence operations in May 2017 as it plans to collaborate with us on the provision of a diverse range of highly specialized products and services to our customers.

While broadening our channels, we strive to precisely meet the needs of our customers for fund procurement, asset management and fund settlements, for example. In doing so, we aim to build a robust business foundation for growth in the future as a Group, improving our earnings potential by expanding and advancing transactions.

Strengthening Corporate Governance

The Bank views the strengthening of corporate governance as an important management issue, and proactively works to strengthen related systems. Fiscal 2015 was the inaugural year for adopting the Corporate Governance Code formulated by the Tokyo Stock Exchange. The Bank of Kyoto endeavored on various fronts to strengthen corporate governance, including the appointment of two outside directors, the establishment of the Nomination and Compensation Committee as an advisory organization for nominating directors and determining the compensation for directors, an evaluation of the effectiveness of the Board of Directors, and the improved disclosure of information to shareholders and investors. The Bank will continue to strengthen corporate governance while aiming to improve corporate value and enhance the transparency and soundness of management.

As a financial institution growing alongside local communities, the Bank of Kyoto Group is in a position to strongly advance its management principle of "Serving the Prosperity of the Community" while tackling these management issues with a sense of urgency.

I would like to thank you for your continued support and kind consideration.



Nobuhiro Doi

President
The Bank of Kyoto, Ltd.