Financial Review (Consolidated)

Financial and Economic Environment

During the fiscal year under review, the Japanese economy saw the continuation of an unprecedented monetary easing policy, and while employment and income conditions improved, a deep-rooted economizing-orientation persisted. Sluggish growth in exports, caused by the continued appreciation of the yen and a slowdown in overseas economies, also contributed to the general sense of stagnation with which the year began. Nevertheless, in the second half of the fiscal year the yen reversed course and weakened on expectations of changes in U.S. policy, and as overseas economies recovered and corporate performance, led by exports, held steady, strong public sector investment and an asset effect boosted by high stock prices and a rise in land prices in metropolitan areas provided additional support. While sluggish growth in personal spending remained an issue, overall the Japanese economy moved toward a gradual recovery. Still, companies continued to take a cautious approach to capital investment, and as the year ended, a sense of uncertainty about the future increased as concerns about rising costs, more serious labor shortages and political conditions in the U.S. and Europe persisted.

Under these conditions, the Group achieved the following business results for the fiscal year as a result of promoting numerous measures in line with its sales strategy, human resources strategy, and operating reform strategy in the final year of its 5th medium-term management plan "Vision 75 Building a Good Bank" (running from fiscal 2014 through 2016).

Business Progress and Results

Consolidated ordinary income amounted to ¥110,406 million, a decrease of ¥2,283 million year on year mainly due to declines in interest income.

Consolidated ordinary expenses totaled ¥82,591 million, a year-on-year increase of ¥3,989 million, mainly due to higher other operating expenses, and general and administrative expenses, despite a decrease in interest expenses.

As a result, consolidated ordinary profit decreased ¥6,273 million year on year to ¥27,815 million. Profit attributable to owners of the parent decreased ¥2,721 million to ¥18,601 million.

Earnings by segment in the banking business, the core business of the Bank of Kyoto Group, were ordinary income of ¥102,058 million, a decrease of ¥2,596 million from the previous fiscal year. Segment profit was ¥25,139 million, down ¥6,303 million. In others, ordinary income was ¥10,804 million, an increase of ¥228 million, while segment profit was ¥2,694 million, a year-on-year increase of ¥29 million.

Main Accounts

Regarding main accounts at the end of the fiscal year under review, deposits amounted to ¥6,642.2 billion, an increase of ¥248.0 billion from the previous fiscal year, due to solid increases in deposits held by individuals and corporations. Negotiable certificates of deposit came to ¥925.1 billion, an increase of ¥128.6 billion. As a result, the total of deposits and negotiable certificates of deposit increased by ¥376.6 billion to ¥7,567.3 billion at year-end.

Turning next to loans and bills discounted, as lending to individuals and corporations increased due to our active response to customers, loans and bills discounted increased by ¥380.3 billion compared to the previous fiscal year to ¥4,978.7 billion.

As for securities, as a result of appropriate fund management while closely monitoring market trends, securities ended the year at ¥2,865.0 billion, an increase of ¥57.9 billion year on year.

Appraisal gains (unrealized) yielded from mark-to-market accounting increased ¥139.1 billion year on year, reaching ¥531.9 billion at the end of the year under review.

In addition, total assets ended the year at ¥8,899.4 billion, an increase of ¥744.9 billion compared with the end of the previous fiscal year. Equity stood at ¥392.7 billion, an increase of ¥14.1 billion due to higher retained earnings.

Cash Flows

Net cash provided by operating activities during the fiscal year under review was ¥200.7 billion, compared to ¥233.8 billion used in the previous fiscal year. The major factors for this were an increase in deposits and negotiable certificates of deposit.

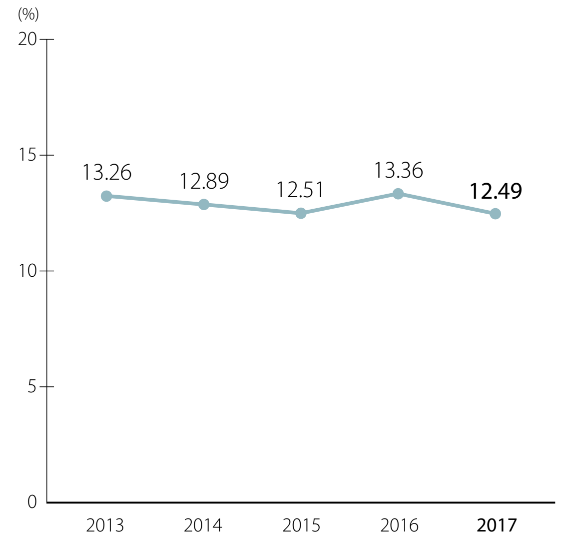
Net cash provided by investing activities was ¥38.0 billion, compared to ¥246.1 billion provided in the previous fiscal year, due mainly to the sale and redemption of securities.

Net cash used in financing activities was ¥7.5 billion, compared with ¥4.5 billion used in the previous fiscal year, due chiefly to the payment of dividends.

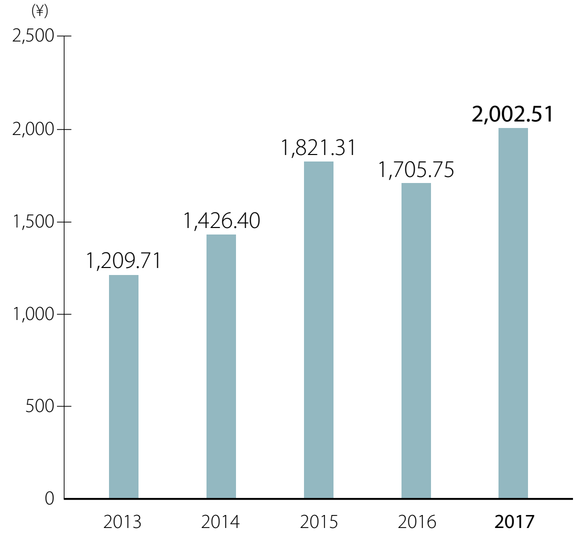
As a result, the balance of cash and cash equivalents increased ¥231.1 billion year on year to ¥821.5 billion.

Gross Banking Profit/Banking Profit

Capital Ratio (Domestic)



Net Assets Per Share



Net Income Per Share