

# Message from the President

**New medium-term business plan aims to transform the Bank into a comprehensive financial services institution capable of adapting to the changing world**

In the following message, I describe the business performance of the Nishi-Nippon City Bank for the fiscal year ended March 2011, and introduce New Stage 2011, our new medium-term (three-year) business plan.



Isao Kubota, President

## ● Business conditions in the fiscal year ended March 31, 2011

Against the background of recovering overseas economies and the impact of economic stimulation measures taken by the government, hopes for a recovery of the Japanese economy were growing stronger in early 2011. However, the Great East Japan Earthquake of March 11 had a major adverse effect on the livelihoods of the Japanese people, as well as on production activities, and the outlook for the economy has been growing increasingly uncertain.

Regarding the economy of the Bank's operational base of Kyushu, production staged an upbeat during the reporting term, mainly fueled by dynamic demand from emerging markets in Asia. In addition, there were at least two items of good news for the Kyushu economy. The entire 257 kilometers of the Kagoshima Route of the Kyushu Shinkansen (which connects Fukuoka in the north of Kyushu with Kagoshima in the south) was opened in March, and JR Hakata City, Japan's largest in-station shopping mall, also opened during the term.

In these circumstances, in line with the goal set forth in our New Stage 2008 three-year medium-term business plan — "Aiming to be the No. 1 bank in Kyushu by providing top-level products and services to our customers for mutual prosperity" — the Nishi-Nippon City Bank Group has been tackling a range of reforms based on putting the customer first and a prime emphasis on earnings.

As a result, consolidated operating income fell ¥5,742 million year on year, to ¥165,123 million (\$1,985 million), owing to a decline in revenue mainly caused by a narrowing margin spread

in response to the falling market interest rates. Income before income taxes and minority interests came to ¥34,235 million (\$411 million), a decrease of ¥3,598 million from the previous fiscal year. Net income increased by ¥31,583 million over the previous fiscal year, to ¥53,384 million (\$642 million), as a result of the posting of deferred tax assets accompanying the dissolution of a subsidiary.

## ● Public funds paid off, growth recorded in balances of loans and deposits

The Bank's biggest achievement in fiscal 2010, the final year of the New Stage 2008 medium-term business plan, was the completion of repayment of all outstanding public funds borrowed. With this, we realized a healthy financial position and secured a certain degree of latitude for the Bank's management.

As of the end of fiscal 2010, the Bank had total loan assets of ¥5,016.4 billion (\$60,329 million) on a non-consolidated basis, for a year on year increase of ¥84.8 billion. Loans to customers in Kyushu accounted for ¥4,603.8 billion (\$55,367 million), or 91.7% of the total. Loans to SMEs and individuals accounted for 78.8% of all loans, underlying our commitment to actively meeting the diverse financing needs of local customers.

The corresponding year-end balance of deposits, including certificates of deposit, increased by ¥122.2 billion to ¥6,426.0 billion (\$77,282 million), primarily due to growth in deposits from individuals. Kyushu-area customers accounted for ¥6,201.6 billion (\$74,583 million) in deposits, or 96.5% of the total balance.

## ● Support for local companies' move into Asian markets

We are supporting our corporate clients moving into Asian markets by utilizing our network of representative offices and alliance partners. In China, we are currently strengthening our collaboration with the Bank of China, headquartered in Beijing, with which we already have a business cooperation agreement, and have set up a system for the mutual exchange of trainees. During the reporting term we sent two trainees to the Bank of China in order for them to brush up their expertise in banking operations, particularly financial products and services.

We held seminars on business opportunities in China, with a particular emphasis on East China, centered on Shanghai, which is the region of greatest interest for our corporate customers.

In collaboration with Bangkok Bank, we helped our clients with subsidiaries in Thailand to procure funds in Thai baht. In January 2011 Nishi-Nippon City Bank purchased bonds, nicknamed "Water Bonds," issued by the Asian Development Bank (ADB) to finance a project to improve the water environment in developing countries in Asia.

## ● Cooperation in regional development efforts, and enhancement of the Bank's comprehensive financial products and services

As part of the Bank's efforts to revitalize the regional economy, in December 2010 we took advantage of the opening of the Kyushu Shinkansen and of the JR Hakata City shopping mall to host the Kyushu Japan Railway Trading Business Meeting jointly with other Kyushu-based financial institutions. This event was aimed at promoting the development of local industries by helping businesses to discover products and commodities manufactured or produced in Kyushu. Taking advantage of a subsidy program operated by the Ministry of the Environment, we became the first Kyushu-based regional financial institution to make loans to finance the construction of eco-friendly facilities at Sojo University's campus in Kumamoto Prefecture.

In other activities on the environmental front, we expanded the installation of eco-friendly equipment at our branches, including photovoltaic power generation systems and LED lighting, and incorporated universal design elements into our branches to make them more convenient and welcoming for elderly customers and people with disabilities.

As of the end of July 2011, our securities brokerage subsidiary Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. (established

in May 2010) had a total of six business premises, including its head office in Hakata-ku, Fukuoka. The company offers specialist consulting expertise to meet customers' increasingly diverse and sophisticated asset management needs, and is currently focusing efforts on expanding its array of financial products and services in addition to its branch network.

In January 2011 the Bank opened a dedicated indemnity insurance consultation office — the NCB Insurance Plaza — and we expanded our network in June with the opening of two new offices in our NCB Loan Plaza network, which offers consultation services relating to housing loans and consumer loans. These initiatives are part of the Bank's strategy of enhancing its comprehensive financial services.

## ● New medium-term business plan "New Stage 2011 — Act with Vigor!"

The Bank recently initiated its latest three-year medium-term business plan (from April 1, 2011 to March 31, 2014), under the name "New Stage 2011 — Act with Vigor!" Amid a domestic economic situation characterized by stagnant production activity and consumer spending, and increasingly uncertain future prospects, we drew up this plan in recognition of the need for a management strategy that lays the groundwork for the Bank's future growth.

The principal underlying theme of the new plan remains the same as that for our previous three-year plan — to become the No.1 bank in Kyushu by providing top-level products and services to our customers for mutual prosperity. Regarding the direction in which we aim to develop from here on, we believe we must overcome the difficulties of the business environment and create a strong management base that will enable the Bank to cope effectively with the demands of the age of globalization. For this purpose, we must simultaneously maximize the Bank's earnings opportunities and cut down operating cost.

On this basis, we laid out two specific goals: to evolve into a comprehensive financial services institution, and to realize a radical improvement in productivity. We will aim to offer optimal financial products and services that are designed with our customers' needs in mind and that fulfill their diverse requirements at every stage of their lives. By becoming a comprehensive financial services provider, we aim to provide all-round support to our customers, both corporations and individuals. At the same time, we make our future target to raise the productivity of our operations by improving service quality and management efficiency, and to build a strong management base.

We have also appended the subtitle "Act with Vigor!" to

the name of our current medium-term plan. We believe that if all the executives and employees of the Bank work vigorously to implement the plan, the Bank will be able to make the seamless transition to a higher level of operations. This will enable us to satisfy the expectations of our shareholders and business partners, as well as the entire regional community.

The Nishi-Nippon City Bank's main playing field is geographically close to the fast-growing markets of East Asia, and the recent full opening of the Kyushu Shinkansen is expected to stimulate energetic activity in the economy of our local Fukuoka and Kyushu district. It is our sincere hope that this vibrant local economy will act as a valuable driving force for the economy of the whole country, and that this will provide encouragement for the residents of the region devastated by the earthquake and tsunami of March 11, 2011.

Henceforward, the executives and employees of the Bank must have the same recognition that without a revitalization of the local economy, the Bank will not progress. We will all work together for the further development and prosperity of the regional community.

I would like to take this opportunity to thank you for your continued understanding and support of the Nishi-Nippon City Bank Group in its future endeavors.

Isao Kubota,  
President

## Outline of the Bank's medium-term business plan: "New Stage 2011—Act with Vigor!"

Plan period: Three years from April 2011 to March 2014

### Our Goal

**To become the No.1 bank in Kyushu  
by providing top-level products and services to our customers for mutual prosperity**

Nishi-Nippon  
City Bank

