Message from the President

While aiming to make a further leap forward through our medium-term business plan for the next fiscal period, we will strive after “enhancement of a comprehensive financial service business that responds to changing times” and “further improvement of productivity.”

Isao Kubota, President

Business performance in the fiscal year ended March 2013

In fiscal 2012, a moderate recovery could be seen in the Japanese economy until around the summer due to factors including restoration-related demand following the Great East Japan Earthquake and the effects of various government measures. But from around the middle of the fiscal year, this recovery lost momentum as the Japanese economy was impacted by the slowdown in the world economy, mainly caused by the European financial crisis. The recovery subsequently regained momentum around the end of the year with the change of government, but looking forward, as before the destination the economy is headed in remains unclear.

The economy of the Bank’s operational base of Kyushu performed steadily in its automobile-industry sector, which is its primary industry, and taken as a whole the economy remained on a recovery track.

In this kind of business environment and based on the Nishi-Nippon City Bank Group’s medium-term business plan, “New Stage 2011 — Act with Vigor!” (from April 1, 2011 to March 31, 2014), we have worked to further enhance our businesses and to improve our business performance.

In the consolidated fiscal year ended March 31, 2013, total income fell ¥8,302 million year on year to ¥156,314 million ($1,662 million) due to factors including a decline in earnings from lending in conjunction with a fall in interest rates. Total expenses declined ¥462 million year on year to ¥122,809 million ($1,305 million) primarily because of reductions in financing and other costs. As a result, income before income taxes and minority interests fell ¥7,840 million year on year to ¥33,504 million ($356 million), but net income increased ¥464 million to ¥18,436 million ($196 million).

Completion of the conversion to the new mainframe computer system

In January 2013, we successfully converted to the new mainframe computer system, NTT DATA Regional Bank Integrated Service Center, which was one of the most important issues we had to address. The Center is managed by the NTT DATA Corporation and is the largest shared-use center among regional banks in the country, being used by 14 banks at the end of the fiscal period under review.

To date, we solved such major business issues as human resource integration and branch consolidation following the merger as well as the full repayment of public funds. As a result of the conversion to the new mainframe computer system, we are now able to respond more rapidly to our customers’ needs, reduce system costs, and further advance strategies for the Bank’s businesses.

Both the loan balance and the deposit balance continued to increase

The loan balance (non-consolidated basis) at the end of the fiscal period under review benefited from our proactive
In April 2012, with the goal of further strengthening management of medical and nursing facilities, providing the information, we regularly hold healthcare seminars to support the [port those client agricultural, forestry and fishery businesses to Industry Integration. The objective of this was to sup- [partly included in other businesses, accounting for 91.2% of the total balance. Also, loans to small-and-medium enterprises (SMEs) and individuals accounted for 76.2% of all loans.

The corresponding year-end balance of deposits, including Certificates of Deposit, increased by ¥152.9 billion to ¥6,614.4 billion ($70,329 million), mainly from deposits by individuals and general corporate customers. Within this total, deposits from the local Kyushu region were ¥6,364.6 billion ($67,672 million), or 96.2% of the total balance. Also, the ratio of non-performing loans improved by 0.19% year on year and remained at the low level of 3.01%.

**Supporting the development of the local economy**

Based on the recognition that “regional banks have no bright future without the revitalization of the regions,” we proactively support the development of the local economy. In February 2013, we held a “seminar to promote the growth of the agriculture, forestry, and fishery industries” as part of our series of measures to contribute to the region and to further advance regional industry. In April, we established and invested a total of ¥2.0 billion in the Support Fund for the Transition of the Kyushu Economy to Industry Integration. The objective of this was to support those client agricultural, forestry and fishery businesses that are aiming to achieve the integration of production, processing, sales, and distribution.

Also, eight of our corporate customers exhibited at the Regional Bank—Food Selection 2012 exhibition held in October 2012 at Tokyo Big Sight, and they engaged in active business discussions with some of the more than 10,000 buyers who visited the event. In January 2013, we held the Net Shop Seminar to introduce one method for companies to expand their sales channels and in March held the Online Sales Business Seminar. Both of these seminars were attended by more people than we anticipated. In addition, we regularly hold healthcare seminars to support the management of medical and nursing facilities, providing the attendees with a wealth of useful information on this topic.

In April 2012, with the goal of further strengthening the support we provide to local SMEs for their overseas businesses, we established the International Consulting Office within the Group company, NCB Research & Consulting. Then in September, we launched that company’s Door to Asia website, which provides comprehensive support for companies and individuals looking to do business in Asia. Consequently, in addition to the conventional consulting methods of telephone and face-to-face conversations, we have strengthened our service for providing support for customers’ overseas businesses over the Internet.

Moreover, we have been responding to the increasing need from local companies for cross-border transactions and foreign currency-denominated transactions. Accordingly, in April 2013, we launched an initiative for the further improvement of our service for transactions denominated in foreign currencies.

**Measures to improve customer convenience and strengthen our CSR**

Since March 2013, we have newly constructed or refurbished three branches as Marugoto Support Branches that provide one-stop services to meet the various needs of our customers. These services include insurance, loans, and asset management for individual customers, and corporate finance, foreign exchange, and other solution businesses for corporate clients. In addition to increasing the number of Hoken Plaza specialist insurance service desks and Nishi-Nippon City Tokai Tokyo Securities’ branches, we have established consultation desks in 30 locations, where our customers can receive consultations about loans and insurance even on Saturdays and Sundays. In these and other ways, we are working hard to improve customer convenience and the services we provide to them.

Elsewhere, as one part of our CSR activities, we are actively introducing a customer-friendly universal design at our new branches, featuring barrier-free facilities and environmentally sound eco facilities, including photovoltaic power generation systems. This design was introduced at two branches in fiscal 2012 and at one branch in April 2013. Also, all of our branches are equipped with at least one ATM designed for visually impaired persons. These ATMs are gradually being installed at non-branch locations. Going forward, we will continue with our efforts to create easy-to-use branches for all of our customers.

**Focusing our energies into accomplishing all the goals of our medium-term business plan**

On the one hand, many people expect that the Japanese economy will recover thanks to the economic and monetary-easing policies of the new government; indeed, a recovery is currently being seen in some areas. On the other hand, we expect the business environment facing the banking industry
to become even tougher, as can be seen in interest rates continuing to be maintained at historically low levels.

Against this backdrop, we have completed the aforementioned conversion to a new mainframe computer system and thereby resolved some of the business challenges that we faced in the past. Fiscal 2013 marks the final year of the medium-term business plan “New Stage 2011 — Act with Vigor!” Accordingly, we are actively investing the management resources that we had allocated to resolving these challenges into positive new areas, such as to strengthen our sales capabilities and revenue resources. Reflecting this, in our medium-term business plan for the next fiscal period, we will strive after “enhancement of a comprehensive financial service business that responds to changing times” and “further improvement of productivity.”

Furthermore, although the SME Financing Facilitation Act expired at the end of March 2013, we will continue to do our best to stably supply funds to our local customers and provide them with consultation services to meet their various needs.

Going forward, all of our board members and employees will ceaselessly “Act with Vigor” as we execute our medium-term business plan, and we will continue to work toward the development of the regional economy.

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

Isao Kubota, President

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

Transforming the Bank into a comprehensive financial services institution capable of adapting to the changing times, and realizing a radical improvement in productivity.

Our Direction
Putting the customer first
More specialized services
More convenient services
Strengthening earning power
Expand customer base
Strengthen comprehensive Group capabilities
Aim for enhanced services and greater management efficiency
Contribution to the region
Nurture local corporate clients
Build healthy regional community with rich natural environment

Principal Measures
Six Reforms
Management reform
Awareness and behavior reform
Operational reform
Cost structure reform
Service reform
Human resources reform

Function-strengthening strategies
• Renewal of our computer system
• More advanced risk management

Group Strategies
• Improve services and streamline management at Group companies

Mutual Prosperity with the Regional Community
• Nurture local industries
• Intellectual contributions
• Protect the environment
• Historical/cultural activities

Areas of Focus
Corporate banking
• Business loans
• Solutions
Growth fields / international business
Environmental fields / tourism
Retail banking
• Personal loans
Housing loans / consumer loans
• Assets deposited

Build strong earnings base
Expand customer base
Securities management

Nishi-Nippon City Bank
Local customers