

# Message from the President

**Under the banner of the new Medium-Term Business Plan, “New Stage 2014 – Working up a Sweat for Our Customers –,” we will tap into the Group’s collective strength for further business growth.**



Hiromichi Tanigawa, *President*



## Improvement recorded in profit levels

It gives me great pleasure to discuss the business performance of the Nishi-Nippon City Bank Group in this Annual Report for the fiscal year ended March 2014.

Before I begin, please be informed that, effective June 27, 2014, former President Isao Kubota assumed office as Chairman and I, the former Deputy President, assumed office as President, thus putting the new management setup in place.

During the fiscal year ended March 31, 2014, the Japanese economy started off with a mild pickup amid improving conditions for exporters, government stimulus packages, and the monetary easing policy by the Bank of Japan. The economy subsequently continued a mild upswing as corporate earnings rose and consumer spending surged due to last-minute demands prior to the consumption tax increase.

The economy of Kyushu – the Group’s key operational base – also experienced a mild recovery, primarily owing to the rise in consumer confidence and public investments, as well as improvement in employment and income situations.

Under these circumstances, the Group aggressively proceeded with measures laid out for the final year of the three-year Medium-Term Business Plan “New Stage 2011 – Act with Vigor!” As a result, steady progress was made in its basic concept of “evolving into a comprehensive financial services institution” and “realizing further improvement in productivity,” as well as in international

business, corporate business solutions, and personal loan transactions.

On a consolidated basis, in the fiscal period under review, total income decreased by ¥65 million year-on-year to ¥156,249 million (\$1,518 million) primarily due to a decline in income from lending activities in conjunction with a fall in interest rates. Total expenses, on the other hand, decreased by ¥7,341 million to ¥115,468 million (\$1,121 million), primarily due to a decline in losses on devaluation of stocks and other securities. As a result, income before income taxes and minority interests increased by ¥7,276 million to ¥40,780 million (\$396 million) and net income rose by ¥5,573 million to ¥24,009 million (\$233 million).

## Solid growth registered both in loan balance and deposit balance

The loan balance (non-consolidated) at the end of the fiscal period under review increased by ¥261.9 billion during the year to ¥5,621.3 billion. Within this total, loans for the local Kyushu region accounted for 90.6%, with loans to SMEs and retail customers accounting for 76.7% of all loans.

The corresponding year-end balance of deposits, including certificates of deposit, increased by ¥124.5 billion to ¥6,738.9 billion yen. Within this total, the year-end balance of deposits from the local Kyushu region was ¥6,497.7 billion, or 96.4% of the total balance.

## Providing services optimized for each stage in the enterprise life cycle

We have catered to the needs of corporate customers and sole proprietors by offering “comprehensive business support” that is optimized for each stage in their life cycle, such as developing overseas businesses and expanding sales channels. To support their overseas expansion, we established “World Business Squares” at 14 locations, thus offering total support for customers’ overseas businesses, while at the same time providing tailored support via our representative offices and the International Consulting Office of one of our Group companies, NCB Research & Consulting Co., Ltd.

In a bid to nurture local industries, we became the first bank in the country to invest in local businesses via a fund designed to revitalize growth of client businesses involved

in agriculture, forestry, and fishery by creating new business opportunities and added value. We also support their businesses via a variety of funds, including one that assists SMEs in their endeavors to improve management and turn around business, and a public-private infrastructure fund set up for private finance initiatives (PFIs). We were also the first among regional banks in Kyushu to arrange a major syndicate loan for the photovoltaic power generation business.

## Expanding exclusive channels and improving customer convenience

We also provide retail customers with convenient services by offering “lifetime comprehensive support,” which serves specific needs in each life stage such as asset management and mortgage loans for housing purchases.

## Framework

Given the changes in economic and social structures and the government’s economic-revitalization policy, we will tap into the Group’s collective strength for further growth in the “Territorial Expansion and Qualitative Development Stage,” the basic concept of the “New Stage 2014 – Working up a Sweat for Our Customers –.”

Our goal as a banking service provider in the “New Stage”

The leading bank in Kyushu prospering hand in hand with the local customers by providing them with top-level services in Japan



As the number of our exclusive sales channels – some for insurance and others for loans – were increased in our efforts to meet the various needs of our customers, we now have a total of 45 channels.

Also, to further improve convenience for our customers, we have partnered with E-net Co., Ltd., which operates over 13,000 ATMs at convenience stores around the country. The combined number of their ATMs and our ATMs that had been installed as of March 31, 2014, exceeded 44,000.

## Beginning the new Medium-Term Business Plan

In April 2014, the Group kicked off a new three-year Medium-Term Business Plan, “New Stage 2014 – Working up a Sweat for Our Customers –.”

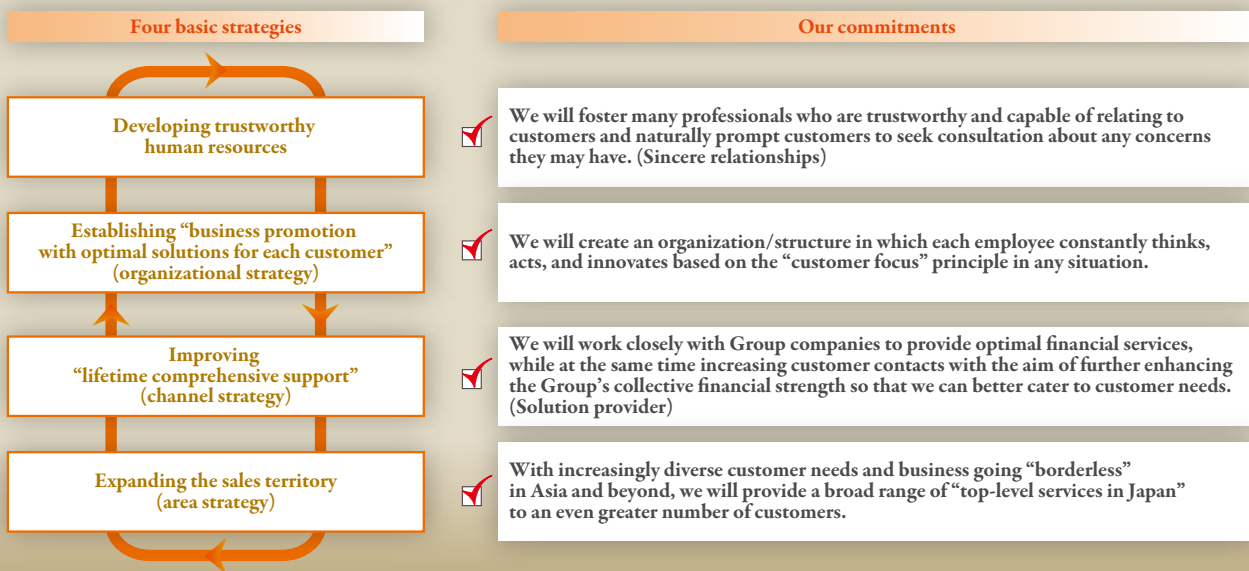
With a focus on accelerating growth in this “Territory Expansion/Qualitative Development Stage,” we have drawn up the four basic strategies detailed below.

“Working up a Sweat for Our Customers” – embedded within this subheading is our sincere belief that, while recognizing the need for rationality and smartness, it is important for us to maintain close relationships with each customer, both retail and corporate, and be prepared to “work up a sweat” for the benefit of those customers and host communities.

Key management benchmarks to be reached by March 2017 are: consolidated net income of ¥24.0 billion or higher, loan balance of ¥6,200.0 billion or higher, deposit balance of ¥7,500.0 billion or higher, OHR in the mid-60 percentage range, and consolidated/non-consolidated ratio of 1.1 times or over.

### Basic Strategies Underpinning the “Territory Expansion/Qualitative Development Stage”

We will further enhance the Group’s comprehensive financial strength by linking the four basic strategies together.



In October 2014, we will celebrate the 10th anniversary of The Nishi-Nippon City Bank, Ltd., which was founded through the merger of The Nishi-Nippon Bank, Ltd. and The Fukuoka City Bank, Ltd. Under the new management setup, we will continue to persevere in our ceaseless efforts to revitalize the regional economy, so that we can become

“the No. 1 bank in Kyushu by providing top-level products and services in Japan for mutual prosperity.”

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