

## We will demonstrate our true abilities as “the bank testing the limits of ingenuity and sparing no effort” for the crucial moment to vitalize the regional economy.



Hiroomi Katayama  
President

**Although challenging economic conditions continued during the previous year, positive signs could be seen in the Japanese economy backed by effects of the government policies.**

**How would you describe the management environment for the Kiyo Financial Group?**

Although the Japanese economy during the previous year had seen some negative factors including uncertain Chinese economy and a concern for economic slowdown in the emerging countries, the depreciation of the yen and high stock prices were on increasingly strong trend, thanks to factors such as the government's economic policies and the monetary easing by the Bank of Japan. The domestic demand remained strong backed by the improved business and consumer confidence, and demand related to reconstruction. Although gradual, the movement toward economic recovery is emerging. Also, through the beginning to the end of the fiscal year,

increases in personal consumption and production centering on the durable consumer goods were seen, as a result of the last-minute demand before the consumption tax hike.

In our Group's main operating area of Wakayama Prefecture and Osaka Prefecture, signs of revitalization triggered by regional events and development businesses were seen, along with the expanding trends of recovery, backed by the improvement in the exporting environment due to the depreciation of the yen.

In Wakayama Prefecture, maintenance of transportation and road infrastructure were conducted for Kinki Expressway Kisei Line, Keinawa Expressway and others, preparing for the events including 10-year anniversary of the registration as a world heritage of “Sacred Sites and Pilgrimage Routes in the Kii Mountain Range” planned for this year, as well as “Kinokuni Wakayama National Sports Festival” and “Great memorial service for the 1200th anniversary of the

opening of Koyasan (Mt. Koya)” to be held next year. In Osaka Prefecture, developments and openings of commercial facilities continued in various locations, including redevelopment business in the surrounding areas of JR Osaka Station and the Abeno area.

In these circumstances, the Group has been making efforts in supporting further development of the regional economy through enhancement of business base while striving to improve our customers' convenience.

Consequently, both loans and deposits steadily increased for the year ended March 2014, resulting in profits to surpass the initial forecast, because securities-related profit and loss exceeded the forecast and credit-related expenses were down.

Meanwhile, yield on loans decreased amid the continued low-interest policy by the government, reducing the interest income on loans leading to a decrease in profits from funds. Consequently, in terms of the

# TOP INTERVIEW

consolidated business performance, ordinary profit amounted to ¥14.8 billion, and net income was ¥10.4 billion. On a non-consolidated basis, the Kiyo Bank's gross operating income amounted to ¥55.2 billion, and net income resulted in ¥12.0 billion.

Additionally, in the previous fiscal year, the Group fully repaid the public funds, which had been our theme for over seven years, and the Kiyo Bank completed an absorption type merger of Kiyo Holdings, Inc., which was the parent company.

## **Last year marked the second year of the 3rd medium-term management plan. Could you tell us about the progress of the plan?**

Under the 3rd medium-term management plan, we strive to be guided by our vision of "becoming the bank of first choice for customers," as we deploy four strategies: "strengthening the business base mainly in the southern part of Osaka Prefecture," "transforming the operating organization to improve customer satisfaction," "strengthening the business management system," and "establishing a stronger presence through CSR activities."

In strengthening the business base in Osaka Prefecture, the Bank made an effort on enhancement of branches in the previous fiscal year, relocating and reopening "Uehommachi Branch" last September and newly opening "Yaenosato Branch" in October.

"Uehommachi Branch" was renamed from the former Osaka Higashi Branch and relocated to expand its size to a roadside comprehensive branch from a lending specific branch, and customer usage is growing. "Yaenosato Branch," established as a part of the expansion of our branch network in Higashi Osaka City, is fully equipped with functions such as a home mortgage center and automatic safety deposit boxes. It is not long since the branch was opened, but it is growing to be one of the top ranked branches with its growing business. The number of our branches in Osaka Prefecture is now 37 including these two branches.

Along with Wakayama Prefecture which is the site of our founding, Osaka Prefecture is an important operating area for the Bank. In particular, the area consisting of Sakai City and its south is a leading market in that no other banks are headquartered, and we have been historically making strategic efforts to

develop this area. We will further enhance collaboration among the branches inside Osaka Prefecture to implement our strategies in wide area covering from southern Osaka Prefecture to the Osaka City and its vicinity.

In transforming the operating organization to improve customer satisfaction, we position the three-year "Business Process Reform (BPR) Project," which coincides with the 3rd medium-term management plan, as the core initiative. This is a project to restructure and renew employees, branches, and systems with an aim to transform branches from places that handle administrative services to places that offer consulting and sales. We have started the BPR-related investment from last fiscal year, and the productivity and management efficiency of branches are improving gradually. Furthermore, administrative staffs are planned to be transferred to sales positions in the second half of this fiscal year to fully enhance the operating organization.

In enhancement of consulting operation, we will strive to expand our customer base through new consulting areas ranging from support for corporate business issues, such as business succession and overseas expansion, to consulting support for

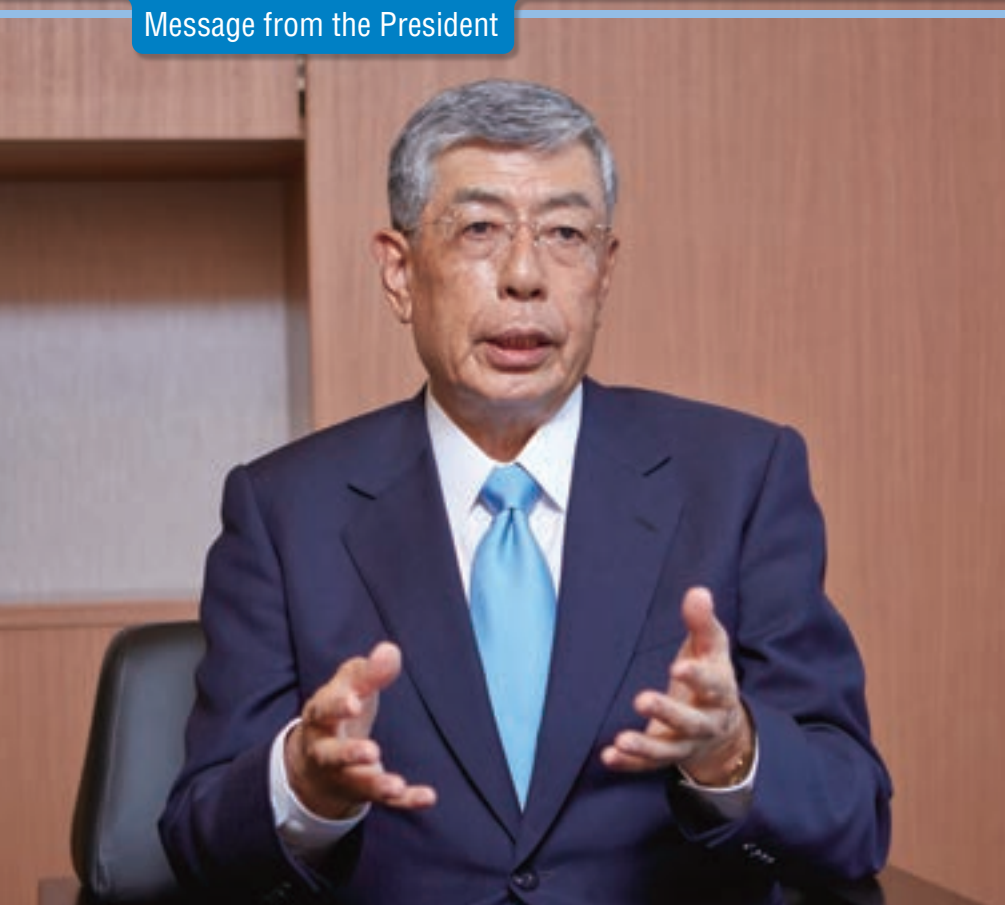
individual customers such as will trusts and inheritance-related consultations.

With regard to strengthening the business management system, we will continue to thoroughly implement our basic stance to enhance the compliance system and to protect our customers. We will train personnel equipped with expert knowledge to focus on both enhancing the quality of our consulting services and implementing thorough protection of our clients.

## **Could you tell us about the 4th strategy, "establishing a stronger presence through CSR activities"? In Wakayama Prefecture, many are placing expectations on vitalizing businesses such as tourism. Are you involved in any initiatives related to these?**

Engaging in CSR activities is something we recognize as an important mission for a regional financial institution. We have long been involved in CSR activities in a variety of areas including sports, culture, and improving the environment. Last year, we launched "Wakayama Community Revitalization Fund" as a new initiative utilizing bank's core business. This is a support measure for enhancing businesses such as tourism and culture through government-led investments by regional





## Completed repayment of public funds. We will do our best for development of regional economy with new organizational structure.

financial institutions in regional industries, and this fund formed by the Kiyo Bank is the first among the regional banks in the nation.

As you pointed out, tourism business in Wakayama Prefecture is coming to a development stage, along with “Kinokuni Wakayama National Sports Festival” and events associated with “1200th anniversary of the opening of Koyasan” to be held next year. The launch of the community revitalization fund rooted from the wish to realize a ripple effect of the development of various regional businesses with the tourism as the core by leveraging this chance to leap. The Bank is ready to strive for offering a wide range of support in business strategies, personnel support and the like in addition to financing to link with achievement of practical results such as expansion of employment and improvement of GDP.

The Bank established “Kiyo 6th Industrialization Fund” last fiscal year to aim to vitalize the region in collaboration with the related industries by supporting the growth of the regional agricultural and fisheries sectors. We hope to be a help to vitalize the regional community through these funds.

Furthermore, we started offering “World Heritage Time Deposits” in November last year to support preservation and utilization of “Sacred Sites and Pilgrimage Routes in the Kii Mountain Range,” one of the important tourism resources of Wakayama Prefecture which marked the 10th anniversary of registration as a world heritage this year. In these time deposits, we donate the amount equivalent to 0.01% of total deposits by customers to the Wakayama Prefecture The World Heritage Registration Association. Thanks to our customers, we were able to achieve the amount to be raised in February this year. We will continue to put our efforts into this field as a part of CSR activities, since achievement of both developing products useful for our customers and supporting the community is deeply related to our existence value.

**Could you tell us the backgrounds of the last year’s most important events, “completion of repayment of public funds” and “merger of Kiyo Holdings, Inc. and the Kiyo Bank”?**

In 2006, the Kiyo Bank received ¥31.5 billion in public funds following the business integration with the former

Wakayama Bank. The repayment of these public funds had been a large theme carried over from the 2nd medium-term management plan. We had strived to accumulate internal reserves with an aim to complete repayment within three years of the 3rd medium-term management plan. In September 2012, we repaid ¥15.4 billion, and in September 2013, we completed the repayment of the remaining public funds of ¥16.1 billion by acquiring the rest of the preferred shares issued at the time of the business integration from The Resolution and Collection Corporation.

This was a completion of the theme carried over seven years and a significant milestone for the Bank. We would like to further keep our guards up from this point forward to establish more proactive operating organization.

In addition, Kiyo Holdings, Inc. was established at the time of the merger of the Kiyo Bank and the former Wakayama Bank in 2006, as a holding company of both banks. In October 2013, the Kiyo Bank completed a absorption type merger of Kiyo Holdings, Inc. and the Kiyo Bank was then listed in the first section of the Tokyo Stock Exchange, replacing Kiyo Holdings, Inc. Kiyo Holdings, Inc. was a company established to ensure the smooth business integration, and we believe that Kiyo Holdings, Inc. has fully accomplished its purpose in the course of seven years up to the last fiscal year.

In the meantime, amid the changes in the business environment surrounding the Bank in the last few years, important challenges have emerged such as speeding up management judgment and reinforcing governance. We have determined that it is necessary to build a solid financial foundation and organizational structure which can overcome these challenges, and revived as a simple group structure placing the Kiyo Bank as its core.

Under this new group structure, we will further demonstrate the “character of the Kiyo Bank” by increasing the decision making speed and flexibility as a financial institution, and contribute even more to the local economy and lifestyle.

**Although the Japanese economy is showing signs of recovery, the severe conditions surrounding small and medium-sized enterprises (SMEs) seem to continue. As a supporter of local**



## SMEs, what are the Bank's stance and activities?

The Bank considers support for customers of private businesses and SMEs as one of its most important duties. We are making efforts to support our customers who are struggling in the harsh economic environment in various stages, including not only financial arrangements, but also supporting market development and drawing up improvement plans, as well as support for rehabilitation.

We invested in "Kansai Wide-area SME Rehabilitation Fund" and "Renaissance Fund VI" last year. Both are joint public-private business revival funds where Organization for Small & Medium Enterprises and Regional Innovation, JAPAN and others are the investors. We will continue to develop them as one of the corporate supporting activities to continue after the conclusion of the SME Financing Facilitation Act.

In addition, the Bank is promoting business partnership with overseas financial institutions to provide economic information and to support financing activities for businesses expanding to overseas. From last year to this year, we entered into cooperation agreements with the leading banks in Taiwan, Vietnam, and the Philippines

and are helping our customers to expand their businesses.

## This year is the final year of the 3rd medium-term management plan, and the Kiyō Bank will mark the 120th anniversary of its founding in 2015. How are you going to face the year of conclusion and anniversary?

As you pointed out, the Bank will mark the 120th anniversary of its founding in 2015, which is the final year of the 3rd medium-term management plan. As the largest theme, repayment of public funds, was completed one year in advance, we will give our final sprint in the 3rd medium-term management plan with our focus on the remaining two themes: "steady transformation into the top regional bank in the area" and "powerful promotion of relationship banking."

With the 120th anniversary approaching, we will develop measures which can express our gratitude to our loyal customers more than anything. For our shareholders, we have strived to improve the price per share by implementing acquisitions of treasury stock in the past, and we will continue to work on returning profits to our shareholders while maintaining and improving the level of profits.

Furthermore, as previously mentioned, we are planning to support the events of the "Kinokuni Wakayama National Sports Festival" and the "1200th anniversary of the opening of Koyasan" in cooperation with the local governmental institutions. We want to show our gratitude to the local residents, who have helped the Bank to grow, through our support of these regional events on the landmark occasion of our 120th anniversary.

Additionally, we have produced a new TV commercial to send our corporate message, as a development toward our anniversary. The highly topical commercial features Ms. Rie Tanaka, the former gymnast and the winner of the NHK Cup, as an icon, with the song by the popular duo, "KOBUKURO." Ms. Tanaka is from Wakayama, and the members of KOBUKURO actively performed live events in Wakayama since before their debut. The commercial can be said to have been created with cooperation by the people closely associated with the local community. It has been on air since June this year, enjoying popularity among the stakeholders.

120 years are a very long history, but the anniversary is just one of the passing points. We realize that sustainable attitudes and plans are required to lead such history to tomorrow, rather than temporary philosophy or actions.

## Finally, could you tell us the future prospect of the Kiyō Financial Group in the years ahead?

We feel that now is the real part of revitalization of the Japanese economy, and the economic recovery in Wakayama Prefecture and Osaka Prefecture, our main operating area, will go through the crucial stage from here. We intend to gain a position as the top regional bank by making our efforts, in which each officers and employees have goals for growth, and help our customers by exerting abilities of individuals to the utmost.

The Kiyō Financial Group will stride firmly on the path towards our goal of "becoming the bank of first choice for customers" by maximizing the potential of "people and organization," and so we ask for the continuing support and encouragement of all our stakeholders.

**The year to visually show our gratitude.  
We consider our actions as the brand power.**

