

Message
from
the
President



Yasuyuki Matsuoka
President

**“To become a bank going beyond banks”
We are aiming to become a financial institution
which persistently supports the regional community
under our slogan filled with a new resolve.**



First we would like to ask President Matsuoka, appointed in June of this year, about his present state of mind and his aspirations for leading the Kiyo Financial Group in the future.

The Japanese economy is currently in a state of recovery but we are still experiencing a “time of regional impoverishment.” It seems that small and medium-sized enterprises, in particular, are not able to escape from their sluggish states on the whole. Wakayama Prefecture and Osaka Prefecture, which are our Group’s main operating areas, are currently looking for a way to connect limited and temporary prosperity to overall and sustainable stability.

We strongly feel this is a crucial moment for a regional financial institution, whose mission is to develop and support the regional economy and lifestyle.

I brace myself for important responsibilities and am putting forth my best efforts together with our officers and employees to take on the missions we are given.

The 3rd medium-term management plan is complete. We were able to produce steady results.

As you said earlier, the Japanese economy is currently in an overall state of recovery. What was the management environment like in the Kiyō Financial Group last year?

The Japanese economy last year showed signs of weakness in some business indicators due to factors such as the consumption tax hike and unseasonable weather. However, exports and production were stable due to the recovery of foreign economies mainly in advanced nations, and public investments stayed at a higher level. The entire economy showed a gentle recovery with improvement in corporate revenues due to factors such as a continuous weak yen, a decline in crude oil prices and high stock prices.

In Wakayama Prefecture, which is our Group's main operating area, commemorative events were held at many places and drew in many people, including the "Sacred Sites and Pilgrimage Routes in the Kii Mountain Range," which marked the 10th anniversary of registration as a world heritage, and the "Great memorial service for the 1200th anniversary of the opening of Koyasan (Mt. Koya)." In Osaka Prefecture, new flight services and route expansions were continuously introduced at the Kansai International Airport, leading to a record number of foreign tourists on international air routes. In addition, plans and construction of buildings such as skyscrapers and lodging facilities were carried out particularly in the city of Osaka.

In these circumstances, the Group has been making efforts to improve our customers' convenience, strengthen our business base and support the further development of the regional economy.

Consequently, both loans and deposits steadily increased for the year ended March 2015, resulting in profits to surpass the initial forecast, because securities-related profit and loss exceeded the forecast and credit-related expenses were at a low level.

In terms of the business performance, the Kiyō Bank's gross operating income amounted to ¥53.3 billion, and net income resulted in ¥12.3 billion on a non-consolidated basis.

Last year was the final year of the 3rd medium-term management plan, under which you carried out the four strategies of "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," guided by your vision of "becoming the bank of first choice for customers." How did each strategy progressed?

For "strengthening the business base mainly in the southern part of Osaka Prefecture," a major theme in the 3rd medium-term management plan was development focusing on increasing the number of branches. Expanding the number of branches in Osaka Prefecture over a three year period resulted in a total of 38 locations in Osaka Prefecture with the Tondabayashi branch being relocated and newly constructed in Tondabayashi City in February of this year. We plan to establish new branches at a rate of two per year in the future and complete a branch network the same size as in Wakayama Prefecture in the next 10 years.

Over the past three years, deposits have increased by 18.5% and loans have increased by 4.2% in Osaka Prefecture.

As for "transforming the operating organization to improve customer satisfaction," we poured efforts into the three-year Business Process Reforms (BPR), which coincided with the management plan period. This was a project to transform our

The 4th medium-term management plan ventures into clear individual strategies for each region.

branches from "places that handle administrative services to places that offer consultation and sales." To that end, we worked to improve operating productivity through restructure and renewal of personnel, branches and systems. We believe

that a "strong foundation" is now being built to create an aggressive operating organization in the future.

With regard to "strengthening the business management system," we strove to improve the awareness of all officers and employees and to train personnel equipped with expert knowledge, with the goal of thoroughly ensuring the definite theses for financial institutions: enhancing our compliance system and protecting our customers.

What about the 4th strategy, "establishing a stronger presence through CSR activities"? In Wakayama Prefecture, we saw favorable conditions in the tourism business. The Group, as a regional financial institution, has been taking initiatives in providing support for the tourism business.

We launched "The Wakayama Community Revitalization Fund" as a new initiative in January of last year. This initiative involves regional financial institutions investing in regional industries. Investees are businesses engaged in promoting tourism in Wakayama and surrounding areas, and this fund we launched was the first, among regional banks nationwide.

Along with this fund, we also started "The Kiyō 6th Industrialization Fund." This involves multiple regional financial institutions investing in new business plans launched by any business in the agriculture, forestry and fishing sectors with partner enterprises. The first subject of this fund was an investment in a domestic cultured fish processing and export business in Shingu City, Wakayama Prefecture in June of this year. These funds are a new style of contribution to regional economy and society through the regular business of banks and should take a significant position in future initiatives in "regional revitalization."

The 4th medium-term management plan has started from this year. Can you tell us about the main orientation of the plan?

The 4th medium-term management plan, which spans from April of this year to March of 2018, is based on a long-term vantage

point and its main orientation is “accelerating growth through clear individual strategies for each region according to the respective regional characteristics of Wakayama and Osaka.”

The differences in regional characteristics and the disparity in management environment between Wakayama Prefecture and Osaka Prefecture, which are our base of operations, are rapidly expanding and it seems those gaps will grow at an even faster pace in the future. Centralized initiatives are limited, so we have ventured into strategies which are clearly separated by individual regions.

For Wakayama Prefecture, we aim to maintain our share as a top regional bank in the prefecture while strengthening our procurement foundation in preparation for a future reduction in deposits as well as promoting relationship banking which is highly beneficial to the community including measures such as affiliations with businesses and local government institutions.



For Osaka Prefecture, we will develop customer-oriented relationship banking which delves deeply into any issues the customers may have, based on an operating organization which is persistent in increasing the number of customers. We will also put forth efforts in strengthening promotions oriented toward increasing the recognition of the Kiyo Bank.

Further, the 4th medium-term management plan establishes four main strategies: “improving management efficiency to provide persistent support to the regional community,” “strengthening operating promotion which links scale to corresponding profits,” “increasing corporate reputation and brand power in the market” and “further strengthening the business management system.” How do these strategies relate to the themes you have just talked about?

First, I would like to talk about the first strategy, “improving management efficiency to provide persistent support to the regional community.”

The key to future expansion of our business operations lies in Osaka Prefecture, so we will accelerate the establishment of new branches in the prefecture. Meanwhile, in Wakayama Prefecture, our goal is to reach “¥4 trillion in deposits” at an early stage while developing long-term support for regional revitalization. We will also focus even more our efforts on the personnel project “Positive Action,” which includes measures such as the active appointment of females from the viewpoint that the corporate value is equal to the personnel value.

For the 2nd strategy, “strengthening operating promotion which links scale to corresponding profits,” we aim to increase the number of borrowers and loan balance through thorough solution-type relationship banking operations, which are the strength of the Bank. In addition, we plan to enhance deposited-asset products including

The 3rd major strategy, “increasing corporate reputation and brand power in the market,” seems to be related to the “Branding Project,” which is currently underway.

This year is our 120th anniversary, so our management plan incorporates branding strategies to strengthen the Bank’s presence with residents in the regions and our customers.

In particular, enhancement of brand power in Osaka Prefecture is an issue with the utmost importance to us. For the Kiyo Bank, which is putting the expansion of the Osaka market into a long-term perspective, there is still potential for increasing recognition particularly in the Northern and Eastern areas. We will take initiatives in achieving the same level of name value and reliability in Osaka Prefecture as we currently have in Wakayama Prefecture.

The promotion of CSR activities oriented toward the regional society is also an important issue from the point of increasing corporate reputation. Along with measures which connect our regular business with regional contributions like the fund project in Wakayama Prefecture mentioned earlier, we will enrich fields where we can capitalize on the knowledge as a regional financial institution.

Please tell us about the 4th strategy, “further strengthening the business management system.”

We will continue to take thorough measures to ensure compliance and protection of our customers. Wakayama Prefecture and Osaka Prefecture are natural disaster danger zones which are anticipated to be damaged by the “Nankai Trough megaquakes” and the “Tokai-Tonankai-Nankai triple earthquakes,” so we are taking a stance of strengthening the promotion of BCP (Business Continuity Planning) on the assumption that a large scale disaster will occur.

“To become a bank going beyond banks” is a new ideal of a regional financial institution.

investment trusts and insurance, and to powerfully promote retail strategies which utilize reinforced branch channels in Osaka Prefecture.

Going back to the Branding Project, you have created a new TV commercial which has been aired since January of this year. The vitality-packed commercial stars Ms. Rie Tanaka, a former gymnast, and KOBUKURO’s song playing in the

Reaching the milestone of the 120th anniversary, we feel a new obligation to repay the regional community.

background goes well with the overall mood of the commercial.

The new brand slogan “To become a bank going beyond banks” is the symbol for a bank we want to become with the 4th medium-term management plan, and we have been promoting its advertising since January.

Ms. Rie Tanaka, who stars in the commercial, is from Wakayama Prefecture, and it’s well known that KOBUKURO has actively performed live events in Wakayama before their debut. There are a lot of our employees appearing in the commercial as well, so it has a certain bond with the community. I feel this commercial successfully communicates the freshness and vitality of the Kiyō Bank to many customers.

The phrase “To become a bank going beyond banks” in the commercial leaves a lasting impression. What meaning does this phrase have?

The slogan “To become a bank going beyond banks” contains three themes. The 1st theme is “proposing ability which goes beyond the customers’ expectations.” Our goal is to offer proposals which are even more finely tuned than before to solve the customers’ problems and to enhance our consulting quality including cooperating with outside experts.

The 2nd theme is “services which go beyond the framework of a bank.” This represents our attitude toward building skills, capacity and strong trust relationships in order to offer consulting services in fields other than finance as well as to increase the advancedness and response speed of our services.

The 3rd theme is “activities which go beyond regional borders.” It is necessary to connect with markets and people outside the regional community or to put overseas partnerships, etc. into perspective in order for the regional economy to develop and expand in the future. We want to express our determination to make it our future mission to support developing such relationships. The image of the activities is that we connect points to make lines and expand them to planes, thus providing support for regional revitalization.

All of these new activities may be due to the 120th anniversary of the Kiyō Bank. Personally, what do you think of this milestone of the 120th anniversary?

One hundred and twenty years is a long time history, and the Kiyō Bank has naturally experienced exploration and stagnation over this history. Looking back at the years since I joined the Kiyō Bank, there were also hard and challenging times, but each time we were able to overcome thanks to the kind-hearted support from people in the regional community.

The mission of a regional bank is to provide support for regional development. However, I feel that the people in the regional community have provided more support for us than we have for them. Taking our 120th anniversary as a halfway mark, I strongly feel that we must put more energy into repaying the regional community in the future. I believe our new management plan and the Branding Project will ultimately result in repaying the regional community.

Lastly, please tell us about the future prospects of the Kiyō Financial Group and give a message to the stakeholders.

In the beginning of this interview I mentioned a “time of regional impoverishment.” We must transform this “impoverishment” into “vitality.” For example, Japanese brand names have been recently garnering attention all over the world. Regional businesses, people and culture have the opportunities to expand outward in these times when products and services which have an original sense of culture are highly regarded in the global market for their scarcity value. One of the Kiyō Financial Group’s major goals is to create such opportunities and provide support.

Meanwhile, we regard it even more important in these times to steadily gain experience through hard work intrinsic to a financial institution, such as improving the quality of a relationship with each individual customer and increasing the number of customers.

We will put forth efforts in steadily building up such experience every day while taking a hard look at the next 10 years, and



so we ask for the continuing support and encouragement of all our stakeholders.