

# Financial Highlights

## Consolidated Basis

	Millions of Yen				
	2011	2010	2009	2008	2007
As of March 31					
Total Assets	<b>3,494,645</b>	3,353,702	3,176,656	3,147,644	3,144,993
Deposits and NCD	<b>3,063,368</b>	2,992,988	2,835,660	2,797,878	2,769,047
Loans and Bills Discounted	<b>2,121,130</b>	2,081,900	2,064,761	2,036,502	2,002,114
Investment Securities	<b>1,062,983</b>	999,439	916,565	927,782	936,270
Total Equity	<b>250,368</b>	248,984	227,410	233,240	245,420
Years ended March 31					
Total Income	<b>81,097</b>	80,957	85,090	92,757	84,075
Total Expenses	<b>68,384</b>	65,234	72,268	75,627	68,221
Income before Income Taxes and Minority Interests	<b>12,713</b>	15,722	12,821	17,130	15,854
Net Income	<b>7,135</b>	9,300	6,720	9,137	9,446
Capital Adequacy Ratio	<b>14.30%</b>	14.33%	13.56%	13.87%	13.71%
Per Share					
Yen					
Net Income	<b>33.98</b>	44.28	32.00	43.52	44.98
Cash Dividends	<b>8.00</b>	9.00	8.00	8.00	7.00

## Non-Consolidated Basis

	Millions of Yen				
	2011	2010	2009	2008	2007
As of March 31					
Total Assets	<b>3,473,490</b>	3,331,114	3,153,030	3,120,460	3,117,684
Deposits and NCD	<b>3,071,770</b>	3,000,818	2,842,941	2,805,681	2,775,975
Loans and Bills Discounted	<b>2,131,221</b>	2,092,524	2,075,518	2,047,089	2,012,934
Investment Securities	<b>1,063,018</b>	999,344	916,468	927,406	935,510
Total Equity	<b>237,770</b>	237,395	216,707	223,105	236,143
Years ended March 31					
Total Income	<b>67,135</b>	66,920	70,983	77,383	68,791
Total Expenses	<b>56,227</b>	52,715	59,228	61,905	54,134
Income before Income Taxes	<b>10,907</b>	14,205	11,754	15,478	14,657
Net Income	<b>6,823</b>	8,963	6,468	8,750	9,144
Capital Adequacy Ratio	<b>13.76%</b>	13.85%	13.15%	13.51%	13.38%
Per Share					
Yen					
Net Income	<b>32.50</b>	42.68	30.80	41.68	43.54



## Message from the President



President **Motohiro Kamimura**

\*Photographed in  
“cool biz” style (June 2011)

Pursuing as its corporate mission the four themes of “sound management,” “regional contribution,” “customer-focused approach,” and “improving corporate vitality,” Kagoshima Bank has continued to make steady progress to date and has built a solid foundation as a main financial institution firmly rooted in its region.

Just as the Japanese economy was showing signs of recovery in exports and manufacturing, and national levels of employment and income were rising, there occurred, in March 2011, the Great East Japan Earthquake, which exerted a major economic impact. In addition, the prefectures of Kagoshima and Miyazaki, which represent Kagoshima Bank’s main business base, continue to endure harsh economic conditions, in which employment and tourism-related consumer spending remain sluggish. On a brighter note, the region saw the opening in March of the entire line of the much-awaited Kagoshima Route of the Kyushu Shinkansen.

### Towards rapid progress in the third year

Such is the business environment in which Kagoshima Bank has entered the third and final year of our Fourth Business Strategy Plan (the Fourth Master Plan).

Under this plan, the three years through to 2012 comprise “two years of streamlining and strengthening of our foundations, followed by rapid progress in the third year,” and we are developing a threefold strategy of “enhancement of business foundations,” “improvement of managerial efficiency,” and “enhancement of human resources.”

For “enhancement of business foundations” we are fully implementing our business model for corporate clients, Operating Profit Improvement Activities for Corporate Clients. We are also actively working in the growth fields of health service provision, agriculture, and the environment. In the personal sector, we are working to improve the merchantability of our loans and asset management facilities so that we may serve our personal customers as their main financial institution and trusted lifelong associate.

For “improvement of managerial efficiency” we are reviewing the functionality of our branches to meet market characteristics, repositioning some branches to specialize in the personal sector or as agencies. We are also working to optimize our deployment of personnel. Furthermore, with the cooperation of everyone, including our customers, we successfully completed the renewal of our enterprise system in May 2011.

For “enhancement of human resources” we have developed and are currently operating a system for training up strong personnel to deal with long-term prospects in order to provide even higher-quality services.

This year, as well as fully implementing and strengthening further our initiatives of the past two years, we are pursuing “rapid progress in the third year,” leading to further rapid progress beyond.

## Movement for regional development

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One theme of Kagoshima Bank’s corporate mission is “regional contribution”; and achieving mutually beneficial relations with our region is our greatest calling.

Negative factors persist in the regional economy, such as the prolonged economic slump, a rapidly aging population, and population decrease. At the same time, the opening of the completed line of the Kagoshima Route of the Kyushu Shinkansen, which extends the high-speed rail network into southern Kyushu, affords the region some economic uplift.

Given these circumstances, Kagoshima Bank will from now on serve the region not only as “financial infrastructure” but also as an active enterprise, in which all management and staff think seriously about what we can do for the region and take practical steps accordingly, our aim being to support regional development while taking full advantage of regional characteristics. In doing so we also hope that Kagoshima Bank’s thinking and example will attract the support of an increasing number of local people, causing such initiatives to spread throughout the entire region. In other words, we wish to start a “movement for regional development” and thereby revitalize the regional economy.

Accordingly, we invite you to continue to give Kagoshima Bank your kind support and patronage.

# The Fourth Business Strategy Plan

## (The Fourth Master Plan)

### ► Objectives of the Plan

“Two years of streamlining and strengthening of our foundations, followed by rapid progress in the third year.”

For the first two years we will focus on local growth fields, further strengthening the community-based financing we have been carrying out until now. Together with this, we are also implementing future-oriented promotion of streamlining, strengthening of our foundations, and training of personnel. These initiatives enable us to aim for rapid progress in the third year.

### ► Conceptual Diagram (April 2009 to March 2012)



### ► Challenge Targets (Fiscal year ending March 31, 2012)

#### Profit Target

Gross profit	¥58.0 billion or greater (¥56.6 billion)
Core business profit	¥17.0 billion or greater (¥18.1 billion)
Net income	¥9.0 billion or greater (¥6.8 billion)

$$*Tier 1 ROE = \frac{\text{Net Income}}{\text{Shareholders' Equity (Tier 1)}}$$

#### Management Index Target

OHR	Under 70.0% (67.93%)
Tier 1 ROE*	4.2% or greater (3.31%)
Capital adequacy ratio	13.5% or greater (13.76%)
Tier 1 ratio	12.5% or greater (12.51%)

The figures in parentheses, ( ), denote results as of March 2011

## ► Strategies of the Fourth Master Plan

### Corporate Sector Strategy

We are striving to improve the effectiveness of our Operating Profit Improvement Activities for Corporate Clients, which also appeared in the Third Master Plan, to strengthen further our activities with regard to the sustainability and increased profitability of our clients' businesses. In this way, we are seeking to improve levels of client satisfaction, and, in turn, always to remain the bank of choice for our clients. In addition, we are planning to improve our corporate sales strength through effective use of our Corporate Business Center for the training of personnel. We are also constructing an efficient sales system that will enable our sales branches to focus on practicing relationship banking.

### Personal Sector Strategy

Kagoshima Bank is a regional financial institution. As such, we always try to be there for our customers, offering information and services tailored to our customers' life stages. Our goal is to be a bank that understands its customers and which can act as a trusted lifelong associate. We are also working to build intimate relationships with our property investment and mortgage customers through repeated face-to-face communication at our sales branches. Our aim is to be a bank that you can consult on all matters. Likewise, we hope to receive our customers' support by offering improved customer convenience through our effective use of direct channels.

### Operations Sector Strategy

In 2008 we installed a sales-branch computer terminal called LINKER, utilization of which enables us to achieve "error-free" performance in our operations. We are also planning main-office centralization, channel shifts, and other measures to reduce further the volume of operations carried out in our branches. With the renewal of our enterprise system, which was completed in May 2011, we have been conducting a radical review of operations carried out in our branches. We are also planning to improve our current operations flow and to expand the feature set of LINKER to ensure that "everyone can perform work without error." Through such initiatives we are pursuing a "low-cost, high-quality" business-operations model; at the same time, we are working towards operations reform that will lead to "enhanced sales power and profitability."

### Market Sector Strategy

Kagoshima Bank's stock and bond investments are designed to contribute to sound bank management through the stable acquisition of periodic income and securing of asset liquidity. The Fourth Master Plan dictates that we aim for stable revenue results and invest mainly in bonds, even as the economy continues to stagnate and chaos reigns in the financial markets. At the same time, as well as building a simple and flexible portfolio of stocks and bonds, we can prepare ourselves to react swiftly to changes in the financial markets while increasing the sophistication of our risk management.

### Enhancement of Corporate Strength

While the "Corporate Sector," "Personal Sector," "Operations Sector," and "Market Sector" each demonstrates its own strength, it is important to enhance our basic strength as a corporation in order to increase our corporate value from the standpoints of all stakeholders and make our social significance more steadfast than ever. In the Fourth Master Plan, we are working from three perspectives—"enhancement of business foundations"; "improvement of managerial efficiency"; and "enhancement of human resources"—in order to build a strong corporate base, which will enhance our corporate strength.



# Board of Directors and Corporate Auditors



Tomihiko Kikunaga      Masafumi Hidaka      Youichi Uenohara      Akihisa Kooriyama  
 Motohiro Kamimura      Fumiharu Nagata      Sumihiro Matsuyama

\*Photographed in "cool biz" style (June 2011)

- **Chairman**  
Fumiharu Nagata
- **President**  
Motohiro Kamimura
- **Senior Managing Director**  
Sumihiro Matsuyama
- **Managing Directors**  
Masafumi Hidaka  
Youichi Uenohara  
Tomihiko Kikunaga  
Akihisa Kooriyama

- **Directors**  
Toshihiro Maeda  
Shinichi Kato  
Seizaburo Higashi  
Shinichi Ohtsubo  
Tsutomu Higuchi  
Tsutomu Nakamura  
Satoru Imaizumi  
Hideto Tago

- **Standing Corporate Auditors**  
Masaharu Tanaka  
Koji Tsumagari
- **Corporate Auditors**  
Kyoichi Iwamoto  
Yutaka Tokuda  
Takejiro Sueyoshi

## Organization Chart





# Bank Data

ESTABLISHED:  
October 1879

PAID-IN CAPITAL:  
¥18,130,760,235

HEAD OFFICE:  
6-6, Kinsei-cho,  
Kagoshima 892-0828, Japan  
Phone: (099) 225-3111

FINANCIAL MARKETS DIVISION:  
TOKYO MONEY MARKET CENTER  
3-15-2, Nihombashi,  
Chuo-ku, Tokyo 103-0027  
Phone: (03) 3272-3196  
SWIFT: KAGOJPJT  
Fax: (03) 3272-3180

SHANGHAI  
REPRESENTATIVE OFFICE:  
Room 141, 27F, HSBC Tower,  
No.1000, Lujiazui Ring Road,  
Pudong New Area,  
Shanghai, P.R. China  
Phone: 010-86-21-6841-5185  
(established July 13, 2007)

NUMBER OF BRANCHES:  
161, plus 273 off-branch  
automatic teller machines

CORRESPONDENT BANKS:  
313 branches of 48 banks,  
in 160 cities of 30 countries

NUMBER OF EMPLOYEES:  
2,588

NUMBER OF SHARES:  
Issued —  
210,403,655  
Authorized —  
800,000,000

NUMBER OF SHAREHOLDERS:  
6,567

RATING:  
Long-term counterparty credit rating from  
Standard & Poor's **A**

(as of end March 2011)

## GROUP COMPANIES AT A GLANCE

Name of Company	Address	Capital (Millions of Yen)	Voting Share	Voting Share of Other Group Companies	Established	Line of Business
The Kagin Office <sup>※</sup> Business Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-216-5080	30	100.0%		July 12, 1991	Collateral evaluation, Personnel dispatch service, Job placement service, etc.
The Kagin Accounting Service Co., Ltd.	3-10, Gofuku-machi, Kagoshima 892-0826 Phone: 099-239-9756	20	100.0%		April 1, 2004	Accounting service for the consolidated subsidiaries
The Kagin Agency Co., Ltd.	3-10, Gofuku-machi, Kagoshima 892-0826 Phone: 099-239-9822	50	100.0%		November 28, 2008	Bank agency services
The Kagoshima Regional Economic Research Institute Co., Ltd.	3-10, Gofuku-machi, Kagoshima 892-0826 Phone: 099-225-7491	20	45.0%	50.0%	April 16, 1990	Surveys and research in industry, economics, finance and regional development Management Consulting
The Kagoshima Card Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-223-2011	50	30.0%	38.0%	March 1, 1983	Credit card business, loan guarantee financing, etc.
The Kagoshima Lease Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-225-2455	66	5.0%	48.5%	September 25, 1974	Leasing, factoring, securities investment, etc.
The Kagoshima Guarantee Service Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-224-2760	20	49.1%	11.4%	June 23, 1977	Loan guarantees for housing and consumer loans

※The Kagin Office Business Co., Ltd. was founded as a result of a merger between Kagin Business Service Co., Ltd. and the Kagin Office Service Co., Ltd. on April 1st, 2011. (as of end June 2011)