

Financial Highlights

Consolidated Basis

	Millions of Yen				
	2012	2011	2010	2009	2008
As of March 31					
Total Assets	3,560,956	3,494,645	3,353,702	3,176,656	3,147,644
Deposits and NCD	3,151,396	3,063,368	2,992,988	2,835,660	2,797,878
Loans and Bills Discounted	2,203,892	2,121,130	2,081,900	2,064,761	2,036,502
Investment Securities	1,103,906	1,062,983	999,439	916,565	927,782
Total Equity	264,488	250,368	248,984	227,410	233,240
Years ended March 31					
Total Income	79,312	81,097	80,957	85,090	92,757
Total Expenses	61,557	68,384	65,234	72,268	75,627
Income before Income Taxes and Minority Interests	17,755	12,713	15,722	12,821	17,130
Net Income	8,749	7,135	9,300	6,720	9,137
Capital Adequacy Ratio	14.36%	14.30%	14.33%	13.56%	13.87%
Per Share					
Yen					
Net Income	41.68	33.98	44.28	32.00	43.52
Cash Dividends	8.00	8.00	9.00	8.00	8.00

Non-Consolidated Basis

	Millions of Yen				
	2012	2011	2010	2009	2008
As of March 31					
Total Assets	3,541,924	3,473,490	3,331,114	3,153,030	3,120,460
Deposits and NCD	3,160,047	3,071,770	3,000,818	2,842,941	2,805,681
Loans and Bills Discounted	2,214,753	2,131,221	2,092,524	2,075,518	2,047,089
Investment Securities	1,103,705	1,063,018	999,344	916,468	927,406
Total Equity	250,952	237,770	237,395	216,707	223,105
Years ended March 31					
Total Income	65,808	67,135	66,920	70,983	77,383
Total Expenses	49,791	56,227	52,715	59,228	61,905
Income before Income Taxes	16,017	10,907	14,205	11,754	15,478
Net Income	8,470	6,823	8,963	6,468	8,750
Capital Adequacy Ratio	13.77%	13.76%	13.85%	13.15%	13.51%
Per Share					
Yen					
Net Income	40.35	32.50	42.68	30.80	41.68

Message from the President



President **Motohiro Kamimura**

Pursuing as its corporate mission the four themes of “sound management,” “regional contribution,” “a 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 bank firmly rooted in its region.

However, in the prefectures of Kagoshima and Miyazaki, which represent Kagoshima Bank’s main business base, the combined trends of a falling birthrate, population aging, and population decrease are gathering pace, raising the prospect of a future contraction in the regional economy.

Even still, the region is enjoying the economic ripple effects of the opening in March 2011 of the entire line of the Kagoshima Route of the Kyushu Shinkansen. Economic activity is continuing to be spurred that takes advantage of these effects and helps to sustain them.

The stage in which we commit ourselves thoroughly to our region

Such was the economic environment in which Kagoshima Bank commenced its Fifth Business Strategy Plan (the Fifth Master Plan) in April 2012.

In essence, the plan involves our pursuing regionally focused strategies and policies that work to the mutual benefit of the bank and of the region while also ensuring that we act in a scrupulously responsible manner as a leading enterprise in the region.

We have positioned this three-year period as the stage in which we commit ourselves thoroughly to our region. Not only will we offer background support as a financial institution; we will also lead from the front, acting as a vanguard flag-bearer for regional revitalization. We will continue to offer leadership to our region and to our customers by engaging deeply with the real economy of the region.

In our basic approach we will steadily pursue our three-fold strategy of “creating a regional market,” “innovation in management practices,” and “developing the ‘Kagin’ brand.”

In “creating a regional market” we will nurture and actuate regional potential through our active promotion of regional industries, total life support for our personal customers, and stable management of regional financing.

“Innovation in management practices” means raising our productivity and maneuverability by promoting innovation in our business operations, promoting innovation in our human resources, and appropriately distributing our corporate investments and costs, so allowing us to drive the regional economy in a sustained manner.

In “developing the ‘Kagin’ brand,” we are strengthening our human-resources development functions to improve the skill and knowledge levels of our employees, who are our most important economic resource. We are also furthering our corporate social responsibil-

ity (CSR) activities and enhancing our publicity and advertising activities.

A trusted and cherished bank, central to the life of the region

In working to realize our Fifth Master Plan, the management and staff of Kagoshima Bank are committed to finding ways of developing their own knowledge and skills as they seek to provide a service that will meet the needs and expectations of our customers in kindness, convenience, and security.

By involving themselves in the life of the region as responsible and mentally prepared individuals, and by engaging in community-based marketing initiatives, our management and staff are developing relations of trust with our customers, so that we get to know our customers more and become more known to our customers. In this way we aim to become a trusted and cherished bank the existence of which is central to the life of the region.

We therefore thank you for your generous patronage of Kagoshima Bank and invite you to extend to us your continued support.

The Fifth Business Strategy Plan

(The Fifth Master Plan) April 2012 to March 2015

▪ Vision

“A trusted and cherished bank devoted to the region”

—the stage in which we commit ourselves thoroughly to our region—

Our Fifth Master Plan sees us continue our regional community-based finance approach and invest more economic resources than ever in the region. By dedicating ourselves thoroughly to a regional economy in which contraction is foreseen we aim to win the total confidence of our stakeholders while working for mutually beneficial relations with the region itself.

▪ Slogan

“Motto Kagin”

—Bank and customers get to know each other more and more.—

To achieve the vision of our Fifth Master Plan, the management and staff of Kagoshima Bank are involving ourselves in the region as responsible, mentally prepared individuals. This means engaging in the kind of community-based marketing actions that form the grass roots of a regional banking enterprise, and thereby making customers understand what “Motto Kagin” means: We get to know our customers more by providing services in a kind, convenient, and secure manner. The more we gain the trust of our customers, the more they will wish to do business with us. By steadily building relations of trust with our customers, Kagoshima Bank aims to become a trusted and cherished bank the existence of which is central to the life of the region.

▪ Conceptual Diagram



■ Challenge Targets

Profitability Targets

- Core business profit ¥16.5 billion or greater
- Tier 1 ROE 4.0% or greater

Efficiency Target

- OHR Under 70.0%

Soundness Target

- Capital adequacy ratio 13.5% or greater

Regional Targets

- Average balance of regional deposits ¥3,328 billion
- Share by region of deposits Kagoshima: 47.5%
Miyazaki: 5.0%
- Average balance of loans to regions ¥2,028 billion
- Share by region of loans Kagoshima: 45.0%
Miyazaki: 10.0%

■ Strategies of the Fifth Master Plan

Creating a regional market

Nurturing and actuating regional potential

In the Fifth Master Plan, Kagoshima Bank is creating a regional market to help sustain and grow the region's economy, which forms the mainstay of the bank's business operations and from which we make our living. In creating a regional market we will work to identify the potential of new business groupings and operators in the region as we actively assist the promotion of regional industry; to identify needs in the region as we support the livelihoods of all our customers; and to actuate the back-flow of funds to the regional economy. Moreover, by putting regional savings to work on the basis of appropriate risk analysis, we aim to actuate the back-flow of funds further by returning profits to the region. By these means we pursue the ultimate goal of sustaining and growing the regional GDP.

Innovation in management practice

Innovation to achieve an enterprise high in productivity and maneuverability

In the Fifth Master Plan we are building a system that can focus on business operations and are working on innovations in business operations. By pursuing innovations in human-resources management we are diversifying the ways in which individual employees work, making our corporate activities more viable. We are also ensuring appropriate distribution of corporate investments and costs, making cuts where waste needs to be eliminated, and focusing resources on that which merits investment. In these ways we are pursuing innovations in management practice to achieve a business operation in which productivity and maneuverability are high.

Promoting the "Kagin" brand

Raising existing value in readiness for the future

Already known as an institution that places a very high value on its employees, we will in the Fifth Master Plan be aiming to develop the "Kagin" brand to boost the confidence of our stakeholders, that is to say, to raise our existing value in readiness for the future.

So far Kagoshima Bank has focused on developing its human resources. In the Fifth Master Plan, however, we intend to improve the capabilities of our operators by strengthening the functions of our human-resources development.

Kagoshima Bank will also focus its efforts on advertising and publicity activities broadly targeting our stakeholders while promoting the region through its CSR activities as a leading regional enterprise.



Board of Directors



Akihisa Kooriyama Youichi Uenohara Masafumi Hidaka Tomihiro Kikunaga Toshihiro Maeda
 Motohiro Kamimura Fumiharu Nagata Sumihiro Matsuyama

*Photographed in "cool biz" style (June 2012)

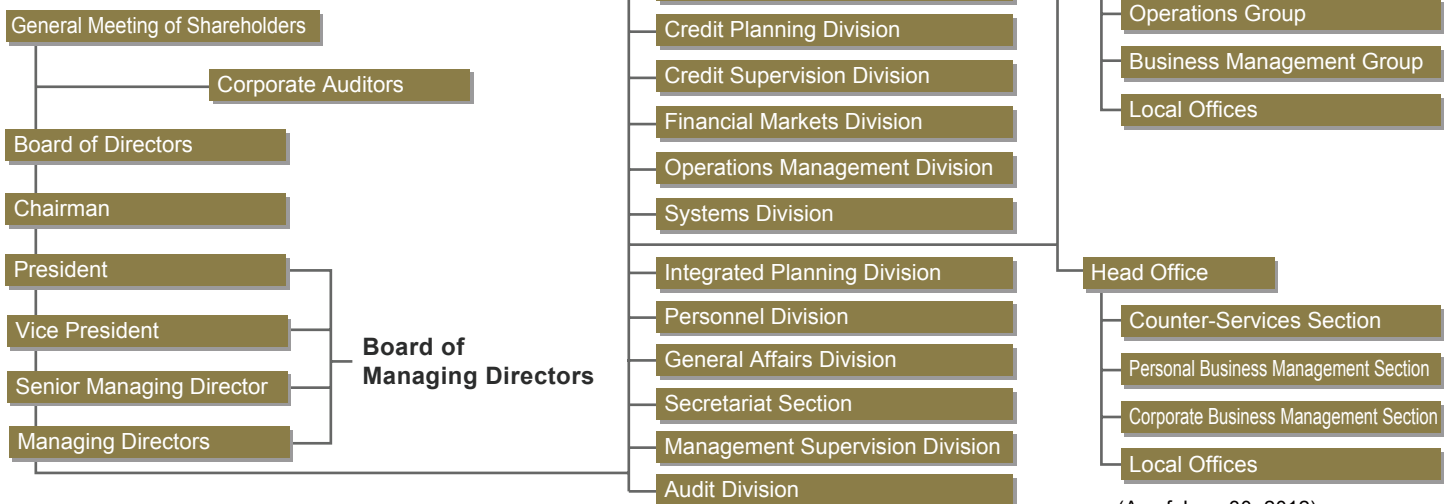
- **Chairman**
Fumiharu Nagata
- **President**
Motohiro Kamimura
- **Senior Managing Director**
Sumihiro Matsuyama
- **Managing Directors**
Masafumi Hidaka
Youichi Uenohara
Tomihiro Kikunaga
Akihisa Kohriyama
Toshihiro Maeda

- **Directors**
Seisaburo Higashi
Shinichi Ohtsubo
Tsutomu Higuchi
Tsutomu Nakamura
Satoru Imaizumi
Mitsuo Nosaki
Hideto Tago

- **Standing Corporate Auditors**
Masaharu Tanaka
Koji Tsumagari
- **Corporate Auditors**
Takejiro Sueyoshi
Katsuro Tanaka
Kozo Harada

(As of June 30, 2012)

Organization Chart



(As of June 30, 2012)

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 344 off-branch
automatic teller machines

CORRESPONDENT BANKS:
315 branches of 50 banks,
in 160 cities of 30 countries

NUMBER OF EMPLOYEES:
2,527

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

NUMBER OF SHAREHOLDERS:
6,418

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

(as of end March 2012)

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 [※] 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 Kagoshima Regional Economic Research Institute Co., Ltd. changed its corporate name to the Kagoshima Economic Research Institute Co., Ltd. as of July 1, 2012.

*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 1, 2011.

(As of June 30, 2012)