



Kyushu FG

Company Information Meeting

December 2, 2015

Kyushu Financial Group, Inc.



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Summary of Financial Results

Six Months Ended Sept. 30, 2015

(Higo Bank & Kagoshima Bank)

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Kyushu Financial Group's Management

Strategy

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Summary of Financial Results for the
Six Months Ended September 30, 2015
(Higo Bank & Kagoshima Bank)



1. Interim Financial Results Summary

[Higo Bank]

Net business profit rose ¥500 million year on year to ¥9.0 billion owing to increases in interest income and dividends and in fees and commissions.

[Kagoshima Bank]

Net business profit rose ¥800 million year on year to ¥8.8 billion owing to increases in interest income and dividends and decreases in expenses.

Profit and Loss

Simple sums of Higo Bank's and Kagoshima Bank's
unconsolidated numbers

(Yen, 00 mn.)

	Sept. 2014	Sept. 2015			Change 2 banks sum
	2 banks sum	2 banks sum		2 banks sum	
		Higo	Kagoshima		
Gross business profit	554	563	290	272	8
Interest income and dividend	462	474	241	232	11
Fees and commissions	73	75	38	37	2
Other business profit (of which gain or loss on government and other bonds)	18 (17)	13 (17)	10 (15)	2 (1)	△5 (0)
Expenses	378	378	199	178	0
Core business profit	159	167	74	92	8
Allowance on doubtful accounts (subtract)	11	5	–	5	△5
Net business profit	165	179	90	88	14
Non-recurring profit or loss	23	52	47	4	29
Non-performing loans disposal expenses (subtract)	5	17	1	15	12
Securities-related profit or loss	17	60	36	24	43
Other non-recurring profit or loss	10	8	13	△4	△1
Ordinary income	188	231	138	92	43
Extraordinary profit and loss	△1	△2	△2	△0	△1
Pre-tax interim net income	187	228	136	92	41
Interim net income	124	156	92	64	33

Highlights of Interim Financial Results

[Higo Bank]

○Operating income: ¥13.8 billion
Increased ¥2.7 billion year on year
owing to increased securities-related
gains.

○Interim net income: ¥9.2 billion
Increased ¥1.9 billion year on year.

[Kagoshima Bank]

○Operating income: ¥9.2 billion
Increased ¥1.5 billion year on year
from increased stock-related income.

○Interim net income: ¥6.4 billion
Increased ¥1.3 billion year on year.

2. Interest and Dividend Income

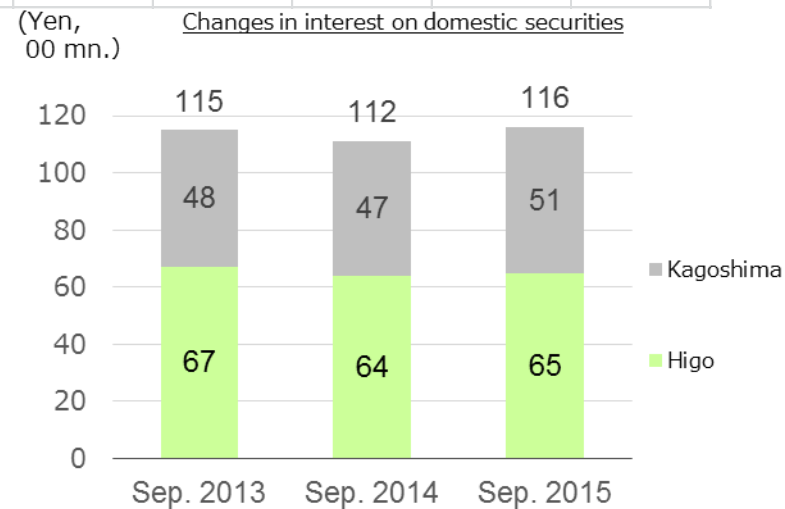
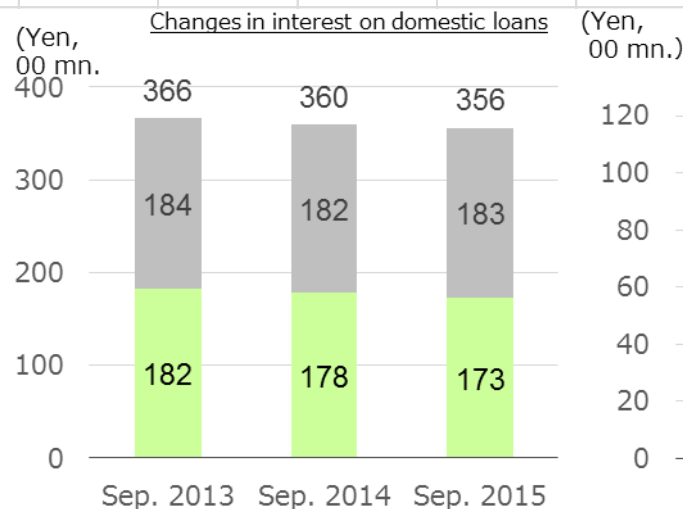
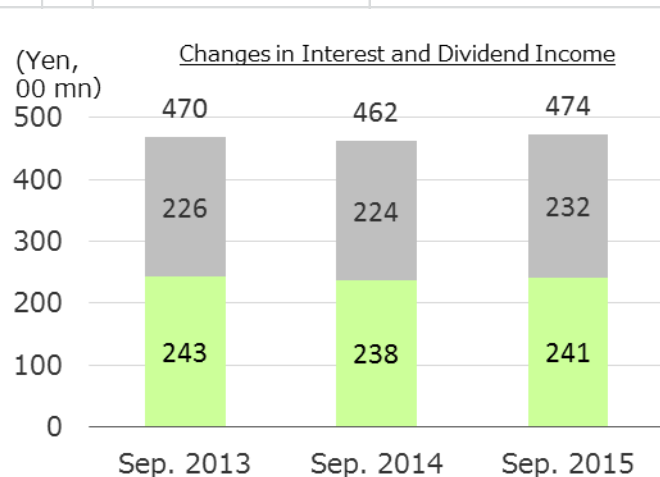
[Higo Bank] ¥24.1 billion (increased ¥300 million year on year)
Domestic Division: -¥400 million (loan interest: -¥400 million, securities interest: +¥100 million); International Division: +¥700 million.

[Kagoshima Bank] ¥23.2 billion (increased ¥800 million year on year)
Domestic Division: +¥400 million (Interest on loans: +¥30 million; interest on securities: +¥300 million); International Division: +¥400 million.

Interest and Dividend Income

(Yen, 00 mn.)

	Sum			Sum			Sum		
		Higo	Kagoshima		Higo	Kagoshima		Higo	Kagoshima
Interest and dividend income	470	244	226	462	238	224	474	241	232
Domestic Division	454	231	223	444	223	221	443	218	225
Interest on loans	366	182	184	360	178	182	356	173	183
Interest on deposits (subtract)	14	8	6	14	8	6	14	8	6
Interest on securities	115	67	48	111	64	47	116	65	51
International Division	15	12	3	18	15	3	29	22	7



3. Fees and Commissions

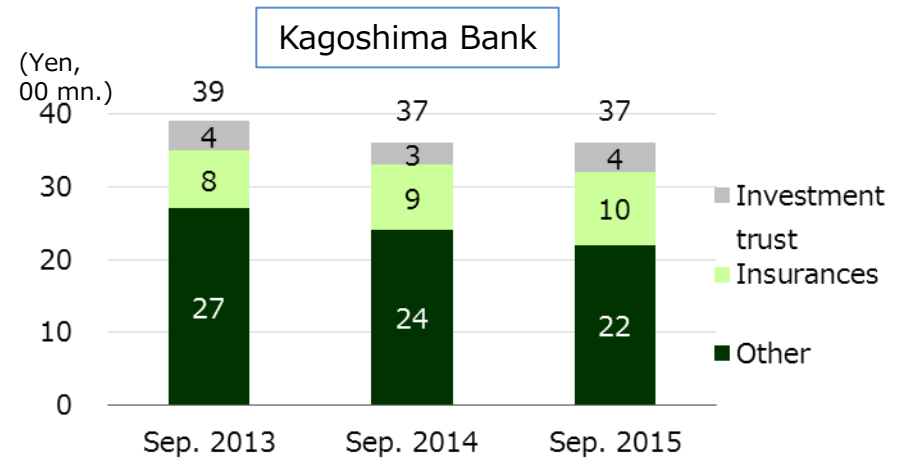
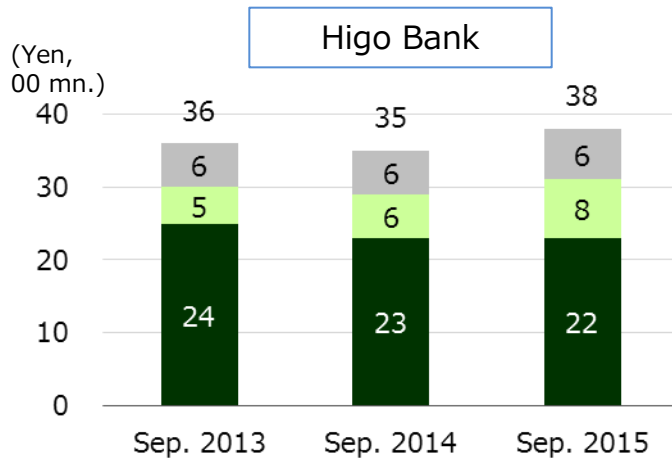
[Higo Bank]

Fees and commissions rose ¥200 million year on year owing to increases in fees on assets under management.

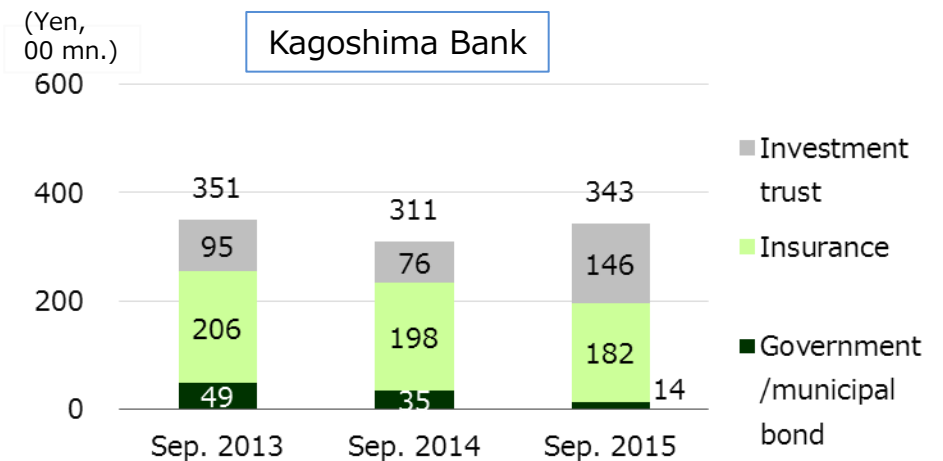
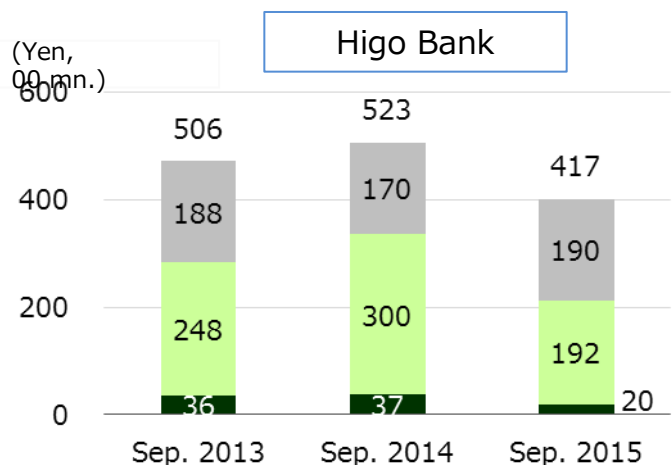
[Kagoshima Bank]

Fees and commissions remained flat year on year due to an increase in loan guarantee fees (expenses) along with an increase in outstanding housing loans despite an increase in fees on assets under management.

Fees and Commissions



Newly Acquired Deposited Assets



4. Expenses

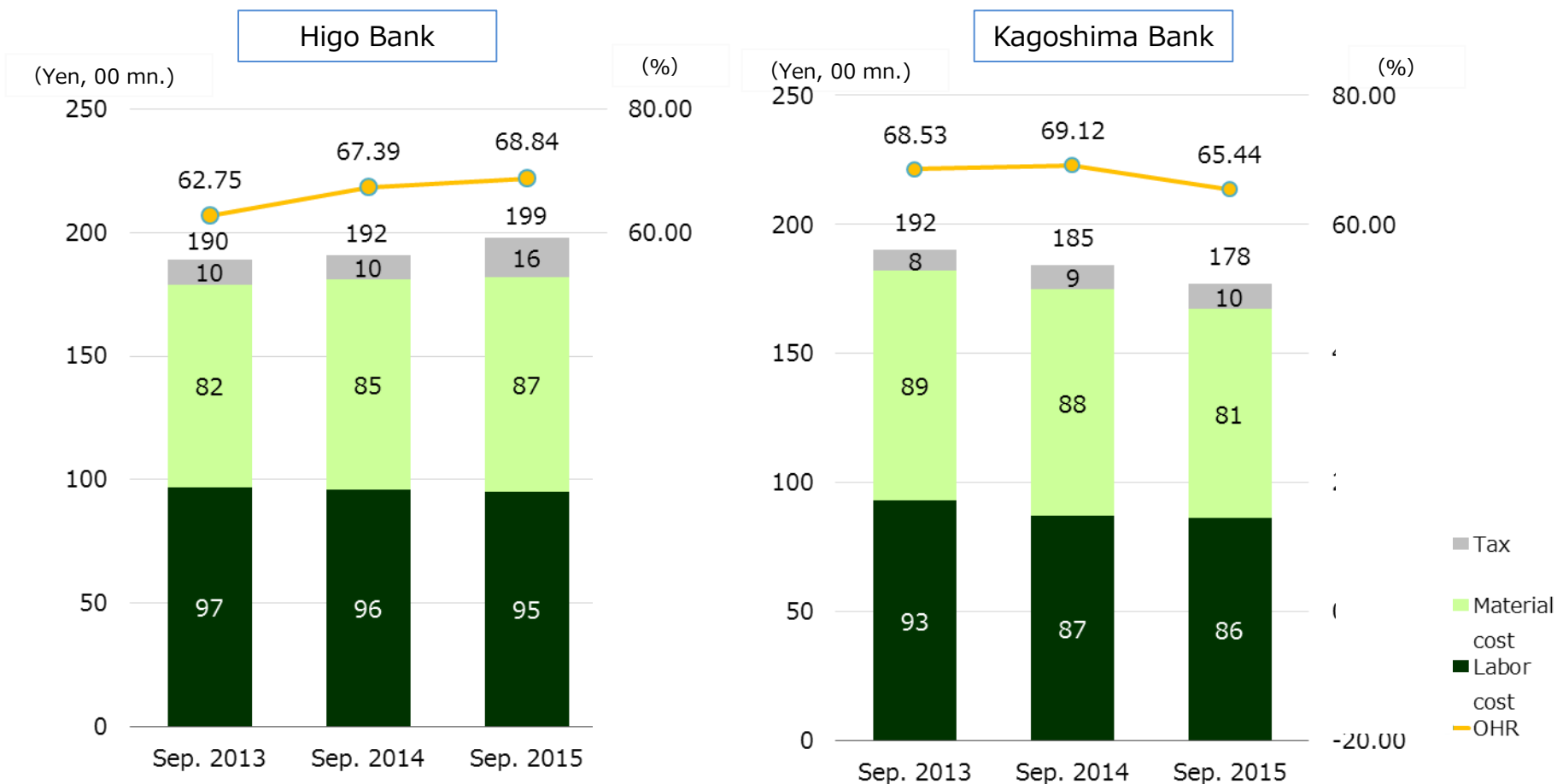
[Higo Bank]

OHR rose 1.45% year on year to 68.84% due to an increase in operating expenses for the rebuilding of the head office.

[Kagoshima Bank]

OHR declined 3.68% year on year to 65.44% mostly because of a decrease in deposit insurance premiums.

Expenses



5. Loans

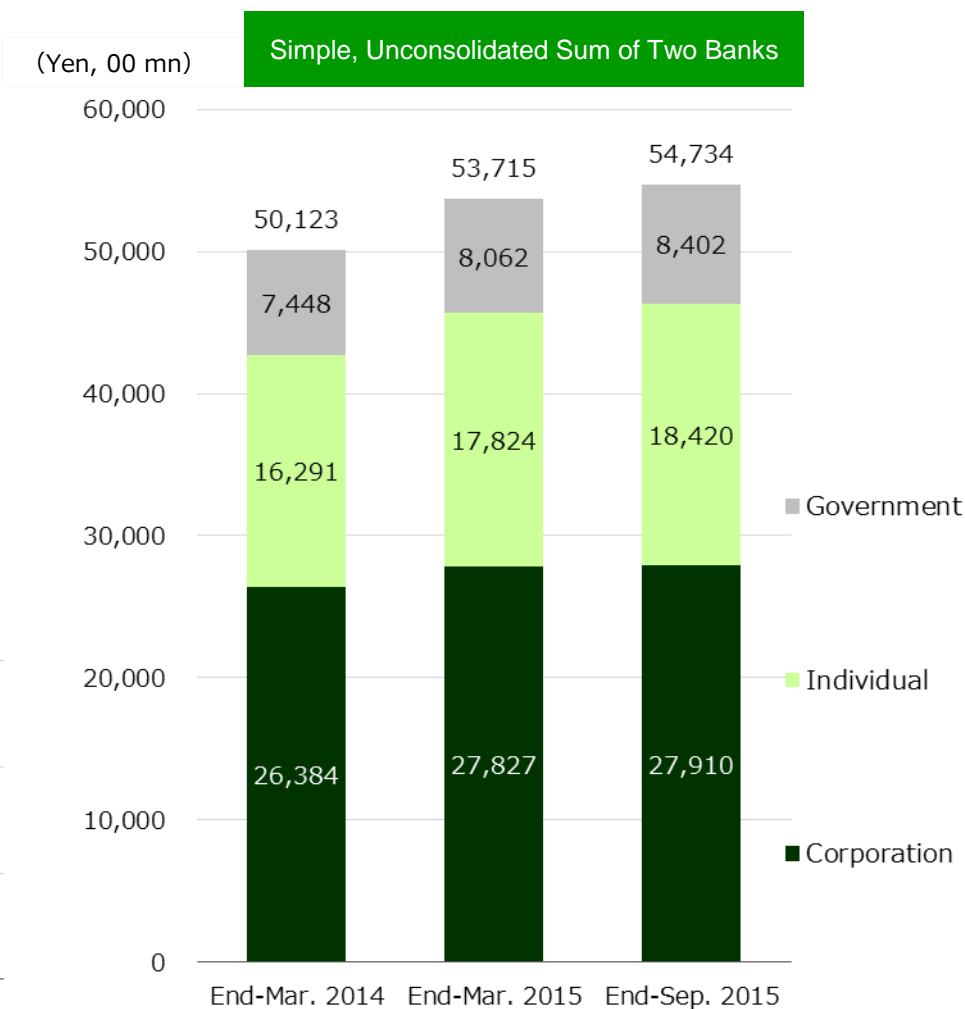
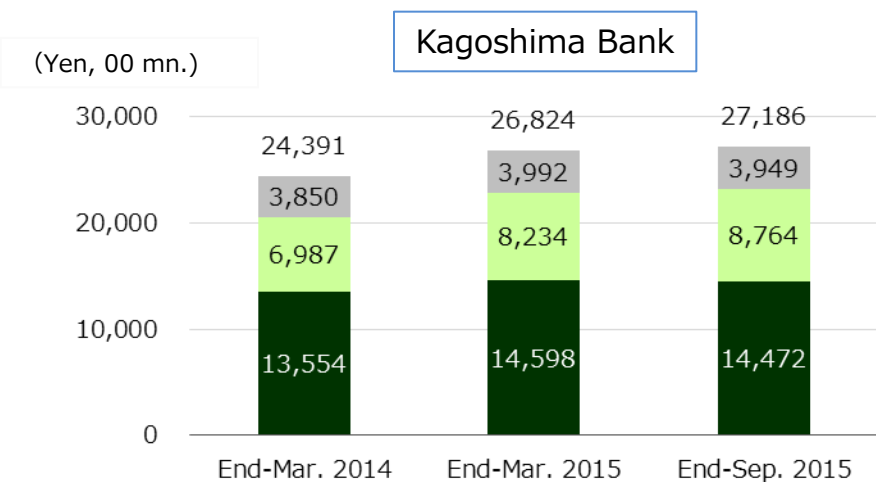
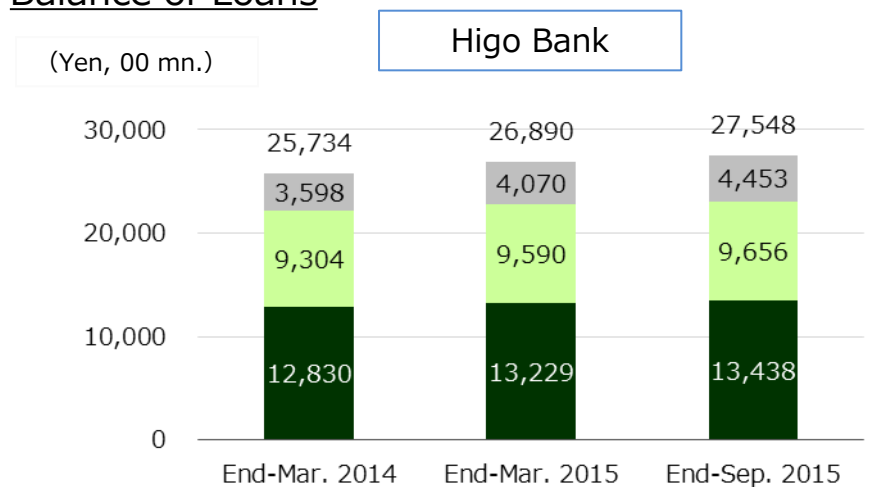
[Higo Bank]

The balance of loans rose ¥65.7 billion from the end of the previous fiscal year (end of March 2015) to ¥2,754.8 billion, mostly owing to an increase in loans to corporations and government institutions.

[Kagoshima Bank]

The balance of loans rose ¥36.1 billion from the end of the previous fiscal year to ¥2,718.6 billion owing to an increase in loans to individuals and in other general loans.

Balance of Loans



6. Deposits

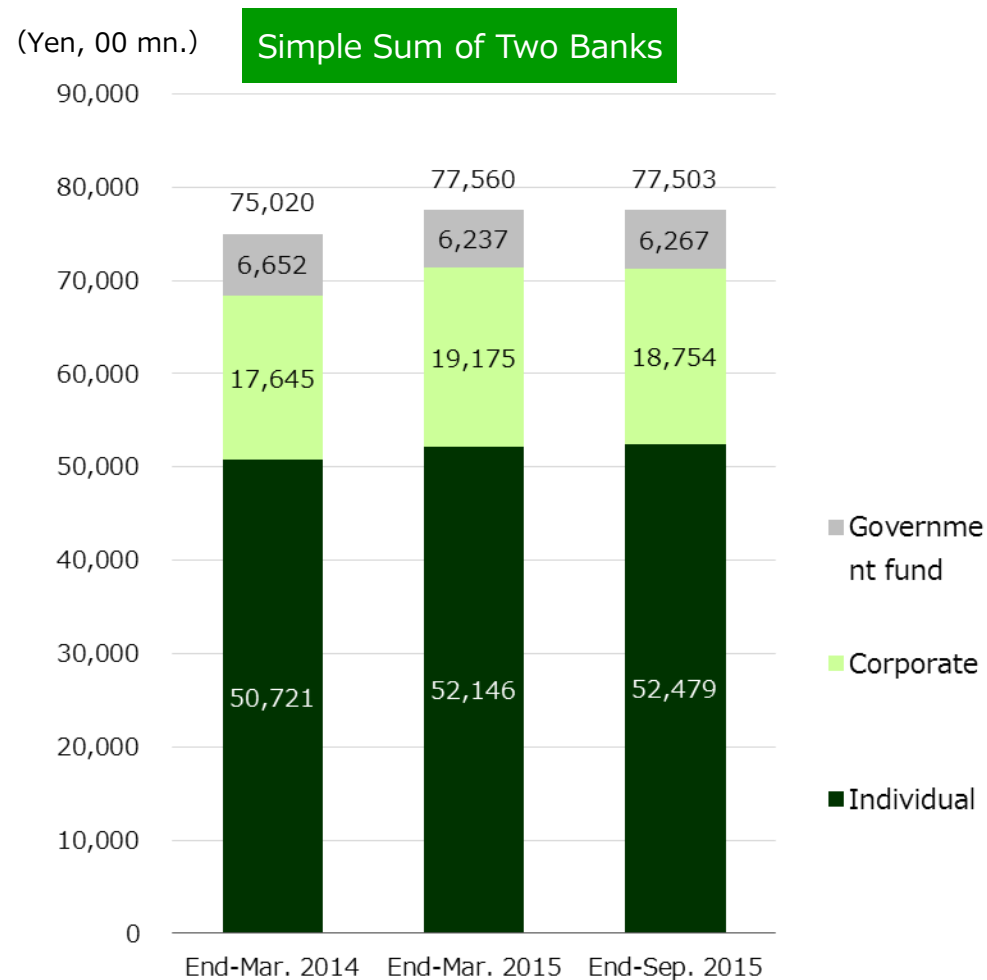
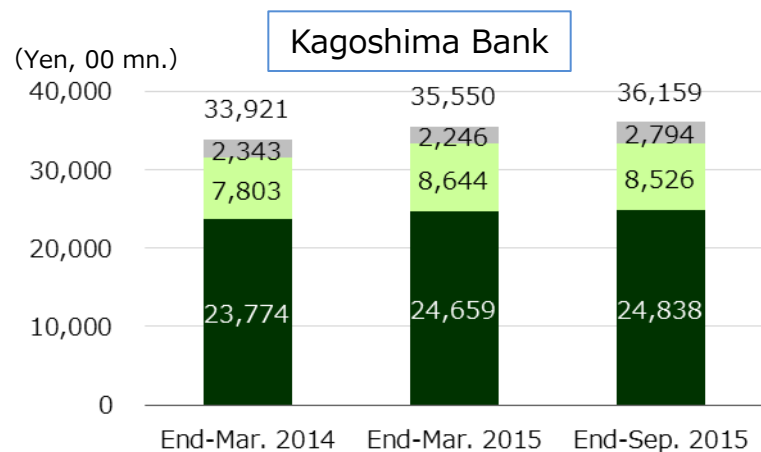
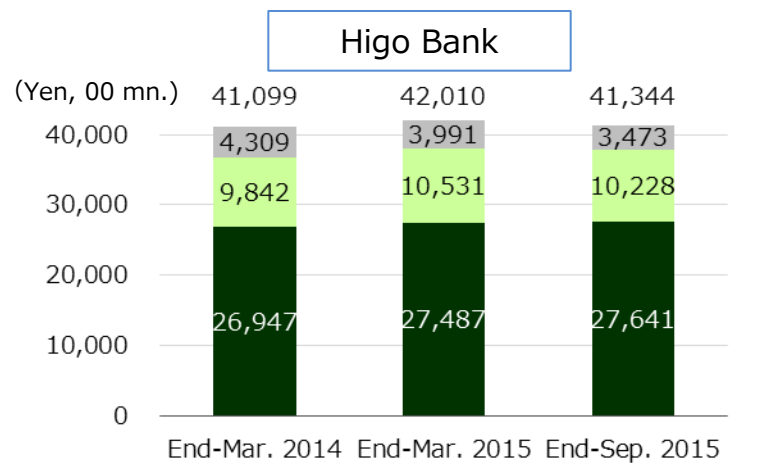
[Higo Bank]

The balance of deposits declined ¥66.6 billion from the end of the previous fiscal year (end of March 2015) to ¥4,134.4 billion, mainly due to a decline in government fund deposits.

[Kagoshima Bank]

The balance of deposits increased ¥60.9 billion from the end of the previous fiscal year to ¥3,615.9 billion, mainly owing to an increase in government fund deposits

Balance of Deposits (including NCD)



7. Securities ①

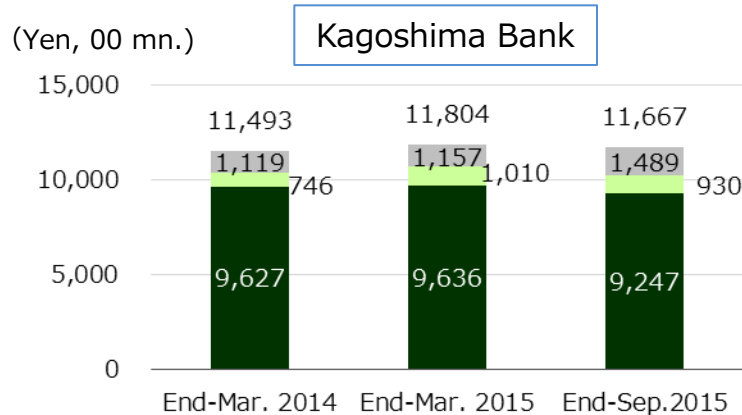
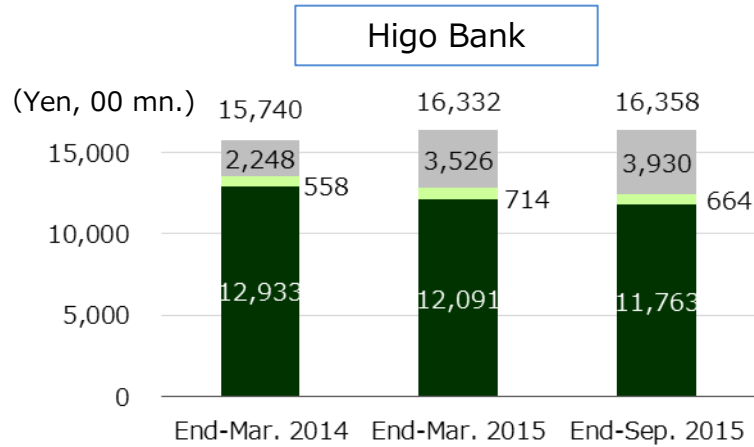
[Higo Bank]

The balance of securities rose ¥2.5 billion from the end of the previous fiscal year (end of March 2015) to ¥1,635.8 billion. The bank actively invested in domestic bonds and in some foreign securities.

[Kagoshima Bank]

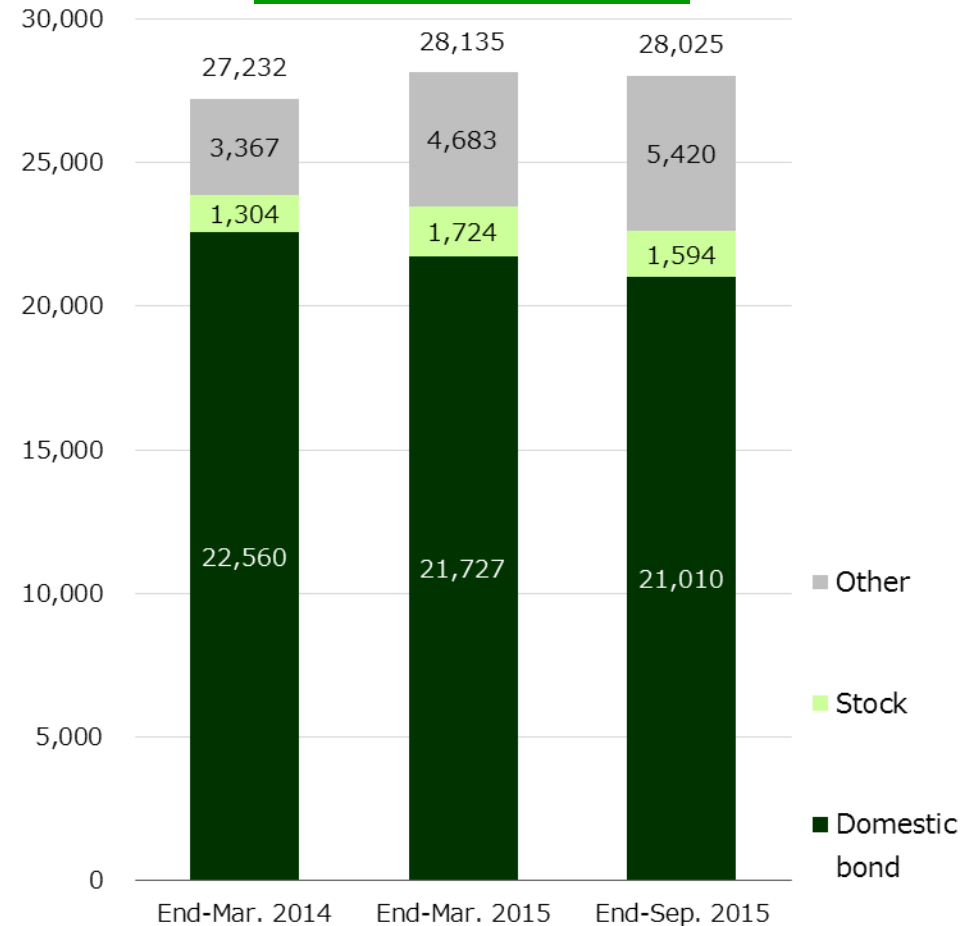
The balance of securities decreased ¥13.7 billion from the end of the previous fiscal year to ¥1,166.7 billion. The portfolio was constructed mainly with highly liquid government, municipal and corporate bonds.

Balance of Securities



(Yen, 00 mn.)

Simple Sum of Two Banks



7. Securities ②

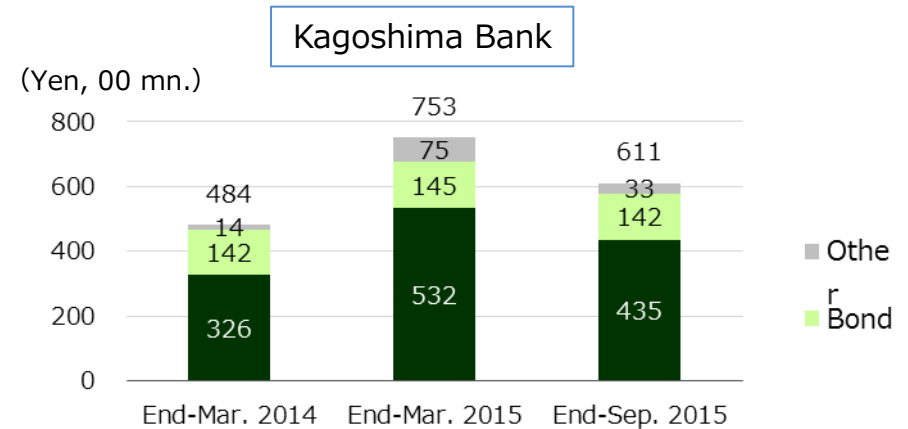
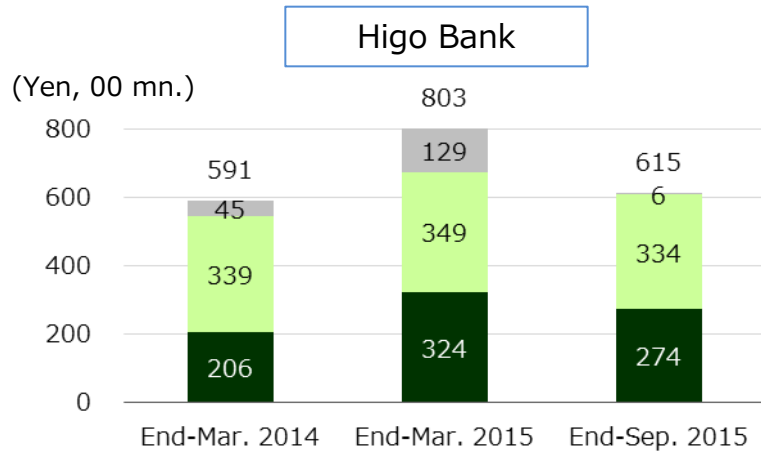
[Higo Bank]

The valuation profit of securities declined ¥18.7 billion from the end of the previous fiscal year (end of March 2015) to ¥61.5 billion.

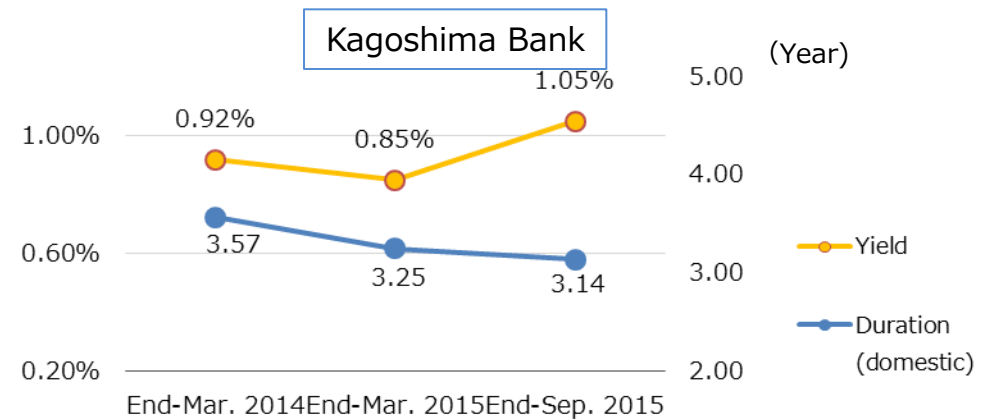
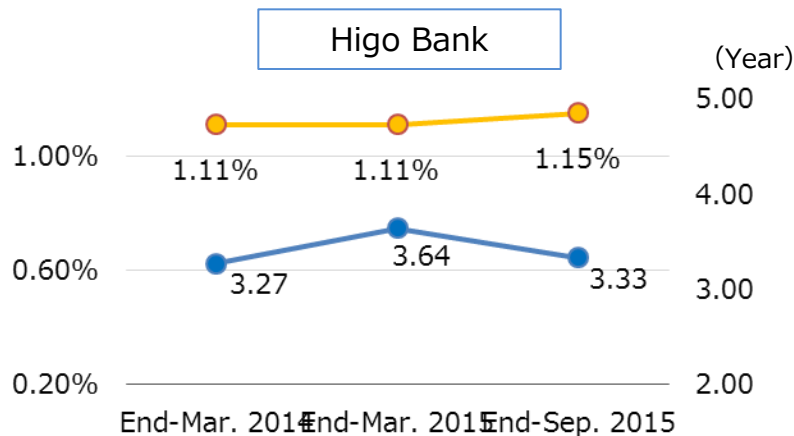
[Kagoshima Bank]

The valuation profit of securities declined ¥14.2 billion from the end of the previous fiscal year to ¥61.1 billion.

Valuation Profit of Securities



Yield & Duration



8. Credit Costs and Disclosure of Claims under Financial Reconstruction Law

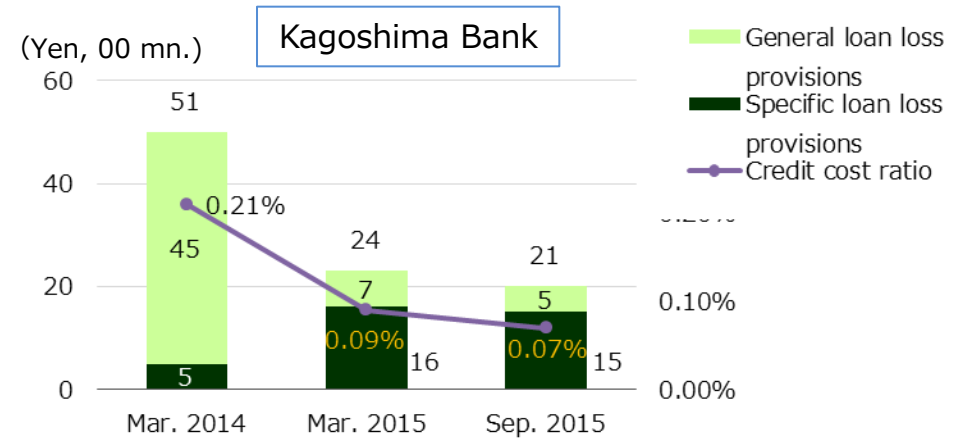
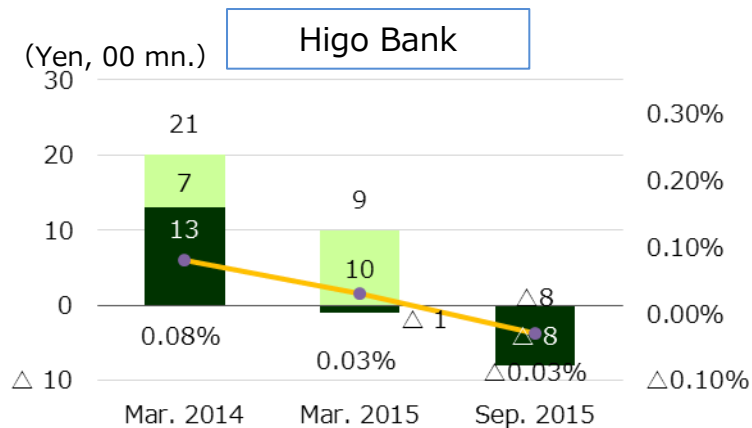
[Higo Bank]

The credit cost ratio decreased 0.03%. The ratio of non-performing loans declined 0.13% from the end of the previous fiscal year (end of March 2015) to 2.13%.

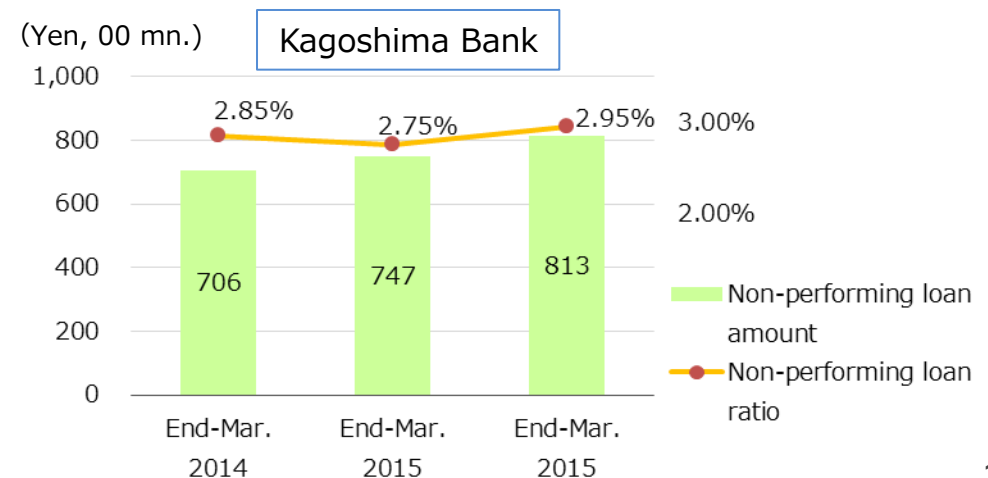
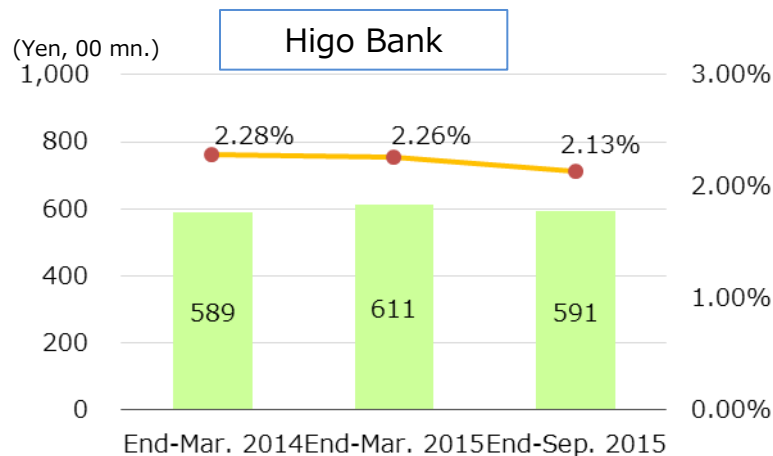
[Kagoshima Bank]

The credit cost ratio increased 0.07%. The ratio of non-performing loans rose 0.20% from the end of the previous fiscal year to 2.95%.

Credit Costs



Disclosure of Claims under Financial Reconstruction Law



9. Capital Adequacy Ratio

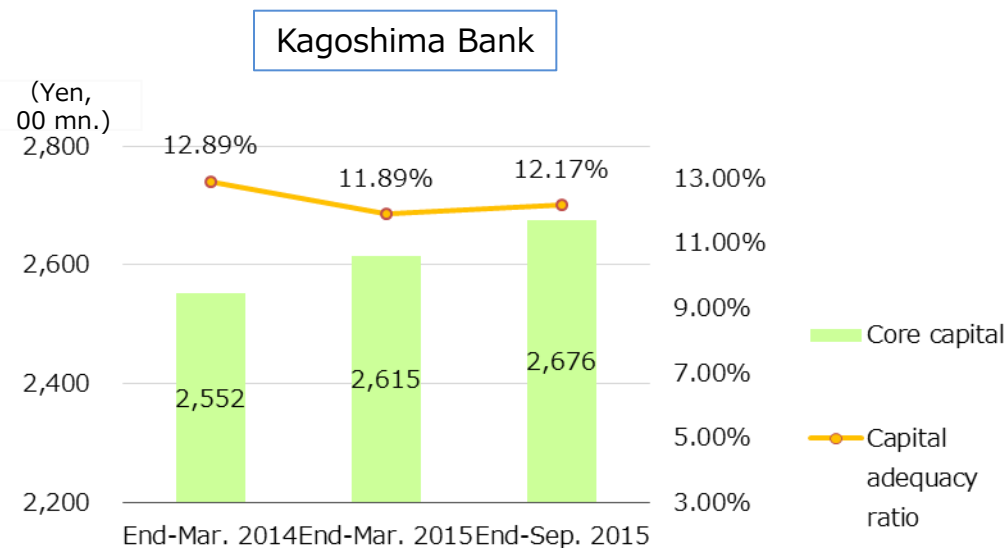
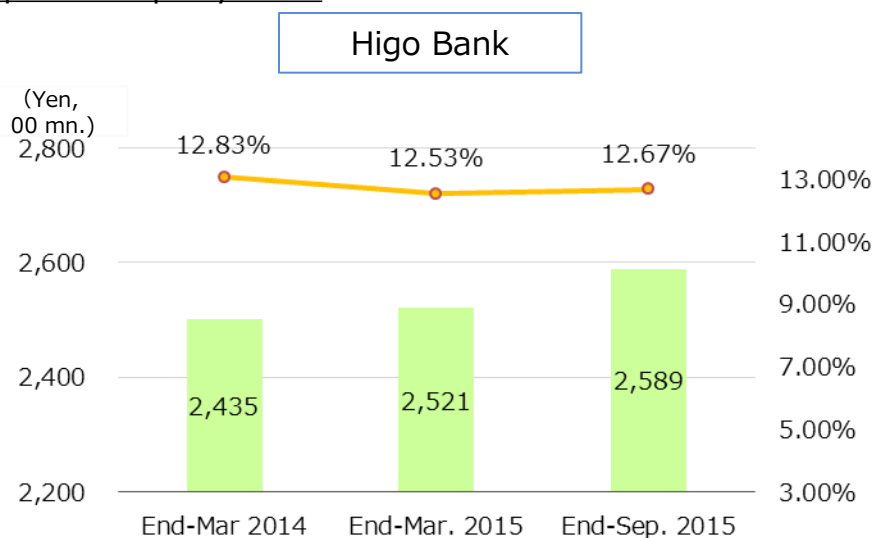
[Higo Bank]

The capital adequacy ratio rose 0.14% from the end of the previous fiscal year (end of March 2015) to 12.67%, with the effect from the increase in core capital out weighting an increase in risk assets.

[Kagoshima Bank]

The capital adequacy ratio rose 0.28% from the end of the previous fiscal year to 12.17% in the consequence of an increase in core capital and a decrease in loans and risk assets.

Capital Adequacy Ratio



(Yen, 00 mn.)

	End-Mar. 2015	End-Sep. 2015	Change
Core capital	2,521	2,589	67
Risk asset	20,109	20,421	312
Loans	15,750	15,972	221
Securities	2,050	2,146	96
Capital adequacy ratio	12.53%	12.67%	0.14%

(Yen, 00 mn.)

	End-Mar. 2015	End-Sep. 2015	Change
Core capital	2,615	2,676	60
Risk assets	21,987	21,976	△ 10
Loans	17,814	17,784	△ 29
Securities	1,813	1,843	29
Capital adequacy ratio	11.89%	12.17%	0.28%

10. Capital Policies: shareholder returns

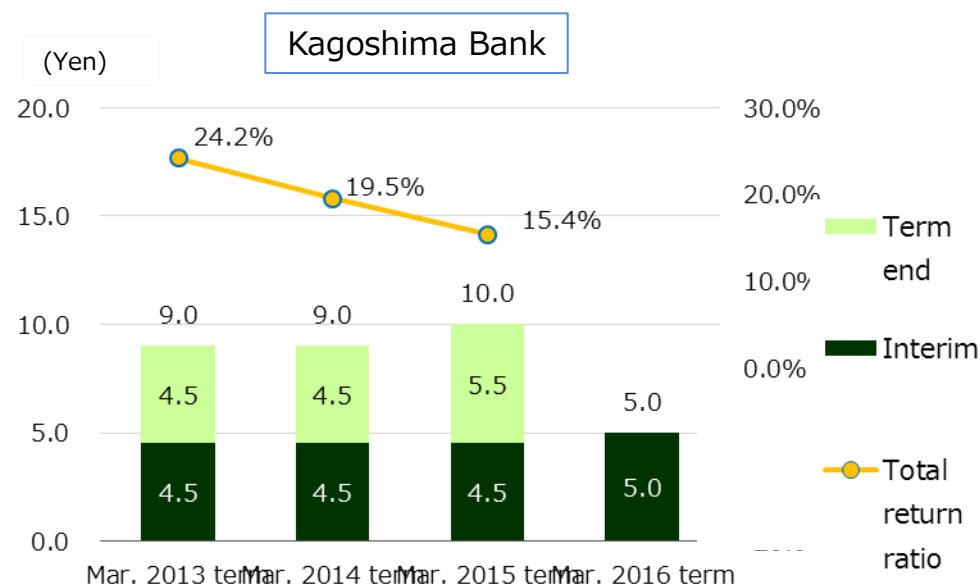
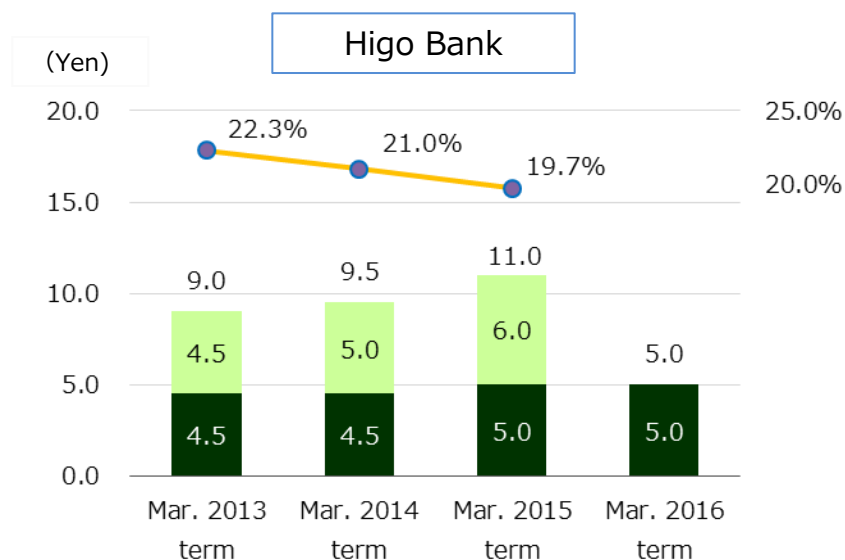
[Higo Bank]

Dividends increased ¥1.5 year on year (including a commemorative dividend) to ¥11 per share in the fiscal year ended March 2015.

[Kagoshima Bank]

Dividends increased ¥1.0 yen year on year to ¥10 yen per share in the fiscal year ended March 2015.

shareholder returns



The basic policy of the Kyushu Financial Group is to issue stable dividends based on profit growth while bolstering internal reserves and enhancing capital efficiency.

The dividend for the fiscal year ending March 2016 is projected to be ¥6 per share with an additional commemorative dividend of ¥1 on top of the originally projected ¥5 for ordinary dividends.

11. Performance Forecasts

Projection for Year Ending March 2016 (simple sum of two banks)

(Yen, 00 mn.)

	FY2014 Sum of two banks	FY2015 Sum of two banks			increase/decrease
Gross business profit			Higo	Kagoshima	0
Income from interest	1,095	1,081	546	534	△14
Interest income and dividend	921	933	474	459	12
Fees and commissions	150	148	76	71	△2
Gain or loss from government	22	7	7	0	△15
other	0	△8	△12	3	△8
General loan loss provision	18	6	0	6	△12
Expenses	745	759	398	360	14
Net operating profit	350	321	148	173	△29
Core operating profit	327	314	140	174	△13
Non-recurring income	54	59	49	10	5
securities-related gain or loss	55	82	38	44	27
non-performing loan disposal cost	17	35	0	35	18
Ordinary income	386	377	197	180	△9
Extraordinary income	1	△3	△3	0	△4
Pre-tax net income	387	370	193	176	△17
Net income	233	250	130	120	17

FY2015 consolidated performance forecast: Kyushu Financial Group

(Yen, 00 mn.)

Ordinary revenues	781	800	19
Ordinary profit	198	195	△3
Net income attributed to shareholders of the parent company	136	125	△11

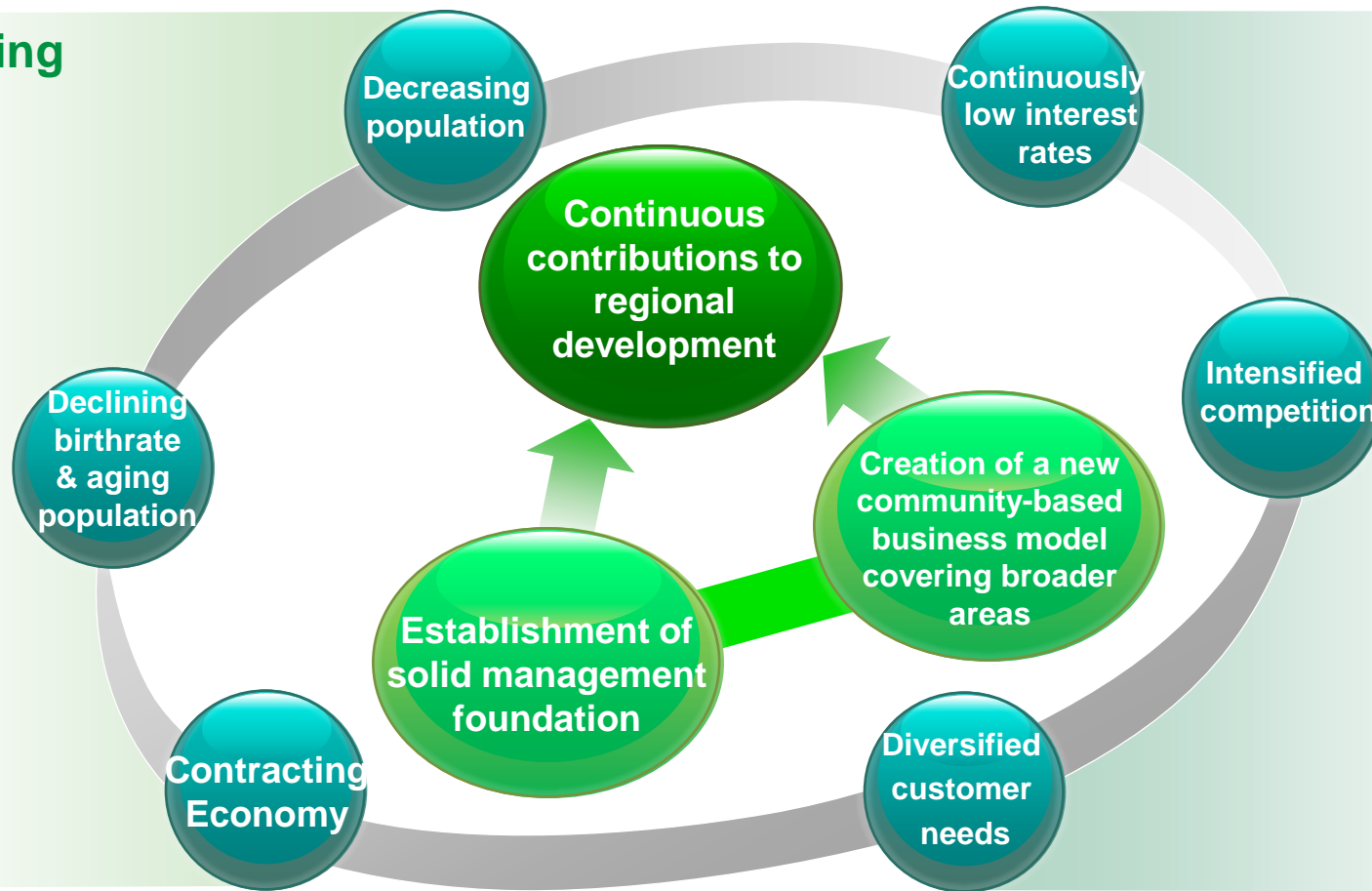
Kyushu Financial Group's Management Strategies



1. Background & Objectives of the Management Integration

Issues facing
the region

Changes in
Environment



Objectives of
Integration

Establish solid management foundations that can further manifest the group's presence in Kyushu centered on the locations of both banks to realize "regional creativity" together with the region and work at creating a new wide-area business model tied to the region.

2. Toward Realizing the Vision



“Become Kyushu’s top comprehensive financial group for customers”

Realize in the two stages “collaboration” and “integration”

(1) Collaboration stage

1st Medium-term Management Plan period (Oct. 2015 - March 2018)

- Deepen mutual understanding and introduce effectiveness to each other.
- Solidify strengths (know-how) toward maximizing the synergy effect in the integration stage, and enhance the Group’s comprehensive financial capabilities
- Enhance Group governance and construct a framework for the optimal allocation of the Group’s management resources.

(2) Integration stage

From 2nd Medium-term Management Plan period (April 2018 -)

- Advance the integration of the entire Group in a phased manner and build a solid management foundation.
- Maximize the Group’s synergy effects in both consolidated gross profits and cost efficiency to realize sustainable growth.

[Main Policies]

Sales	Implement joint sales initiatives	Develop new products and services
	Broaden solution network	Initiatives at overseas branches
		Diversify business fields
Market	Share investment know-how	
Risk management Resource management		Integrate planning and management functions into the holding company
		Strengthen affiliated companies’ functions
	Mutually exchange and foster personnel in collaboration	
		Integrate audit-related standards
	Share and improve efficiency of systems and administrative work	Standardize the core systems

3. Creation of a New Community-based Business Model Covering Broader Areas

Broadening both the customer base and the solutions network in collaboration toward creating a new community-based business model covering broader areas

Broaden the solutions network toward regional vitalization

Respond accurately to customer needs including their overseas business development and collaborate to expand the solutions network to realize the sustainable growth of Kyushu economy with a focus on local areas.

[Network]

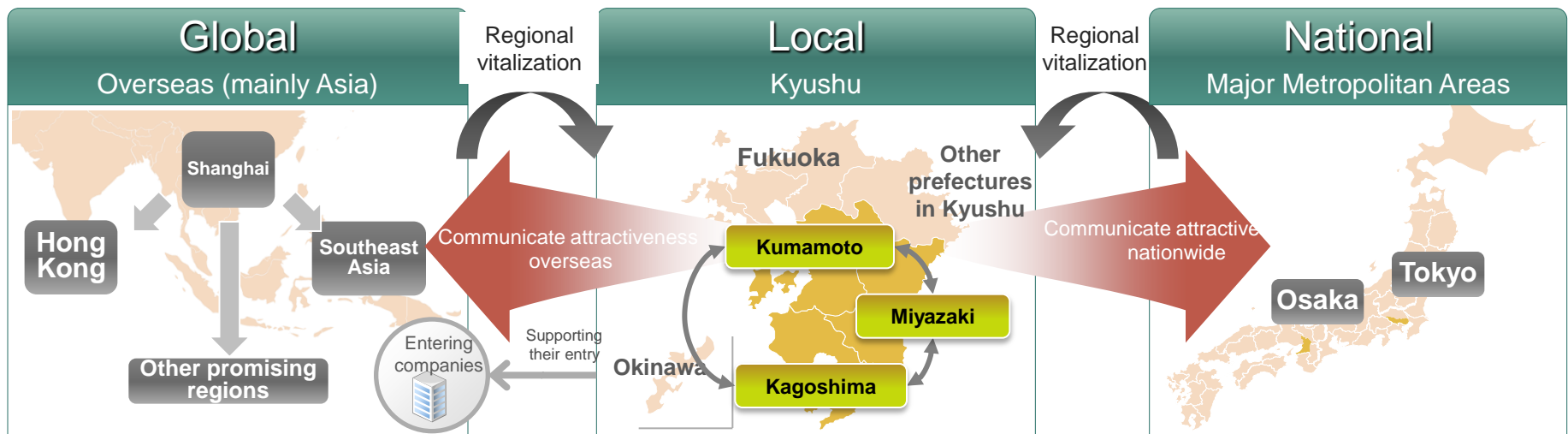
- Domestic: Form partnerships with core enterprises, government bodies and other organizations in each industry.
- Overseas: Establish Group bases in promising areas, mainly in Asia, where customers have high business development needs.

Broaden the customer base

Share the know-how that both banks have cultivated locally, collaborate in strategic personnel allocation, and thereby broaden the customer base.

[Target Regions]

- All Kyushu (including Okinawa): corporations, individuals, and local government bodies
- Osaka (Kansai) and Tokyo (Kanto): corporations and individuals
- Nationwide: Online transaction customers



4. Basic Policies of the 1st Medium-term Management Plan

During the 1st Medium-term Management Plan period, build a management foundations to provide optimal and best quality services to customers, based on solidifying the both banks' strengths (know-how) to enhance the Group's comprehensive financial capabilities as well as enhancing the Group's governance.

1st Medium-term Management Plan period: Oct. 1, 2015 – March 31, 2018

Collaboration Stage

【Basic Policy】 Build a management foundation to provide optimal and best quality services to customers

Management
Foundation

- Comprehensive financial capabilities to respond to customers' diverse needs
- Brand value trusted by stakeholders
- Organizational operating capabilities to realize the Group's total optimization

Group strategies by division

Sales Division strategies

Individual

Corporate

Government

Market Division
strategies

Risk & Management Resources Management Division strategies

Individually -formulated strategies



6th Medium-term
Management Plan

Collaboration

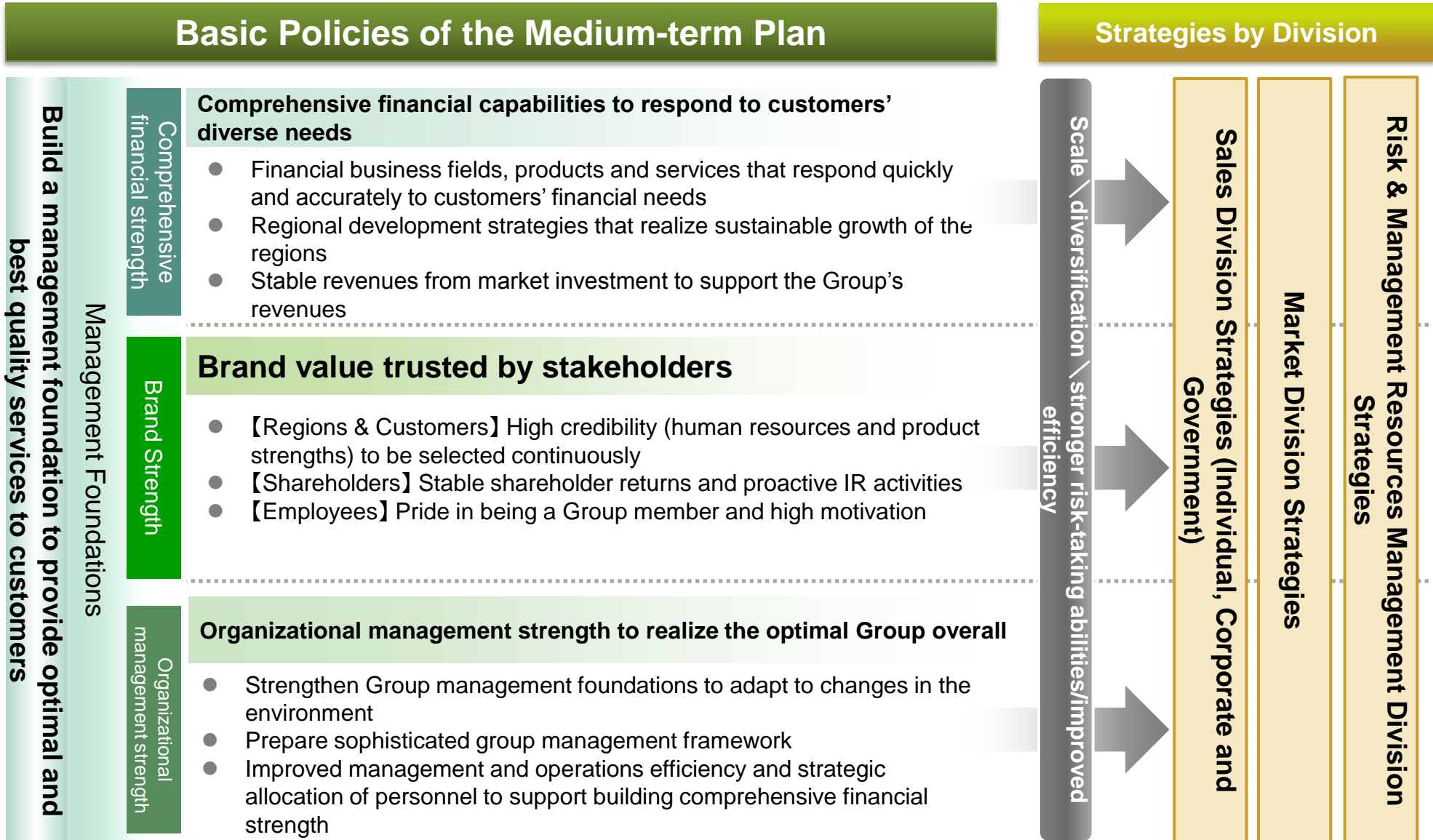
Individually-formulated strategies



6th Business Strategy Plan

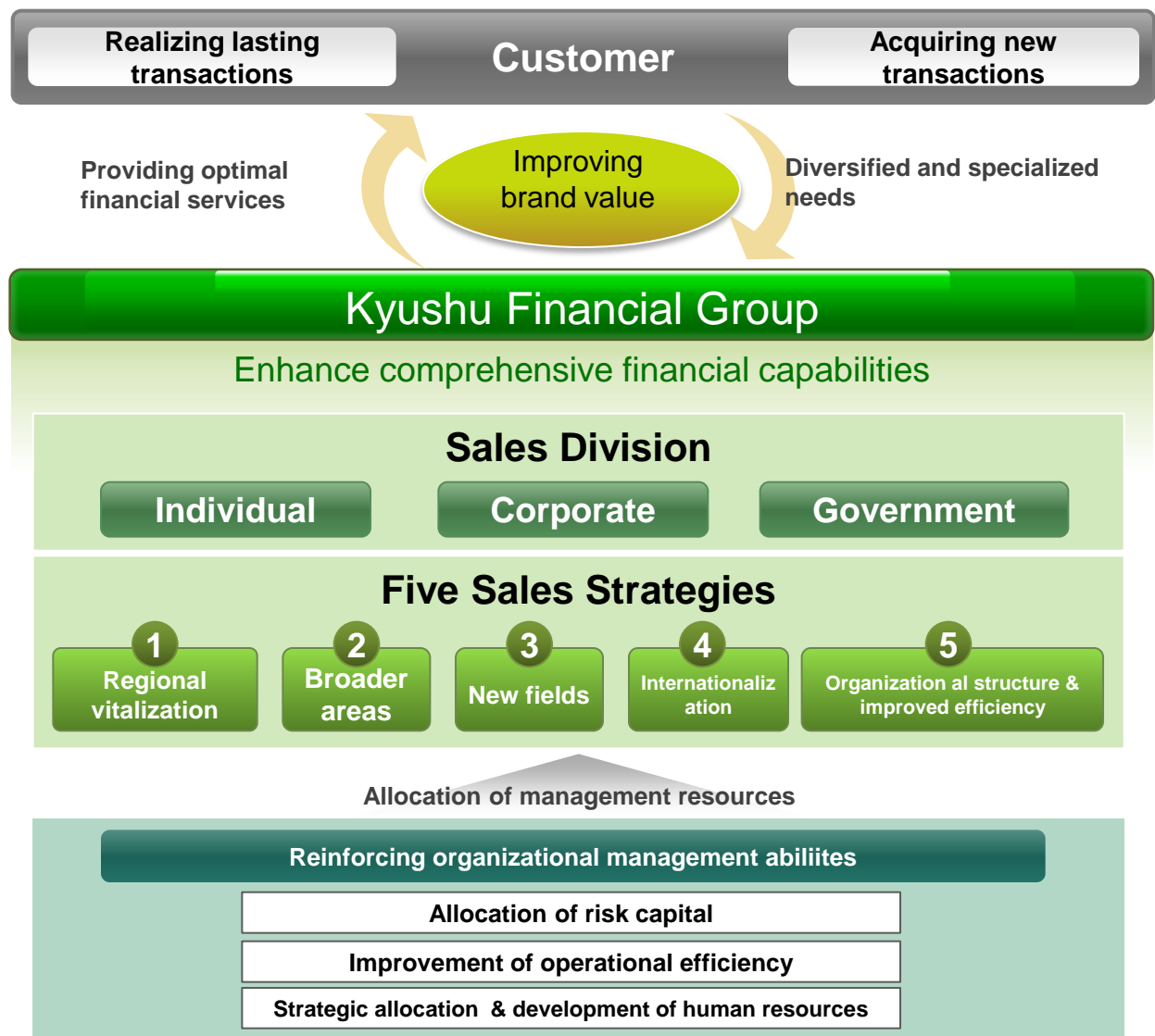
4. Basic Policies of the 1st Medium-term Management Plan

To build the management foundations, each division's strategies have been formulated from the perspectives of scale, diversification, enhancement of risk-taking abilities, and improvement of efficiency.



5. Sales Strategies

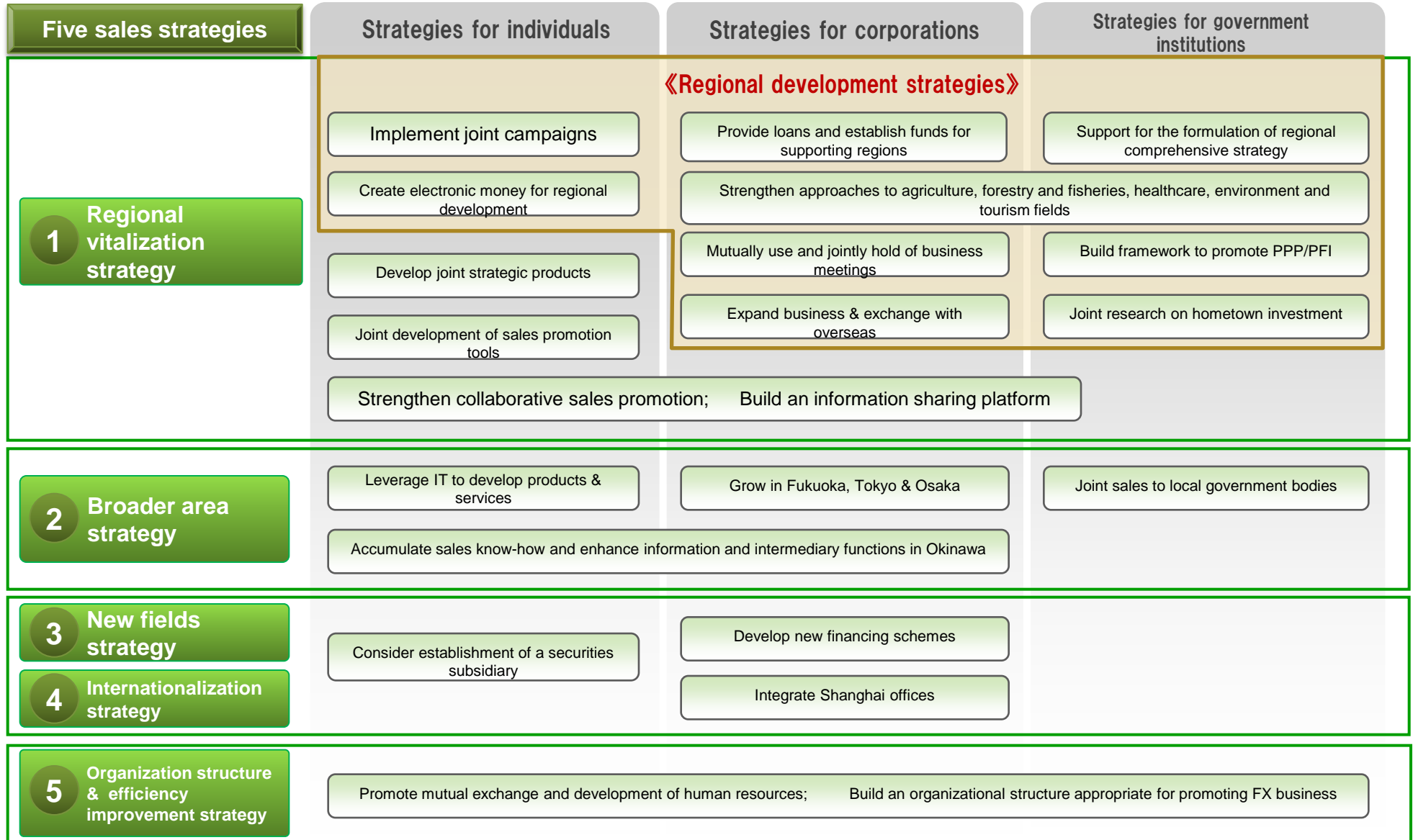
Enhance comprehensive financial capabilities through the five sales strategies and provide optimal financial services that meet customers' needs to improve our brand value.



Five Sales Strategies	1 Regional vitalization strategy (regional development strategy)	Strengthen the relations of trust in local communities and actively contribute to the development of the regional economy and the creation of employment and new industries toward realizing a vibrant regional society,
	2 Broader area strategy	Increase revenues by broadening the sales base and allocating management resources to regions with growth prospects.
	3 New fields strategy	Establish a new business model as a financial group widely trusted by the society, and increase competitiveness.
	4 Internationalization strategy	Respond accurately to customer needs including their overseas expansion and realize the sustainable growth of Kyushu economy with a focus on local areas.
	5 Organization structure & efficiency improvement strategy	Unleash both banks' characteristics and strengths in their business fields to the maximum extent and pursue the maximized effects of integration with improved efficiency

5. Sales Strategies – Joint Sales Initiatives –

Implementing a variety of concrete measures to advance the five sales strategies.



5. Sales Strategies – Image of Regional Development Strategy –

The Group is promoting, among its regional vitalization strategy, initiatives that contribute to regional development as “regional development strategies” in the form of the “Development Forest” project.



Development Forest

Leverage our financial capabilities to build a virtuous cycle toward creating work (employment)

Seeds of Development

Develop “people” with financial capabilities

- Funds settlement services
- Enhancement of personal loan product line-up
- Financial asset building support
-

Kyushu Financial Group

Support the formulation and implementation of the regional comprehensive strategy based on cooperation among the industry, government, academia, finance and labor

Buds of Development

Build “towns” with financial capabilities

- Create electronic money for regional development
- Leverage ATMs, IT, etc. to improve convenience
- Support environment and tourism fields
-

Fruits of Development

Create “work,” utilizing financial capabilities

- Financial support for businesses and start-ups
- Support for agricultural, forestry and fishery and healthcare fields
- Strengthen business & finance solutions
-

5. Sales Strategies – Enhance Comprehensive Financial Capabilities by Mutually Introducing Strengths

Sharing and mutually introducing the strengths of both banks to enhance the Group’s comprehensive financial capabilities and create integration synergy effects that respond to customers’ diverse needs

	Higo Bank’s strengths		Kagoshima Bank’s strengths		Integration synergies
Healthcare	<ul style="list-style-type: none"> Built business succession support system Posted experts well versed in the industry 	×	<ul style="list-style-type: none"> Medical institution bonds and other diverse financing methods; ample sales support system Sophisticated sales support from Healthcare Promotion Office 	→	<ul style="list-style-type: none"> Improve capabilities to support businesses in all life stages Business development in broader metropolitan areas
Agriculture	<ul style="list-style-type: none"> Many transactions with rice and vegetable farmers Variety of small-lot loan products to meet diverse capital needs 	×	<ul style="list-style-type: none"> Many transactions with livestock farmers Built sophisticated management structure with livestock ABL management system 	→	<ul style="list-style-type: none"> Share know-how on specific crops Expand business into livestock field by sharing ABL know-how Integrate both banks’ resources for local agriculture and collaboratively support the development of 6th industry
Tourism	<ul style="list-style-type: none"> Assigned employees with experiences of having been seconded to lodging facilities to the headquarters to support customers’ management improvement. 	×	<ul style="list-style-type: none"> Assigned employees with experience of having been seconded to major travel agencies to the headquarters to develop tourism projects in cooperation with governments 	→	<ul style="list-style-type: none"> Support local business vitalization by developing Southern Kyushu tourist route and collaborating on initiatives to increase domestic and foreign tourists
Environment	<ul style="list-style-type: none"> Focused on responses to solar energy businesses Collaboration with governments to vitalize local industry such as community power stations <i>Kumamoto Iikuni Kenmin Hatsudensho</i> 	×	<ul style="list-style-type: none"> Wide-ranging responses to all renewable energy business fields Project support from planning to implementation and management 	→	<ul style="list-style-type: none"> Share business support know-how on all types of energy Strengthen initiatives to vitalize the regional energy industry
Metropolitan areas	<ul style="list-style-type: none"> Know-how to develop business with large corporations Regional vitalization based on business matching with local enterprises 	×	<ul style="list-style-type: none"> Know-how to develop business with healthcare-related companies 	→	<ul style="list-style-type: none"> Expand business with large corporations and healthcare-related institutions Discover partners for economic vitalization of Kyushu
Overseas	<ul style="list-style-type: none"> Overseas business support from Shanghai office Built know-how by seconding its employees to Kumamoto Trade Association’s Hong Kong Office 	×	<ul style="list-style-type: none"> Overseas business support from Shanghai office 	→	<ul style="list-style-type: none"> Integrate Shanghai offices and expand information network Joint human resources development; and examine establishment of new overseas bases

5. Sales Strategies – Promotion of Local Industry –

Solidify the know-how and network cultivated by both banks in each industry, and foster market competitive industries and companies.



- Healthcare
- Agriculture
- Manufacturing
- Tourism
- Environment
- Other industries

Examples of support to agriculture

Kumamoto Prefecture
Rice and crop farming

Kagoshima & Miyazaki Prefectures
Livestock

↔

- Sharing agriculture financing know-how
- Developing the 6th industry, leveraging local resources of the both banks' locations
- Supporting the development of domestic distribution channels and export to overseas markets

Agricultural production (FY2013)	Kumamoto Prefecture	Kagoshima Prefecture	Miyazaki Prefecture	Total
	¥325 billion	¥410.9 billion	¥321.3 billion	¥1,057.2 billion

➢ Source: Statistics Department, Ministry of Agriculture, Forestry and Fisheries

Examples of support to tourism industry

- Developing southern Kyushu tourism route
- Vitalizing Southern Kyushu's tourism-related industry
- Attracting domestic and foreign tourists

Total number of overnight visitors (2014)	Kumamoto Prefecture	Kagoshima Prefecture	Miyazaki Prefecture	Total
	6.87 million	7.53 million	3.48 million	17.89 million

➢ Source: Japan Tourism Agency, "Overnight Tourism Statistics"

5. Sales Strategies –Leverage Network to Vitalize Regions–

Support the development of products that sell and promote attractive regional resources throughout Japan, leveraging our ties with local governments developed through the formulation of their regional comprehensive strategies as well as the both banks' networks with food buyers.

Example of expanded handling of agricultural and livestock products

Branding and developing the 6th industry, leveraging regional resources

Local

The number of local governments receiving our support in formulating regional comprehensive strategies*

Higo Bank

13/46

Kagoshima Bank

19/44



Cooperating to foster market competitive industries

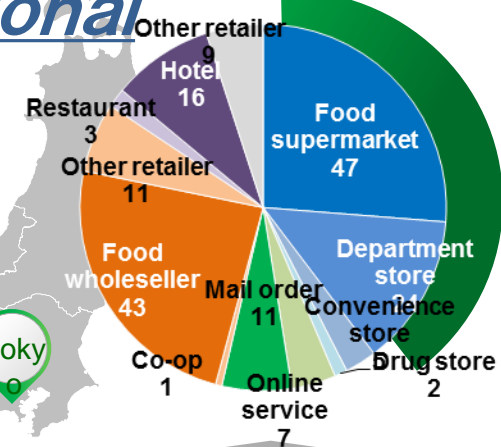
Promote attractive regional resources throughout Japan

Provide know-how on products that sell

Buyer network expanding with the management integration

National

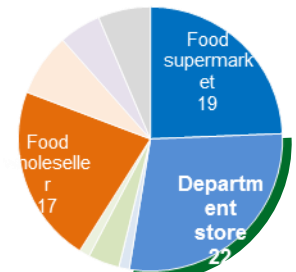
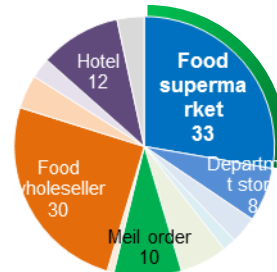
(Companies)



Integrate the both banks' strengths

Higo Bank

Kagoshima Bank

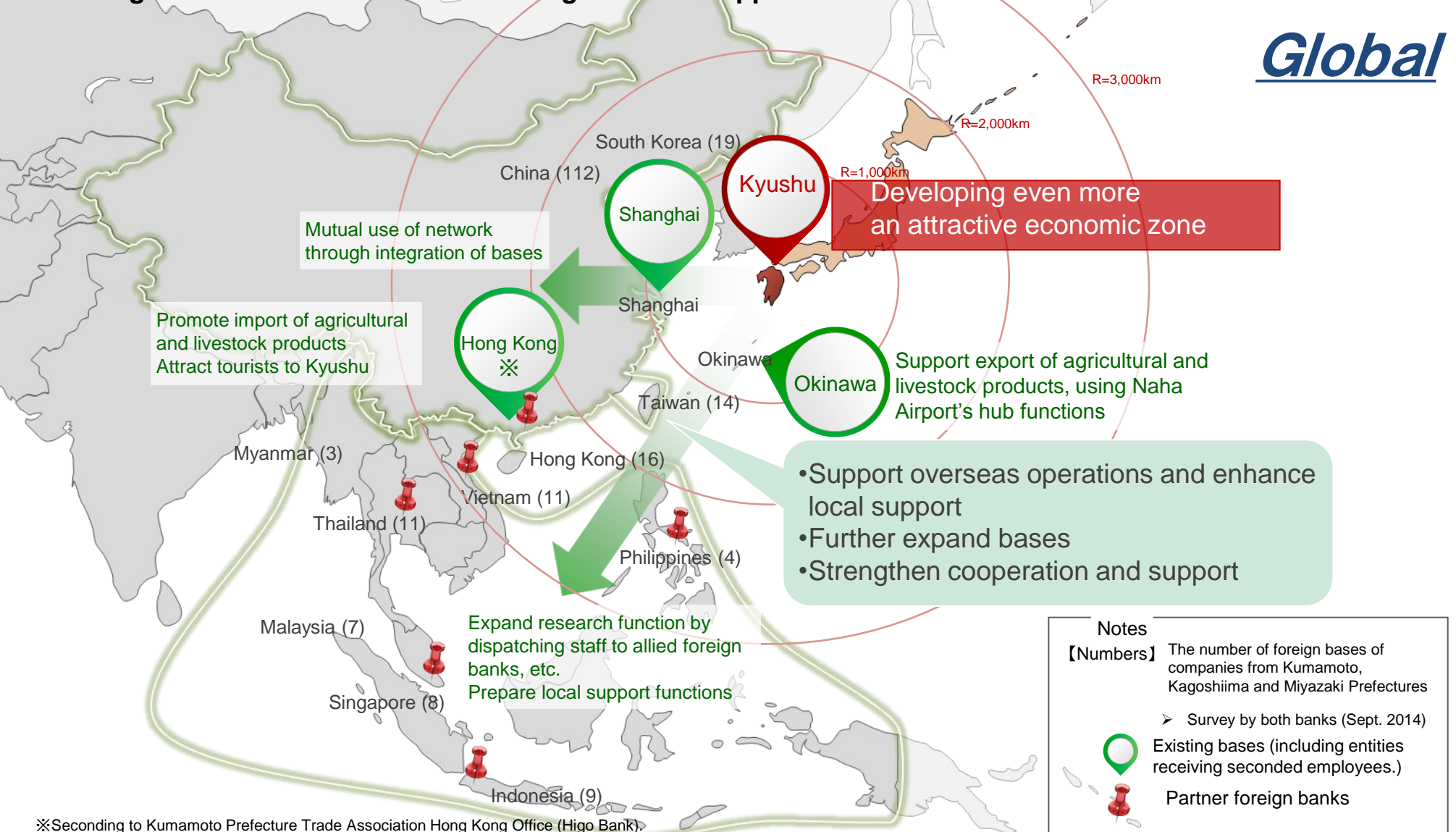


*Higo Bank work with District Economic Research Institute of Kumamoto Area, and Kagoshima Bank work with Kagoshima Economics Research

5. Sales Strategies – Strengthening Overseas Support –

Kyushu is geographically close to the high-growth Asian region. We will further enhance our broad area operations and internationalization by expanding our solutions network, thereby supporting customers in entering overseas markets and enhancing our local support for them in such markets.

Global



※Seconding to Kumamoto Prefecture Trade Association Hong Kong Office (Higo Bank).

6. Market Strategies

Market strategies will develop an environment where the Investment Division can share its expertise and thereby generate stable investment returns that can support the Group's revenues.

Sharing investment and fundraising methods

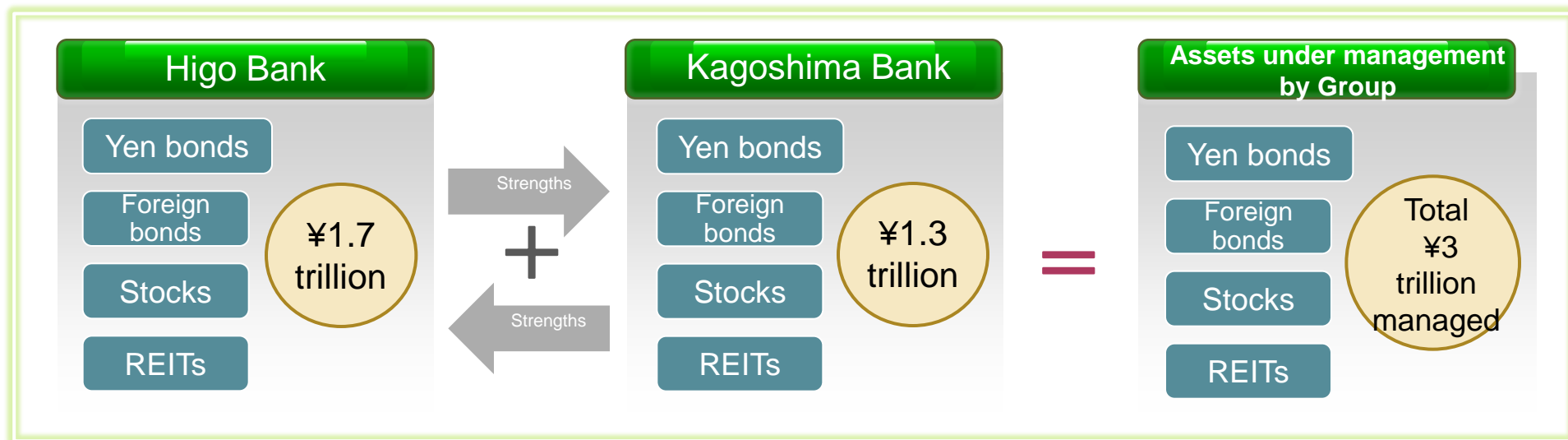
- Foreign bond investment
- Utilization of hedge funds and options
- Investment in stocks and REIT
- Consigned fund management

Building joint investment structure

- Integration of the market division's systems to enhance and improve efficiency of administration
- Integration of work flows
- Consideration of integration of investment bases

Collaborative development of human resources

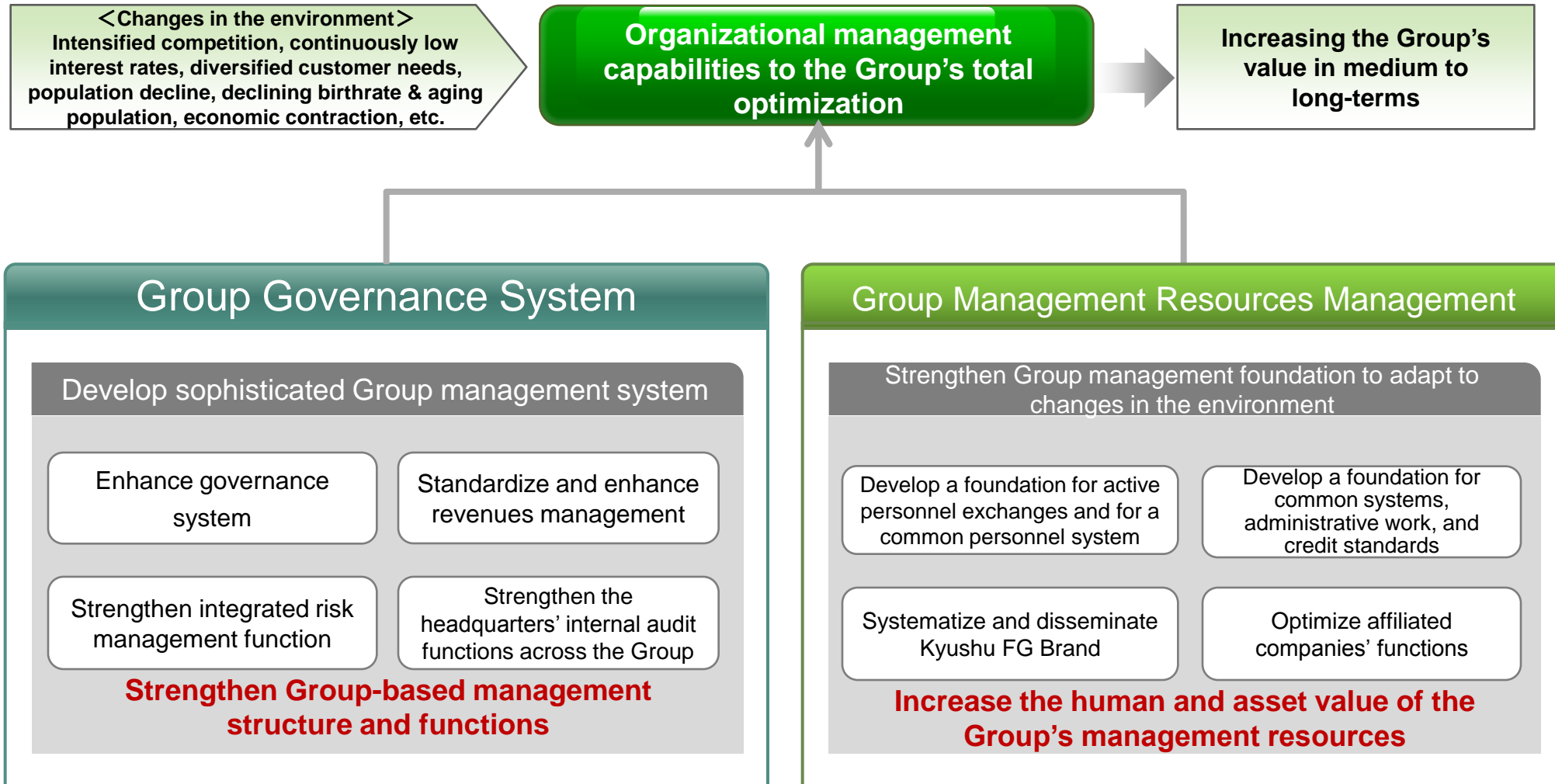
- Foster market investment staff
- Foster staff in charge of deposited assets (improve sales staff's financial literacy)
- Foster staff for foreign branches



Maximize investment revenues with diversified and agile management of Group investment assets

7. Risk & Management Resources Management Strategy

Risk and management resources management strategy will develop a sound foundation for improved Group management framework by building a sophisticated group management system and strengthen the Group management foundation to adapt to changes in the environment.



8. Implementation of Strategies – Establishment of KFG Regional Enterprise Support Fund –

The Group is utilizing the KFG Regional Enterprise Support Fund to strengthen its initiatives contributing to further development of the regional industry and enterprises.

【Outline of KFG Regional Enterprise Support Fund】

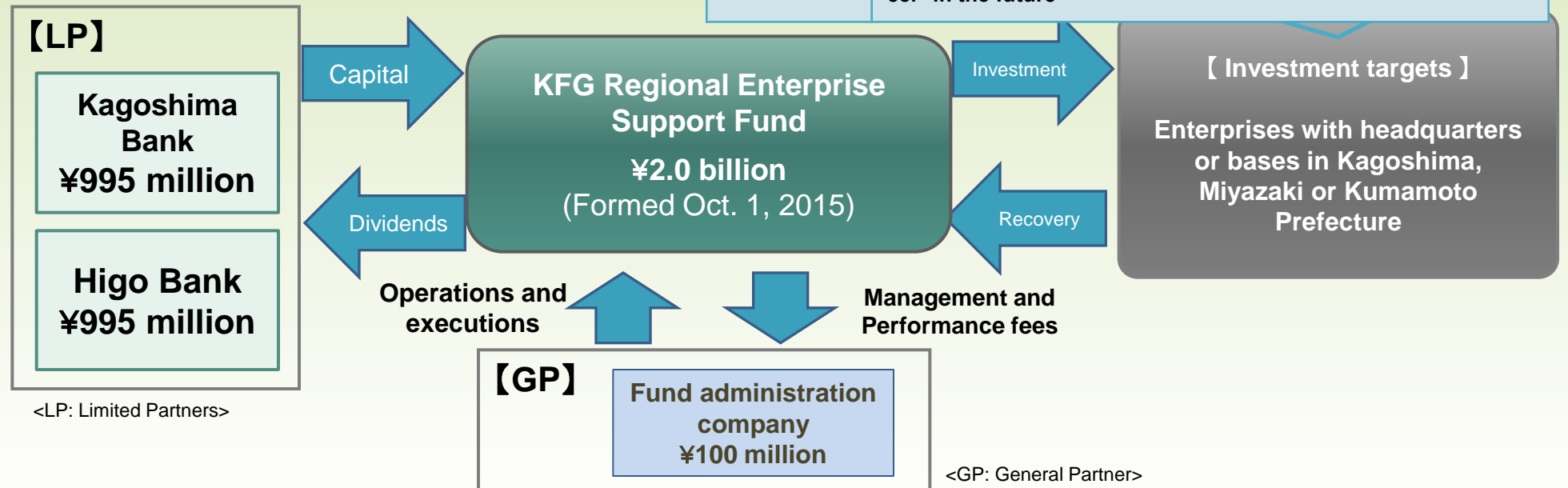
【Objectives】

Through Fund the both banks invest in their customers in all stages of their businesses foundation, growth, business restructuring, business revival) jointly providing sales support and business improvement proposals.

1st investment

Investment amount: **¥28.5 million**

Company name	Nihon Namazu Seisan Kabushikigaisha (Japan Catfish Production Corp.)
Capital	¥50 million (including the investment)
Business	Inland waters aquaculture (catfish), catfish production management
Features	<ul style="list-style-type: none"> • Aquaculture production of delicious catfish in collaboration with Kinki University Faculty of Agriculture • Promoting production of delicious catfish using Kagoshima's eel aquaculture technologies and advantaged groundwater; and planning to market the products as "catfish that tastes like eel" in the future



8. Implementation Status of Strategies – Joint Campaigns & Development of Framework to Promote PPP/PFI

The Kyushu Financial Group will positively implement measures that contribute to regional vitalization.

Joint Campaigns

Integration commemorative campaign

Gifts to lottery-selected 1,050 customers opening new time deposit accounts

	Kagoshima Bank customers	Higo Bank customers
Prize A (150 customers)	Pair of vouchers for lodging in Kumamoto	Pair of vouchers for lodging in Kagoshima or Miyazaki
Prize B (900 customers)	Kumamoto's local specialty products	Kagoshima's or Miyazaki's local specialty products

The campaign will provide the banks' customers to visit their prefectures each other and know the respective prefectures' products, which is expected to contribute to the vitalization of each bank's region.

October 31, 2015	Higo Bank	Kagoshima Bank
Time deposits	¥18.3 billion	¥16.3 billion

Build framework to promote PPP/PFI

Establishing PPP/PFI platform

Name	Kyushu PPP/PFI platform
Objective	Disseminate and promote PPP/PFI businesses in the region
Activities	Holding seminars, providing information in individual consultations, making proposals to local governments, etc.

【Image】

Local Governments

Exchanging opinions on activities and proposals; and participating and collaborating in study groups

Platform

Advisors

Toyo University
PPP Research
Center

Development
Bank of Japan

PFI
Promotion
Corporation

Japan Economic
Research
Institute

Holding seminars and
accumulating know-how

【Secretariat】

Higo Bank: Government Affairs Office, Regional
Promotion Division

Kagoshima Bank: Regional Development Office, Sales
Support Division

Local industry groups

- Constructors association and architectures associations.
- Surveyors associations
- Building maintenance associations, etc.

6. Implementation Status of Strategies – Integration of Market Systems & Personnel Exchange –

The Group will review administrative work and systems to improve their efficiency and implement personnel exchanges to strengthen human resources development and promote mutual understanding.

Integration of Market Systems

As a management integration initiative, market systems are to be integrated into a Nihon Unisys' "Siatol Series" system.

【Existing Systems】

	Kagoshima Bank	Higo Bank
Front/middle office systems	Prelude (NTT Data FS)	Skipper (Nihon Unisys)
Back office systems	Siatol NE (Nihon Unisys)	STPCARUS (Hitachi)
Date of introduction	June 2009	June 2007

【After the Integration】

	Kagoshima Bank	Higo Bank
Front/middle office systems; and Back office systems	Siatol series (*) (Nihon Unisys)	
Projected operation commencement	October 2016	

〈*A comprehensive system equipped with a full range of front/middle/back office functions and covering overall capital and securities operations

【Integration Effects】

- Improved operating efficiency realized with standardization of both banks' administrative work
- Sophistication of market trading management
- Reduction of upgrading and running costs

Personnel Exchange

Personnel exchanges, promoted through participation in community events and joint training, aim at strengthening human resources development, mutual understanding and fostering a sense of Group unity.

Event/Training Name	Location	Participants
Ohara Matsuri festival	Kagoshima City	New employees
Career 7	Kumamoto City	Women employees in their 7 th year
Branch Managers Overseas Training	Hong Kong, Singapore, etc.	Branch manager class
Middle executive training	Kagoshima City	New Assistant Branch Managers
Youth Challenge Asia	Hong Kong	Young employees

【 Career 7 Training 】



- Will continue actively developing joint training and other personnel exchanges
- Considering long-term personnel exchanges including personnel transfers

9. Synergy Effects from Management Integration

The Group expects the integration to maximize synergy effects in both sales and costs and to generate incremental ¥6 billion during the 2.5 years of the 1st Medium-term management Plan period.

Total synergy effects during FY2015-2017 (current medium-term plan period)

Synergy Effects Breakdown

Sales synergy

- Implementation of joint sales initiatives
- Development of new products and services
- Reinforcement of broad area sales
- Sharing of market operations know-how
- Strengthening of sales through mutual personnel exchange.

¥6.1 billion

Cost synergy

- Systems efficiency improvement
- Administrative efficiency improvement
- Integration of overseas bases
- Material expenses reduction (joint procurement), etc.

¥0.7 billion

Negative synergy (expenses)

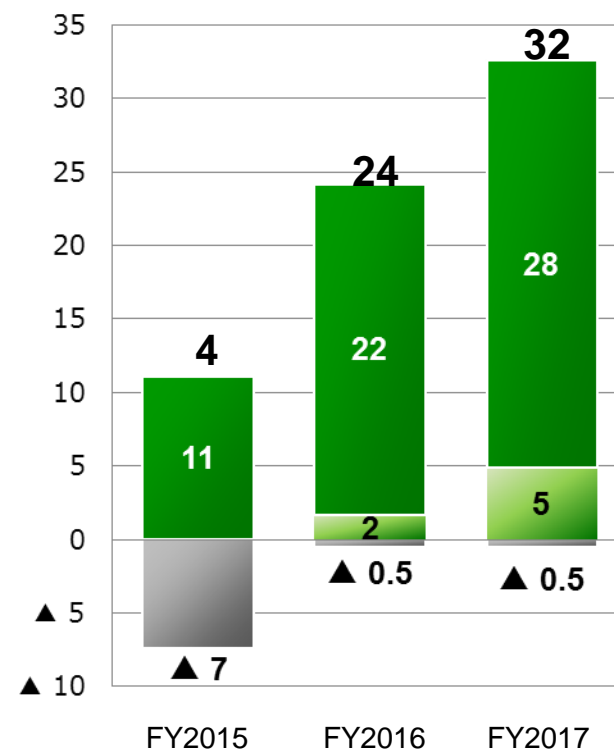
- Introduction of intra-group remittance fees
- Integration-related ad hoc expenses

-¥0.8 billion

Total

¥6.0 billion

(Yen 00 mn.)



- Sales synergy
- Cost synergy
- Negative synergy

10. Medium-term Management Plan Targets

Kyushu Financial Group

Top line increase + cost synergies

Expand Group revenues and scale

FY2014 (actual) (Simple sum of two banks)	
Deposits	¥7.6 trillion
Loans	¥5.1 trillion
Net business profit	¥33.2 billion
Current net profit	¥23.3 billion
ROE	4.1%
Return on shareholders' equity	5.0%

FY2017 Targets (Simple sum of two banks)	
Deposits	¥8.4 trillion
Loans	¥5.9 trillion
Net business profit	¥37.4 billion
Net income	¥28.0 billion
ROE	4.5%
Return on shareholders' equity	5.3%

Collaboration Stage

FY2020 Targets	
Deposits	¥9 trillion or more
Loans	¥6.5 trillion or more
Net business profit	¥45 billion or more

Integration Stage

Implementation of integration synergy measures

This material includes statements regarding the Group's future performance, which do not constitute a guarantee of its future performance and involve risks and uncertainties.

Please note that the future performance may differ from targets or forecasts due to changes in the business environment, etc.



Kyushu FG

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