

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities code: 7180
May 30, 2022

To our shareholders:

Yoshihisa Kasahara
President and Representative Director
Kyushu Financial Group, Inc.
6-6, Kinseicho, Kagoshima-shi, Kagoshima-ken
(The address above is the registered address of the
Company. Head office operations are conducted at the
address below.)
1-12-3, Kasuga, Nishi-ku, Kumamoto-shi, Kumamoto-ken

NOTICE OF THE 7TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you that the 7th Ordinary General Meeting of Shareholders of Kyushu Financial Group, Inc. (the “Company”) will be held as described below.

Instead of attending the meeting in person, shareholders can exercise their voting rights in advance in writing or via the Internet, etc. The Company will make donations to organizations related to COVID-19 countermeasures according to the number of shareholders who exercise their voting rights in advance. We would appreciate your cooperation in this matter.

The meeting will be also streamed live on the Internet so that you can view it at home.

Measures to Prevent the Spread of COVID-19

Requests to Shareholders

- If you plan to attend the meeting in person, please pay careful attention to your physical condition up to the day of the meeting, and avoid straining yourself.
- Please make sure to wear a mask at the venue, and cooperate with hygienic measures, such as using alcohol to disinfect your hands and having your temperature measured.
- Please note that event staff may check the physical condition of shareholders in attendance who appear to be in poor physical condition.
- If any major changes are made to the operation of the meeting due to the spread of COVID-19 in the future, these changes will be posted on our company website (<https://www.kyushu-fg.co.jp/>) (in Japanese only). Please check changes before the meeting.

- 1. Date and Time:** Friday, June 17, 2022 at 10:00 a.m. (Japan Standard Time)
- 2. Venue:** Large Hall, 3F, Annex Building, Head Office of The Kagoshima Bank
3-3, Izumi-cho, Kagoshima-shi, Kagoshima-ken
(The meeting will be held at the address of the head office of our subsidiary The Kagoshima Bank.)
- 3. Purposes:**
- Items to be reported:**
1. Business Report and Consolidated Financial Statements for the 7th Term (from April 1, 2021 to March 31, 2022), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee.
 2. Non-Consolidated Financial Statements for the 7th Term (from April 1, 2021 to March 31, 2022)
- Items to be resolved:**
- Proposal 1: Partial Amendments to the Articles of Incorporation
Proposal 2: Election of Ten (10) Directors (Excluding Directors Who Also Serve as Audit and Supervisory Committee Members)
Proposal 3: Election of One (1) Substitute Director Who Also Serves as an Audit and Supervisory Committee Member

Notes:

1. Among the documents that the Company should provide to its shareholders when sending this Convocation Notice, the information contained in the following documents is posted on the Company's website (<https://www.kyushu-fg.co.jp/>) in accordance with the laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation, and therefore it is not included in the documents attached hereto.
 - (i) Basic Policies on Persons Who Control Financial and Business Policy Decisions of the Business Report
 - (ii) System to Ensure the Propriety of Business Activities
 - (iii) Matters Concerning Specific Wholly-owned Subsidiaries
 - (iv) Matters Concerning Accounting Advisors
 - (v) Policy on Determination of Dividends of Surplus and Others
 - (vi) Other Matters
 - (vii) The Non-Consolidated Statement of Changes in Net Assets, and the Notes to Non-Consolidated Financial Statements
 - (viii) The Consolidated Statement of Changes in Net Assets, and the Notes to Consolidated Financial StatementsThus, the documents attached hereto comprise only part of the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements, etc., that the Accounting Auditor audited in preparing its Accounting Audit Report and that the Audit and Supervisory Committee audited in preparing its Audit Report.
2. If any revision is made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-Consolidated Financial Statements, or the Consolidated Financial Statements, the Company will post the revised material on its website (<https://www.kyushu-fg.co.jp/>).

Reference Documents for the General Meeting of Shareholders

Proposal 1: Partial Amendments to the Articles of Incorporation

1. Reason for Amendments

The effective date of the system for electronic provision of materials for general meetings of shareholders stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) has been set for September 1, 2022. Accordingly, the Company shall establish provisions to provide information contained in the reference documents for the general meeting of shareholders, etc., electronically and to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.

In addition, the current provisions related to the internet disclosure and deemed provision of the reference documents for the general meeting of shareholders, etc., will become unnecessary and will therefore be deleted. In line with these amendments, supplementary provisions related to the effective date, etc., shall be established.

2. Details of Amendments

Details of the amendments to the Articles of Incorporations are as follows.

(Changes are underlined.)

Current Articles of Incorporation	Proposed Amendments
Chapter III General Meetings of Shareholders	Chapter III General Meetings of Shareholders
<p><u>Article 16 Internet Disclosure of Reference Documents for General Meetings of Shareholders</u> <u>In convening a general meeting of shareholders, the Corporation may deem to have supplied information on matters to be stated or displayed in reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements to shareholders by disclosing the information using the Internet in accordance with the ordinance of the Ministry of Justice.</u></p> <p style="text-align: center;">(Newly established)</p>	(Deleted)
	<p><u>Article 16 Measures for Electronic Provision, Etc.</u> <u>In convening a general meeting of shareholders, the Corporation provide information contained in the reference documents for the general meeting of shareholders, etc., electronically.</u> <u>2. Among the matters to be provided electronically, the Corporation may choose not to include all or part of the matters stipulated in the ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p data-bbox="807 208 1062 237"><u>Supplementary provisions</u></p> <p data-bbox="807 237 1331 300"><u>Article 1 Transitional Measures for Measures for Electronic Provision, Etc.</u></p> <p data-bbox="863 300 1385 651"><u>The deletion of Article 16 (Internet Disclosure of Reference Documents for General Meetings of Shareholders) of the current Articles of Incorporation and the establishment of the proposed Article 16 (Measures for Electronic Provision, Etc.) shall come into effect on September 1, 2022, which is the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”).</u></p> <p data-bbox="818 651 1385 875">2. <u>Notwithstanding the provisions of the preceding paragraph, Article 16 (Internet Disclosure of Reference Documents for General Meetings of Shareholders) of the current Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date within six months from the Effective Date.</u></p> <p data-bbox="818 875 1385 1032">3. <u>These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 2: Election of Ten (10) Directors (Excluding Directors Who Also Serve as Audit and Supervisory Committee Members)

At the conclusion of this meeting, the terms of office of all ten (10) Directors will expire. Therefore, the Company proposes the election of ten (10) Directors (excluding Directors who also serve as the Audit and Supervisory Committee members).

Please note that the nominations of the Candidates for Director have been approved by the Board of Directors under the Candidate Selection Policies established by the Company.

<Director Candidate Selection Policies>

1. On the assumption that Candidates for Director satisfy the statutory requirements, the selection policies are as follows.
 - (i) Candidates for Director originally from the Group who possess knowledge, experience, and ability in various fields, such as management, business, and supervision in financial services, and who also are well informed about economic and social conditions must be selected with a balanced representation of backgrounds.
 - (ii) In accord with the preceding item, multiple candidates for Outside Director who have knowledge, experience, and ability in fields that should particularly be supplemented from the perspective of management of the Group and who do not infringe the independence standards established by the Company must be selected.
2. In selecting candidates for Director, the Board of Directors must observe the policies set forth in the preceding item and, in the selection stage, provide an opportunity for appropriately receiving the Outside Directors' involvement and advice.
3. Each time that selections are made, the Board of Directors must examine the percentage of Outside Directors in the entire Board of Directors as well as the balance between knowledge, experience, and ability, etc., in accord with such factors as changes in the management environment surrounding the Group and the Group's management strategy.

In addition, both candidates for Outside Director satisfy the requirements of the Outside Officer Independence Standards established by the Company (see page 16 for the Outside Officer Independence Standards).

The candidates for Director (excluding Director who also serve as the Audit and Supervisory Committee members) are as follows:

No.	Name	Current position and responsibilities in the Company	
1	Sumihiro Matsuyama	Chairman of the Board	[For reelection]
2	Yoshihisa Kasahara	President	[For reelection]
3	Eiichi Eto	Director and Senior Managing Executive Officer (In charge of Corporate Planning Division, Public Relations / IR Division and Personnel / General Affairs Division)	[For reelection]
4	Norihisa Akatsuka	Director and Senior Managing Executive Officer (In charge of Business Strategy Division and Digital Innovation Division)	[For reelection]
5	Hiroyuki Tanaka	Director and Managing Executive Officer (In charge of Audit Division)	[For reelection]
6	Yasunari Iwatate	Director and Managing Executive Officer (In charge of Compliance and Risk Management Division)	[For reelection]
7	Takahiro Kai	Director	[For reelection]
8	Motohiro Kamimura	Director	[For reelection]
9	Katsuaki Watanabe	Director	[For reelection] [Outside] [Independent]
10	Yuji Nemoto	Director	[For reelection] [Outside] [Independent]

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
1	Sumihiro Matsuyama (June 11, 1955) [For reelection] Attendance at 11 out of 12 board of directors meetings (91.6%)	Apr. 1978 June 2007 June 2008 June 2011 June 2013 June 2019 June 2019	Joined The Kagoshima Bank, Ltd. Director, General Manager of Integrated Planning Division and Head of Supervisory Office for Group Companies, Integrated Planning Division Managing Director, General Manager of Integrated Planning Division and Head of Supervisory Office for Group Companies, Integrated Planning Division Senior Managing Director Deputy President President (to present) Chairman of the Board of the Company (to present)	82,110
[Position and responsibilities in the Company] • Chairman of the Board [Significant concurrent positions outside the Company] • President of The Kagoshima Bank, Ltd.				
[Reasons for nomination as candidate for Director] Since becoming Chairman of the Board of the Company in 2019, Sumihiro Matsuyama has supervised the general management of the Group, and has also driven the management of The Kagoshima Bank, Ltd., a Group subsidiary, as its President since 2019. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Sumihiro Matsuyama can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				
2	Yoshihisa Kasahara (January 5, 1962) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 2014 Apr. 2015 June 2015 May 2016 June 2016 Apr. 2018 June 2018 June 2019	Managing Executive Officer of Mizuho Trust & Banking Co., Ltd. Joined The Higo Bank, Ltd. (Managing Executive Officer and General Manager of Internal Audit Division) Director and Managing Executive Officer Director of The Kagoshima Bank, Ltd. Director of the Company Deputy President of The Higo Bank, Ltd. President (to present) President of the Company (to present)	113,800
[Position and responsibilities in the Company] • President [Significant concurrent positions outside the Company] • President of The Higo Bank, Ltd.				
[Reasons for nomination as candidate for Director] Since becoming President of the Company in 2019, Yoshihisa Kasahara has supervised the general management of the Group, and has also driven the management of The Higo Bank, Ltd., a Group subsidiary, as its President since 2018. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Yoshihisa Kasahara can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
3	Eiichi Eto (July 31, 1959) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 1983 Joined The Higo Bank, Ltd. June 2014 Executive Officer and General Manager of Compliance/Risk Management Division (currently Compliance and Risk Management Division) June 2015 Director, Executive Officer and General Manager of Compliance/Risk Management Division (currently Compliance and Risk Management Division) Oct. 2015 Executive Officer and General Manager of Compliance/Risk Management Division of the Company (currently Compliance and Risk Management Division) May 2016 Director and Managing Executive Officer of The Higo Bank, Ltd. Apr. 2020 Managing Executive Officer and General Manager of Compliance and Risk Management Division of the Company June 2020 Director and Managing Executive Officer and General Manager of Compliance and Risk Management Division of the Company Apr. 2021 Director and Senior Managing Executive Officer (to present) Apr. 2021 Director of The Higo Bank, Ltd. Apr. 2021 Director of Kyushu FG Securities, Inc. (to present) Apr. 2021 Director of Kyushu Accounting Service Co., Ltd. (to present) Apr. 2022 Director of Kyushu Digital Solutions Co., Ltd. (to present) [Position and responsibilities in the Company] • Director and Senior Executive Officer (In charge of Corporate Planning Division, Public Relations / IR Division, and Personnel / General Affairs Division) [Significant concurrent positions outside the Company] • Director of Kyushu FG Securities, Inc. • Director of Kyushu Accounting Service Co., Ltd. • Director of Kyushu Digital Solutions Co., Ltd.	40,400
[Reasons for nomination as candidate for Director] Since the Company's establishment in 2015, as General Manager of Compliance/Risk Management Division (currently Compliance and Risk Management Division), Eiichi Eto has worked to enhance the Company's compliance structure and integrated risk management structure. Furthermore, since April 2021, he has been in charge of corporate planning, public relations / IR, and personnel / general affairs, and strived to promote various measures as Director and Senior Managing Executive Officer. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Eiichi Eto can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.			

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
4	Norihisa Akatsuka (October 3, 1961) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	<p>Apr. 1982 Joined The Kagoshima Bank, Ltd. June 2015 Executive Officer and General Manager of Systems Division Oct. 2015 Executive Officer and General Manager of Operations Administration / IT Management Division (currently Digital Innovation Division) of the Company Apr. 2016 Director and General Manager of Systems Division of The Kagoshima Bank, Ltd. Apr. 2018 Managing Director and General Manager of Administrative Management Division Apr. 2020 Managing Executive Officer of the Company Apr. 2020 Director of Kyushu FG Securities, Inc. (to present) June 2020 Director and Managing Executive Officer of the Company Apr. 2021 Director and Senior Executive Officer (to present) Apr. 2022 Director of Kyushu Digital Solutions Co., Ltd. (to present)</p> <p>[Position and responsibilities in the Company] • Director and Senior Executive Officer (In charge of Business Strategy Division and Digital Innovation Division)</p> <p>[Significant concurrent positions outside the Company] • Director of Kyushu FG Securities, Inc. • Director of Kyushu Digital Solutions Co., Ltd.</p>	44,640
<p>[Reasons for nomination as candidate for Director] Since the Company's establishment in 2015, as General Manager of Operations Administration / IT Management Division (currently Digital Innovation Division), Norihisa Akatsuka has worked to establish IT strategies and improve the efficiency of administration operations. Furthermore, since April 2021, he has been in charge of business strategy and digital innovation, and has strived to promote various measures as Director and Senior Executive Officer. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Norihisa Akatsuka can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>			
5	Hiroyuki Tanaka (October 19, 1961) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	<p>Apr. 1984 Joined The Kagoshima Bank, Ltd. June 2010 Chief of Makurazaki Branch June 2012 Chief of Sendai Branch June 2014 General Manager of General Affairs Division June 2015 Corporate Auditor (full-time) Apr. 2020 Managing Executive Officer and General Manager of Audit Division Apr. 2020 Managing Executive Officer of the Company June 2020 Director and Managing Executive Officer (to present) Apr. 2021 Director and Managing Executive Officer of The Higo Bank, Ltd. (to present) Apr. 2021 Director and Managing Executive Officer of The Kagoshima Bank, Ltd. (to present)</p> <p>[Position and responsibilities in the Company] • Director and Managing Executive Officer (In charge of Audit Division)</p> <p>[Significant concurrent positions outside the Company] • Director and Managing Executive Officer of The Higo Bank, Ltd. • Director and Managing Executive Officer of The Kagoshima Bank, Ltd.</p>	38,850
<p>[Reasons for nomination as candidate for Director] At The Kagoshima Bank, Ltd., a Group subsidiary, Hiroyuki Tanaka has served in various roles, including Chief of branches, General Manager of General Affairs Division, and Corporate Auditor (full-time). Furthermore, since June 2020, he has been in charge of audit and has strived to promote various measures as Director and Managing Executive Officer of the Company. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Hiroyuki Tanaka can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
6	Yasunari Iwatate (May 2, 1963) [For reelection] Attendance at 10 out of 10 board of directors meetings (100%)	Apr. 1986	Joined The Higo Bank, Ltd.	29,200
		June 2006	Specific Group Loan Officer, Loan Management Division	
		June 2009	Group Leader and Acting General Manager, HR Development Group, Personnel Division	
		June 2011	Chief of Toroku Branch	
		June 2014	General Manager of Personnel Division	
		Apr. 2016	Executive Officer and General Manager of Personnel Division	
		May 2016	Director, Executive Officer and General Manager of Personnel Division	
		Apr. 2018	Director, Executive Officer and General Manager of General Planning Division	
		Apr. 2019	Director, Senior Executive Officer and General Manager of General Planning Division	
		Apr. 2020	Director and Managing Executive Officer (to present)	
		Apr. 2021	Managing Executive Officer of the Company	
		June 2021	Director and Managing Executive Officer (to present)	
		[Position and responsibilities in the Company] • Director and Managing Executive Officer (In charge of Compliance and Risk Management Division)		
		[Significant concurrent positions outside the Company] • Director and Managing Executive Officer of The Higo Bank, Ltd.		
	[Reasons for nomination as candidate for Director] At The Higo Bank, Ltd., a Group subsidiary, Yasunari Iwatate has served in various roles in personnel and credit risk management divisions, and as Chief of branches. Furthermore, since June 2021, he has been in charge of compliance and risk management and has strived to promote various measures as Director and Managing Executive Officer of the Company. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Yasunari Iwatate can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.			
7	Takahiro Kai (April 25, 1951) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 1975	Joined The Higo Bank, Ltd.	147,270
		June 2006	Senior Managing Director	
		June 2008	Deputy President	
		June 2009	President	
		Oct. 2015	Chairman of the Board of the Company	
		June 2018	Chairman of The Higo Bank, Ltd. (to present)	
		June 2019	Director of the Company (to present)	
		[Position and responsibilities in the Company] • Director		
		[Significant concurrent positions outside the Company] • Chairman of The Higo Bank, Ltd.		
	[Reasons for nomination as candidate for Director] Since the Company's establishment in 2015 to 2019, Takahiro Kai has supervised the general management of the Group as Chairman of the Board, and has also driven the management of The Higo Bank, Ltd., a Group subsidiary, as its President since 2009, and as Chairman since 2018. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Takahiro Kai can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.			

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
8	Motohiro Kamimura (August 18, 1952) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	<p>Apr. 1975 Joined The Kagoshima Bank, Ltd.</p> <p>June 2004 Director and General Manager of Operations Management Division</p> <p>June 2006 Managing Director</p> <p>June 2010 President</p> <p>Oct. 2015 President of the Company</p> <p>June 2019 Chairman of The Kagoshima Bank, Ltd. (to present)</p> <p>June 2019 Director of the Company (to present)</p> <p>[Position and responsibilities in the Company]</p> <ul style="list-style-type: none"> • Director <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • Chairman of The Kagoshima Bank, Ltd. 	58,050
<p>[Reason for nomination as candidate for Director]</p> <p>Since the Company's establishment in 2015 to 2019, Motohiro Kamimura supervised the general management of the Group as President, and has also driven the management of The Kagoshima Bank, Ltd., a Group subsidiary, as its President since 2010 and as Chairman since 2019. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Motohiro Kamimura can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>			
9	Katsuaki Watanabe (February 13, 1942) [For reelection] [Outside] [Independent] Attendance at 12 out of 12 board of directors meetings (100%)	<p>Apr. 1964 Joined Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation)</p> <p>Sept. 1992 Director of Toyota Motor Corporation</p> <p>June 1997 Managing Director</p> <p>June 1999 Senior Managing Director</p> <p>June 2001 Executive Vice President</p> <p>June 2005 President</p> <p>June 2009 Vice Chairman</p> <p>June 2011 Senior Advisor</p> <p>June 2013 Audit & Supervisory Board Member of Sumitomo Electric Industries, Ltd.</p> <p>July 2015 Advisor of Toyota Motor Corporation</p> <p>Oct. 2015 Director of the Company (to present)</p> <p>June 2021 Director of Sumitomo Electric Industries, Ltd. (to present)</p> <p>[Position and responsibilities in the Company]</p> <ul style="list-style-type: none"> • Outside Director <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • Director of Sumitomo Electric Industries, Ltd. 	26,400
<p>[Reasons for nomination and expected role as candidate for Outside Director]</p> <p>Since the Company judges that, based on the rich experience, broad insight, and knowledge that Katsuaki Watanabe has developed as a top executive of a leading manufacturer, he can be expected to supervise the general management of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the "Outside Officer Independence Standards" established by the Company.</p>			

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
10	Yuji Nemoto (October 27, 1954) [For reelection] [Outside] [Independent]	Apr. 1978 Joined Japan Development Bank (currently, Development Bank of Japan Inc.) Apr. 2004 General Manager of Regional Planning Department Apr. 2006 Professor at Faculty of Economics, Toyo University (to present) Apr. 2008 Director of Research Center for PPP, Toyo University (to present) June 2015 Director of The Kagoshima Bank, Ltd. June 2018 Director of the Company (to present)	—
	Attendance at 12 out of 12 board of directors meetings (100%)	[Position and responsibilities in the Company] • Outside Director [Significant concurrent positions outside the Company] • Professor of Toyo University	
[Reasons for nomination and expected role as candidate for Outside Director] Since the Company judges that, based on the rich experience, broad insight and knowledge that Yuji Nemoto has developed being involved in regional policy as a university professor and as an expert in public policy, urban development and regional development, he can be expected to supervise the general management of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the "Outside Officer Independence Standards" established by the Company.			

- Notes:
1. There is no special interest between any of the candidates for Director and the Company.
 2. Katsuaki Watanabe and Yuji Nemoto are candidates for Outside Director.
 3. The term of office of Katsuaki Watanabe as Outside Director of the Company will be approximately six (6) years and nine (9) months at the conclusion of this meeting.
The term of office of Yuji Nemoto as Outside Director of the Company will be approximately four (4) years at the conclusion of this meeting.
 4. Both Katsuaki Watanabe and Yuji Nemoto are registered with the stock exchanges on which the Company is listed, as Independent Officers who have no possibility of a conflict of interest arising with ordinary shareholders. If they are both elected as Outside Directors, the Company plans to continue to register them as Independent Officers.
 5. With respect to the liability provided for in Article 423, Paragraph 1 of the Companies Act, the Company has entered into limited liability agreements with Katsuaki Watanabe and Yuji Nemoto that limit their liabilities to the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. If they are both elected as Outside Directors, the Company plans to continue the agreements with them.
 6. The Company shall enter into a directors and officers liability insurance policy with an insurance company covering damages to be borne by insured persons that may arise due to their assuming liability for the execution of duties or receiving a claim for the pursuit such liability. If the candidates are appointed as Director, they will become insured persons under the insurance policy and the Company plans to renew this insurance policy during their term of office.

Proposal 3: Election of One (1) Substitute Director Who Also Serves as an Audit and Supervisory Committee Member

In case the number of Directors who also serve as Audit and Supervisory Committee members falls short of the number required by laws and regulations, the Company proposes the election of one (1) substitute Director who also serves as an Audit and Supervisory Committee member.

The Company has obtained the consent of the Audit and Supervisory Committee for this proposal.

This resolution shall remain in effect until the next Ordinary General Meeting of Shareholders.

The candidate for a substitute Director who also serves as an Audit and Supervisory Committee member is as follows:

Name (Date of birth)	Career summary	Number of the Company's shares owned
<p>Makiko Yamamoto (May 29, 1971)</p> <p>[Outside] [Independent]</p>	<p>July 1995 Joined TMI Associates</p> <p>Oct. 2000 Registered as an attorney at law (Tokyo Bar Association)</p> <p>Sep. 2005 Joined Simmons & Simmons, London</p> <p>Sep. 2006 Joined TMI Associates</p> <p>Feb. 2012 Registered as Solicitor with the Law Society of England and Wales</p> <p>June 2012 Joined Simmons & Simmons, London</p> <p>Sep. 2014 Joined TMI Associates</p> <p>June 2016 Outside Corporate Auditor of Starzen Co., Ltd.</p> <p>June 2018 Outside Corporate Director of SIGMAXYZ Inc. (to present)</p> <p>June 2019 Outside Director (Audit & Supervisory Committee Member) of Musashi Seimitsu Industry Co., Ltd. (to present)</p> <p>Feb. 2020 Registered as an attorney at law (Fukuoka Bar Association) Employee of TMI Partners Legal Professional Corporation Representative of Fukuoka Office (to present)</p> <p>Mar. 2020 Outside Director of ASICS Corporation (to present)</p> <p>Sep. 2021 Outside Auditor of SUSMED, Inc. (to present)</p> <p>[Position and responsibilities in the Company]</p> <p>—</p> <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • Attorney of TMI Associates • Outside Corporate Director of SIGMAXYZ Inc. • Outside Director (Audit & Supervisory Committee Member) of Musashi Seimitsu Industry Co., Ltd. • Outside Director of ASICS Corporation • Outside Auditor of SUSMED, Inc. 	<p>—</p>
<p>[Reason for nomination and expected role as candidate for substitute Outside Director who also serves as an Audit and Supervisory Committee member]</p> <p>Since the Company judges that, based on her rich experience and expert perspective in international legal affairs and corporate legal affairs that Makiko Yamamoto has developed as an attorney with international experience, she can be expected to provide appropriate supervision and advice to the Board of Directors, the Company requests her election as a substitute Outside Director who also serves as an Audit and Supervisory Committee member. Furthermore, she meets the “Outside Officer Independence Standards” established by the Company.</p>		

- Notes:
1. There is no special interest between Makiko Yamamoto and the Company.
 2. Makiko Yamamoto is a candidate for substitute Outside Director who also serves as an Audit and Supervisory Committee member.
 3. Makiko Yamamoto's name in the family register is Makiko Yasukawa.
 4. If Makiko Yamamoto is elected as an Outside Director who also serves as an Audit and Supervisory Committee member, the Company plans to register her as an Independent Officer who has no possibility of a conflict of interest arising with ordinary shareholders.
 5. If Makiko Yamamoto becomes an Outside Director who also serves as an Audit and Supervisory Committee member, the Company plans to enter into a limited liability agreement that limits her liability to the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act, with respect to the liability provided for in Article 423, Paragraph 1 of the Companies Act.
 6. The Company shall enter into a directors and officers liability insurance policy with an insurance company covering damages to be borne by insured persons that may arise due to their assuming liability for the execution of duties or receiving a claim for the pursuit such liability. If Makiko Yamamoto is appointed as an Outside Director who also serves as an Audit and Supervisory Committee member, she will be include as an insured under the insurance policy.

[Reference] Skills Matrix

[Inside Directors]

Name	Position	Main areas of knowledge, experience, and capability held by Directors									
		Corporate Management	Sales	Market Operation	Legal, Risk Management	Finance and Accounting	Regional Industry Development	International Business	Personnel, Human Resources Development	SDGs, ESG	DX, Technology
Sumihiro Matsuyama	Chairman and Representative Director	●	●	●	●	●	●				●
Yoshihisa Kasahara	President and Representative Director	●	●				●	●	●	●	●
Eiichi Eto	Director and Senior Managing Executive Officer			●	●	●				●	
Norihisa Akatsuka	Director and Senior Managing Executive Officer				●		●				●
Hiroyuki Tanaka	Director and Managing Executive Officer		●		●	●					
Yasunari Iwatate	Director and Managing Executive Officer				●	●	●		●		
Takahiro Kai	Director	●	●	●		●	●	●	●		●
Motohiro Kamimura	Director	●	●	●	●	●	●		●		●
Yuichi Tanabe	Director (Audit and Supervisory Committee member)		●		●				●		
Masahide Kitanosono	Director (Audit and Supervisory Committee member)		●			●	●				

[Outside Directors]

Name	Position	Areas of expertise particularly expected of Directors						
		Corporate Management	Market Operation	Legal, Risk Management	Regional Industry Development	International Business	SDGs, ESG	DX, Technology
Katsuaki Watanabe	Director	●		●		●	●	●
Yuji Nemoto	Director				●		●	●
Kenichi Sekiguchi	Director (Audit and Supervisory Committee member)	●	●		●	●		
Katsuro Tanaka	Director (Audit and Supervisory Committee member)	●		●		●		
Yuko Tashima	Director (Audit and Supervisory Committee member)	●		●			●	

<Outside Officer Independence Standards>

1. An outside officer must not be an executive director, an executive officer, or an employee of the Company or a Group company (hereinafter referred to as “person who executes business”), and he or she must not have been a person who executes business at any time in the past ten (10) years. Furthermore, an outside officer must not be a director, an auditor, an accounting advisor, an executive officer, a corporate executive officer, or an employee of any company of which the Group is the main shareholder. (This means any company in which, at the end of the most recent business year, the Group’s ratio of voting rights held is 10% or more of the total voting rights.)
2. An outside officer must be neither an entity whose major customer is the Company or a Group company nor a parent company or a significant subsidiary of that entity. Furthermore, if the entity is a company, then an outside officer must be neither a person who executes business of the company nor, at any time in the last three (3) years, a person who executes business of the company.
3. An outside officer must be neither an entity who is a major customer of the Company or a Group company nor a parent company or significant subsidiary of that entity. Furthermore, if the entity is a company, then an outside officer must be neither a person who executes business of the company nor, at any time in the last three (3) years, a person who executes business of the company.
4. An outside officer must not be a person who executes business of an organization that receives donations, etc., from the Company or a Group company that exceed a specified amount. (Specified amount means the larger of either ¥10 million per year on average in the last three (3) years, or 30% of the average annual total expenses of the organization that receives donations, etc.)
5. An outside officer must not be an officer, such as a director, of a company, the parent company of a company, or the group company of a company that receives directors from the Company or a Group company.
6. An outside officer must not now be the Accounting Auditor or an employee, etc., of the Accounting Auditor of the Company or a Group company; furthermore, within the past three (3) years, as such an employee, etc., he or she must not have been responsible for audit work of the Company or a current Group company.
7. An outside officer who is an attorney, consultant, etc. (including, in the case of a corporation, an employee, etc., who should perform the duties of those functions) must not have received, from the Company or a Group company, other than directors’ remuneration, any monetary or other economic benefit of ¥10 million or more per year on average in the last three (3) years, and he or she must not be an employee, etc., of a law office, etc., that has the Company or a Group company as a major client.
8. An outside officer must be neither a close relative of a Director or an Executive Officer of the Company or a Group company nor a close relative of an important employee, etc., who is in a position equivalent to officer, such as advisor, associate director, or consultant, of the Company or a Group company (hereinafter referred to as “person equivalent to an officer”). Furthermore, in the last five (5) years, he or she must not have been the spouse or a relative within the second degree of kinship (hereinafter referred to as “close relative”) of the said Director, Executive Officer, or person equivalent to an officer, and his or her close relative must not correspond to the same criteria as those in items 1, 2, 3, 4, 6, and 7 above.
9. In addition, an outside officer must be a person who has no possibility, on a regular and continuous basis, of a substantial conflict of interest arising with the Company’s ordinary shareholders as a whole, for any circumstance other than a reason taken into account in the aforementioned items.

Supplementary Provisions

1. Even if a person does not satisfy any one of the items 2 through 8 above, if the Company considers that, in light of his or her character, insight, etc., the person is suitable as an outside officer of the Company, then, on condition that his or her candidacy will be explained publicly, the person may be selected as a candidate for an outside officer of the Company.
2. Under these standards, if an outside officer who is judged as possessing independence loses independence, he or she shall notify the Company promptly.
3. In these standards, “a major customer” means an entity whose transaction value between it and the Group in any of the past three (3) business years, including the most recent business year, is 1% or more of the yearly gross annual sales revenue (consolidated annual gross income from business in the case of the Company).

Business Report for the 7th Term

(From April 1, 2021 to March 31, 2022)

1. Status of the Company

(1) Progress and results of the Group's operations, etc.

[Major businesses of the Group]

The Group is comprised of the Company, which is a bank-holding company, and 19 consolidated subsidiaries, including The Higo Bank, Ltd. (hereinafter referred to as "Higo Bank") and The Kagoshima Bank, Ltd. (hereinafter referred to as "Kagoshima Bank"), and Kyushu FG Securities, Inc. (hereinafter referred to as "Kyushu FG Securities"), is engaged in operations related to financial services centered on banking, leasing services, credit card services, trust business, credit guarantee services and financial instrument transactions.

[Financial and economic environment]

During the fiscal year under review, the Japanese economy was significantly impacted by the infection status of COVID-19, which has continued since fiscal 2019. In the first half of the year, consumer spending was weak due to the state of emergency declaration and the application of priority measures to prevent the spread of disease. In the second half of the year, the infection temporarily slowed down and consumption showed signs of recovery, but the economy once again came to a standstill due to the spread of new mutant variants of COVID-19. Public investment remained firm, while housing investment also showed signs of picking up; however, it weakened in the second half of the year. Corporate earnings showed weakness in the non-manufacturing sector at the beginning of the period but picked up in the second half, and while the employment situation was weak, the number of job offers and other trends showed some resilience. Overall, while production showed signs of picking up, exports increased moderately and imports stalled after recovering, and the severe situation continued.

In this economic environment, the Nikkei index initially hovered in the range between ¥28,000 and ¥29,000 due to the impact of the global outbreak of COVID-19, but it hit a new high of ¥30,670 on September 14, the highest level in about 31 years, from expectations towards the policies of the new administration. Stock prices subsequently weakened due to concerns about global inflation, and further plunged to the ¥24,000 level at one point owing to the situation in Ukraine and other factors. During this period, the yen was hovering around the ¥110 level against the dollar, but fell to the ¥120 level in March 2022.

In the local economy, as in the rest of the country, face-to-face services and other forms of personal consumption declined, resulting in an overall weakening of the local economy. Tourism-related services were particularly sluggish due to the application of priority measures to prevent the spread of disease. Although there were some signs of recovery due to a decrease in the number of infected persons, the re-application of priority measures to prevent the spread of disease weakened the recovery trend.

[Progress and results of the Group's operations]

The Company was established on October 1, 2015 by means of joint share transfer by Higo Bank and Kagoshima Bank (hereinafter, "both banks") in conjunction with the business integration. By establishing a solid business foundation that can further enhance our presence in Kyushu, the place of origin of both banks, we seek to create a new business model tied closely to local communities while extending over a wide area, further build mutual trust with local communities, promote greater management efficiency, improve corporate value, and actively contribute to the realization of dynamic local communities as a Regional Value Co-creation Group.

Targeting the realization of growth of the Group, three management philosophical pillars have been established:

1. The Group will respond to the trust and expectations of customers and will provide optimal, high-

- level comprehensive financial services to its customers.
2. The Group will develop alongside local regions and actively contribute to the realization of a vigorous regional society and economy.
 3. The Group will nurture an abundance of creativity and a free-spirited organizational culture, continuing to challenge itself to move toward a better future.

Further, the Group defined “We exist to work with our customers and the communities we serve to create a future for our region by nurturing, protecting and sustaining their assets, businesses, local industries, nature and culture” as the very meaning of existence of the Group.

Based on this meaning of existence, the Group set the following 10-year vision and formulated the 3rd Group Medium-Term Management Plan to articulate strategies that the Group should implement for the next three years to realize the vision.

[Outline of the 3rd Group Medium-Term Management Plan and its progress]

1. 3rd Group Medium-Term Management Plan: “Reform”

- Vision: Evolution into a “Regional Value Co-creation Group” that creates a better future together with customers, communities and employees
- Name: 3rd Group Medium-Term Management Plan: “Reform”
- Period: Three years (April 2021 to March 2024)
- Basic policy: Reforming to realize a Regional Value Co-creation Group

Basic strategy and strategic pillars

Basic strategies		Strategic pillars
Business strategies	Deepening regional comprehensive financial functions	<ul style="list-style-type: none"> • Enhancing financial consultation capability under new normal • Supporting regional industries’ growth by enhancing financial functions
	Enhancing function of promoting regional industries	<ul style="list-style-type: none"> • Practicing problem-solving through collaboration with communities • Reinforcing and creating function of local trading company
Human resources strategy	Developing human resources and boosting engagement	<ul style="list-style-type: none"> • Developing human resources for realizing value co-creation • Respecting diversity and improving job satisfaction
Governance strategy	Establishing KFG business model	<ul style="list-style-type: none"> • Organizational and profit structure reform • Pioneering initiatives toward SDGs and ESG
Digital strategy	Promoting DX in preparation for digitalized society	<ul style="list-style-type: none"> • Providing new experiences and services • Increasing productivity through process reform

In order to enhance the sustainability of our customers, communities, and the Group, we adopted “Evolution into a ‘Regional Value Co-creation Group’ that creates a better future together with customers, communities, and employees” as a new vision for the next 10 years.

During the period of the 3rd Medium-Term Management Plan, which is the start of the evolution, by backcasting the vision for the next ten years, we will solidify the foundation for growth through “reform” and establish a new revenue base by pursuing all possibilities in addition to financial services.

Our Vision for fiscal 2030: Ten Years from Now

The Group aims to raise the ratio of revenue from the non-bank section, which accounts for approximately 10% of the total revenue, to 40% in ten years by increasing revenue from Kyushu FG Securities and other Group companies and generating revenue from new companies to be established in the future.

2. Group KPIs

Indicator	Final year target	Fiscal 2021 financial results
(1) Net income	¥26 billion	¥16.6 billion
(2) Net income from core business	¥38 billion	¥33 billion
(3) Business profits from services provided to customers*1	¥17 billion	¥11.6 billion
(4) Service profit ratio*2	14% or higher	13.0%
(5) OHR	65% or less	72.2%
(6) Return on shareholders' equity	4% or higher	2.6%
(7) Capital adequacy ratio	10% or higher	10.74%

*1 Business profits from services provided to customers:

Average balance of loans x interest margin for loans and deposits + fees and commissions - expenses

*2 Service profit ratio:

Service profit / gross profit from core business (gross profit from operations - gains or losses on bonds such as government bonds)

During fiscal 2021, the first fiscal year of the 3rd Group Medium-Term Management Plan, the main measures implemented by the Group are as follows.

Deepening regional comprehensive financial functions

In the basic strategy of the 3rd Group Medium-Term Management Plan, “Deepening regional comprehensive financial functions,” the Group has set “Enhancing financial consultation capability under new normal” and “Supporting regional industries’ growth by enhancing financial functions” as its strategic pillars. We will further deepen our financial functions by maximizing consulting capability that can address the new normal, including re-examination of operational structures and optimization of channels, and by working on the growth of regional industries through the provision of advanced financial solution functions.

(Strengthening of consulting capabilities through connections between Bank, Securities and Trusts)

In collaboration with Kyushu FG Securities, which celebrated the fourth anniversary of operation, both banks strive to provide close support to customers at all times and offer services that exceed their expectations. Kyushu FG Securities posted its first-ever annual profit in fiscal 2020, and expanded the surplus of ¥550 million in fiscal 2021. In fiscal 2022, it is expected that accumulated losses will be eliminated as originally planned when it was founded.

In addition, in order to respond to the rising need for inheritance and the passing on of assets against the backdrop of a progressively aging society, in April 2019, the Group started operating the trust business at the banks, becoming the first regional banking Group in Kyushu to take such initiatives, and in June 2021, we began offering a new product, the Designated Agent Trust “Anshin Mimamori Shintaku”.

In October 2021, Kagoshima Bank established the Financial Asset Consulting Division to strengthen support to customers’ life planning by providing optimal services that meet the needs of financial assets in terms of building, management, and succession, with the head office and branches working together. In April 2022, in order to further strengthen our close support for problem-solving to our customers, Higo Bank established the Personal Consulting Division and converted some branches into consultative sales offices to provide consultation services by our expert staff on asset management, asset succession (trust), inheritance, and various loans.

We will continue to provide one-stop services matched to customer needs such as inheritance, or to customers’ life stages in terms of “saving,” “growing,” and “leaving.”

(Strengthening the Group's business foundation)

As part of reform to realize a Regional Value Co-creation Group, in March 2021, the Group applied to the Bank of Japan's Special Deposit Facility to Enhance the Resilience of the Regional Financial System and is working to strengthen the Group's business foundation. We aim to improve OHR in fiscal 2022 by increasing productivity through digitalization investments and reviewing the branch structure, shifting personnel to growth areas, and enhancing cost reduction.

Enhancing function of promoting regional industries

In the basic strategy of the 3rd Group Medium-Term Management Plan, "Enhancing function of promoting regional industries," the Group has set "Practicing problem-solving through collaboration with communities" and "Reinforcing and creating function of local trading company" as its strategic pillars, and will work to build a platform through cooperation with the local community, including the region's industry, academia, government and financial institutions, to contribute to solving issues of local customers and communities and improve the value of local resources and local brands by reinforcing and creating local trading company functions.

(Toward building regional digital platforms)

As part of the provision of new services through building a regional digital platform, in December 2021, the Group launched the Hugmeg mobile app common to both banks. This app has the features such as opening a savings account, kakeibo (household account bookkeeping) function, savings by purpose, and recommendation function. This mobile app, which is provided to local customers centered on digital natives, will offer new experience and services by using digital technologies.

In addition, to strengthen the local trading company functions, we will work on expanding sales channels for local merchandise and building business flows for overseas business, aiming to realize value enhancement of regional resources and regional brands.

We will continue to enhance our services in non-financial functions starting from the regional needs, and actively work to solve regional issues and contribute to regional development.

(Efforts related to human resources matching business)

The Group is strengthening its group-wide efforts to address issues related to human resources faced by local governments.

The Higo Bank's Group company, Higin Office Business Co., Ltd., has concluded a business alliance agreements with local companies to develop a human resource matching service specializing in agriculture, and is supporting the revitalization of agriculture in entire Kumamoto Prefecture by matching farmers suffering from a labor shortage with the needs of individuals who want to work casually.

Kagoshima Bank is implementing a human resources matching business for secondary jobs in collaboration with local governments. It aims to solve management problems and labor shortages at local companies and increase the number of people involved in the local economy through the use of human resources for secondary jobs, thereby promoting corporate development and revitalizing the local economy. This includes holding seminars and other events to promote awareness of secondary job matching, recruiting companies by using recruitment websites for secondary job human resources, and follow-up on matching.

(Responses to COVID-19)

The Group is working together to provide ongoing support to the communities and customers affected by COVID-19.

In terms of financing, both banks continue to provide financial support to customers by extending the deadline for handling various types of loans related to COVID-19.

In light of the current situations of communities where COVID-19 has forced many companies to suspend or discontinue operation, in April 2022, Higo Bank opened "Start Up Hub Kumamoto," a platform that support customers founding a business with industry-government-academia collaboration,

with a view to a post-COVID-19 era.

On the non-financial side, based on the Partnership Agreements to promote SDGs between Higo Bank and Kumamoto City, Higo Bank conducted a food drive to support the livelihood of students and others affected by the COVID-19 pandemic. Kagoshima Bank is working to support the revitalization of the local economy by utilizing the bank's cashless application "Paydon" in a premium voucher project implemented by local governments in Kagoshima Prefecture.

In addition, in November 2021, both banks donated a total of ¥200 million to the Kumamoto and Kagoshima prefectures through a corporate version of furusato (hometown) tax payment as part of their support for local economic recovery affected by COVID-19 and regional development projects.

Going forward, we will continue to take proactive steps to achieve sustainable communities.

(Initiatives by a crowdfunding company)

The Company launched Glocal Crowdfunding Inc., a crowdfunding company, through joint investment, and the company began operation in May 2020. During fiscal 2021, we carried out various projects, including the conclusion of a business matching contract with other financial institutions and a project to revive the symbolic *Anayu* public bath of the Kurokawa Onsen hot spring town as a form of support for restoration from damage caused by "the July 2020 Kyushu floods."

In order to turn the resources and ideas of local communities into realities, the Group will continue to serve as a bridge that connects the empathy and capital of investors across Japan with enterprise owners, contributing to the development of sustainable regional economies.

Developing human resources and boosting engagement

Up until now, the Group has implemented measures that emphasize "ease of work." Along with such measures, the Group will also carry out measures to support autonomous growth of employees and improve engagement to balance "ease of work" and "fulfillment" and enhance "job satisfaction," thereby developing human resources and boosting engagement.

(Initiatives for developing human resources and work style reform)

We invited prominent entrepreneurs as lecturers to hold seminars for Group employees on holidays and other occasions as part of efforts to develop human resources in the digital transformation (DX) field. To foster talents that can create new businesses, we accepted applications and selected young employees, and are working on generating ideas that could lead to future business diversification while receiving advice from professional institutions and entrepreneurs.

As part of efforts for work style reform, in October 2021, we introduced an intra-group transfer and secondment system to enable employees with unavoidable family circumstances, such as marriage, spouse's transfer, parental nursing care, or children's higher education, to continue working within the Group.

Further, the Group, including both banks, lifted the ban on secondary jobs in October 2021. So far, 15 employees have taken on a variety of secondary jobs, such as tour guides for tourists and planning sports events.

In December 2021, the Group's Head Office Building (KFG Building) was fully opened, and in addition to the Company, our Group companies Kyushu FG Securities, Kyushu Digital Solutions Co., Ltd. (hereinafter, "Kyushu Digital Solutions"), and Kumamoto Branch of Kagoshima Bank also relocated to the KFG Building and started operations. With a free-address system introduced and Wi-Fi available, the building offers flexible workstyles unbounded by the traditional concept of office and provides a healthy and comfortable office environment full of creativity.

(Initiatives to enhance employee engagement)

We have been conducting an engagement survey for all employees since August 2021. We aim to improve engagement by analyzing the results from various perspectives and sharing issues with the entire Group. We also conduct monthly surveys for younger employees, and the entire Group is working together to create a workplace environment that is rewarding and fulfilling.

Establishing KFG business model

The Group complies with laws and regulations and makes management decisions and execute duties in an appropriate manner to realize the Group's management philosophy, while striving to strengthen corporate governance by enhancing the transparency, openness and soundness of management.

(Transition to a company with an Audit and Supervisory Committee)

In June 2021, the Company transitioned from a company with a Board of Corporate Auditors into a company with an Audit and Supervisory Committee in order to further strengthen corporate governance. The transition will further strengthen the supervisory function of the Board of Directors by allowing Directors who also serve as Audit and Supervisory Committee Members and responsible for auditing the execution of duties by Directors to exercise voting rights at meetings of the Board of Directors. In addition, by delegating important business execution decisions to the Directors, the Company will further clarify the supervisory and executive functions of the Board of Directors, enabling the Board of Directors to deliberate more intensively on important issues and to enhance the mobility and speed of decision-making related to business execution.

(Selection of the Prime Market in the new market classification)

The Company has selected the Prime Market for the new market classification of the Tokyo Stock Exchange, which was transferred from April 2022. As a company pioneering in SDGs and ESG, we are pursuing higher standards of governance and we believe that the concept of our vision "Evolution into a 'Regional Value Co-creation Group'" is also in line with the Prime Market concept. We will continue to strengthen and improve our corporate governance, while aiming for sustainable growth and enhancement of corporate value over the medium to long term.

Promoting DX in preparation for digitalized society

The Group actively promotes digital transformation (DX) initiatives, such as by offering new experience and services for customers and communities.

(Initiatives to promote DX)

To offer new experience for customers, we are digitizing stores such as by introducing tablets at the storefront and self cash deposit/withdrawal machines.

As part of efforts for cashless in the community, we are continuously expanding the functions of our electronic payment services: Kumamon no IC CARD in Kumamoto and Paydon in Kagoshima.

In November 2021, Higo Bank became the first local bank in Kyushu to be certified by the Ministry of Economy, Trade and Industry as the "DX-certified operator," which possess management vision for the promotion of DX, as well as strategies and structures concerning DX. In addition, the Company and Kagoshima Bank are working on obtaining the certification as DX-certified operators.

The Group is also continuing its efforts to maximize the effect of the business integration. For the purpose of strengthening regional DX promotion through problem-solving support using ICT and company-wide DX promotion of the KFG Group, Kyushu Digital Solutions, which was a subsidiary of Higo Bank, was transferred to a wholly owned subsidiary of the Company in April 2022. The Group will expand its business areas beyond Kumamoto to include the entire Kyushu district, and make a concerted effort to realize a sustainable regional society.

Toward the realization of sustainable local communities: SDGs and ESG initiatives

The Group proactively undertakes measures to "develop alongside local regions and actively contribute to the realization of a vigorous regional society and economy," as set forth in the Group's management philosophy.

(Adapting to climate change)

Considering climate change and other environmental issues as priority issues, we have set CO₂

emission reduction targets to promote the decarbonization of regional society proactively. The targets covers part of Scope 3 emissions, which are emissions in the supply chain, in addition to Scope 1 emissions for use of city gas and Scope 2 emissions for electricity purchase. In addition, since March 2022, the entire Group has been implementing the “Turn the Lights Down” campaign to reduce CO₂ emissions by turning off lights in our offices by leaving the office early and reducing electricity consumption. The entire Group will continue to reduce CO₂ emissions going forward.

Higo Bank and Kagoshima Bank have concluded partnership agreements with the Kumamoto and Kagoshima branches of Kyushu Electric Power in January 2022 to realize a decarbonized society. We will work together to realize and support the decarbonization of local customers.

To conserve groundwater as part of efforts to address climate change, Higo Bank implemented environmental conservation activities, including tree-planting at the Aso Daikan no Mori forest and the irrigation business at the Aso Mizukake no Tanada terraced paddy field, promoting initiatives to realize a sustainable regional society.

(Establishment of Human Rights Policy)

The Group established the Human Rights Policy in December 2021. In addition to raising our own human rights awareness, strengthening our efforts to eradicate discrimination, and protecting human rights by establishing remedial action, we will contribute to the realization of vibrant local communities by encouraging our customers and business partners to take appropriate actions regarding human rights.

(Initiatives to realize the SDGs through financial functions)

Based on the Guidelines for Investment and Lending formulated in July 2019, the Company has set its ESG investment and lending target of ¥1 trillion (including ¥200.0 billion for the environment field) in total from fiscal 2021 to fiscal 2030. Through finance, we are focusing on bolstering businesses that contribute to the realization of a sustainable regional society in a wide range of industries such as the environment, agriculture, forestry and fisheries, tourism, healthcare and welfare.

With respect to the dissemination and spread of the SDGs among customers, in addition to its existing SDGs consulting services, Higo Bank began handling Sustainability Link Loans and SDGs Promotion Loans in fiscal 2021, and Kagoshima Bank started a service to support customers in making SDGs declarations from January 2022.

As part of the Partnership Agreement for the Regional Circular and Ecological Sphere (CES) in Central and Southern Kyushu, both banks launched an investment trust Kyushu SDGs Global Balance (nicknamed “Kyushu Concerto”) jointly with Oita Bank and Miyazaki Bank in October 2021. In proportion to the net asset value of the fund, Higo Bank will donate to the Hometown Kumamoto Support Donation Fund and Kagoshima Bank will donate to Kagoshima Prefecture, which will be used for reconstruction from the earthquake and conservation of the natural environment.

By leveraging the information resources and networks of the entire Group, we continue to support the SDGs initiatives of customers and aim to help them realize the SDGs.

Fiscal 2021 Financial Results

The consolidated results of the Group in the fiscal year under review were as follows:

(Deposits [deposits and negotiable certificates of deposit])

Deposits rose by ¥506.2 billion over the end of the previous fiscal year to ¥10,162.9 billion, mainly as a result of increases in personal deposits and deposits of public entities.

(Loans)

Loans rose by ¥219.2 billion over the end of the previous fiscal year to ¥7,799.5 billion, mainly as a result of increases in loans to individuals.

(Securities)

Securities rose by ¥156.7 billion over the end of the previous fiscal year to ¥2,352.3 billion, mainly as a result of increases in government bonds.

(Profit and loss)

Consolidated ordinary income increased by ¥6,733 million year on year to ¥187,630 million due primarily to an increase in gain on sale of government and other bonds. Consolidated ordinary profit increased by ¥2,973 million year on year to ¥24,656 million. Additionally, profit attributable to owners of parent increased by ¥1,642 million year on year to ¥16,655 million.

With regard to distributing profits, the Company maintains a basic policy of increasing capital efficiency and providing stable dividends through profitable growth while giving consideration to enhancing internal reserves.

In line with the aforementioned policy, the Company proposes to pay a year-end dividend for the fiscal year under review of ¥6 per share.

(Non-consolidated year-end balances of main accounts and operating results of Higo Bank)

With regard to year-end balances of main accounts, deposits (deposits and negotiable certificates of deposit) increased by ¥231.6 billion year on year to ¥5,358.4 billion owing primarily to increases in personal and public deposits. Loans increased by ¥150.4 billion year on year to ¥3,985.3 billion due mainly to higher corporate loans. Securities increased by ¥17.2 billion to ¥1,372.9 billion mostly as a result of an increase in local government bonds.

Additionally, net business profit increased by ¥3,549 million year on year to ¥17,630 million, ordinary profit increased by ¥4,626 million year on year to ¥16,880 million, and net income increased by ¥3,389 million year on year to ¥12,067 million.

(Non-consolidated year-end balances of main accounts and operating results of Kagoshima Bank)

With regard to year-end balances of main accounts, deposits (deposits and negotiable certificates of deposit) increased by ¥273.8 billion year on year to ¥4,819.5 billion owing primarily to an increase in personal deposits, loans increased by ¥79.4 billion year on year to ¥3,893.9 billion owing primarily to an increase in personal loans, and securities increased by ¥139.1 billion year on year to ¥982.7 billion due mainly to an increase in government bonds.

Additionally, net business profit increased by ¥3,648 million year on year to ¥16,049 million, ordinary profit increased by ¥555 million year on year to ¥10,970 million, and net income increased by ¥515 million year on year to ¥7,981 million.

[Business environment and issues to be addressed]

In Central and Southern Kyushu, the home of the Group, there is a constant outflow of the working-age population to metropolitan and urban areas. The region faces with structural problems, including the acceleration of the declining birthrate and aging population as well as a shrinking market.

In addition, there are concerns that the regional economy will continue to face an uncertain outlook due to the impact of COVID-19, which has worsened corporate profits, depressed consumer spending and weakened inbound demand.

Furthermore, the Group needs to play a part in strengthening regional resilience in terms of disaster prevention/mitigation as Central and Southern Kyushu is prone to natural disasters.

The financial industry is required to respond to changes in the social environment and customer behavior due to digital technological innovation, in addition to the prolonged low interest rate environment, increased uncertainty in the market operating environment due to increasing geopolitical risks, and competition from other financial institutions and other players.

In this business environment, the Group's very meaning of existence is as follows: "We exist to create the future of our region by nurturing, protecting and passing down our customers' assets and businesses, as well as the regional industries, nature and culture with customers and communities." Based on this, we recognize that our role and mission as a group is to contribute to the realization of sustainable communities in accordance with local characteristics.

In the 3rd Group Medium-Term Management Plan "Reform," the entire Group will work together to evolve into a Regional Value Co-creation group.

The Group greatly appreciates understanding and support from all our shareholders and look forward to continued support in the future.