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Securities code: 7180
May 29, 2023
(Commencement date of electronic
provision measures: May 19, 2023)

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 8TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you that the 8th Ordinary General Meeting of Shareholders of Kyushu Financial Group, Inc. (the “Company”) will be held as described below.

In convening this Ordinary General Meeting of Shareholders, the Company has taken measures for electronic provision, and has posted the Notice of the 8th Ordinary General Meeting of Shareholders as Matters Subject to Electronic Provision Measures on the following website:

Our website:

<https://www.kyushu-fg.co.jp/english/ir/stock/shareholders/>

In addition to the above, the information is also posted on the following website:

Tokyo Stock Exchange website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the above website, enter our Company name or securities code to search, and select in the order of “Basic information” and “Documents for public inspection/PR information.”

Instead of attending the meeting in person, shareholders can exercise their voting rights in advance in writing or via the Internet, etc.

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

- 1.Date and Time:** Friday, June 16, 2023 at 10:00 a.m. (Japan Standard Time)
- 2.Venue:** 2F Large Conference Room, Head Office of The Higo Bank
1 Renpei-cho, Chuo-ku, Kumamoto-shi, Kumamoto-ken
(The meeting will be held at the address of the head office of our subsidiary The Higo Bank.)

3.Purposes:

- Items to be reported:**
1. Business Report and Consolidated Financial Statements for the 8th Term (from April 1, 2022 to March 31, 2023), 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 8th Term (from April 1, 2022 to March 31, 2023)

- Items to be resolved:** [Company Proposals]
- Proposal 1: Election of Ten (10) Directors (Excluding Directors Who Also Serve as Audit and Supervisory Committee Members)
- Proposal 2: Election of Five (5) 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
- Proposal 4: Introduction of a Stock Compensation Plan for Directors [Shareholder Proposal]
- Proposal 5: Election of One (1) Director who is not an Audit and Supervisory Committee Member

* At this General Meeting of Shareholders, regardless of whether or not a request for delivery of the document has been made, the Company has uniformly sent a paper copy of the document containing the matters subject to electronic provision measures. However, the following items among the matters subject to electronic provision measures are not included in this document, in accordance with the provisions of laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation.

- (1) Basic Policies on Persons Who Control Financial and Business Policy Decisions of the Business Report; System to Ensure the Propriety of Business Activities; Matters Concerning Specific Wholly-owned Subsidiaries; Matters Concerning Accounting Advisors; Policy on Determination of Dividends of Surplus and Others; and Other Matters
 - (2) The Consolidated Statement of Changes in Net Assets, and the Notes to Consolidated Financial Statements
 - (3) The Non-Consolidated Statement of Changes in Net Assets, and the Notes to Non-Consolidated Financial Statements
- The Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit and Supervisory Committee are the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements included in this Convocation Notice, as well as items (1) through (3) above. The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor are the Consolidated Financial Statements and Non-Consolidated Financial Statements included in this Convocation Notice, as well as items (2) and (3) above.

* If any revisions are made to the matters subject to electronic provision measures, the revisions will be posted on the relevant websites.

Reference Documents for the General Meeting of Shareholders

Proposal 1: 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 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 19 for the Outside Officer Independence Standards).

The Audit and Supervisory Committee also considered this proposal, and there were no particular opinions expressed.

The candidates for Director (excluding Directors who also serve as 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 Etoh	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	Kuniaki Matsumae	Managing Executive Officer (In charge of Compliance and Risk Management Division)	[New election]
6	Riichiro Tada	Managing Executive Officer (In charge of Audit Division)	[New election]
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 8 out of 12 board of directors meetings (66.6%)	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)	95,510
[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)	143,500
[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 Etoh (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) Apr. 2023 Director of Kyushu Mirai Creation 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. • Director of Kyushu Mirai Creation Co., Ltd.	47,900
[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 Etoh has worked to enhance the Company's compliance structure and integrated risk management structure. Furthermore, since 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 Etoh 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) Apr. 2023 Director of Kyushu Mirai Creation 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. • Director of Kyushu Mirai Creation Co., Ltd.</p>	52,140
<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 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	Kuniaki Matsumae (October 20, 1964) [New election]	<p>Apr. 1988 Joined The Sanwa Bank, Limited (currently the MUFG Bank, Ltd.) May 2012 General Manager of China Financial Market Division, Bank of Tokyo-Mitsubishi UFJ (China) Ltd. (currently MUFG Bank (China), Ltd.) June 2016 Counselor of Market Finance Division of The Kagoshima Bank, Ltd. Apr. 2017 Executive Officer and General Manager of Market Finance Division Apr. 2018 Director and General Manager of Market Finance Division Apr. 2020 Managing Director and General Manager of Corporate Planning Division Apr. 2021 Managing Director (to present) Apr. 2021 Executive Officer of the Company Apr. 2023 Managing Executive Officer of the Company (to present)</p> <p>[Position and responsibilities in the Company] • Managing Executive Officer (In charge of Compliance and Risk Management Division)</p> <p>[Significant concurrent positions outside the Company] • Managing Director of The Kagoshima Bank, Ltd.</p>	32,700
<p>[Reasons for nomination as candidate for Director] Having served in market and overseas divisions at MUFG Bank, Ltd., Kuniaki Matsumae has been in charge of market, corporate planning, and compliance and risk management divisions at The Kagoshima Bank, Ltd., a Group subsidiary since 2016. He has been an Executive Officer of the Company since 2021, and has strived to promote various measures. Since he possesses abundant knowledge, rich experience, and high ability in the field of market and overseas operations, the Company believes that Kuniaki Matsumae 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	Riichiro Tada (May 30, 1965) [New election]	<p>Apr. 1989 Joined The Higo Bank, Ltd.</p> <p>Apr. 2011 General Manager of Tokyo Office, Integrated Planning Division</p> <p>Apr. 2014 General Manager of Executive Secretarial Office</p> <p>Apr. 2018 Associate Director and General Manager of Honshu Block Supervisory Branch and Chief of Tokyo Branch</p> <p>Apr. 2019 Executive Officer and General Manager of Honshu Block Supervisory Branch and Chief of Tokyo Branch</p> <p>Apr. 2021 Executive Officer and General Manager of Audit Division of the Company</p> <p>Apr. 2021 Executive Officer and General Manager of Audit Division of The Higo Bank, Ltd.</p> <p>Apr. 2021 Executive Officer and General Manager of Audit Division of The Kagoshima Bank, Ltd.</p> <p>Apr. 2022 Senior Executive Officer and General Manager of Audit Division of the Company</p> <p>Apr. 2022 Senior Executive Officer and General Manager of Audit Division of The Higo Bank, Ltd.</p> <p>Apr. 2022 Senior Executive Officer and General Manager of Audit Division of The Kagoshima Bank, Ltd.</p> <p>Apr. 2023 Managing Executive Officer of the Company (to present)</p> <p>Apr. 2023 Director and Managing Executive Officer of The Higo Bank, Ltd. (to present)</p> <p>Apr. 2023 Managing Director of The Kagoshima Bank, Ltd. (to present)</p> <p>[Position and responsibilities in the Company]</p> <ul style="list-style-type: none"> • Managing Executive Officer (In charge of Audit Division) <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • Director and Managing Executive Officer of The Higo Bank, Ltd. • Managing Director of The Kagoshima Bank, Ltd. 	17,900
<p>[Reasons for nomination as candidate for Director]</p> <p>Having served as General Manager of the Tokyo Office, General Manager of the Executive Secretarial Office, and General Manager of the Tokyo Branch at The Higo Bank, Ltd., a Group subsidiary, Riichiro Tada has fulfilled his concurrent important responsibilities as General Manager of the Auditing Division at the Company, The Kagoshima Bank, Ltd., and The Higo Bank, Ltd., since 2021. Since he possesses abundant knowledge, rich experience, and high ability in the fields of head office, sales branches, and auditing divisions, the Company believes that Riichiro Tada can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>			
7	Takahiro Kai (April 25, 1951) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	<p>Apr. 1975 Joined The Higo Bank, Ltd.</p> <p>June 2006 Senior Managing Director</p> <p>June 2008 Deputy President</p> <p>June 2009 President</p> <p>Oct. 2015 Chairman of the Board of the Company</p> <p>June 2018 Chairman of The Higo 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 Higo Bank, Ltd. 	160,970
<p>[Reasons for nomination as candidate for Director]</p> <p>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.</p>			

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%)	Apr. 1975 Joined The Kagoshima Bank, Ltd. June 2004 Director and General Manager of Operations Management Division June 2006 Managing Director June 2010 President Oct. 2015 President of the Company June 2019 Chairman of The Kagoshima 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 Kagoshima Bank, Ltd.	64,050
[Reason for nomination as candidate for Director] 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.			
9	Katsuaki Watanabe (February 13, 1942) [For reelection] [Outside] [Independent] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 1964 Joined Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation) Sept. 1992 Director of Toyota Motor Corporation June 1997 Managing Director June 1999 Senior Managing Director June 2001 Executive Vice President June 2005 President June 2009 Vice Chairman June 2011 Senior Advisor June 2013 Audit & Supervisory Board Member of Sumitomo Electric Industries, Ltd. July 2015 Advisor of Toyota Motor Corporation Oct. 2015 Director of the Company (to present) June 2021 Director of Sumitomo Electric Industries, Ltd. (to present) [Position and responsibilities in the Company] • Outside Director [Significant concurrent positions outside the Company] • Director of Sumitomo Electric Industries, Ltd.	32,400
[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 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.			

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
10	Yuji Nemoto (October 27, 1954) [For reelection] [Outside] [Independent] Attendance at 12 out of 12 board of directors meetings (100%)	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) [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 seven (7) 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 five (5) 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 2: Election of Five (5) Directors Who Also Serve as Audit and Supervisory Committee Members

At the conclusion of this meeting, the terms of office of all five (5) Directors who also serve as Audit and Supervisory Committee members will expire. Therefore, the Company proposes the election of five (5) Directors who also serve as Audit and Supervisory Committee members.

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

Please note that the nominations of the Candidates for Director who also serves as an Audit and Supervisory Committee member have been approved by the Board of Directors under the Candidate Selection Policies established by the Company.

< Selection Policies for Candidates for Directors Who Also Serve as Audit and Supervisory Committee Members >

1. On the assumption that Candidates for Director who also serves as an Audit and Supervisory Committee member satisfy the statutory requirements, the selection policies are as follows.

One (1) or more candidates for Director who also serves as an Audit and Supervisory Committee member must be originally from the Group and possess knowledge, experience, and ability in various fields, such as management, business, and supervision in financial services, be well informed about economic and social conditions, and possess appropriate knowledge of finance and accounting.

2. In selecting candidates for Director who also serves as an Audit and Supervisory Committee member, the Board of Directors must observe the policies set forth in the preceding item and, in the selection stage, obtain the consent of the Audit and Supervisory Committee.

In addition, all three (3) candidates for Outside Director satisfy the requirements of the Outside Officer Independence Standards established by the Company (see page 19 for the Outside Officer Independence Standards).

The candidates for Director who also serves as an Audit and Supervisory Committee member are as follows:

No.	Name	Current position and responsibilities in the Company	
1	Yuichi Tanabe	Director and Audit and Supervisory Committee member	[For reelection]
2	Masahide Kitanosono	Director and Audit and Supervisory Committee member	[For reelection]
3	Katsuro Tanaka	Director and Audit and Supervisory Committee member	[For reelection] [Outside] [Independent]
4	Yuko Tashima	Director and Audit and Supervisory Committee member	[For reelection] [Outside] [Independent]
5	Nobuya Suzuki	—	[New election] [Outside] [Independent]

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
1	<p>Yuichi Tanabe (October 11, 1961)</p> <p>[For reelection]</p> <p>Attendance at 12 out of 12 board of directors meetings (100%)</p> <p>Attendance at 13 out of 13 Audit and Supervisory Committee meetings (100%)</p>	<p>Apr. 1985 June 2013 June 2014 Mar. 2016 Mar. 2017 June 2018 June 2021 June 2021 Apr. 2022</p> <p>[Position and responsibilities in the Company] Director and Audit and Supervisory Committee member</p> <p>[Significant concurrent positions outside the Company] • Director and Audit and Supervisory Board member of The Higo Bank, Ltd. • Corporate Auditor of Kyushu Digital Solutions Co., Ltd.</p>	<p>Joined The Higo Bank, Ltd. General Manager of Personnel Division Chief of Suizenji Branch Associate Director, General Manager of Internal Audit Division Corporate Auditor Corporate Auditor (full-time) of the Company Director and Audit and Supervisory Committee member of the Company (to present) Director and Audit and Supervisory Committee member of The Higo Bank, Ltd. (to present) Corporate Auditor of Kyushu Digital Solutions Co., Ltd. (to present)</p>	42,200
<p>[Reason for nomination as candidate for Director who also serves as an Audit and Supervisory Committee member] In addition to taking on the role of Corporate Auditor at The Higo Bank, Ltd., now a wholly owned subsidiary of the Group, in 2017, Yuichi Tanabe assumed the role of Corporate Auditor (full-time) of the Company in 2018, and Director and Audit and Supervisory Committee Member from 2021, and has conducted appropriate audits of compliance systems and business management of the Company and the Group. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services as well as appropriate knowledge of finance and accounting, the Company believes that he can contribute to ensuring the soundness of the Group, and it has therefore nominated him as a candidate for Director who also serves as an Audit and Supervisory Committee member.</p>				
2	<p>Masahide Kitanosono (August 9, 1963)</p> <p>[For reelection]</p> <p>Attendance at 12 out of 12 board of directors meetings (100%)</p> <p>Attendance at 13 out of 13 Audit and Supervisory Committee meetings (100%)</p>	<p>Apr. 1988 Mar. 2005 Aug. 2009 Feb. 2011 June 2011 June 2014 Mar. 2016 Apr. 2018</p> <p>[Position and responsibilities in the Company] Director and Audit and Supervisory Committee member</p> <p>[Significant concurrent positions outside the Company] • Director and Audit and Supervisory Committee member of The Kagoshima Bank, Ltd. • Auditor of Kyushu Accounting Service Co., Ltd. • Corporate Auditor of Kyushu Mirai Creation Co., Ltd.</p>	<p>Joined The Kagoshima Bank, Ltd. Chief Investigator of Sales Support Division Chief of Sueyoshi Branch Chief Investigator of Credit Division Head of Corporate Support Office, Credit Division Chief of Takamibaba Branch General Manager of Medical Practice Support Division Executive Officer and General Manager of Medical Practice Support Division Corporate Auditor (full-time) Auditor of Kyushu Accounting Service Co., Ltd. (to present) Director and Audit and Supervisory Committee member of the Company (to present) Director and Audit and Supervisory Committee member of The Kagoshima Bank, Ltd. (to present) Corporate Auditor of Kyushu Mirai Creation Co., Ltd. (to present)</p>	24,300
<p>[Reasons for nomination as candidate for Director who also serves as an Audit and Supervisory Committee member] At The Kagoshima Bank, Ltd., a Group subsidiary, Masahide Kitanosono has served in various roles, including Chief of branches, Head of Corporate Support Office, Credit Division, Executive Officer and General Manager of Medical Practice Support Division and assumed the role of Corporate Auditor (full-time) of the bank in 2021. Since 2021, he has served as a Director and Audit and Supervisory Committee member of the Company, and has conducted appropriate audits of compliance systems and business operations. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services as well as appropriate knowledge on finance and accounting, the Company believes that he can contribute to ensuring the soundness of the Group, and it has therefore nominated him as a candidate for Director who also serves as an Audit and Supervisory Committee member.</p>				

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
3	Katsuro Tanaka (June 5, 1945)	Apr. 1970 Oct. 1990	Registered as an attorney at law (Tokyo Bar Association) Founding Partner and Senior Managing Partner of TMI Associates (to present)	32,400
	[For reelection] [Outside] [Independent]	May 2009 June 2010 June 2012 June 2013	Auditor of Japan Merchandising Rights Association Auditor of Suntory Foundation (to present) Corporate Auditor of The Kagoshima Bank, Ltd. Director of ASICS Corporation	
	Attendance at 12 out of 12 board of directors meetings (100%)	Oct. 2015 June 2021	Corporate Auditor of the Company Outside Director and Audit and Supervisory Committee member of the Company (to present)	
	Attendance at 13 out of 13 Audit and Supervisory Committee meetings (100%)	[Position and responsibilities in the Company] Outside Director and Audit and Supervisory Committee member [Significant concurrent positions outside the Company] • Founding Partner and Senior Managing Partner of TMI Associates		
	[Reason for nomination and expected role as candidate for Outside Director who also serves as an Audit and Supervisory Committee member] Since the Company judges that, based on the rich experience, broad insight, and knowledge that Katsuro Tanaka has developed as an attorney, he can be expected to audit the financial soundness of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director who also serves as an Audit and Supervisory Committee member. 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.			
4	Yuko Tashima (July 26, 1952)	Apr. 1979 Apr. 1992 July 2006	Prosecutor of Tokyo District Public Prosecutors Office Registered as an attorney at law (Tokyo Bar Association) Partner of Sawayaka Law Office (to present)	8,100
	[For reelection] [Outside] [Independent]	June 2015 Oct. 2015 June 2016	Outside Director of Meiji Yasuda Life Insurance Company Director of The Chiba Bank, Ltd. (to present) Corporate Auditor of the Company Corporate Auditor of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd. (to present)	
	Attendance at 11 out of 12 board of directors meetings (91.6%)	June 2021	Outside Director and Audit and Supervisory Committee member of the Company (to present)	
	Attendance at 13 out of 13 Audit and Supervisory Committee meetings (100%)	[Position and responsibilities in the Company] Outside Director and Audit and Supervisory Committee member [Significant concurrent positions outside the Company] • Partner of Sawayaka Law Office • Director of The Chiba Bank, Ltd. • Corporate Auditor of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.		
	[Reason for nomination and expected role as candidate for Outside Director who also serves as an Audit and Supervisory Committee member] Since the Company judges that, based on the rich experience, broad insight, and knowledge that Yuko Tashima has developed as a prosecutor and attorney, she can be expected to audit the financial soundness of the Group from an objective and neutral standpoint, the Company requests her election as an Outside Director who also serves as an Audit and Supervisory Committee member. Furthermore, she does not infringe on the independence standards established by the stock exchanges, and she also meets the "Outside Officer Independence Standards" established by the Company.			

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
5	Nobuya Suzuki (May 21, 1955) [New election] [Outside] [Independent]	<p>Apr. 1979 Joined Yasuda Life Insurance Company (currently Meiji Yasuda Life Insurance Company)</p> <p>Apr. 1999 General Manager of Yamagata Branch</p> <p>Jan. 2004 General Manager of the Risk Management Control Department</p> <p>July 2006 General Manager of Product Development Department</p> <p>July 2008 Executive Officer and General Manager of Product Development Department</p> <p>Apr. 2010 Managing Executive Officer</p> <p>July 2013 Chairman of the Board and Representative Executive Officer</p> <p>June 2017 Director serving as Audit and Supervisory Committee Member of Hokuhoku Financial Group, Inc. (to present)</p> <p>Apr. 2021 Special Advisor at Meiji Yasuda Life Insurance Company (to present)</p> <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • Special Advisor at Meiji Yasuda Life Insurance Company • Director serving as Audit and Supervisory Committee Member of Hokuhoku Financial Group, Inc. 	—
<p>[Reason for nomination and expected role as candidate for Outside Director who also serves as an Audit and Supervisory Committee member]</p> <p>Since the Company judges that, based on the rich experience, broad insight, and knowledge that Nobuya Suzuki has developed as management at a major financial institution as well as an audit and supervisory committee member at a regional financial institution, he can be expected to audit the financial soundness of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director who also serves as an Audit and Supervisory Committee member. 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>			

- Notes:
1. There is no special interest between any of the candidates for Director who also serves as an Audit and Supervisory Committee member and the Company.
 2. Katsuro Tanaka, Yuko Tashima, and Nobuya Suzuki are candidates for Outside Director who also serves as an Audit and Supervisory Committee member.
 3. The terms of office of Katsuro Tanaka and Yuko Tashima as Outside Directors and Audit and Supervisory Committee members of the Company will be approximately two (2) years at the conclusion of this meeting.
 4. Katsuro Tanaka and Yuko Tashima 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 elected as Directors who also serve as Audit and Supervisory Committee members, the Company plans to continue to register them as Independent Officers.
 5. If Nobuya Suzuki is elected as an Outside Director who also serves as an Audit and Supervisory Committee member, the Company plans to register him as an Independent Officer who has no possibility of a conflict of interest arising with ordinary shareholders.
 6. 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 Katsuro Tanaka and Yuko Tashima that limit their liabilities to the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. If they are elected as Directors who also serve as Audit and Supervisory Committee members, the Company plans to continue the agreements with them.
 7. If Nobuya Suzuki is elected 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 his 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.
 8. 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 who also serves as an Audit and Supervisory Committee member, 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.

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 Corporate Auditor of Starzen Co., Ltd.</p> <p>June 2018 Corporate Director of SIGMAXYZ Inc. (current SIGMAXYZ Holdings Inc.) (to present)</p> <p>June 2019 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 Director of ASICS Corporation (to present)</p> <p>Sep. 2021 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 • Corporate Director of SIGMAXYZ Holdings Inc. • Director (Audit & Supervisory Committee Member) of Musashi Seimitsu Industry Co., Ltd. • Director of ASICS Corporation • 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
Sumihiro Matsuyama	Chairman and Representative Director	●	●	●	●	●	●			●
Yoshihisa Kasahara	President and Representative Director	●	●				●	●	●	●
Eiichi Etoh	Director and Senior Managing Executive Officer			●	●	●			●	
Norihisa Akatsuka	Director and Senior Managing Executive Officer				●		●			●
Kuniaki Matsumae	Director and Managing Executive Officer			●	●		●			
Riichiro Tada	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	Legal, Risk Management	Regional Industry Development	International Business	SDGs, ESG	DX, Technology
Katsuaki Watanabe	Director	●	●		●	●	●
Yuji Nemoto	Director			●		●	●
Katsuro Tanaka	Director (Audit and Supervisory Committee member)	●	●		●		
Yuko Tashima	Director (Audit and Supervisory Committee member)	●	●			●	
Nobuya Suzuki	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).

Proposal 4: Introduction of a Stock Compensation Plan for Directors

1. Reason for the proposal and grounds for its appropriateness

This Proposal requests approval for the introduction of a new stock compensation plan, the Board Benefit Trust (hereinafter the “Plan”) for Directors (excluding Directors who also serve as Audit and Supervisory Committee members and other Directors who are Outside Directors and Non-executive Directors. Hereinafter, the same shall apply in this Proposal unless otherwise provided.) and Executive Officers of the Company, and Directors (excluding Directors who also serve as Audit and Supervisory Committee members and other Directors who are Outside Directors and Non-executive Directors) and Executive Officers (hereinafter, collectively the “Eligible Officers”) of the subsidiaries of the Company (The Higo Bank, Ltd. and The Kagoshima Bank, Ltd.).

The purpose of this Proposal is to enhance medium- to long-term business performance and promote awareness of the Eligible Officers to contribute to increasing corporate value, by further clarifying the linkage between the remuneration of the Eligible Officers and the value of the shares of the Company, and sharing with shareholders not only the benefits of an increase in the share price but also risks of a decline in the share price. The Company’s policies for determining the details of remuneration for individual Directors is as described on page 52 (available in Japanese only). However, subject to the approval of this Proposal, the Company plans to change the contents to those stated on page 23 to 24. The Company believes that the contents of this Proposal are appropriate, as they are consistent with the above policy after the changes.

The remuneration referred to in this Proposal is separate from the amount of remuneration for Directors (excluding Directors who also serve as Audit and Supervisory Committee members; total remuneration of up to ¥300 million per year, including up to ¥36 million for Outside Directors), which was approved at the 6th Ordinary General Meeting of Shareholders held on June 18, 2021. In order to provide remuneration under the Plan to the Directors of the Company, the Company requests approval with regard to the specific calculation method and contents of the remuneration. Regarding the details of the Plan, the Company would like for shareholders to entrust the matters within the framework described in 2. below to the Board of Directors.

If Proposal 1 is approved as originally proposed, the number of Directors eligible for the Plan will be six (6).

2. Specific method of calculation of the amount of remuneration pertaining to the Plan and its contents

(1) Outline of the Plan

The Plan is a stock compensation plan in which the Company’s shares are acquired through a trust (the trust to be established under the Plan is hereinafter referred to as the “Trust”) using cash contributed by the Company as the source of funds, and the Company’s shares and cash equivalent to the amount obtained by converting the Company’s shares at their market value (hereinafter the “Company Shares, etc.”) are provided to the Eligible Officers through the Trust, in accordance with the Officers’ Stock Benefit Regulations established by the Company and its subsidiaries. In principle, the Eligible Officers will receive the Company Shares, etc. upon their retirement.

(2) Directors eligible for the Plan

Directors (the Plan excludes Directors who also serve as Audit and Supervisory Committee members and other Directors who are Outside Directors and Non-executive Directors) and Executive Officers of the Company, and Directors (excluding Directors who also serve as Audit and Supervisory Committee members and other Directors who are Outside Directors and Non-executive Directors) and Executive Officers of the subsidiaries of the Company (The Higo Bank, Ltd. and The Kagoshima Bank, Ltd.).

(3) Trust period

From September 2023 (tentative) to the termination of the Trust (no termination date is specified with respect to the trust period of the Trust, and the Trust will continue for as long as the Plan continues. The Plan will terminate upon matters including the delisting of the Company’s shares and abolition of the Officers’ Stock Benefit Regulations.)

(4) Trust amount

Subject to the approval of this Proposal, the Company will introduce the Plan for three fiscal years from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026 (the period of the three fiscal years is hereinafter referred to as the “Initial Target Period,” and the Initial Target Period and the periods of each of the three fiscal years that commences after elapse of the Initial Target Period are respectively referred to as the “Target Periods.”) and each Target Period thereafter. The Company will contribute the following cash to the Trust as the source of funds for the acquisition of Company’s shares by the Trust in order to deliver the Company Shares, etc. to the Eligible Officers.

First, at the time of establishment of the Trust (September 2023 (tentative)), the Company will establish the Trust by contributing the amount of cash equivalent to the expected necessary funds for the Initial Target Period. As described in (6) below, the maximum number of points granted to Eligible Officers under the Plan is 600,000 points per fiscal year. Therefore, at the time of establishment of the Trust, the Company will contribute cash to the Trust as the funds reasonably expected to be necessary to acquire up to 1.8 million shares, taking into consideration the closing price of the common stock of the Company for regular trading on the Tokyo Stock Exchange immediately before the Trust is established. For reference, if the closing price of ¥498 as of May 10, 2023 is applied, the above required funds will be approximately ¥896 million.

In addition, after elapse of the Initial Target Period, the Company shall, in principle, make additional contributions to the Trust for each Target Period as funds deemed necessary for the Trust to acquire the Company’s shares in advance until the Plan is terminated, based on a reasonable estimate of the number of shares necessary to provide benefits to the Eligible Officers under the Plan; provided, however, that when such additional contribution is made, if any shares of the Company (excluding the Company’s shares equivalent to the number of points granted to the Eligible Officers with respect to the Target Period immediately preceding each Target Period, and those for payment to the Eligible Officers has not been completed.) and cash (hereinafter, collectively the “Remaining Shares, etc.”) remain in the trust property, the Remaining Shares, etc. shall be appropriated to the funds for benefits for the subsequent Target Period based on the Plan, and the additional contribution amount shall be calculated taking into consideration the Remaining Shares, etc. If the Company decides to make an additional contribution, such additional contribution will be disclosed in a timely and appropriate manner.

(Note) The amount of cash to be actually contributed by the Company to the Trust will be the sum of the above-mentioned funds for acquiring shares and the estimated amount of necessary expenses such as trust fees, etc.

(5) Method of acquisition of the Company’s shares by the Trust and number of shares to be acquired

The acquisition of Company’s shares by the Trust shall be conducted through the exchange market or by underwriting the disposal of treasury shares of the Company, using the funds contributed in accordance with (4) above.

As stated in (6) below, the maximum number of points granted to Eligible Officers is 600,000 points per fiscal year. Therefore, the maximum number of the Company’s shares to be acquired by the Trust for each Target Period will be 1.8 million shares. Details of the acquisition of the Company’s shares by the Trust will be disclosed in a timely and appropriate manner.

(6) Maximum number of Company Shares, etc. to be provided to Eligible Officers

Eligible Officers are granted points for each fiscal year based on the Officers’ Stock Benefit Regulations, in which the number of points is determined by taking into consideration their position and other factors. The total number of points granted to Eligible Officers per fiscal year shall not exceed 600,000 points (of which, 120,000 points are granted to Directors). This was determined after comprehensively taking into account the current level of remuneration for officers, trends in the number of Eligible Officers, future prospects as well as other factors, and the Company considers it to be appropriate.

The points granted to the Eligible Officers will be converted into one (1) common stock of the Company per point upon the provision of Company Shares, etc. as described in (7) below (however, if a share split, a gratis allotment of shares, or a share consolidation, etc. is implemented with respect to the Company’s shares after the approval of this Proposal, the upper limit of the number of points and the number of granted points or the conversion ratio shall be reasonably adjusted according to the ratios, etc. of such changes).

The ratio of the number of shares equivalent to the limit of the number of points granted to Eligible Officers per fiscal year, which is 600,000 shares, is approximately 0.14% to the total number of issued shares, which is 432,612,376 shares (as of March 31, 2023, after deduction of treasury shares).

The number of points of the Eligible Officers which shall be the basis for delivering Company Shares, etc. referred to in (7) below shall be, in principle, the number of points granted to such Eligible Officers before their retirement (the points calculated in this method are hereinafter referred to as the “Number of Determined

Points”).

(7) Provision of Company Shares, etc. and the specific calculation method for the amount of remuneration

If an Eligible Officer retires and satisfies the beneficiary requirements provided in the Officers’ Stock Benefit Regulations, after retirement, such Eligible Officer shall be provided benefits from the Trust the number of the Company’s shares corresponding to the “Number of Determined Points” determined in accordance with (6) above in principle, upon following the procedures to be designated as the beneficiary; provided, however, that if the Eligible Officer satisfies the requirements prescribed in the Officers’ Stock Benefit Regulations, the Eligible Officer shall receive a monetary benefit equivalent to the market value of the Company’s shares for a certain percentage of such points, in lieu of receiving the Company’s shares. The Trust may sell the Company’s shares to provide the monetary benefits.

In the event an Eligible Officer who has been granted points is dismissed by a resolution of a General Meeting of Shareholders or the Board of Directors, or resigns as a result of certain illegal acts during the term of office, or commits inappropriate acts during the term of office that caused damage to the Company, such Eligible Officer will not be entitled to the right to receive benefits.

The amount of remuneration received by a Director shall be based on the amount obtained by multiplying the total number of points granted to the Director by the book value per share of the Company’s shares held by the Trust at the time of granting of points (however, if a share split, a gratis allotment of shares, or a share consolidation, etc. is implemented with respect to the Company’s shares, reasonable adjustments will be made according to the ratios, etc. of such changes.). In addition, if deemed appropriate in cases where cash is exceptionally provided in accordance with the provisions of the Officers’ Stock Benefit Regulations, such amount shall be added to the remuneration.

(8) Exercise of voting rights

Any voting rights with respect to the Company’s shares within the Trust account shall not be exercised based on the instructions of the Trust administrator. This approach is intended to ensure neutrality in the Company’s management with respect to the exercise of the voting rights associated with the Company’s shares within the Trust account.

(9) Treatment of dividends

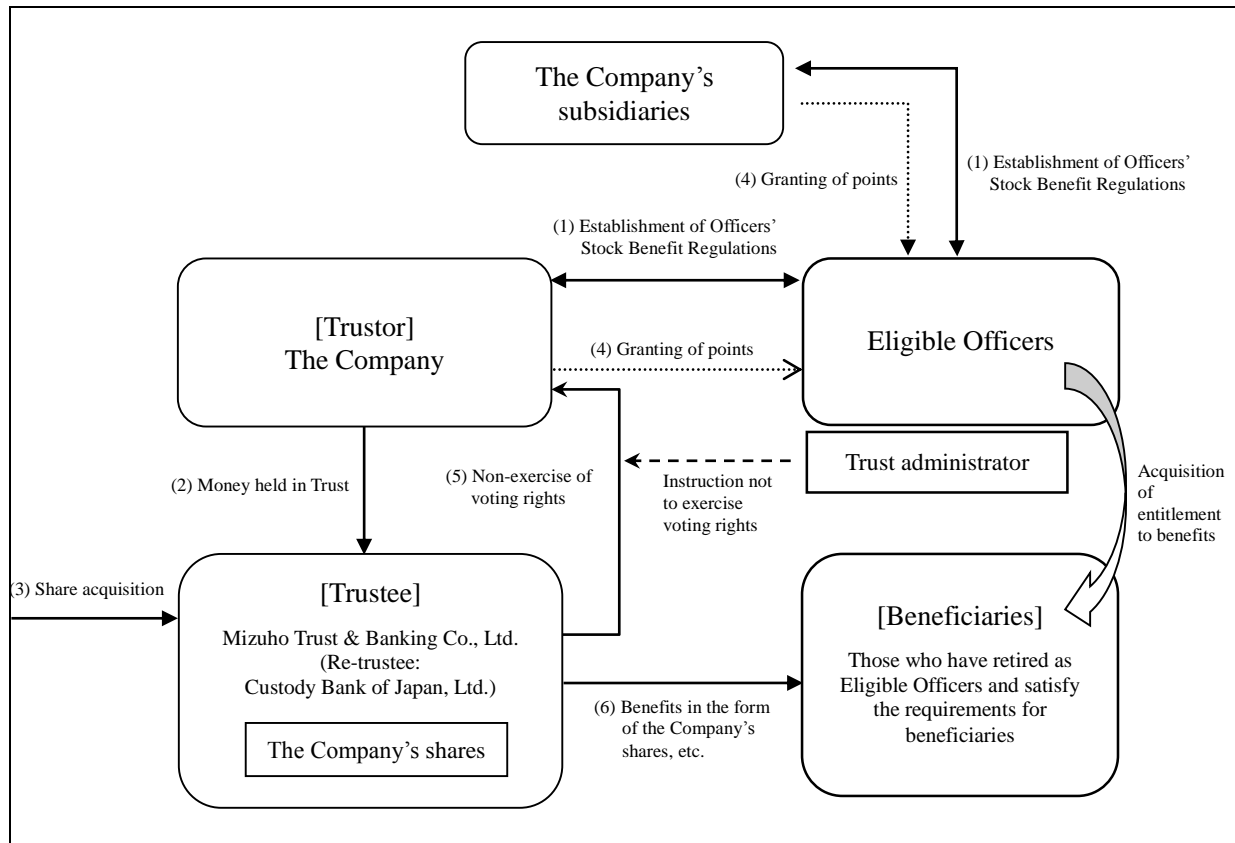
Dividends on the Company’s shares within the Trust account will be received by the Trust and utilized for the acquisition funds of the Company’s shares and trust fees of the trustee pertaining to the Trust. In the event of termination of the Trust, any remaining dividends, etc. will be distributed to the Eligible Officers in office at that time on a pro rata basis according to the number of points held by each of them, in accordance with the provisions of the Officers’ Stock Benefit Regulations.

(10) Treatment upon termination of the Trust

The Trust shall be terminated if any events such as delisting of the Company’s shares or abolition of the Officers’ Stock Benefit Regulations occur.

Out of the remaining assets of the Trust as of its termination, all of the Company’s shares shall be acquired by the Company without consideration and be cancelled by a resolution of the Board of Directors. Out of the remaining assets of the Trust as of its termination, cash shall be delivered to the Company after deducting the amount to be delivered to the Eligible Officers as described in (9) above.

<Reference: Structure of the Plan>



- (1) The Company and its subsidiaries shall establish the “Officers’ Stock Benefit Regulations” within the framework approved for this Proposal.
- (2) The Company will hold money in the Trust within the scope approved for this Proposal.
- (3) The Trust shall acquire the Company’s shares using the money entrusted in (2) above as the source of funds, either through the stock exchange market or by underwriting the disposal of the Company’s treasury shares.
- (4) The Company and its subsidiaries will grant points to the Eligible Officers in accordance with the Officers’ Stock Benefit Regulations.
- (5) The Trust shall not exercise voting rights pertaining to the Company’s shares in the Trust account in accordance with the instructions of the Trust administrator independent from the Company.
- (6) The Trust will provide the Company’s shares in proportion to the number of points granted to the beneficiaries who have retired as the Eligible Officers and who satisfy the requirements for beneficiaries, as stipulated in the Officers’ Stock Benefit Regulations (the “Beneficiaries”). However, if the Eligible Officers satisfy the requirements stipulated in the Officers’ Stock Benefit Regulations, the Company will provide cash equivalent to the market value of the Company’s shares for a certain percentage of the points.

[Reference: Policies for Determining the Details of Remuneration for Individual Directors after the Introduction of the Plan]

1. Basic policy

The remuneration for Directors of the Company shall be structured so that it sufficiently functions as a sound incentive for the purpose of improving business performance and increasing corporate value in the medium to long term. In determining the remuneration for individual Directors, the Company's basic policy is to set the remuneration at an appropriate level taking into consideration their respective duties.

Specifically, the remuneration for Directors other than Audit and Supervisory Committee members (excluding Non-executive Directors and Outside Directors) consists of basic remuneration which is a fixed remuneration, earnings-based bonus which is a short-term performance-linked remuneration, and stock compensation linked to medium- to long-term improvement in corporate value. The other Directors are paid only basic remuneration in consideration of their duties.

Remuneration for Directors of the Company other than Audit and Supervisory Committee members shall be determined by the Board of Directors after consultation with the Nominating and Remuneration Committee, the majority of whose members comprise independent Outside Directors, to ensure transparency, fairness, and reasonableness within the limit of remuneration determined by resolutions of the General Meeting of Shareholders.

2. Policy on determining the amount and calculation method of individual remuneration for basic remuneration (monetary remuneration) (including policies on determining the timing and conditions where remuneration is granted)

The basic remuneration for the Directors of the Company is a fixed monthly remuneration and shall be determined by comprehensively taking into account their positions and duties.

3. Policy regarding determination of contents and amount or number of performance-linked remuneration and non-monetary remuneration or calculation method thereof (including policies on determining the timing and conditions where remuneration is granted)

Performance-linked remuneration is a monetary remuneration that reflects performance indicators for raising awareness for enhancing performance for each business year, and an amount calculated according to the degree of achievement of consolidated net income against the target value in each business year is paid as an earnings-based bonus at a fixed time every year. Target performance indicators and their values will be set at the time of formulation of the Medium-Term Management Plan to ensure consistency with the plan, and will be revised as appropriate in response to changes in the environment.

Non-monetary remuneration consists of stock compensation for establishing a remuneration structure linked to medium- to long-term improvement in corporate value. Points are granted at a fixed time every year in consideration of the positions and other factors of eligible Directors based on the Officers' Stock Benefit Regulations. At the time of retirement of the eligible Directors, the Company shall provide the Company's shares equivalent to the accumulated points granted to such Directors; provided, however, that if the requirements prescribed in the Officers' Stock Benefit Regulations are satisfied, monetary benefits equivalent to the market value of the Company's shares shall be paid in lieu of the payment of the Company's shares for a certain percentage of the points.

4. Policy regarding the determination of the ratio of the amount of monetary remuneration, performance-linked remuneration or non-monetary remuneration to the amount of remuneration for individual Directors

The percentage of remuneration paid to Directors other than Audit and Supervisory Committee members (excluding Non-executive Directors and Outside Directors) shall be set based on their roles, responsibilities and performance evaluation based on their position. However, the basic remuneration shall be approximately 75%, the earnings-based bonus shall be 15%, and the stock compensation shall be 10%.

5. Matters concerning the determination of the content of remuneration for each individual Director

The annual remuneration of Directors other than Audit and Supervisory Committee members is determined each fiscal year by the Board of Directors after consultation with the Nominating and Remuneration Committee. The amount of remuneration for individual Directors other than Audit and Supervisory Committee members is determined by the President and Representative Director after consultation with the Nominating and Remuneration Committee, within the limit of the annual remuneration amount determined by the Board of Directors.

With regard to the stock compensation plan, the number of shares to be granted to individual Directors is

determined based on the Officers' Stock Benefit Regulations established by the Board of Directors. In addition, the amount of remuneration for individual Directors who also serve as Audit and Supervisory Committee members shall be determined in accordance with the Audit and Supervisory Committee Regulations.

<Shareholder Proposal (Proposal 5)>

Proposal 5 has been proposed by one shareholder (with 300 voting rights).

The contents of the shareholder proposal and the reasons thereof are presented in their original form as submitted by the proposing shareholder, except for formal corrections and the omission of the photograph.

The Board of Directors of the Company opposes this shareholder proposal as described below.

Proposal 5 Election of One (1) Director who is not an Audit and Supervisory Committee Member

[Details of the proposal]

- Candidate for Director: Tomoki Maeda (born on April 30, 1980)
<Company Note: With the consent of the proposing shareholder, the photograph of the candidate has been omitted.>

- Career summary, positions, responsibilities, and significant concurrent positions outside the Company
 - Mar. 2003 Graduated from College of Policy Science, Ritsumeikan University
 - Apr. 2003 Joined Future Venture Capital Co., Ltd.
 - Nov. 2006 Outside Director of Medicine Plus Co., Ltd.
 - Sep. 2008 Joined SBI Investment Co., Ltd.
 - Apr. 2011 Member of the Hyogo Prefectural Assembly, Four Terms (current position)
 - Oct. 2018 Representative Officer, Catalyst LLC (current position)

- Number of the Company's shares owned
30,000

- Reason for nomination as candidate for Director

The candidate has rich knowledge as an investor, having experience in investment in many ventures as a venture capitalist and as an individual investor for 20 years, and has made multiple shareholder proposals. He also has diverse insight into governance from his experience exceeding 12 years of administrative oversight as a member of the prefectural assembly, and as an outside director.

It is meaningless to have only formal requirements for outside directors. Outside directors who are not proposed by the Company, but by shareholders, are necessary to strengthen corporate governance. In addition, directors with an investor perspective are needed to improve market capitalization. What is missing from the current Board of Directors, which has tolerated a prolonged decline in the share price and maintained a low dividend payout ratio, is an advocate for the shareholders. Through this shareholder proposal, I propose to implement a "Board 3.0," which appoints an investor as a non-executive director, with the expectation that the market capitalization will increase. I also expect the current Board members to be aware that they have been appointed by shareholders and act accordingly, and improve TSR.

< Opinion of the Board of Directors pertaining to Proposal 5 >

The Board of Directors of the Company opposes this proposal for the following reasons.

The Company has made an election proposal (Proposal 1) of ten (10) candidates (including two (2) candidates for Outside Director) for Directors (Excluding Directors Who Also Serve as Audit and Supervisory Committee Members). In addition, the Company, as a company with an Audit and Supervisory Committee, has made an election proposal of five (5) candidates (including three (3) candidates for Outside Director) for Directors Who Also Serve as Audit and Supervisory Committee Members (Proposal 2).

The five (5) candidates for Outside Director satisfy the requirements for Independent Directors as stipulated by the Tokyo Stock Exchange and the requirements of the Outside Officer Independence Standards established by the Company. As their objectivity and fairness are ensured, we believe that their election will enable us to establish a system for further strengthening the functions of corporate governance.

Furthermore, each of the Director candidates has highly specialized knowledge in each important area of the Group's management, and experience in a wide range of business fields and diverse areas of expertise. As such, we believe that the candidates are capable of fully demonstrating their abilities in order to enhance the Group's corporate value over the medium to long term.

In light of the above, the Company believes that the structure of the Board of Directors based on the Company's election proposal for Directors is the most appropriate structure to enhance the medium- to long-term corporate value of the Group, to realize a corporate governance system that ensures objectivity and fairness, and to exercise supervisory functions and practical capabilities. Therefore, the Company judges that there is no reason to elect Tomoki Maeda as a Director.

The Company's Nominating and Remuneration Committee, of which a majority of the members are independent Outside Directors, has also expressed its opposition to the Shareholder Proposal.

Therefore, the Board of Directors of the Company is opposed to this proposal.

End

Business Report for the 8th Term

(From April 1, 2022 to March 31, 2023)

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, amid a slowdown in the recovery of overseas economies due to global inflation and subsequent shift to tighter monetary policies in the U.S. and Europe to curb inflation, prices rose due to soaring energy and raw material prices caused by the sharp depreciation of the yen and other factors. However, the Japanese economy recovered moderately as economic activities resumed in earnest following the subsidence of COVID-19. Consumer spending recovered moderately due in part to the effects of measures to stimulate tourism demand, with signs of a turnaround in travel, eating out, and other fields. Meanwhile, although exports and imports somewhat weakened, capital investment and production showed signs of picking up. In addition, corporate earnings generally improved, although some weakness remained.

In this economic environment, the Nikkei index temporarily fell to the ¥25,000 level, but recovered to hit the ¥29,000 level in August thanks to firm U.S. stock prices on the back of the expected slowdown in the pace of U.S. interest rate hikes and favorable results of domestic companies. Subsequently, the index hovered in the range between ¥25,000 and ¥28,000 due to a mix of concerns about a global economic slowdown caused by prolonged monetary tightening and expectations for an easing of monetary tightening in response to concerns about an economic slowdown, as well as financial instability caused by the failure of financial institutions in the U.S., among other factors. During this period, the yen depreciated rapidly due mainly to the interest rate differential with the U.S. and temporarily plunged to the ¥151 per dollar level for the first time in 32 years on October 21. However, the yen remained at the ¥130 per dollar level due to the Bank of Japan's currency intervention to buy yen and the subsequent sell-off of the U.S. dollar due to slowing price growth and concerns regarding recession in the U.S.

In the local economy, as in the rest of the country, consumer spending and tourism-related services picked up moderately as the impact of COVID-19 eased. In addition, despite the impact of soaring prices and overseas situations, there was a moderate recovery overall, as capital investment, mainly in electronic device-related industries, remained at a high level.

[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

Evolution into a Regional Value Co-creation Group

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 fiscal 2030.

During the period of the 3rd Medium-Term Management Plan, 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 regional value co-creation businesses, which accounts for approximately 10% of the total revenue, to 40% by fiscal 2023 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 of the Plan (Fiscal 2023)	Fiscal 2022 financial results
(1) Net income	¥26 billion	¥24.6 billion
(2) Net income from core business	¥38 billion	¥47.0 billion
(3) Business profits from services provided to customers*1	¥17 billion	¥23.3 billion
(4) Service profit ratio*2	14% or higher	14.1%
(5) OHR	65% or less	70.3%
(6) Return on shareholders' equity	4% or higher	3.9%
(7) Capital adequacy ratio	10% or higher	10.73%

*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 2022, the second 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.

<Enhancing financial consultation capability under new normal>

(Strengthening connections between Bank, Securities and Trusts)

Kyushu FG Securities, which celebrated the fifth anniversary of operation, provides close support to customers at all times and offers highly specialized services to meet their asset building and asset management needs amid the drastic changes in the environment surrounding financial assets, as we head toward the era of 100-year life spans and shift from savings to asset building. Kyushu FG Securities is also engaged in IPO support services to assist customers seeking to go public, including the proposal of capital policies, and the development and operation of organizational and corporate governance systems.

In addition, as part of the Partnership Agreement for the Regional Circular and Ecological Sphere (CES) in Central and Southern Kyushu, both banks and Kyushu FG Securities handle an investment trust Kyushu SDGs Global Balance jointly with Oita Bank and Miyazaki Bank, and are donating to reconstruction from natural disasters and conservation of the natural environment in proportion to the net asset value of the fund. Kyushu FG Securities will continue to strengthen cooperation with Higo Bank and Kagoshima Bank to strive to offer services that exceed customer expectations.

Furthermore, 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 the number of trust agreements is increasing every year.

In April 2022, with the aim of providing optimal services for financial asset needs and 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 loans. 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.

From January 2024, the NISA (Nippon individual savings account) is scheduled to be drastically expanded and made permanent. Through connections between Bank, Securities and Trusts, 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," including stable asset building support for customers utilizing the new NISA.

<Supporting regional industries' growth by enhancing financial functions>

We provide various types of financial support according to the business stage and challenges of our customers, such as the start-up phase, growth phase, stable/mature phase, or new business development. Higo Bank established the Higin Limited Partnership for Regional Co-Creation Investment (nicknamed "Higin Regional Co-Creation Fund") in October 2022 to support growth strategies for business expansion, mainly for companies investing in SDGs, digital transformation (DX), and semiconductor-related fields in the region. In addition, Kagoshima Bank, as the only regional bank with branches in both Amami-Oshima Island, Kagoshima Prefecture and in Okinawa Prefecture, established the Limited Partnership for Amami Okinawa Investment (nicknamed "Tida Sun Fund") in December 2022 with the aim of contributing to the economic growth and revitalization of the region.

By helping local companies solve their problems, we will continue to revitalize the entire region, thereby contributing to the creation of a sustainable society.

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.

<Practicing problem-solving through collaboration with communities>

(Building regional digital platforms)

The Group began handling the Hugmeg mobile app common to both banks in December 2021 as part of the provision of new services through building a regional digital platform. This app has financial functions such as opening a savings account, kakeibo (household account bookkeeping) function, and savings by purpose with specified objectives, target amounts, and time limits. In addition to these features, in fiscal 2022, we added new non-financial functions such as Discovering Local Attractions content that provides information on sightseeing and special products of Kumamoto, Kagoshima, and Miyazaki, and dissemination and promotion in collaboration with the shared bicycle business Charichari in Kumamoto City. Therefore, we offer new experience and services to our customers by using digital technologies.

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

(Initiatives to support start-ups/new businesses)

In April 2022, Higo Bank newly established “Start Up Hub Kumamoto,” a platform that support customers founding a business with industry-government-academia collaboration. As a consulting base that provides one-stop consultation and solutions to issues necessary for founding a business, including not only financial sides but also store selection, procurement of equipment and supplies, and hiring of human resources, the hub opened 193 businesses and created 535 jobs in the first year after its opening. In addition, Kagoshima Bank established a new co-working space “HITTOBE powered by The Company” in April 2022 under the concept of “Move Kagoshima Forward.” Since its opening, in addition to member use, it has hosted many events other than those sponsored by Kagoshima Bank. Accordingly, it aims to contribute to the development of the local economy, create new industries, and revitalize local businesses, as well as to foster a business community and become a place that disseminates information on people and companies (things and experiences) that can play an active role in Japan and overseas.

(Initiatives for electronic device-related industries)

The entry of Taiwan Semiconductor Manufacturing Company Limited (TSMC), the largest semiconductor contract manufacturer in the world, into Kumamoto Prefecture has boosted the prefecture’s gross regional production and has had a significant impact on the prefecture’s economy, from production, investment, employment, and income to consumption.

In April 2023, Higo Bank promoted the Semiconductor Project Team established in January 2022 to the Semiconductor Cluster Promotion Office, and strengthened its functions to accelerate its efforts to support for problem-solving for the electronic device-related industry and peripheral development, including measures for companies entering the market in Kyushu. In Taiwan, Higo Bank is working with the Kagoshima Bank Taipei Representative Office and others to collect and analyze information on the semiconductor industry in Japan and overseas from a variety of perspectives. Higo Bank also plans to open a representative office in Taipei in June 2023.

Furthermore, Higo Bank and Kagoshima Bank concluded a Memorandum of Understanding on a Business Alliance with E. SUN Commercial Bank, Ltd. (Taiwan) in July 2022 to realize the provision of further solutions, including support for overseas expansion of local businesses, and to support the sustainable growth of the region.

Going forward, to meet capital investment needs in response to market size expansion, as well as real estate needs such as factory construction and peripheral development, the Group will continue to leverage its collective strengths to strengthen initiatives such as provision of finely-tuned solutions, corporate clustering, including companies entering the market, and business-to-business matching for the establishment of supply chains.

(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. In fiscal 2022, we implemented various projects such as the Ethical Kumamoto Akaushi Fund, which aims to brand and enhance the value of Kumamoto Akaushi (Japanese Brown beef), and the Let’s Protect the Richness of the Sea Project in collaboration with Kagoshima United FC.

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.

<Reinforcing and creating function of local trading company>

In April 2023, we established Kyushu Mirai Creation Co., Ltd., a subsidiary that operates a regional trading company business, in order to proactively address issues related to regional industrial promotion beyond the conventional financial framework, amidst diversifying regional challenges such as population decline, falling birthrate, aging population, and the rapid progress of digitalization. We will strengthen solutions to issues related to regional industrial promotion beyond the conventional financial framework by providing an e-commerce mall as a regional digital platform that connects regional businesses and consumers through omnichannel retailing, as well as by supporting the expansion of overseas sales channels for regional businesses that utilize agriculture, forestry, and fisheries resources in high-potential regions.

Developing human resources and boosting engagement

Based on the following “Human Resource Development Policy” and “Internal Environment Development Policy,” the Group promotes the development of diverse human resources to realize its evolution into a “Regional Value Co-creation Group” and the creation of an environment where each employee can work while feeling fulfillment and job satisfaction.

[Human Resource Development Policy]

Based on our Purpose, the Group will develop diverse human resources capable of contributing in a variety of fields beyond finance, in order to realize our Co-creation Vision.

[Internal Environment Development Policy]

In accordance with our Human Rights Policy, the Group will build an internal environment in which each employee can fully demonstrate his or her abilities and play an active role in his or her own manner, under a free and vigorous organizational climate.

<Developing human resources for realizing value co-creation>

In order to deepen our comprehensive regional financial functions, Higo Bank and Kagoshima Bank continued to conduct various training programs by business, age, and position in fiscal 2022.

In addition, to expand our function of promoting regional industries and promote DX in preparation for a digitalized society, we are actively working to develop “human resources to explore new business,” “human resources to drive innovation,” and “digital human resources.” In fiscal 2022, we held workshops on new business concepts and seminars by lecturers who are active on the cutting edge of the DX field. Furthermore, we are enhancing the content of our home study support system, which has been standardized across the Group, to support the autonomous growth of employees.

<Respecting diversity and improving job satisfaction>

Higo Bank and Kagoshima Bank have revised their personnel systems from April 2023 in order to realize “job satisfaction,” “diversity,” and “autonomous growth” for their employees in response to the diversification of individual views of work and values, including the career paths envisioned by each employee and ways of working that suit their life circumstances.

Specifically, within career track positions, we have established specialized careers for specific specialized fields, such as consulting services, digital-related services, and market operations, as well as professional positions for extremely high-level and specialized services. In addition, transfer to a new location is optional, allowing employees to work flexibly according to their individual life events.

In addition, the Group has increased wages from April 2023 in order to respond to rising prices and other social conditions, improve employee engagement, and secure a diverse workforce.

The results of the engagement survey conducted on approximately 5,500 employees of the KFG Group since fiscal 2021 showed a favorable score compared to the industry average. We are working to prevent employee turnover through detailed measures such as conducting a separate survey for younger employees up to their fifth year of employment and providing individual follow-ups to a total of 180 employees.

Establishing KFG business model

In order to build a management structure that enables the entire Group to work together to create value on a sustainable basis, the Group will work to establish the KFG business model through reform of its organizational structure and profit structure.

As a financial institution firmly rooted in the region, the Group considers a sustainable local community a key premise for its lasting growth. We will continue to promote pioneering initiatives toward SDGs and ESG to realize sustainable local communities.

<Organizational and profit structure reform>

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 has been working to strengthen the Group's business foundation. As a result of our efforts to reduce costs such as property and personnel expenses by reviewing the branch structure and reforming work styles, OHR in fiscal 2022 improved significantly compared to fiscal 2019. We will continue our efforts to improve productivity over the medium to long term through digitalization investments and shifting personnel to growth areas.

<Pioneering initiatives toward SDGs and ESG>

(Adapting to climate change and natural capital)

The Group consider addressing climate change and other environmental issues as priority issues and has set CO₂ emissions reduction targets in June 2021 to promote the decarbonization of regional society proactively. In addition to emissions from use of gasoline and city gas (Scope 1) and emissions from use of electricity (Scope 2), the targets cover part of emissions from other companies caused by the Group's business activities (Scope 3).

In March 2023, we announced the KFG Carbon Neutrality Declaration in order to contribute to the realization of a decarbonized society. We aim to achieve carbon neutrality (net zero) by 2030 for Scope 1 and 2 of the Group's (KFG and KFG's wholly-owned subsidiaries) CO₂ emissions. As for Scope 3, in May 2022, we became the first Japanese regional bank to join the Partnership for Carbon Accounting Financials (PCAF), an international initiative that aims to standardize the measurement and disclosure of CO₂ emissions of investee companies. We will work to expand the measurement and disclosure of CO₂ emissions of our investee companies, and will focus on supporting and engaging our business partners to reduce their CO₂ emissions.

Central and Southern Kyushu, where the Group's business is based, is home to abundant nature and many World Heritage sites, and we believe that maintaining and preserving natural capital is an essential initiative for improving the sustainability of the region. The Group has joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, an initiative aimed at developing and providing a framework for the disclosure of nature-related financial information in September 2022. We will continue to contribute to the establishment of this framework and to the maintenance and conservation of natural capital through our business.

(External evaluation of SDGs and ESG initiatives)

The Group has been selected as a component of several indices selected by FTSE because it has met certain criteria set by FTSE, an international external evaluation organization, through its various efforts related to SDGs and ESG.

The Group will continue to make concerted efforts to respond to the SDGs and ESG in order to realize sustainable local communities.

[Indices where we are selected as a component stock*]

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index

* Indices designed to measure the performance of global and Japanese companies that demonstrate environmental, social, and governance excellence, as selected by FTSE Russell, a wholly owned

subsidiary of the London Stock Exchange Group.

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.

<Providing new experiences and services>

To offer new experience for customers, we are digitalizing banking services such as by introducing tablets at the storefront and passbook apps.

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, a cashless payment app, in Kagoshima.

In March 2023, Kagoshima Bank concluded a basic agreement with Minami Nippon Bank, Ltd. and Kagoshima Sogo Shinkin Bank, Ltd., both regional financial institutions in Kagoshima, regarding participation in a cashless business utilizing Paydon. Through cooperation among three banks, we intend to further promote cashless transactions and the circulation of funds within the region to further revitalize the local economy.

In addition, the Company, Higo Bank, Kagoshima Bank, and Kyushu Digital Solutions have been certified by the Ministry of Economy, Trade and Industry as “DX-certified operators,” which possess management vision for the promotion of DX, as well as strategies and structures concerning DX. We will continue to work together as a unified Group for the DX of the region.

The Group is also continuing its efforts to maximize the effect of the business integration. Kyushu Digital Solutions, which became a wholly owned subsidiary of the Company in April 2022, is working on regional DX promotion through problem-solving support using ICT and company-wide DX promotion of the KFG Group. The Company opened the Kagoshima Sales Office in October 2022 as part of our efforts to expand our business areas throughout Kyushu.

The entire Group will continue to work together to contribute to the realization of sustainable local communities.

<Increasing productivity through process reform>

As part of efforts to improve productivity in banking services, Higo Bank and Kagoshima Bank have introduced tablets at the storefront. By automatically linking the information entered by customers using the tablets to internal banking systems, we significantly reduced the amount of work involved in entering data into the system and checking required to be done by employees. At the same time, productivity has been greatly improved by going paperless.

Going forward, we will continue to actively engage in the digitalization of our services and promote both greater convenience for our customers and higher productivity through process reform.

Fiscal 2022 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 ¥234.1 billion over the end of the previous fiscal year to ¥10,397.1 billion, mainly as a result of increases in personal deposits.

(Loans)

Loans rose by ¥658.5 billion over the end of the previous fiscal year to ¥8,458.1 billion, mainly as a result of increases in public loans.

(Securities)

Securities fell by ¥298.6 billion over the end of the previous fiscal year to ¥2,053.7 billion, mainly as a result of decreases in foreign securities.

(Profit and loss)

Consolidated ordinary income increased by ¥26,738 million year on year to ¥214,368 million due primarily to an increase in interest income. Consolidated ordinary profit increased by ¥10,940 million year on year to ¥35,597 million. Additionally, profit attributable to owners of parent increased by ¥8,012 million year on year to ¥24,668 million.

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 ¥159.6 billion year on year to ¥5,518.0 billion owing primarily to increases in personal and public deposits. Loans increased by ¥426.7 billion year on year to ¥4,412.1 billion due mainly to higher public loans. Securities decreased by ¥135.3 billion to ¥1,237.6 billion mostly as a result of a decrease in government bonds.

Additionally, net business profit increased by ¥355 million year on year to ¥17,986 million, ordinary profit increased by ¥3,796 million year on year to ¥20,676 million, and net income increased by ¥2,662 million year on year to ¥14,729 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 ¥74.5 billion year on year to ¥4,894.0 billion owing primarily to an increase in personal deposits, loans increased by ¥231.4 billion year on year to ¥4,125.3 billion owing primarily to an increase in public loans, and securities decreased by ¥163.9 billion year on year to ¥818.8 billion due mainly to a decrease in foreign securities.

Additionally, net business profit decreased by ¥6,130 million year on year to ¥9,919 million, ordinary profit increased by ¥4,081 million year on year to ¥15,051 million, and net income increased by ¥2,529 million year on year to ¥10,511 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, as the impact of COVID-19 has eased, consumer spending and inbound demand have been gradually picking up and corporate activities are recovering. However, the future outlook is expected to be uncertain due to soaring prices and the impact of the overseas situation.

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 uncertain 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.