




Kyushu FG

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

April 2021-March 2024

株式会社九州フィナンシャルグループ
Kyushu Financial Group, Inc.





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1. Business Environment and Challenges

In order to increase the sustainability of customers, regions and our Group in a highly uncertain environment, we aim to set long-term goals and work to solve issues through backcasting.

3rd Group Medium-Term Management Plan

External environment (increasing uncertainty)

[Regional structural issues]

Declining birthrate/aging population

Shrinking regional industries

Prolonged low-interest rate environment/deregulation

Rapid technological innovation and accelerated implementation

Growing geopolitical risk

+

Issues of infectious diseases

Frequent natural disasters

Direction toward solving challenges

Conversion to sustainable business model that does not rely excessively on interest and dividend income

Comprehensive financial functions

Consultation capability

Higher productivity driven by digitalization

Strengthening close customer relations

Industrial promotion

Solution capability

Regional networking

Obtaining money from outside the region

Creating new businesses

Developing specialists/employee engagement

Group governance/company-wide DX

Internal environment / review of current MTMP

Customers/
regions

- Strengthening solution/consulting
- Thorough deepening of financial business
- Exploring nonfinancial business
- Digital channel shift

Governance
system

- Achieving both control and autonomy
- Optimum allocation of management resources
- Company-wide DX

Human
resources
development

- Optimum group personnel allocation
- Work style suited to new normal
- Education system not biased toward finance

Financial
affairs

- Profit structure reform
- Cost structure reform

We will create the future of our region with customers and communities, with a sense of mission that our actions lead into the future of the region.

Mission of our Group

◆ Play a role in efforts to realize a sustainable local community as a “pivot”

- Contribute to solving challenges of customers and our region that face declining population, low birthrate, and aging population
- Support businesses and industries that are working to recover from infectious diseases and natural disasters
- Realize Regional Circular and Ecological Sphere that take advantage of the region’s natural and cultural capital

Significance of our existence

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.

2. Vision of Kyushu Financial Group: (2) Our Vision for Co-creation

We will contribute to realize a sustainable local community under the Group Management Philosophy, aiming to become a “Regional Value Co-creation Group” that creates a better future together with customers, communities, and employees.

Our vision for co-creation: Thinking about a decade from now

**Create a better future with customers, communities, and employees
Evolution into a “Regional Value Co-creation Group”**

Practicing management philosophy **Creating shared value**

With customers

Creating value for customers

We will respond to the trust and expectations of customers and will provide the optimal and best comprehensive financial services to its customers.

With communities

Creating value for society

We will develop alongside the region and actively contribute to the realization of a vigorous local community.

With employees

Creating value for employees

We will nurture an abundance of creativity and a free-spirited organizational culture, continuing to challenge itself to move toward a better future.

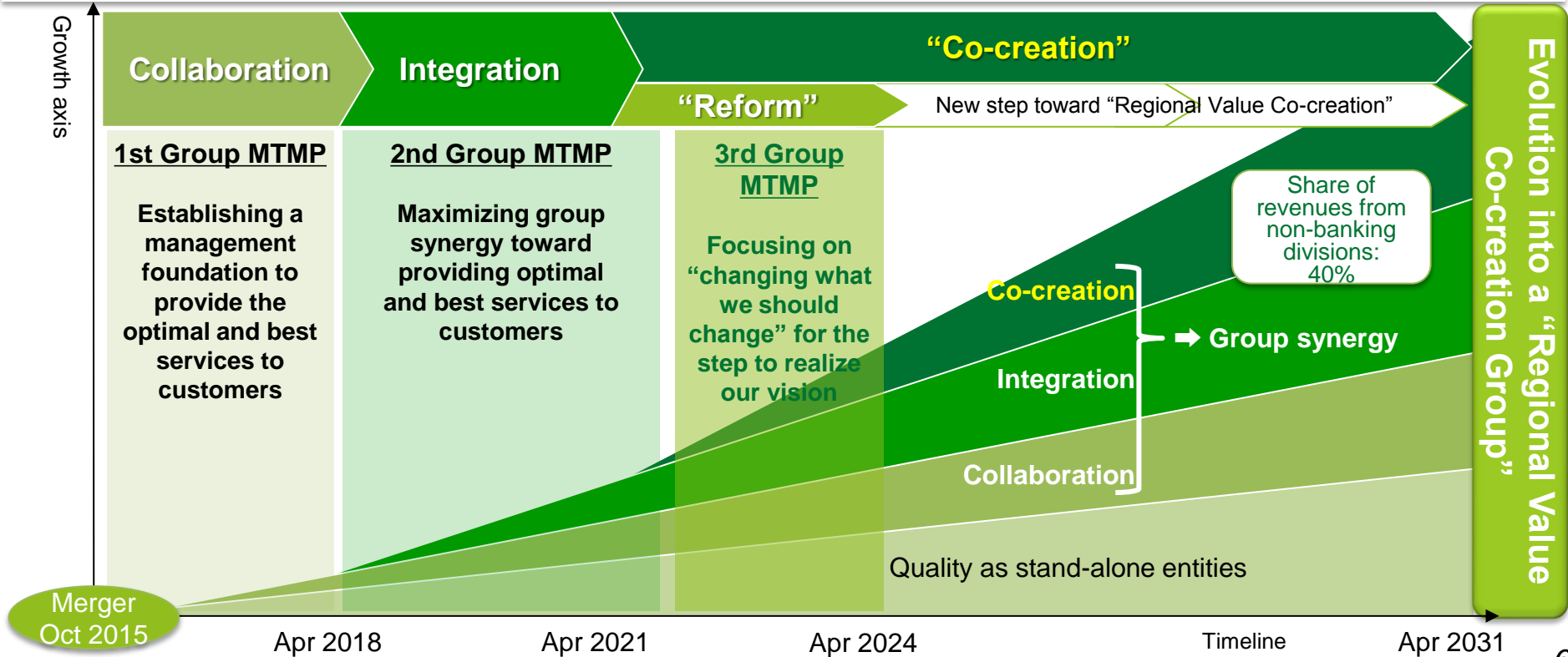
Increasing corporate value

Creating value for shareholders

Contribution to creating a sustainable local community (SDGs)

3. Positioning of 3rd Group Medium-Term Management Plan

We have positioned the period covered by the 3rd Group Medium-Term Management Plan as a phase for “Reform” to change what we should change, the first step in the decade of “co-creation” toward the realization of our vision.



4. Overview of the 3rd Group Medium-Term Management Plan: (1) Framework

The 3rd Group Medium-Term Management Plan sets five basic strategies of "reinforcing regional comprehensive financial functions," "enhancing function of promoting regional industries," "developing human resources and boosting engagement," "establishing a KFG business model," and "promoting DX in preparation for digitalized society," as well as "strategic pillars" serving as focus themes for efforts under each strategy.

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 strategies

Strategic pillars

Basic strategies/ strategic pillars

Business strategies

Deepening regional comprehensive financial functions

- Enhancing financial consultation capability under new normal
- Supporting regional industries' growth by enhancing financial functions

Enhancing function of promoting regional industries

- Practicing problem-solving through collaboration with communities
- Reinforcing/creating function of local trading company

Human resources strategy

Developing human resources and boosting engagement

- Developing human resources for realizing value co-creation
- Respecting diversity and improving job satisfaction

Governance strategy

Establishing KFG business model

- Organizational/profit structure reform
- Pioneering initiatives toward SDGs/ESG

Digital strategy

Promoting DX in preparation for digitalized society

- Providing new experiences/services
- Increasing productivity through process reform

4. Overview of the 3rd Group Medium-Term Management Plan: (2) Resource Allocation 九州フィナンシャルグループ

As a reform to create a Regional Value Co-creation Group, we will work to increase profits and reduce costs in solution areas and Group companies, etc. through a shift in strategic personnel by improving productivity with digitalization investment to the size of 12 billion yen and reform of some 60 branches.

Managing strategic personnel

About **340** individuals



Increased productivity

Digitalization investment:
approx. **12.0 billion yen**
Reform of branch structure:
approx. **60 branches**
Increased efficiency of clerical processes

Consulting divisions,
nonfinancial areas, etc.
Shift to areas of
high growth potential



Business strategies

Human resources strategy

Increasing profits

Fees and commissions:
+4.3 billion yen
Group companies:
+1.1 billion yen
(Profit attributable to owners of parent)

Cost reduction

Total costs:
-800 million yen
(including amount of reduction
other than system costs)
-2.4 billion yen



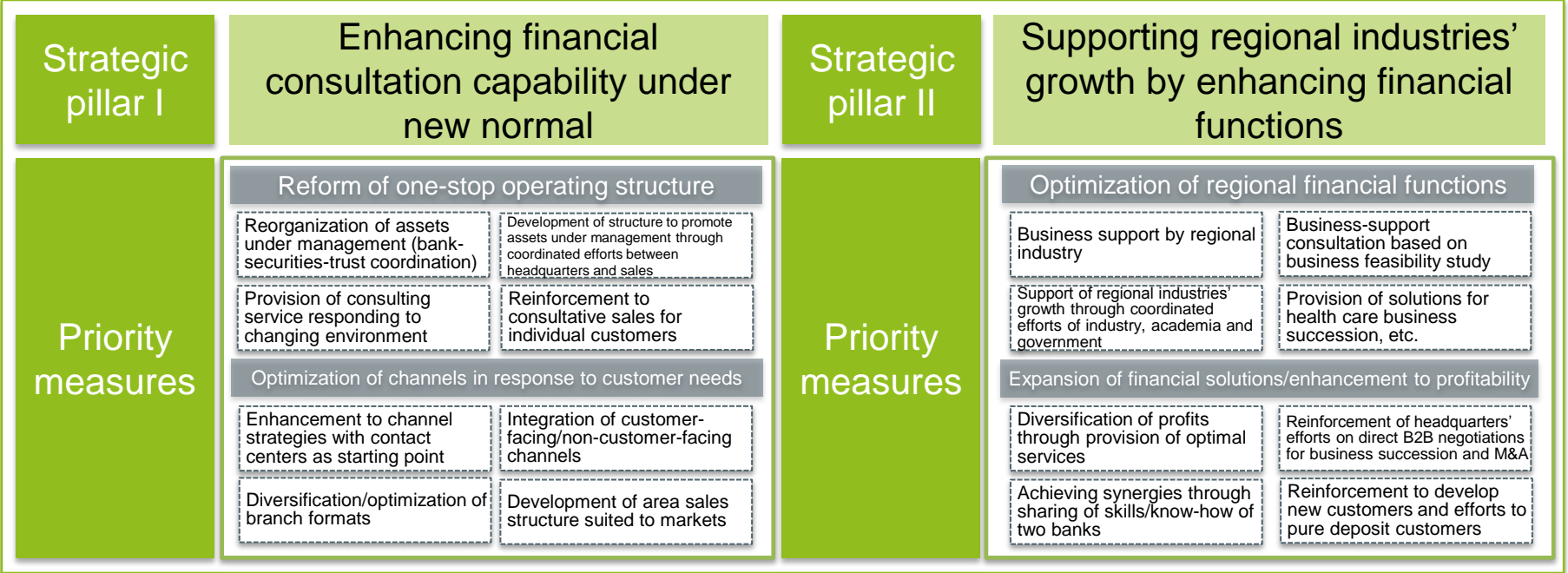
Digital strategy

Governance strategy

5. Basic Strategies: (1) [Business Strategy] Deepening Regional Comprehensive Financial Functions 九州フィナンシャルグループ

We will deepen our financial functions by maximizing consultation capability that can address the new normal, including optimization of operational structures and channels, such as branches, and working on the growth of regional industries by providing advanced financial solution functions.

Basic strategy Deepening regional comprehensive financial functions

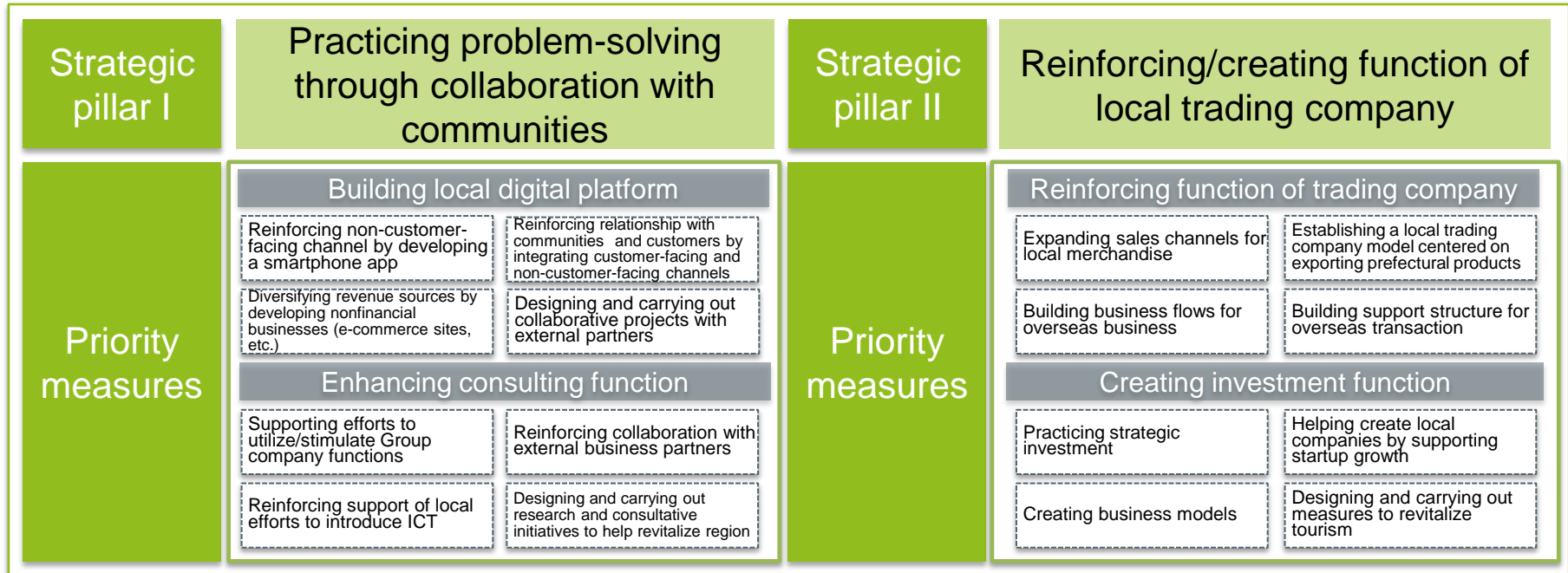


5. Basic Strategies: (2) [Business Strategy] Enhancing function of promoting regional industries 九州フィナンシャルグループ

We 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 customers and communities, and improve the value of local resources and brands by reinforcing/creating function of local trading company.

Basic strategy

Enhancing function of promoting regional industries



5. Basic Strategies: (2) [Business Strategy] Enhancing function of promoting regional industries 九州フィナンシャルグループ

Farming

- Branding through cooperation with consultancies, universities, local governments, etc.
- Expanding sales channels for local merchandise (Overseas networks including in China, Taiwan and ASEAN, e-commerce, etc.)
- Solutions for the primary sector (managerial talent, introduction of ICT in farms, etc.)

Tourism

- Supporting local events to attract tourists
- Regional revitalization to realize regional version of the government's comprehensive strategy (cooperation with The Kyushu Economic Research Institute, etc.)
- Carrying out initiatives to help boost tourists attracted by locally designed tourism promotion efforts

Improving value of local resources/brands



5. Basic Strategies: (3) [Human Resources Strategy] Developing Human Resources and

Boosting Engagement

We will work to develop human resources and increase engagement of each employee by creating an environment where individuals can take on challenges in new areas and specialties and promoting reforms on personnel system and work style aimed at encouraging them to take on challenges and seek growth under coordinated efforts by group members.

Basic strategy

Developing human resources and boosting engagement

Strategic pillar I

Developing human resources for realizing value co-creation

Develop environment in which individuals can take up challenges in new areas and specialties under coordinated efforts of group members

Hiring/
training

Specialists
(DX, new business creation, etc.)

Challenges

Post-challenge trainees for new business areas

Assignment

Transfer system aimed at Group revitalization

Strategic pillar II

Respecting diversity and improving job satisfaction

Expand introduction of measures to boost engagement across group members



Employees

High performance

Voluntary contribution to organization

Attachment/enthusiasm

Trust

Growth opportunities

Supportive working environment

Extensive employee benefits



Kyushu FG
Company

- Establish PDCA cycles for increasing engagement
- Reform on personnel system to encourage individuals to take up challenges and seek growth (introducing job-style system, reviewing course system, etc.)
- Promote work-style reform (concurrent/side jobs, etc.)

Environment in which individuals can work on their skills and take up challenges



Job satisfaction



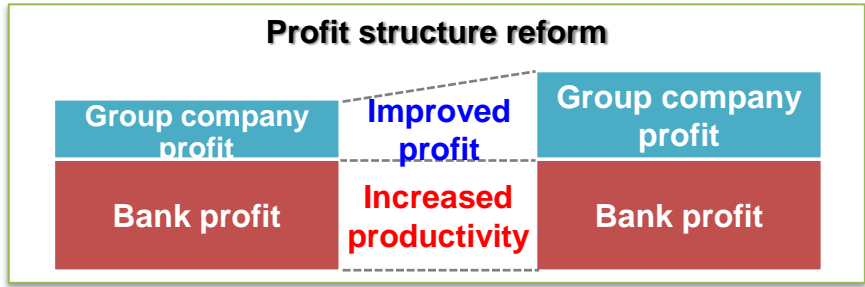
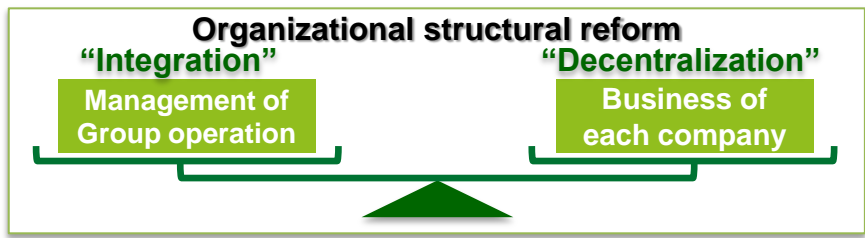
Supportive working environment

5. Basic Strategies: (4) [Governance Strategy] Establishing a KFG Business Model

We will work to develop a management structure that can bring together efforts of group members to create value sustainably by improving productivity and profit and working on key sustainability-related issues at an early stage through reforms on organizational/profit structures of the Group.

Basic strategy: Establishing KFG business model

Strategic pillar I: Reforms on organizational/profit structures



Strategic pillar II: Pioneering initiatives toward SDGs/ESG

Key issues	1. Creation of an environmentally friendly region	2. Creation of a regional infrastructure to support all people 3. Creation of a workplace and region where all people take an active part
	Priority measures	<p>Strengthening climate change measures</p> <ul style="list-style-type: none"> Enhancing consulting function Initiatives to realize engagement management

Key issues	4. Creation of an organization needed by the region
Priority measures	Strengthening management in SDGs/ ESG-related areas

5. Basic Strategies: (5) [Digital Strategy] Promoting DX in Preparation for Digitalized Society 九州フィナンシャルグループ

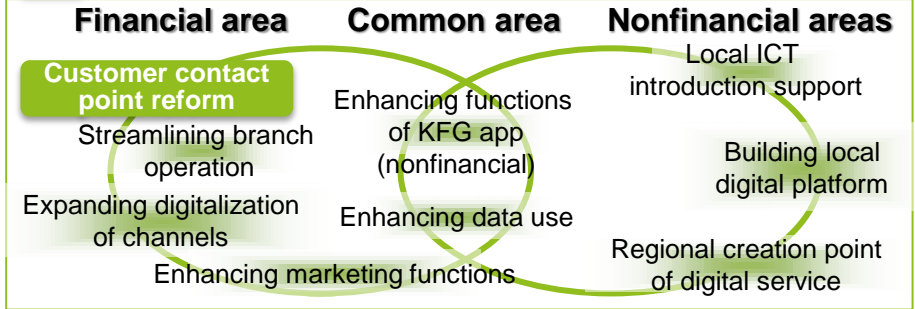
We will strive to promote digital transformation by providing new experiences/services for customers and communities, including customer contact point reforms, and boosting productivity through internal process reforms.

Basic strategy Promoting DX in preparation for digitalized society

Strategic pillar I

I. Providing new experiences/services

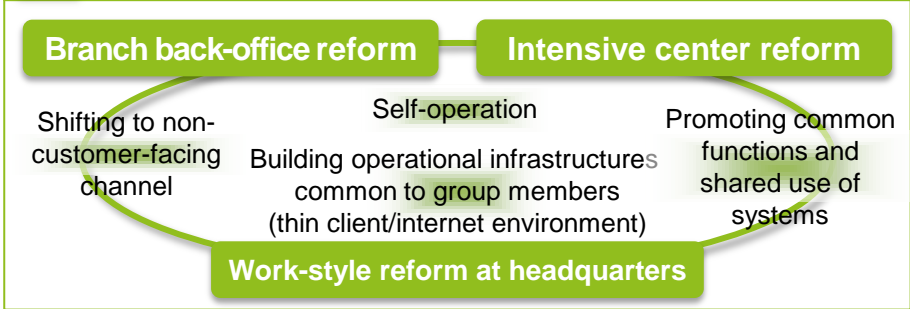
- Priority measures
1. Digitalizing customer contact points in financial and nonfinancial businesses
 2. Contributing to industrial revitalization using regional digital platforms
 3. Enhancing marketing function using data



Strategic pillar II

II. Increasing productivity through process reforms

- Priority measures
4. Promoting common functions and shared use of systems in step with advancement in digital technology
 5. Improving productivity by developing operational infrastructure common to group members



Building infrastructure supporting DX promotion / develop rules (common functions across group members)

API platform	Data usage platform	Work-style platform
Building schemes for managing IT investment within the Group	Unifying criteria and rules for cloud use	

We will actively take risks for investment and financing (business, industry, and environment) centering on the local area in Kyushu and Okinawa toward the recovery of the local economy from infectious diseases and natural disasters and the realization of sustainable local community.

Risk Appetite Policy

- (1) We make preferable choices to the maximum in investing and financing centered on the local area in Kyushu and Okinawa toward the recovery of the local economy from infectious diseases.**
- (2) We value the balance between securing stable profits and the soundness and appropriateness of the management.
(From the KFG Risk Management Basic Policy)**
- (3) We make investments and loans which the risks are clearly defined and eliminate to concentrate on specific risks due to overly focusing on profits.**

7. Group KPIs

We will work to increase corporate value by increasing the Group's performance indicators, as well as customer satisfaction, contribution to communities and employee well-being, in a sustainable manner toward realizing our vision.

Indicator	Target for the final fiscal year (FY2023)
Profit	26.0 billion yen
Core net business profits	38.0 billion yen
Income from service to customers*1	17.0 billion yen
Ratio of fees and commissions*2	14% and above
OHR	65% or less
ROE	4% and above
Equity-to-asset ratio	10% and above

*1: Combined total of two banks + Kyushu FG Securities

*2: Ratio of fees and commissions = Fees and commissions / Core gross income from business
(Gross income from business - Gain or loss on government and other bonds)

This material includes statements regarding the Group's future performance.

These statements do not constitute a guarantee of its future performance and involve risks and uncertainties.

Please note carefully that future performance may differ from targets or forecasts due to changes in the business environment or other factors.



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