

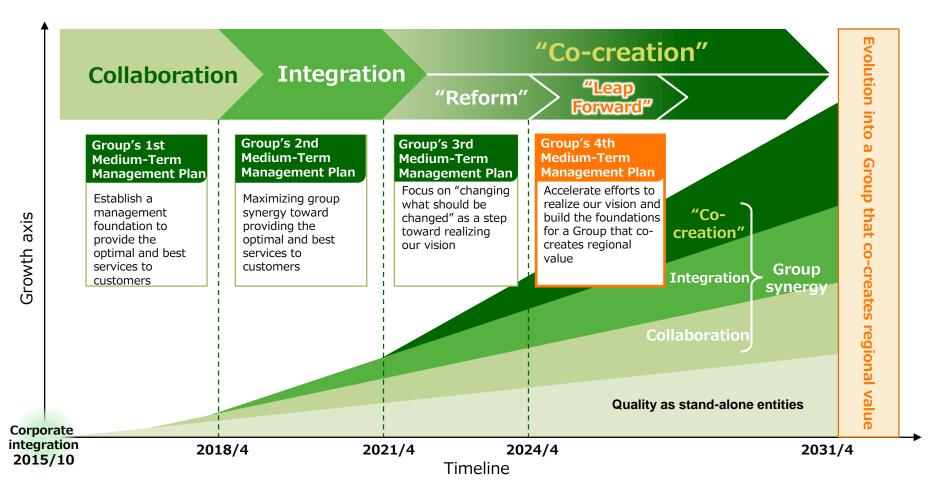
The Group's 4th Medium-Term Management Plan: "Leap Forward"

April 2024 to March 2027

Kyushu Financial Group, Inc.

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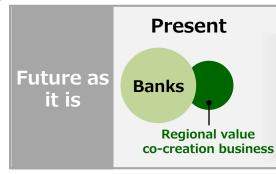


The future of a local community will be shaped by the type of regional banks operating there





The path diverges depending on how we set the vision for the future



The Group does not voluntarily change and remains passive to environmental changes **Productivity remains almost**

unchanged from the current situation → Regional and Bank Group shrinking



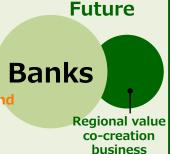
Future with intention

Present



Taking on new businesses and expanding business areas

- Investment in DX and SDGs
- · Investment in human capital
- → Regional and KFG expansion through "improved productivity," "capturing demand from outside the region" and "creation of new industries and new businesses"



We have identified six areas that will have the greatest impact on customers, local communities, and the Group over the long-term, and set them as priority sustainability issues in the Group's Medium-Term Management Plan

Items			KFG's priority sustainability issues
1	Employment	1 NO POWERTY 8 SECTION ROPE AND ECONOMIC DESCRIPTION ECONOM	Securing human resources and labor force
2	Health and welfare	3 and Well-Benc 11 Sistematic CIRS. — W The Company of the Compan	Responding to a declining birthrate and aging society
3	Economy	8 (BOOM WORK AND BOOMER) 9 WORKET INVOKTION AND INFORMATION LIBE	Sustainable growth of local economies
4	Climate	7 ATTORDAGE AND 13 CHARTE	Climate change countermeasures
5	Human rights and diversity	5 spharty 10 reductes \$\infty\$	Respect for human rights and diversity
6	DX	9 MODERTE MODERATE 17 PARTHERSHIPS FOR THE GOALS	Formation of a digital society

Main Themes of the Group's 4th Medium-Term Management Plan

九州フィナンシャルグループ

to

A Initiatives for regional value co-creation business (establishing new companies)	Further expansion of business portfolio to become a Group that co-creates regional value
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Integration of sub-subsidiaries in pursuit of synergy through management integration

Reorganization and conversion of existing companies into subsidiaries

Accurately understanding capital

Capital strategy (improving ROE, etc.)

costs/ROE and formulating policies for improvement

Establishing shared Group values (values and behavioral standards) to achieve our

Review of philosophy system

mission and vision

Reinforcing customer-oriented business operations and strengthening support for

Rebuilding the business model for assets under management

Maximizing the value of human resources and increasing corporate value over the medium- to long-term

F Initiatives for human capital management

Balancing integration and uniqueness and clarifying judgment criteria

Clarification of integration and uniqueness

Priority Sustainability Issues

Securing human **Employ**resources and ment labor force Health Responding to a declining birthrate and and aging society welfare Sustainable **Economy** growth of local economies Climate change Climate countermeasures Human Respect for rights human rights and and diversity diversity Formation of a 6 DX digital society

3 basic strategies

7 strategic pillars

KFG's Medium-Term Plan Main Themes

- Initiatives for regional value co-creation business
- Reorganization and conversion of existing companies into subsidiaries
- Capital strategy (improving ROE, etc.)
- Review of philosophy system
- Rebuilding the business model for assets under management
- Initiatives for human capital management
- Clarification of integration and uniqueness

Overview of the Group's 4th Medium-Term Management Plan

The Group's 4th Medium-Term Management Plan: "Leap Forward" (April 2024 to March 2027)

Basic Policy

Leap forward to become a Group that co-creates regional value

regional value that creates the future pillars

1. Accelerating initiatives to provide

- 1 Taking on new businesses and expanding business areas
- Providing regional and customeroriented solutions

2. Strengthening core businesses for local economic growth

Strategic pillars

- Strengthening support for growth of regional industries
- Deepening life plan consulting

3. Establishing a solid management foundation for sustainable growth

Strategic

Strategies

1 Enhancing employee value through human capital management practices

- Advanced initiatives related to GX/DX
- **13** Transformation of KFG business model

Kyushu Financial Group's Philosophy System



PURPOSE

We exist to build the future of our communities alongside local stakeholders and customers, cultivating, safeguarding, and passing on our customers' assets and businesses, as well as our communities' industries, cultures, and nature



VISION

Evolution into a Group that co-creates regional value, building a better future together with customers, local communities, and employees



Integrity ··· Act with a high sense of ethics

Initiative · · · Think for yourself and act without fear of failure

Team KFG · · · Act as one with the Group, keeping the Group's best interests in mind

Integration and Uniqueness

Clarification of areas to be integrated as a Group

Governance

Systems and mechanisms related to management

 Operation of the Nominating and Remuneration Committee and design of the Executive Remuneration System

Compliance

 Consolidation of functions and review of operational structure

Compatibility with financial systems

♦ Basel III, FD, etc.

Accounting/Public Relations

 Consolidation of functions and review of operational structure

DX

Core systems

 Standardization of business through integration of core systems

Business system/loan system/audit system

Unification of systems used by each company

Human capital

Training

 Holding joint training common to each company, including by rank and for females in management positions

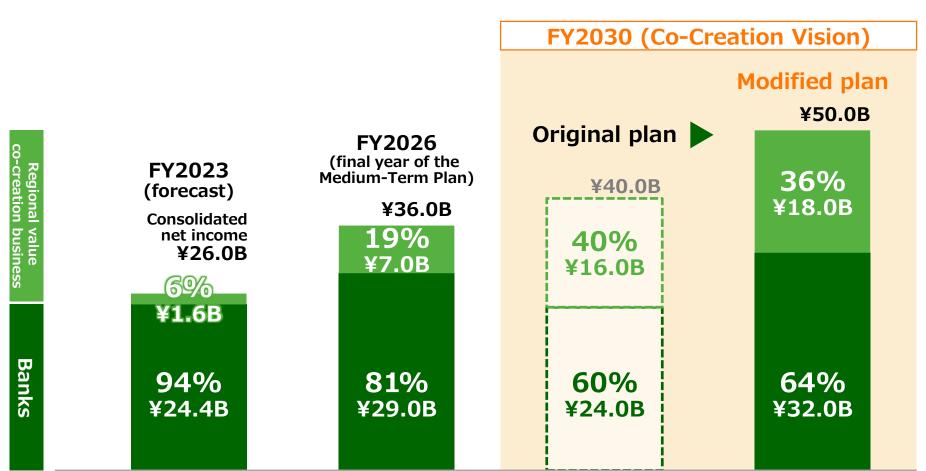
Recruitment desk

Unification of recruitment portal website

"Co-creating the future of our communities" and "improving employee motivation" as our biggest goals

Main management indicators and KPIs

	FY2023 forecast	FY2026 plan
3 Southern Kyushu prefectures GDP	¥16.0 trillion	¥16.6 trillion
CO ₂ reduction (compared to FY2019)	-10.6%	-20.0%
Overall engagement score	72 P	75 P



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ratio

the Previous Medium-Term Management Plan							
	FY2	FY2021 FY2022		FY2	023		
	Results	Diff from Medium- Term Plan	Results	Diff from Medium- Term Plan	Forecast *	Diff from Medium- Term Plan	Evaluation
Net income	¥16.6B	¥3.9B	¥24.6B	¥2.7B	¥26.0B	¥0.0B	©
Net income from core business	¥33.0B	¥4.5B	¥47.0B	¥11.6B	¥32.8B	¥(5.2)B	\odot
Business profits from services provided to customers	¥11.6B	¥1.7B	¥23.3B	¥7.9B	¥21.0B	¥4.0B	©
Ratio of fees and commissions	13.0%	0.5%	14.1%	0.3%	14.4%	0.4%	
OHR	72.2%	(0.2)%	70.4%	2.9%	72.3%	7.3%	
ROE on shareholders' equity	2.6%	0.6%	3.9%	0.5%	4.0%	0.0%	\odot
Capital adequacy	10.7%	0.2%	10.7%	0.3%	11.0%	1.0%	\odot

Review of the Group's 3rd Medium-Term Management Plan: "Reform" **Basic Strategies and Evaluation**

九州フィナンシャルグループ

Strategic pillar **Evaluation** Strategic pillar

Deepening of regional comprehensive financial service functions

Business strategy

Enhancing the regional industry promotion function

Personnel strategy Nurturing people and

enhancing engagement

Governance strategy **Establishing KFG**

business model

Digital strategy

Promoting DX toward

a digital society

Practicing issue resolution through collaboration with local communities

◆ Establishment of a non-face-

to-face channel "Hugmeg"

♦ Challenge of monetizing app

services by developing non-

financial service functions

◆ Need to further strengthen

research and consulting

functions

Nurturing people for value co-creation

specialized personnel training

commercializing innovation as

personnel allocation based on

♦ Challenges with Group-wide

◆Implementation of

Career Challenge"

Transfer System"

Establishment of "KFG

♦ Establishment of a "Group

♦ Challenge of creating and

an outcome of training

Reforming organizational and revenue structures

◆ Transition to a company with an Audit and Supervisory Committee

◆ Introduction of stock compensation plan

◆ Introduction of performance-linked dividend

◆ Challenge of formulating a capital strategy to improve ROF

Providing new experiences and services

◆Introduction of content to increase "Hugmeg" users

◆ Review of promotion targets and methods for regional industry promotion through the use of digital technology

Strengthening of financial consulting capability in the new normal

- ◆ Steady increase in sales of assets under management and trust service contracts
- ◆ Cost reduction of assets under management system
- ◆ Construction of KFG contact center shared platform
- ◆ Need to strengthen initiatives related to customer-oriented business operations

Support for growth of

♦ Expansion of business

crowdfunding partners

an asset management

company at Higo Bank

regional industry through

evolving financial function

matching contract partners as

Achieved profitability in the

first year of establishment of

Strengthening and building regional trading company function

- ◆ Made Kyushu Digital Solutions a subsidiary
- ◆ Establishment of regional trading company "Kyushu Mirai Creation"
- ◆ Opening of e-commerce mall "YOKA MALL"
- ◆ Entered the renewable energy husiness
- ◆ **Need** to accelerate initiatives for regional value co-creation business

Respecting diversity and improving work satisfaction

management strategies

- ◆ Introduction of engagement survev
- **◆ Institutionalization** of
- "secondary jobs and side jobs" ◆ Challenge of fostering a culture
- of taking on challenges
- ◆ Need to establish measures to improve job satisfaction and reduce turnover rate
- ◆ Need to strengthen initiatives for women's active participation

Pioneering SDGs and **ESG** initiatives

- ◆ Proactive disclosure of ESG information
- ◆ Reduction of 10% in FY2023 (compared to 2019)
- ◆ CO2 calculation for investees in Scope 3 Category 15
- ◆ Cumulative ESG investments and loans as of the end of FY2022: **¥258.1** billion
- ◆ Need to formulate a roadmap towards carbon neutrality

Productivity improvement through process reforms

- **♦ Pursuing** possibilities for work style reforms and productivity improvement through the use of digital technology
- ◆ Need to prepare a review system for determining system integration policy

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The Group's Environment and Issue Recognition

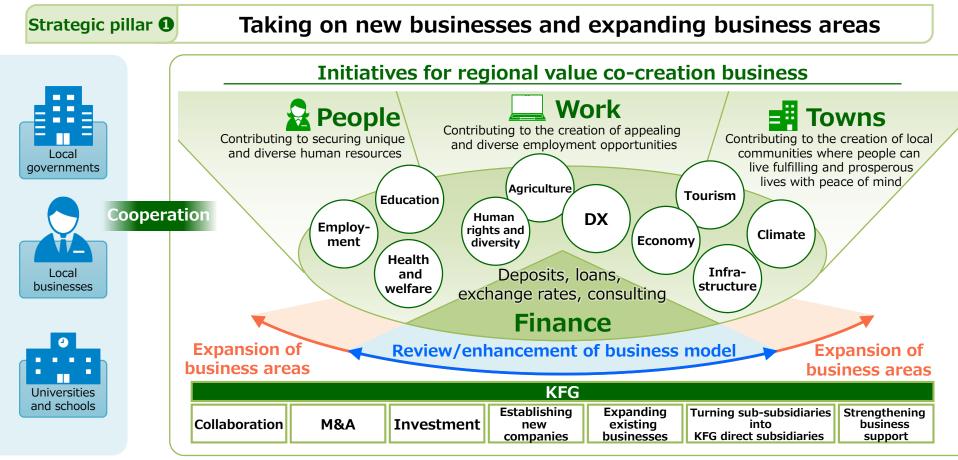


Perspective	Strengths	Issues
1 Governance	◆Practicing field-oriented teamwork management	◆Improving the quality of corporate governance
② Organizational management and infrastructure	 Owning Group companies responsible for regional value co-creation business Promoting branch and work style reforms through the use of digital technology 	 ◆Instilling a corporate culture of taking on challenges ◆Inter-Group collaboration
3 Human resources education	 ◆Continuously securing human resources in the region ◆Comprehensive human resources development systems at both banks (training systems, e-learning systems) 	 ◆ Human resource strategy that links to management strategies ◆ Hiring new graduates and specialists ◆ Youth turnover rate of around 20% ◆ Percentage of female managers
4 Finance	◆Sound financial structure ◆Securing stable profits	 ◆Improving ROE⇒Price Book-Value Ratio ◆Controlling capital adequacy ratio ◆Responding to shareholder returns

renewable energy businesses.

	P (Politics)	E (Economy)	S (So	ciety)	T (Technology)
	Shift in industrial policies	Global economic trends	Establishment of SDGs	Population growth	Evolution of digital technology
Global	Due to increasing uncertainty, major countries are implementing government-led policies to create markets. Focus on strengthening domestic industries.	Geopolitical risks have increased due to the invasion of Ukraine, etc., impacting the global economy and market environment. Global inflation continues.	Established as common goals throughout the world. Common themes include climate change and human rights. ESG investment is on the rise.	The world population reached 8 billion in 2022. India is in 1st place. The number is expected to continue to increase in the future, mainly in African countries.	Business model transformation and productivity improvements are accelerating through the use of generative AI such as ChatGPT. Employment and personnel allocation are also being impacted.
	New capitalist strategies	Domestic economic trends	Spread of SDGs	Progress of aging society	Progress of digital society
Domestic	promotion of the Doubling Asset-based Income Plan. (NISA, ideco, etc.)	Personal consumption is gradually improving as economic activities normalize. Rising interest rates. Possibility of modification to monetary easing measures.	Business activities that are conscious of SDGs and ESG are becoming mainstream. Listed companies are required to disclose information on human capital.	The declining birthrate and aging society is progressing due to a decline in the birth rate and an increase in the number of elderly people. The working age population is also on the decline.	Digitalization of customer contact points is accelerating. The competitive environment in the financial industry is intensifying due to the use of BaaS and the rise of digital banks.
	Easing of financial regulations	Revival of Silicon Island	Fostering SDGs	Population decline	Creation of a digital society
Regional / the Company	Regulations on the scope of business have been eased due to revisions of the Banking Act. In order to diversify business, there has been an increase in the number of companies established by regional banks to advance the banking industry, such as regional trading companies and	The expansion of TSMC into Kumamoto has stimulated semiconductor-related capital investment across Kyushu. This is expected to have a large economic impact and play a role in pushing up regional GDP.	The realization of a decarbonized society has become an important issue for local governments. There is a possibility that the risk of companies not addressing SDGs will materialize. This is a good opportunity to expand related businesses.	The population is decreasing in all prefectures of Kyushu. Fukuoka, Saga, Kumamoto, Oita, and Okinawa are experiencing a social increase. We must prepare for the arrival of a society where deposits are decreasing due to outflow of inherited deposits, etc.	There are concerns that the information gap between regions will widen due to low internet usage rates, etc. It is essential to promote regional DX to reduce disparities, such as through the spread of cashless payment methods.

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Basic Strategy 1. Accelerating Initiatives to Provide Regional Value that Creates the Future

Kagoshima Bank

subsidiaries

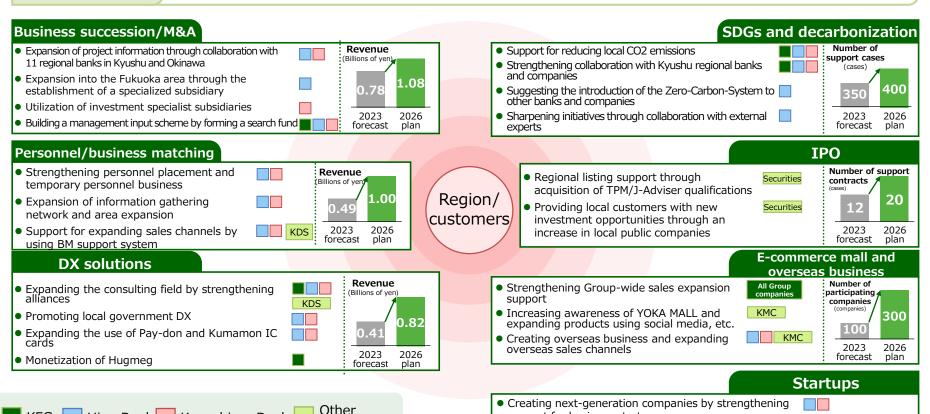
Higo Bank



Strategic pillar 2

Providing regional and customer-oriented solutions

support for business startups



Strategic pillar 1

Strengthening support for growth of regional industries

Strengthening KFG Group-wide initiatives in key strategic regions (electronic device-related industries, etc.)

Expanding profit opportunities and strengthening our ability to collect profitable information

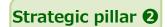
- Creating opportunities to enter the supply chain
- ◆ One-stop support for expansion of Taiwanese companies and job field expansion
- Strengthening proposal capabilities for real estate business matching

Cross-sectional development and expansion of information sales

- Realization of New Silicon Island Kyushu through collaboration and cooperation with 11 regional banks in Kyushu and Okinawa
- Deployment of measures and support for business expansion in regions promoting the semiconductor industry
- Support for social infrastructure development through administrative collaboration

Promoting industrial agglomeration and realizing local economic revitalization with the expansion of TSMC





Deepening life plan consulting

Establishing
an **asset formation support system** through the promotion of the Doubling Asset-based Income Plan

Expanding
the range of **asset succession needs**as the population ages

Practicing one-stop consulting tailored to customer attributes, life events, etc.

Contributing to the "creation and succession of customers' future assets"



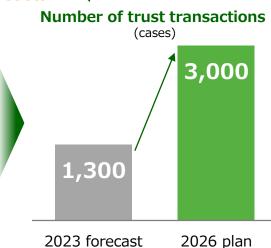
Realizing optimal profits through the establishment of true customer-centered practices

Improving training systems and reviewing performance evaluation

> Improving the quality of the product lineup

Establishment of a goal-based approach

Qualitative and quantitative improvement of after-sales follow-ups



Building a human resources portfolio that will support the future KFG Group

As is (end of FY2023)

351 people

Corporate consulting 159 people Personal consulting 18 people

IT/DX 82 people

Market 51 people

Corporate 41 people

GAP

-677 people (compared to 2030)

Strengthening recruitment

- Diversification of recruitment methods (referrals, alumni, etc.)
- Strengthening recruitment branding

Systematic development

- Systematic assignment to develop specialists
- Support for acquiring advanced professional qualifications
- Expansion of Group joint training

Strategic utilization of human resources

 Assigning, dispatching, and sending specialists from various companies' areas of strength to Group companies that need strengthening To be (2026)

621 people

Corporate consulting 219 people
Personal consulting 39 people

IT/DX 247 people

Market 58 people

Market 36 people

Corporate 58 people

To be (2030)

L**,028** people

Corporate consulting 280 people
Personal consulting 54 people

IT/DX 560 people

Market 64 people

70 people

Corporate



Strategic pillar 2

Advanced initiatives related to GX/DX

GX

1 Promoting sustainability within the Group

- Executing the carbon neutral roadmap
- Support for acquiring decarbonizationrelated qualifications
- Developing specialists

Improved ability to make proposals to customers

2 Support for the realization of a local decarbonized society

Promoting SDGs consulting

(compared to FY2019)

- Promoting decarbonization support
- Strengthening ESG investments and loans
- **Accelerated** movement towards decarbonization

3 Expanding information dissemination to stakeholders Initiatives to Improved Appropriate disclosure response external evaluation take on issues TCFD/TNFD **PRB** CDP Ε Human rights (Internal control) MSCI)(FTSE) FY2024 FY2025 FY2026 Scope 1/2/3 reduction targets -11% -13% -20%

DX

The Group

- ◆ Standardization of rules ◆ Utilization for business ◆ Accumulation of business utilization know-how
- 1 Integration of core systems

Plan to integrate core systems, with a final decision to be made in FY2025

- Scope of system integration
- Scope of self-supporting development
- Transition/operation costs

Optimal Group core system

- Customer impact/business impact
- System development/operation
- Transition timing, etc.

2 Improving productivity using digital technology

RPA

- Improved business flow
- Automation of routine tasks

Generative AI

- Brainstorming, idea generation
- Code, document creation,

Latest technologies

◆ Improved productivity through the use of latest technologies

- Region ◆Deployment of latest technology utilization know-how
- ◆Improved regional and customer productivity

Basic Strategy 3. Establishing a Solid Management Foundation for Sustainable Growth



Strategic pillar 3

Transformation of KFG business model

As the name "Leap Forward" suggests, the Group's 4th Medium-Term Management Plan places emphasis on taking action, therefore in addition to Purpose and Vision, we have established Value (values and behavioral guidelines)



We exist to build the future of our communities alongside local stakeholders and customers, cultivating, safeguarding, and passing on our customers' assets and businesses, as well as our communities' industries, cultures, and nature



Evolution into a Group that co-creates regional value, building a better future together with customers, local communities, and employees



Integrity · · · · Act w Initiative · · · Think

· · · Act with a high sense of ethics

· · · Think for yourself and act without fear of failure

Team KFG · · · Act as one with the Group, keeping the Group's best interests in mind

nployees

Basic Strategy 3. Establishing a Solid Management Foundation for Sustainable Growth



Strategic pillar 3

Transformation of KFG business model

Integration into KFG / Clarification of areas under KFG control

Governance

Systems and mechanisms related to management

◆ Operation of the Nominating and Remuneration Committee and design of the Executive Remuneration System

Compliance

 Consolidation of functions and review of operational structure

Compatibility with financial systems

♦ Basel III, FD, etc.

Accounting/Public Relations

 Consolidation of functions and review of operational structure

DX

Core systems

 Standardization of operations through integration of core systems

Business system/loan system/audit system

Unification of systems used by each company

Human capital

Training

 Holding joint training common to each company, including by rank and for females in management positions

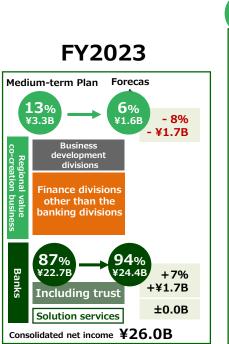
Recruitment desk

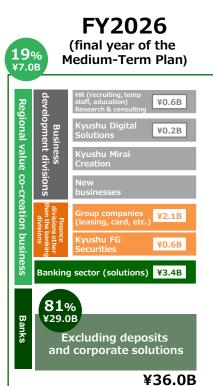
Unification of recruitment portal website

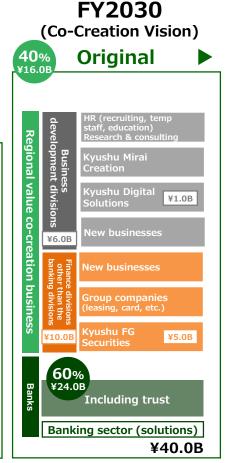
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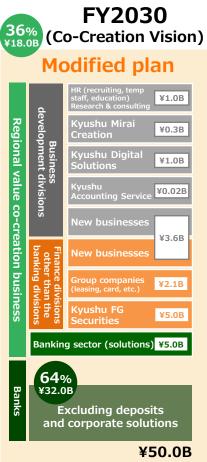
	FY2023 results forecast	FY2026 plan
3 Southern Kyushu prefectures GDP	¥16.0 trillion	¥16.6 trillion
Regional value co-creation business revenue	¥1.6 billion	¥7.0 billion
Balance of assets under management (Kyushu FG Securities)	¥330.0 billion	¥530.0 billion
Investment trust valuation gains/losses ratio (Kyushu FG Securities)	2.7%	5.0%
CO2 reduction (compared to FY2019)	-10.6%	-20.0%
Cumulative ESG investments and loans	¥400.0 billion	¥850.0 billion
Overall engagement score	72P	75P

	FY2023 results forecast	FY2026 plan
Net income	¥26.0 billion	¥36.0 billion
Net income from core business	¥32.8 billion	¥53.0 billion
Business profits from services provided to customers	¥21.0 billion	¥32.5 billion
Ratio of fees and commissions	14.4%	14.0%
OHR	72.3%	61.0%
Modified OHR	70.4%	61.5%
Ratio of consolidated to non- consolidated results (net income)	1.00 times	1.03 times
ROE on shareholders' equity	4.0%	5.0%
Capital adequacy ratio	11.00%	10.50%
RORA	0.44%	0.52%
PBR	0.70 times	0.88 times or more









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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