



Kyushu Financial Group

2020 Integrated Report

April 1, 2019 ► March 31, 2020



Creating a prosperous future

together with Kyushu

Group Management Philosophy

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

Creating value for customers

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

Creating value for society

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

Creating value for employees

C S V
Creating Shared Value

Contents

A photograph of a modern building with a large globe sculpture on its facade, representing the Kyushu Financial Group.

A photograph showing hands pointing at documents on a desk, symbolizing business strategy and goals.

A photograph of a family sitting on a grassy hill, representing the foundation for value creation.

A photograph of a colorful abstract background with a circular graphic, representing financial data and company information.

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Editorial Policy

The Kyushu Financial Group has prepared this Kyushu Financial Group - Integrated Report 2020 in order to facilitate all stakeholders' understanding of its efforts towards sustainable value creation.

In the editorial process, we referred to the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry.

For detailed financial data, please refer to 2020 Annual Report available on our website (<https://www.kyushu-fg.co.jp/english/>). The forward-looking statements contained in this Report are not guarantees of future performance and may differ from actual results due to changes in the business environment and other factors.



Group History

To Become Kyushu's Top Comprehensive

Financial Group for Customers

1925

HigoBank

■ Higo Kyodo Bank established
(merger of Kumamoto Bank, Akita Bank and Ueki Bank)



1879

Kagoshima Bank

■ The 147 National Bank
established



2017

■ April
Introduced new brand



■ June
Kyushu FG Securities
established



2018

■ January
Kyushu FG Securities launched

■ March
Launched smartphone settlement app *PayB*

■ April
The Higin Business Education, Ltd. established

■ June
National Park Official Partner agreement with
the Ministry of the Environment

2019

■ February
Sustainability Declaration formulated

■ April
Launched trust products (Higo Bank/Kagoshima
Bank)

2020

■ January
Glocal Crowdfunding Inc. established



■ January
Agreement on Cooperation Regarding
Regional Environment Cohabitation Zone
in Central and Southern Kyushu

■ October Kyushu Financial Group, Inc. established

2015



Kyushu Financial Group

Collaboration Stage
(Group's 1st Medium-Term Management Plan)

Integration Stage
(Group's 2nd Medium-Term Management Plan)

■ April 2016 Kumamoto Earthquake
■ February 2016
Negative interest rate policy introduced

2016

■ January
Koyo Branch opened



■ May
Established the Reconstruction Support Policy
and the Earthquake Recovery Committee

■ June
Opened earthquake reconstruction support
information website *Kasesurumon*

■ September
Haru Ichiban Co., Ltd. (agricultural company) co-established

■ December
Kumamoto DMC Co., Ltd. established under joint
investment with the Kumamoto prefectural government

2017

■ July
Launched ATM money transfer linkage
service between Higo Bank and
Kagoshima Bank

■ October
Launched *HarmoniCar*, a bank on
wheels



■ November
Launched business matching system
Bridge

2018

■ July
Shintoshin Branch, the second branch
in Okinawa Prefecture, opened



■ October
Sustainability Management Office newly
established

■ October
In-house broadcasting station opened



2019

■ April
Opened Taipei Representative Office



■ July
Guideline for Investments and Loans formulated

■ July
Fukuoka Branch (Fukuoka corporate sales office)
established

■ July
Fukuoka Building
opened



■ October
JR Kyushu FG Lease established

■ November
Winner of Japan Quality Award (leading
company category)

■ December
Mobile ATM vehicle introduced



2020

■ February
Received a silver prize in the lending service
category of "The 1st ESG Finance Awards Japan"
of the Ministry of the Environment



■ April
Higin Office Business Co., Ltd. launched
personnel placement service

■ May
New Head Office Building opened
Grand opening of YOCADO KAGOSHIMA



July 2020
The Heavy Rain Event of July 2020

January 2020 COVID-19 pandemic

October 2019
10% consumption tax rate

May 2019
New Reiwa era

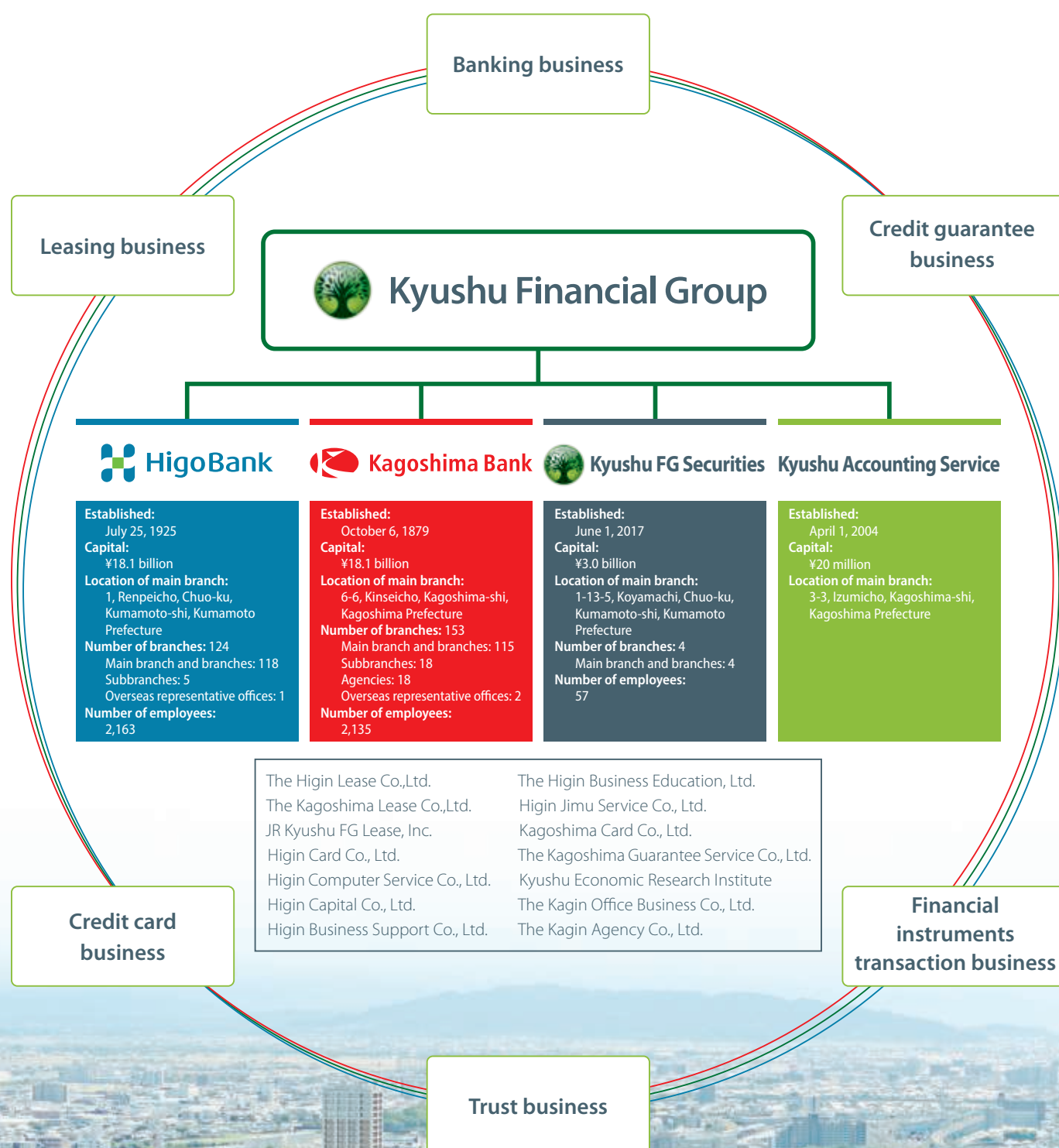
June 2018
Workstyle reform-related laws
enacted

Legend
■ Kyushu Financial Group
■ Higo Bank
■ Kagoshima Bank
■ Kyushu FG Securities

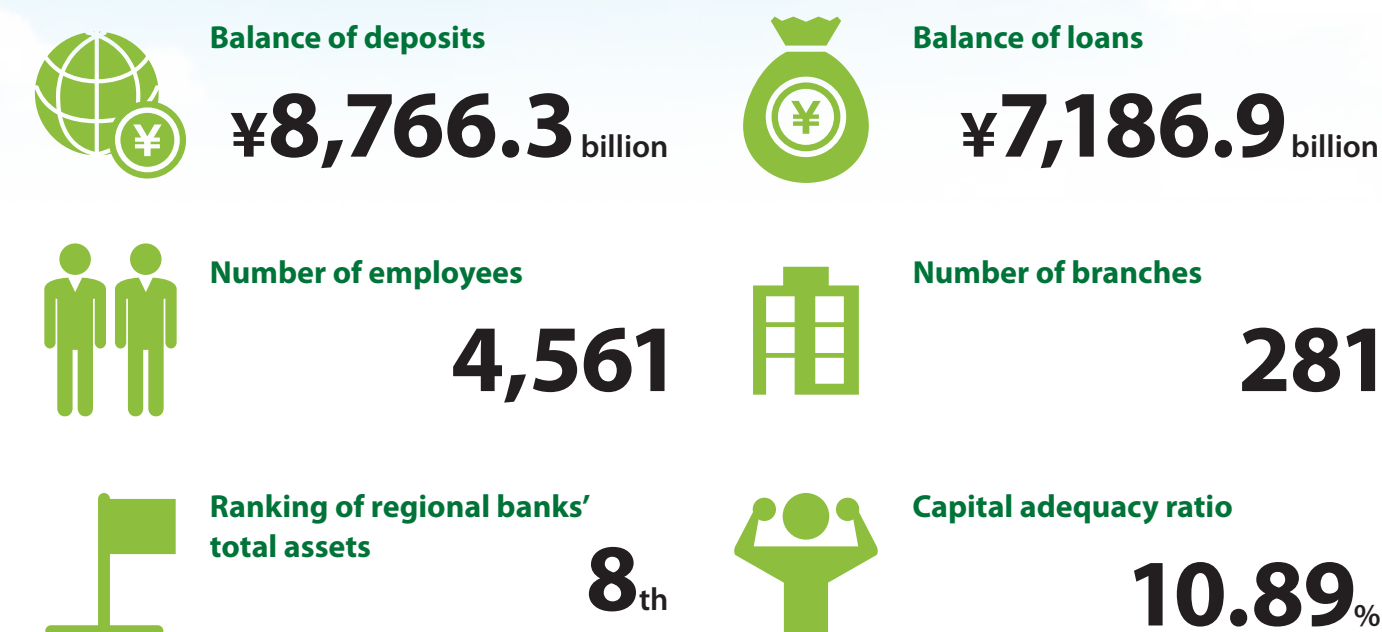
Group Overview

The Kyushu Financial Group consists of Kyushu Financial Group, which is a bank holding company, and 18 consolidated subsidiaries that include Higo Bank, Kagoshima Bank, and Kyushu FG Securities. The mainstay of our business is banking, while we also offer other financial services such as credit card services, credit guaranteeing, and financial instruments transactions. On April 1, 2019, Higo Bank and Kagoshima Bank launched their own trust businesses.

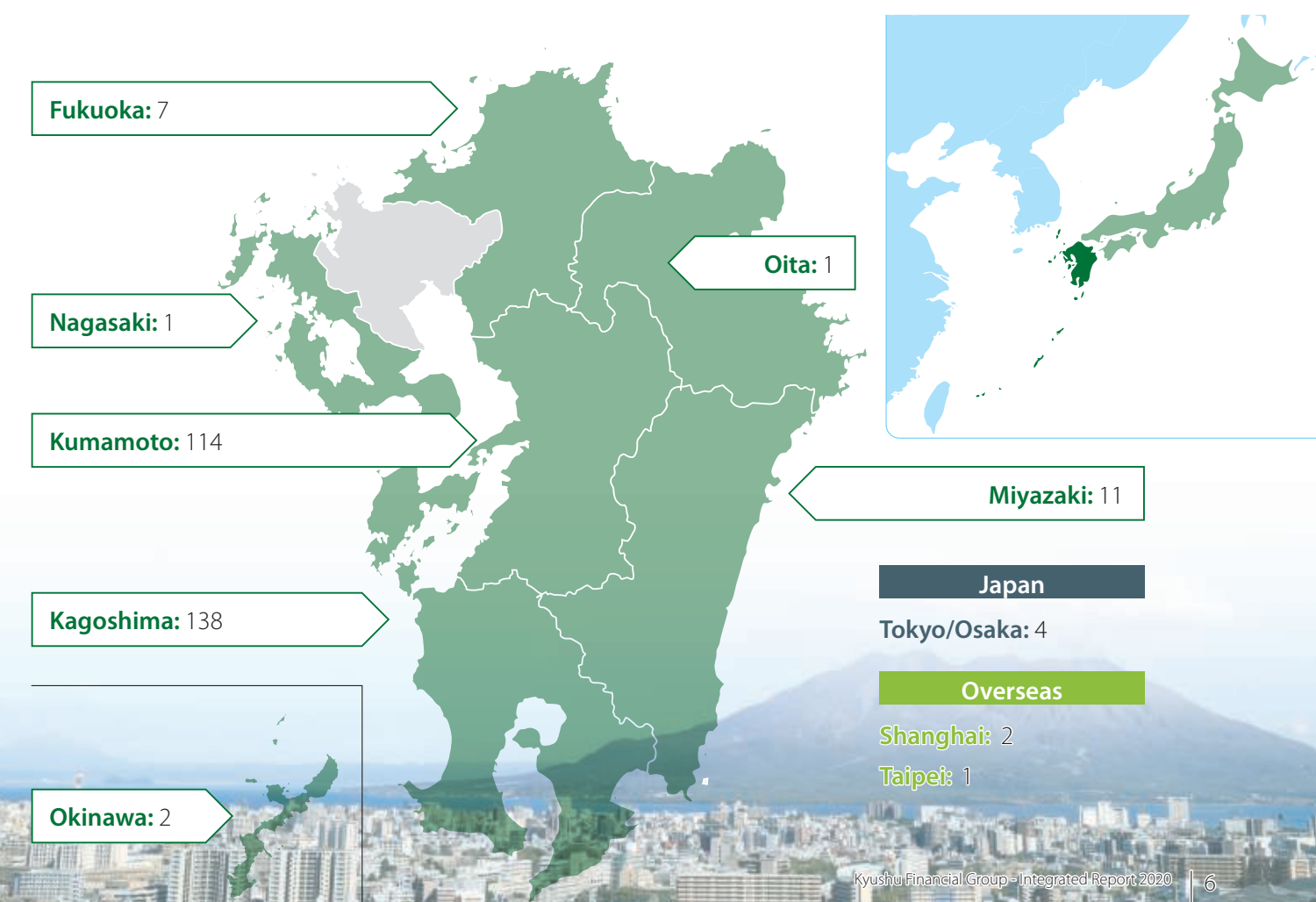
Main Structure of the Group and Areas of Business



The Kyushu Financial Group in Numbers (as of March 31, 2020)



The Kyushu Financial Group's Network (as of March 31, 2020)

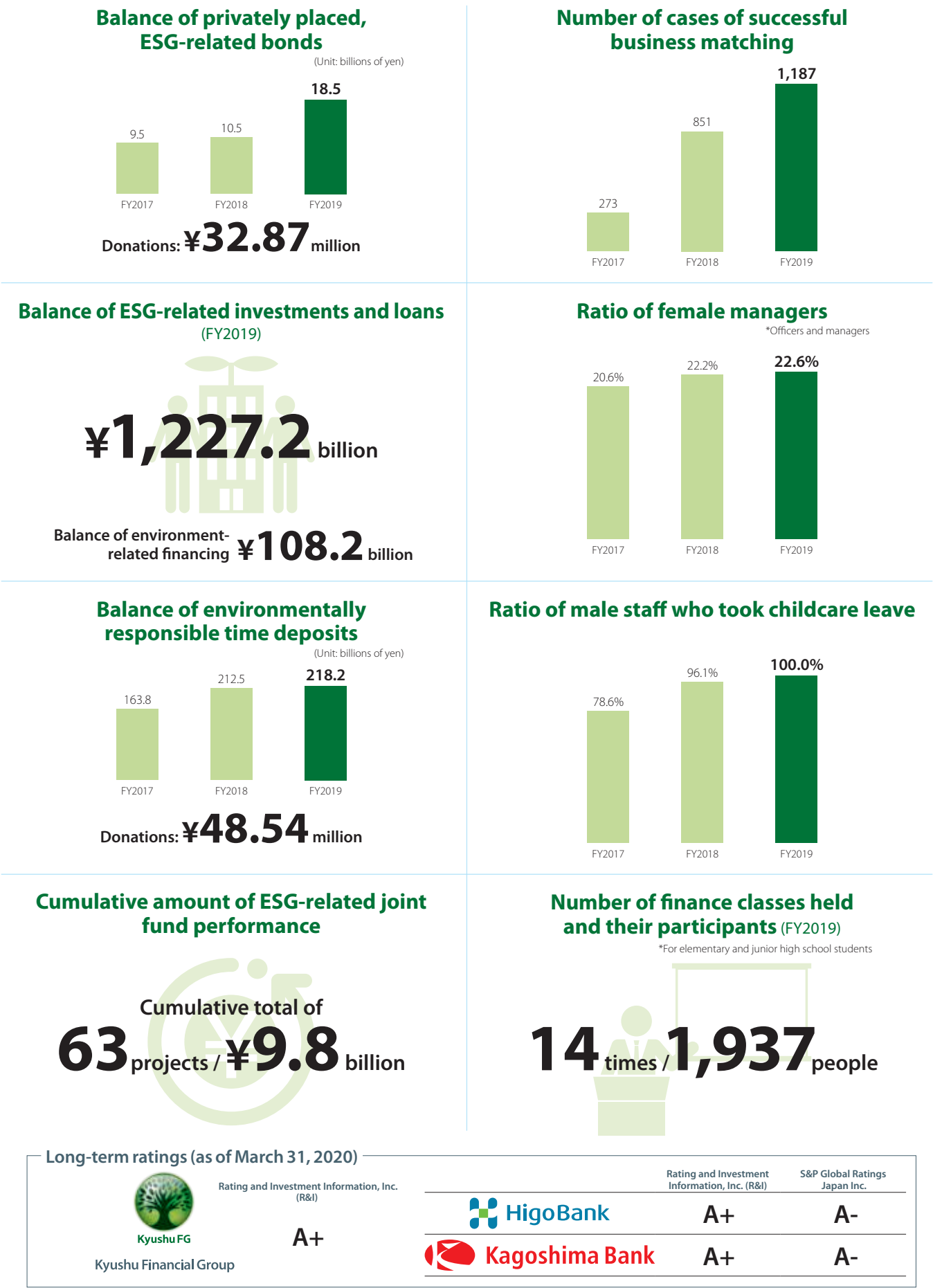


Financial/Non-financial Highlights

Financial Highlights



Non-financial Highlights



Our Operating Base

Amazing Southern Kyushu

We are based in Southern Kyushu, a region with stunning natural landscapes and a wealth of tourist attractions. Coupled with its agricultural output that is among the highest in Japan, Southern Kyushu boasts amazing local features.

With its geographical proximity to other parts of Asia, the region's airports handle international flights mostly to China, South Korea, and Taiwan. This means that Southern Kyushu has the great potential as a logistics base.

Basic Data About Southern Kyushu

	Japan	Kyushu Okinawa	Southern Kyushu
Area (km ²) October 1, 2019	377,975	44,511	24,332
Population (10 thousand) October 1, 2018	12,644	1,333	445
GDP (trillion yen) FY2016	549.8	50.1	14.9
Output of agriculture, forestry, fisheries industries (trillion yen) FY2016	12.1	2.5	1.5
Output of hotel and restaurant business (trillion yen) FY2016	32.6	3.5	1.0

*Sources: "Statistical reports on the land area by prefectures and municipalities in Japan," Geospatial Information Authority of Japan; "Population Estimates," the Statistics Bureau of Japan; "Annual Report on Prefectural Accounts," Cabinet Office






Local Offerings (Agriculture)

Kagoshima is ranked 2nd, Miyazaki 5th, and Kumamoto 6th in Japan for agricultural output. These three prefectures' total output is almost equal to that of Hokkaido.

Rankings of agricultural output

Ranking	Prefecture	Output (billion yen)
1	Hokkaido	1,259.3
2	Kumamoto, Kagoshima, Miyazaki	1,169.8
3	Kagoshima	486.3
4	Ibaraki	450.8
5	Chiba	425.9
6	Miyazaki	342.9
7	Kumamoto	340.6

Rankings of output by prefectures in Southern Kyushu

						
Kumamoto	Kagoshima	Miyazaki				
Ranking	Item	Output (billion yen)	Item	Output (billion yen)	Item	Output (billion yen)
1st	Tomatoes	43.8	Beef cattle	126.6	Beef cattle	76.8
2nd	Beef cattle	43.0	Pork	80.6	Broilers	69.6
3rd	Rice	39.1	Broilers	69.3	Pork	51.5

*2018 Agricultural Production Income Statistics, the Statistics Department of the Ministry of Agriculture, Forestry and Fisheries

Local Offerings (Tourist Attractions and International Flights)

Abundant tourism resources

Southern Kyushu, our home region, abounds with tourism resources, including some of the world's largest active volcanoes such as Mount Aso and Sakurajima, along with historic buildings and structures. The pictures below present some of the numerous tourism resources.



International flights

Aso Kumamoto Airport	Kagoshima Airport	Miyazaki Bougainvillea Airport	Naha Airport
Seoul Kaohsiung Hong Kong	Seoul Shanghai Hong Kong Taipei	Seoul Taipei	Seoul, Daegu, Busan Beijing, Tianjin, Nanjing, Shanghai Hangzhou, Chongqing Taipei, Taichung, Kaohsiung Hong Kong Singapore Bangkok

Strengths of the Kyushu Financial Group

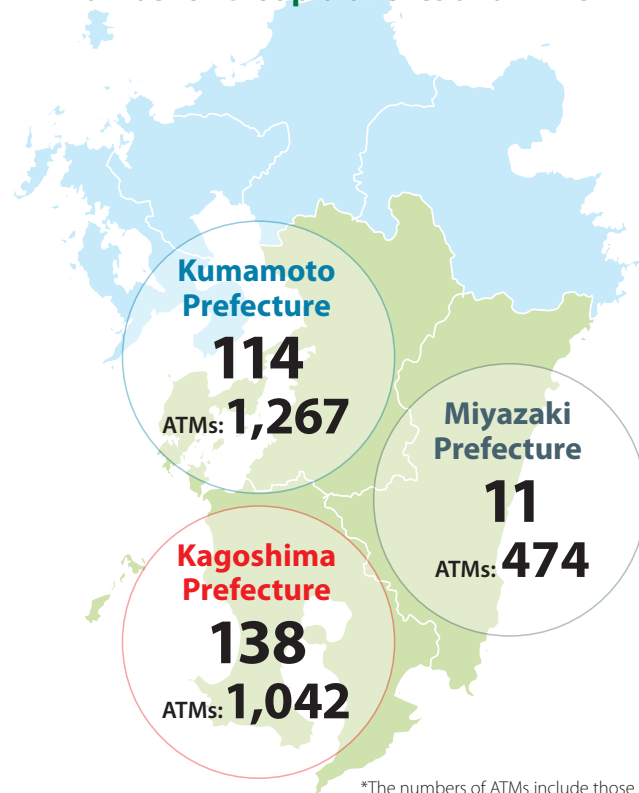
Based in our home region of Southern Kyushu, resources and actively contribute to

we will fully leverage the group management the realization of a sustainable local community.

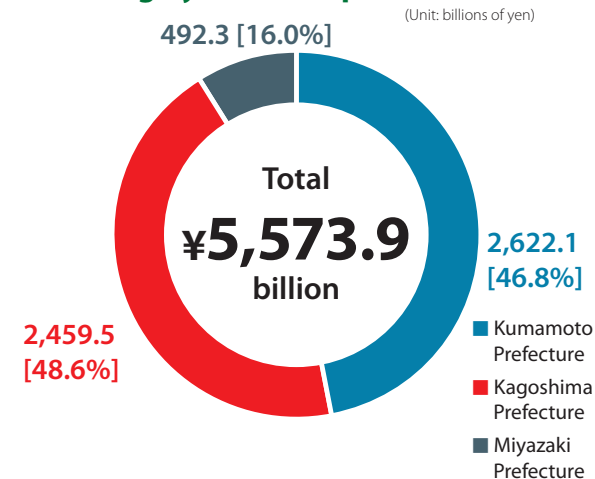
Robust Operating Base

We have a network of branches across Southern Kyushu (Kumamoto, Kagoshima, and Miyazaki) with substantial market share of deposits and loans, establishing a robust operating base in our home region.

Number of Group branches and ATMs



Total lending by the three prefectures (share)



Number of main business partners



Our Excellence —Active effort to help resolve issues facing our local community and customers—

Advantages of integration of top-tier banks

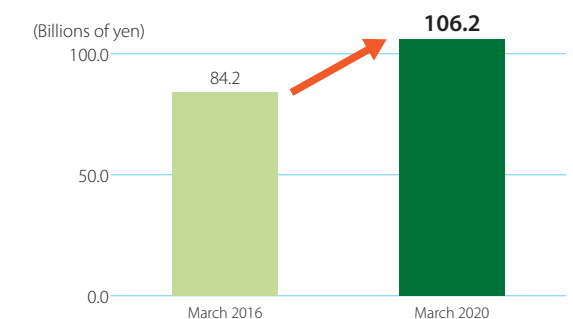
To fully leverage the advantages of the integration of top-tier banks in Kumamoto and Kagoshima, each bank autonomously practices on-the-ground, high-quality management for the local communities and share the expertise they have accumulated, thereby engaging in active efforts to help resolve issues facing the communities and customers.

Initiatives in the fields of tourism, agriculture, forestry, and fisheries

Southern Kyushu where we are based boasts abundant tourism resources and thrives in agriculture, forestry, and fisheries.

To tap into these regional characteristics for industrial development, we have entered into the National Park Official Partnership with the Ministry of the Environment in order to launch initiatives to promote tourism. We have also established an agricultural corporation as part of our further efforts to promote primary producers' diversification into processing and distribution (sixth sector industrialization).

Balance of lending to agriculture, forestry, and fisheries industries



Providing one-stop financial service in collaboration with banking, brokerage, and trust functions

We launched trust businesses as banks in April 2019, which no other regional bank groups in Kyushu have done before. Furthermore, Kyushu FG Securities, which has celebrated its 2nd anniversary, has catered to customers' increasingly diverse needs for asset management by expanding the range of its services to offer online trading and enhancing product lines.

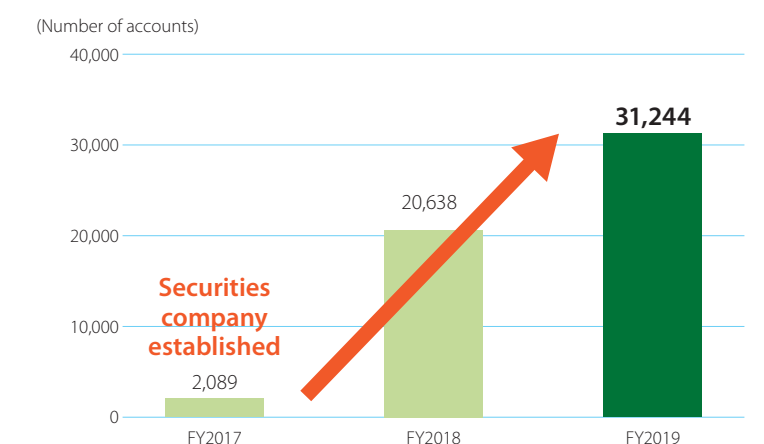
These initiatives have enabled collaboration between banking, brokerage, and trust functions, allowing us to act as a one-stop service provider to meet customers' needs for the financial lifecycle of "saving, increasing, and bequeathing" assets and for inheritance.



We have provided trust business in

326 projects during FY2019

Number of securities trading accounts opened



Our Efforts to Help Create a Sustainable Society and Develop the Local Economy Centering On the SDGs

By leveraging our sound financial base and making a thorough commitment to our local community, we contribute to the sustainable development of our customers and communities.

Our active initiatives for ESG financing

The Group works to help develop a sustainable local economy and society in accordance with its management philosophy.

Through our efforts to promote the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) criteria, we engage in initiatives related to comprehensive ESG financing. These initiatives include granting loans for the promotion of renewable energy as well as the local mainstay industries of agriculture and tourism, and supporting projects intended to mitigate climate change and conserve biodiversity.



Environmental conservation and local contribution activities

The Group engages in continuous initiatives for environmental conservation, including managing watershed protection forests, carrying out projects to fill paddy fields with water, and maintaining forests in order to create enriching local communities and preserve local nature's bounty for posterity.

We also continue to contribute to the revitalization of local communities over the medium- and long-term such as through participation in local events, sponsoring sports and cultural events, and social welfare.

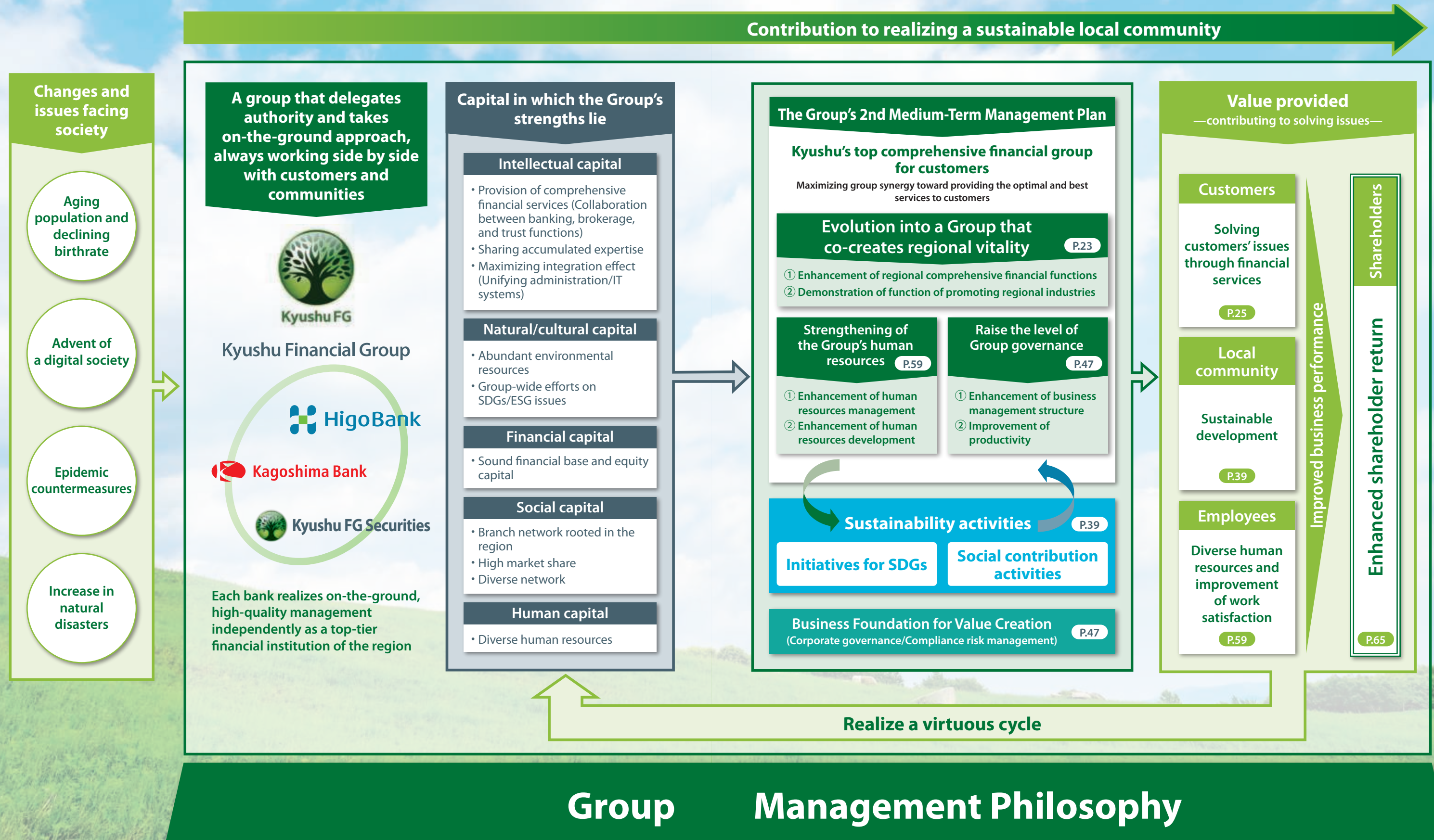
Value Creation Process

We will develop a problem-solving

The Group aims to serve as a comprehensive financial group that earns the true trust of all stakeholders,

business and aim for sustainable growth.

making everlasting efforts to help create and maintain a sustainable society.





President and Representative
Director

笠原慶久

Top Commitment

The Kyushu Financial Group will aim to become Kyushu's top comprehensive financial group for customers and permanently contribute to the realization of a sustainable regional society.

Thank you for your continued support of the Kyushu Financial Group.

We will soon celebrate the fifth anniversary of our foundation in October 2015.

During this time, a paradigm shift that could threaten the sustainability of each company is occurring not only in financial institutions but also in all industries and sectors. This includes social and economic changes such as the declining birthrate and aging population, the advent of digital society, and the global spread of ultra-low interest rate policy, as well as the frequent occurrence of natural disasters caused by climate change and crustal movements and the global pandemic of COVID-19.

Through the issuance of this Integrated Report, we wish to share with you the activities the Kyushu Financial Group intends to engage in this dramatically changing environment as a regional financial institution that looks toward the future and is rooted in the region we serve.

We hope this Report helps you understand what the Group that practice "field-oriented teamwork business management" centered on the Group management philosophy with the three pillars of pursuing sustainability for our customers, local communities, and employees is aiming for.

President and Representative Director, Yoshihisa Kasahara

“Independence, autonomy, and self-motivation”

An eco-system that takes an on-the-ground approach

This is the Kyushu Financial Group

The Kyushu Financial Group was founded on October 1, 2015 through the merger of Higo Bank and Kagoshima Bank, the leading bank in Kumamoto Prefecture and Kagoshima Prefecture, respectively. This was an unprecedented merger in Japan.

As regional financial institutions, the two banks with a solid and sound management foundation decided to merge with an eye to ten to twenty years into the future in order to support and help develop their respective local communities that were facing various challenges. These challenges include market contraction resulting from the declining birthrate and aging population and the building of local communities with a balance between the real and virtual worlds in response to the advent of digital society. For this purpose, we are aiming to make our management foundation even more robust and build a community-based financial model for the future.

The distinctive feature that separates the Kyushu Financial Group from other financial groups is that it adheres to “sharing the Group’s management philosophy,” while at the same time making sure to take an “on-the-ground approach.” The Group does not adopt a centralized group management style; instead, our management structure focuses on our banking subsidiaries that are closest to our customers and local communities. We value the independence, autonomy, and self-motivation of our banking subsidiaries and are committed to closely working with the local communities.

Meanwhile, we centrally handle activities in areas such as new business development including digitalization and the upgrading of internal controls as a group to raise our expertise and efficiency. In this way, we aim to build a business model with an appropriate balance between centralization and decentralization; in other words, an eco-system that takes an on-the-ground approach.



Our logo represents a big tree. A big tree has deep roots in the ground and becomes a giant tree when its large trunks stretch out on top of each other. When each of its leaves and trunks fulfills their respective functions well, the tree will grow bigger. This is what the Kyushu Financial Group aims to achieve.

Pursuing group management philosophy

The Kyushu Financial Group established its management philosophy by encompassing the management philosophies of Higo Bank and Kagoshima Bank whose direction and guiding principles pointed to the same course. Our management philosophy permeates the entire group and is the highest value that combines the aspirations of the two banks.

We are a financial group that takes an on-the-ground approach, upholding independence, autonomy, and self-motivation as the guiding principles of our actions. This Group management philosophy underpins the thinking and actions of individual organizations and employees when they take ownership of the issues their customers and local communities face and think and act to solve them in the ever-changing external environment.

The first philosophy, “the Group will respond to the trust and expectations of customers and will provide the optimal and best comprehensive financial services to its customers,” shows our resolve to create value for customers.

The second philosophy, “the Group will develop alongside the region and actively contribute to the realization of a

vigorous local community,” signifies our strong commitment to local communities and our will to create value for society.

The third philosophy, “the Group will nurture an abundance of creativity and a free-spirited organizational culture, continuing to challenge itself to move toward a better future,” is a declaration of our commitment to create value for employees by nurturing their independence and creativity and creating a wonderful company for them.

Practicing the Group management philosophy will enhance value for customers, society, and employees, and as a result, improve our business results and increase shareholder value. In other words, our Group management philosophy is the creation of shared value (CSV) and functions as the backbone of business management practices we should pursue.

Aiming to become a group that co-creates regional vitality

The Group positioned the first two and half years after the merger as the Collaboration Stage. During this stage, we prepared the Group’s 1st Medium-Term Management Plan and worked on strengthening our management foundation as the entire group. For instance, we increased our top-line revenue through the promotion of mutual understanding and collaborative measures with the aim of becoming “Kyushu’s top comprehensive financial group for customers.”

Since April 2018, we have been accelerating our efforts to deepen mutual understanding and trust and maximize group synergy under the 2nd Medium-Term Management Plan, which



is positioned as the Integration Stage. One of the basic strategies is “evolution into a Group that co-creates regional vitality.” This basic strategy comprises two strategic pillars: enhancement of the regional comprehensive financial functions and demonstration of the function of promoting regional industries.



For the enhancement of the regional comprehensive financial functions, we are strengthening initiatives to meet the increasingly diverse and complex customer needs in a multi-strata and multi-faceted manner through the deepening of our existing operations including banking, brokerage, and trust business, and collaboration with the Group companies, such as leasing and card companies.

For the demonstration of the function of promoting regional industries, while comprehending deregulation trends, we are developing and offering new services that transcend the boundaries of financial services, and enhancing the function of supporting industries, in order to help solve the issues our customers and local communities face due to changes in the external environment and the social structure.

We will step up our efforts to know our customers better, be attentive to their needs, and support them beyond the boundaries of financial services as a business of the Kyushu Financial Group. We will offer diverse solutions on the group basis from every perspective including town building, nurturing of people, information brokering, and business development, in order to help develop our customers’ businesses and increase their assets.

Key words for building a sustainable local community: DX* and SDGs

*Digital transformation

DX is the most important challenge for revitalizing regional economies

The acceleration of population decline in rural areas resulting from the declining birthrate and aging population will, if left

unattended, create a negative spiral of decrease in demand in the region, decline in companies’ motivation to invest and reduction of economic scale. The solution to this is DX initiatives to achieve dramatic productivity improvements.

The spread of COVID-19 has instantly accelerated digitalization and dramatically changed people’s workstyles and lifestyles in Japan which stands at the cusp of Society 5.0. This is also true for rural areas that were especially falling behind in digitalization, as more and more businesses and people have begun using telework and remote communication methods. We believe that this “New Normal” will stay with us even if the COVID-19 pandemic ends and that responses to the “New Normal,” including digitalization efforts, are the key to developing local economies. We consider that supporting our customers in their response to the “New Normal” is an important role that regional financial institutions should play. First, we will transform ourselves and then provide far-reaching support for DX initiatives using our various networks in order to build sustainable local communities.

SDGs closely allied with our management philosophy

Another essential keyword for building sustainable local communities is SDGs.

As I mentioned earlier, we practice the Group management philosophy to increase value for our customers, society, and employees, thereby improving the Group’s business results and raising our shareholder value. This practice is consistent with the thinking behind SDGs, which aim to smoothly undertake economic activities while paying attention to the environment and society over a medium- and long-term. We therefore consider that efforts to achieve SDGs are not new to us; instead, we are

practicing SDGs as our main business as we consider that SDGs have already been incorporated into our management philosophy.

The Group has always proactively addressed environmental and social issues as the banks that walk hand in hand with local communities. To explicitly and systematically strengthen the viewpoint of SDGs as a group in our business operation, we have established a dedicated department and formulated a “Sustainability Declaration.” We established a framework for the entire Group to work on realizing a sustainable society and are implementing activities to spread SDGs throughout local communities, while taking specific actions in collaboration with local governments and our customers and business partners.

As a regional financial institution, our future is dependent upon the sustainable development of our customers and region. We will contribute to the creation of a sustainable society with our local customers, bearing in mind that our mission is to fulfill our responsibilities for the genuine development of the region.

We sincerely appreciate your further support and patronage for the Kyushu Financial Group.

Medium-Term Management Plan

Become Kyushu's top comprehensive Kyushu Financial Group's management

financial group for customers plan

Two stages that lead us to becoming "Kyushu's top comprehensive

financial group for customers"

Given structural issues in the region and the management environment surrounding regional financial institutions, the Group identified the following as the Group's management challenges: "contributing to local revitalization," "enhancing comprehensive financial capability," "raising the level of Group governance," and "enhancing human resources development." In order to grow as a regional comprehensive financial group together with customers and local communities, the Group established the 2nd Medium-Term Management Plan and works to enhance corporate value and realize sustainable growth.

■ Positioning of the Group's 2nd Medium-Term Management Plan

Group's 1st Medium-Term Management Plan [Collaboration Stage]

[Basic Policy]

Establish a management foundation to provide the optimal and best services to customers

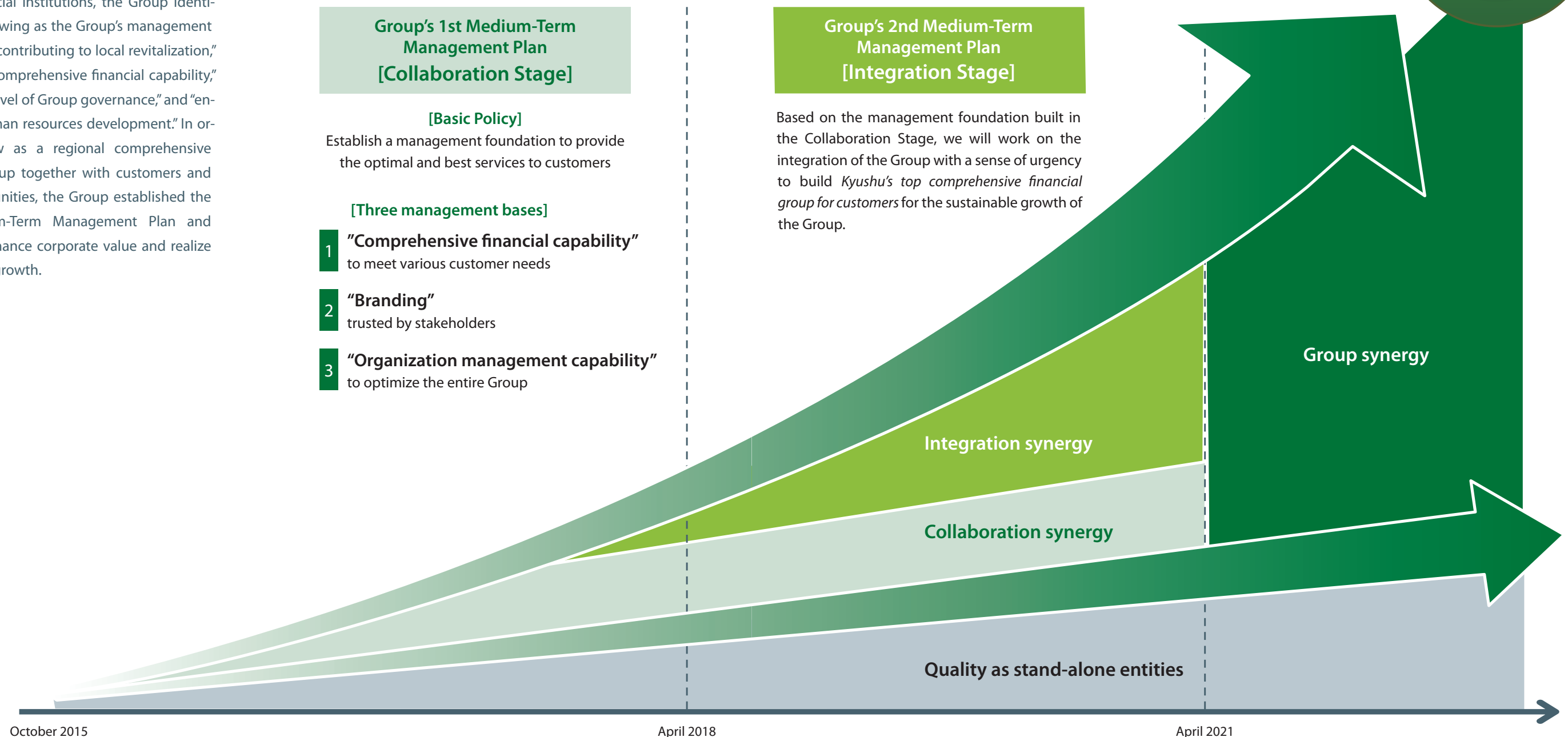
[Three management bases]

- 1 "Comprehensive financial capability" to meet various customer needs
- 2 "Branding" trusted by stakeholders
- 3 "Organization management capability" to optimize the entire Group

Group's 2nd Medium-Term Management Plan [Integration Stage]

Based on the management foundation built in the Collaboration Stage, we will work on the integration of the Group with a sense of urgency to build *Kyushu's top comprehensive financial group for customers* for the sustainable growth of the Group.

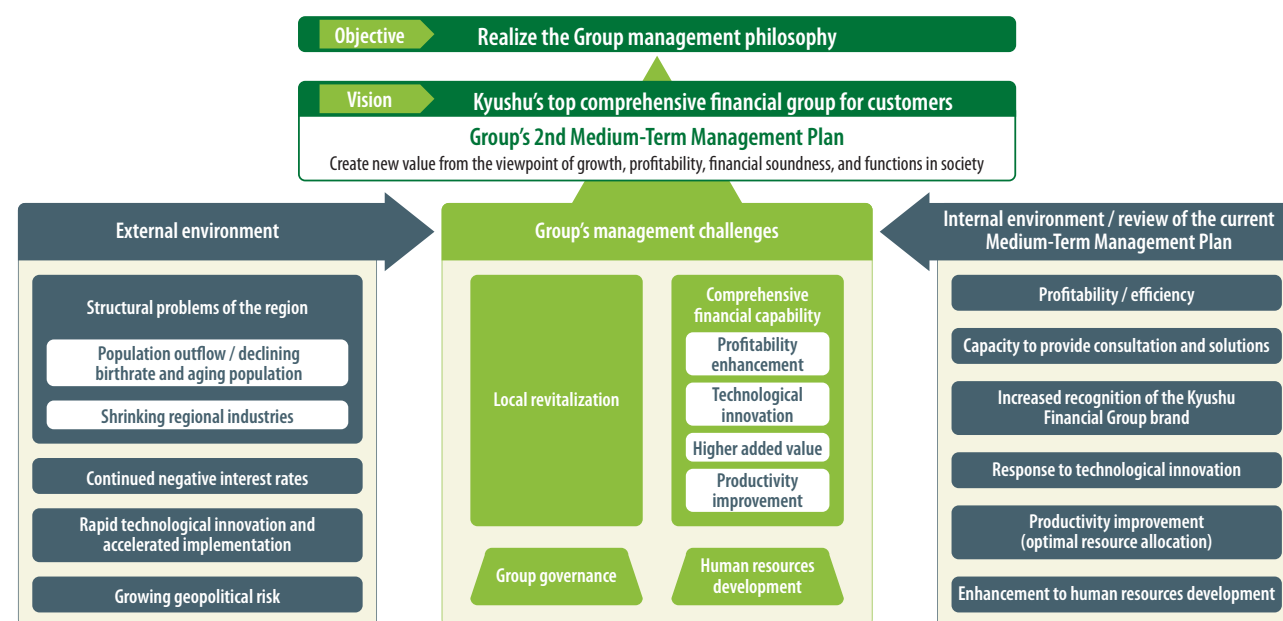
Kyushu's top comprehensive financial group for customers



We will move onto the “Integration based on the management foundation

Challenges passed down from the Collaboration Stage to the Integration Stage and understanding of the business environment

Having identified the Group's management challenges based on the external environment surrounding the Group, the internal environment, and a review of the 1st Group Medium-Term Management Plan, we will endeavor to resolve these challenges under the 2nd Group Medium-Term Management Plan while creating new value.



Overview of the 2nd Group Medium-Term Management Plan

The 2nd Group Medium-Term Management Plan upholds “evolution into a “Group that co-creates regional vitality,” “strengthening of the Group's human resources,” and “raising the level of Group governance,” as basic strategies based on the management challenges faced by the Group. It also establishes strategic pillars as the themes the Group will work on to achieve each strategy.

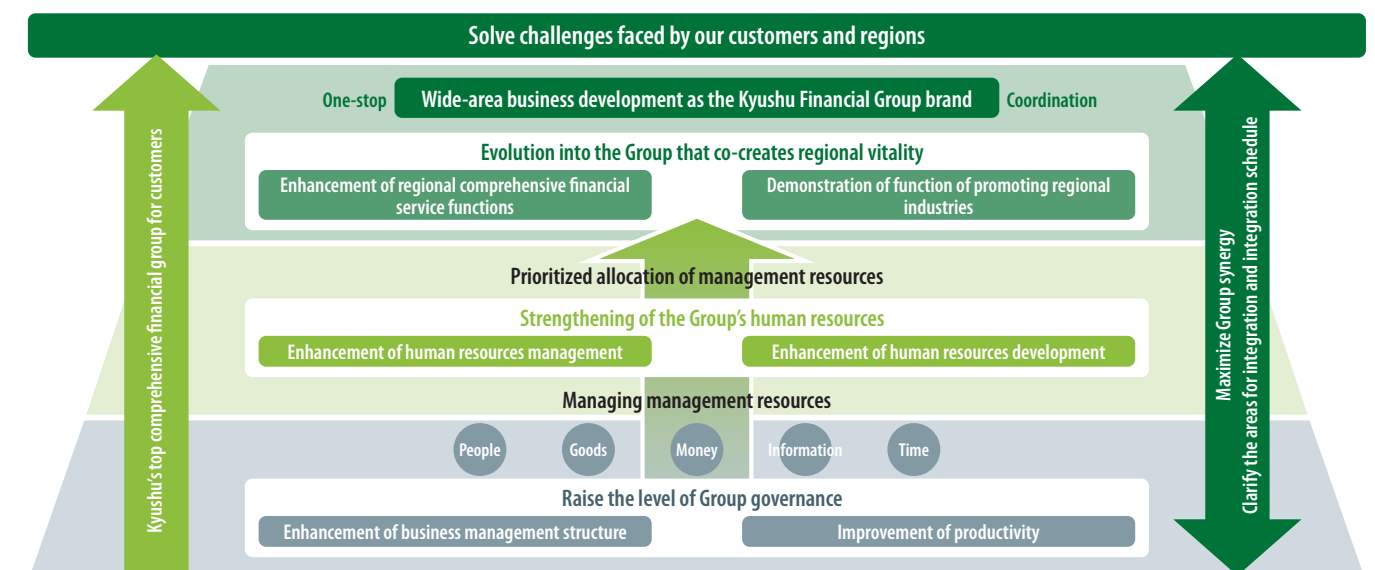
Name	2nd Group Medium-Term Management Plan: Integration Stage
Period	Three years (April 2018 to March 2021)
Vision	Kyushu's top comprehensive financial group for customers
Basic policy	Maximizing group synergy toward providing the optimal and best services to customers

	Basic strategies	Strategic pillars
Basic strategies / strategic pillars	1 Evolution into a Group that co-creates regional vitality	(i) Enhancement of regional comprehensive financial functions (ii) Demonstration of the function to promote regional industries
	2 Strengthening of the Group's human resources	(i) Enhancement of human resources management (ii) Enhancement of human resources development
	3 Raise the level of Group governance	(i) Enhancement of business management structure (ii) Improvement of productivity

Stage,” which maximizes group synergy we built in the Collaboration Stage

Basic strategy and strategic pillars

To evolve into a group that co-creates regional vitality as a step to becoming Kyushu's top comprehensive financial group for customers, we will generate management resources by upgrading the Group's governance, and strengthen human resources in particular, in order to solve issues faced by our customers and region. In addition, we will clarify the areas to be integrated under each of our basic strategies and the integration schedule to maximize the Group's synergy.



Numerical targets and past trend

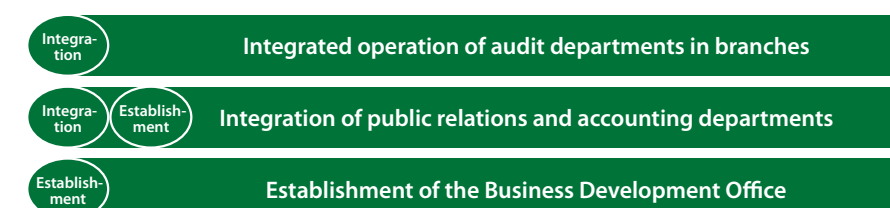
Numerical Targets	Results for FY2018	Results for FY2019	Forecast for FY2020
Average balance of loans (2 banks combined)	¥6.7 trillion	¥7.1 trillion	¥7.4 trillion
Average balance of deposits (incl. NCDs; 2 banks combined)	¥8.5 trillion	¥8.7 trillion	¥8.9 trillion
Consolidated net income	¥22.2 billion	¥18.2 billion	¥15.0 billion
Business profits from services provided to customers*	¥12.1 billion	¥11.7 billion	¥10.3 billion
Consolidated ROE (Shareholders' equity)	3.7%	3.0%	2.4%
Consolidated OHR	68.2%	67.8%	70.4%
Consolidated capital adequacy ratio	11.34%	10.89%	10.1%

*Business profits from services provided to customers: Average balance of loans x interest margin for loans and deposits + fees and commissions – expenses

Promote the integration of organizations

We are implementing organizational changes in order to promote the integration of the Group and enhance our business management function while pursuing revenue diversification to strengthen consolidated earnings and new business development.

We will continue to promote the integration of organizations and functions within the Group with a focus on the administration departments to further improve the Group's corporate value.



Growth Strategy

Initiatives for digitalization

Digitalization is rapidly progressing in our daily lives as demonstrated by the widespread use of smart-phones, increasingly diversifying customer needs, emergence of FinTech companies, and so on. Responding to this trend has become an important management challenge for financial institutions.

We will use digital technologies to help our customers and region solve the challenges they face and to improve customer convenience in response to the changes our region needs to address urgently, such as the declining birthrate, aging population, and population decline. Through these efforts, we aim to create vitality in the region together with the local communities we serve.



Supporting customers and local communities in resolving issues they face

■ Support for solving management issues related to ICT

We are offering an ICT consulting service to help our business customers solve their management issues related to ICT. For instance, these include attendance and salary management, website updating, and support for introducing telework in response to the COVID-19 pandemic.

■ ICT support for local governments

We help local governments solve their issues using ICT technologies. These include the opening of a portal for *furusato nōzei* (hometown tax donation) scheme and the introduction of RPA in collaboration with think-tanks.

*RPA stands for Robotic Process Automation and refers to the use of software-based robots to automate and process mainly routine work.

Efforts to improve consulting service through digitalization and streamlining of branches

■ Reducing documents customers need to fill in at branches

We are working on the digitalization of branch operations and operation reforms to transform our branches into a place for dialogue with our customers.

● Use of tablets

We have introduced a system using tablets to take custody of customers' passbooks, cash, and other items, to undertake operations related to deposited assets, and to open new accounts in branches, in an effort to reduce the amount of documents customers need to fill in and our administrative operations as well as to promote paperless operations.

● Operational reforms

We are transferring some of the branch operations, including the opening of new accounts, to our center to reduce customers' waiting time and branches' administrative operations.



■ Expanding and improving non face-to-face channels

We are enhancing ATM functions and increasing transactions that are available online with the aim of improving customer convenience and raising the Group's productivity.

● Enhancing ATM functions

In addition to the basic functions we have been offering such as depositing, withdrawing, and recording transactions on passbooks, we are endeavoring to enhance ATM functions to improve customer convenience. For instance, our ATMs can now respond to cash card magnetic malfunction, take address change procedures, and offer operation screens in English for international customers.

● Use of the internet

We are working on improving customer convenience and reducing time customers need to spend on conducting transactions. An example is a system we have introduced to enable our customers to prepare application forms and vouchers for personal loans including auto loans and education loans before they visit our branches to reduce their waiting time at branches.

Improve customer convenience

—Initiatives for cashless services—

■ Kumamon IC card

We are working on the Kumamon IC card business for the purpose of revitalizing our region based on IC cards used for transportation. This initiative utilizes the Group's solution functions (e.g., business scheme building, loan, leasing) to offer services that contribute to improving customer convenience.

The card currently offers payment functions in daily lives through its use as transport tickets and e-money. Going forward, we will continue to improve customer convenience by offering charging functions linked to smartphones and coupon delivery functions to send more customers to member stores.

Number of cards issued	259,991 cards
Number of member stores	1,334 stores

(As of June 30, 2020)



©2010 Kumamoto Prefecture, Kumamon #K20348



■ Pay-don (smartphone payment service)

Since its launch in May 2019, we have made various improvements to the unique functions of Pay-don, a cashless payment app.

We will improve its convenience and user value and develop it into an e-money for regional promotion which can be used for transport services, commercial facilities, and government services.

In addition, we will gather and analyze data to support sales and marketing efforts of member stores.

Number of downloads	32,433 downloads
Number of member stores	3,039 stores

(As of June 30, 2020)

Easy to use

Just show the QR code to a cashier.
Anyone can pay easily.



Growth Strategy: Upgrading Sales Promotion of Solutions

Business for individual customers

We will provide the optimal and best services according to the life stage long-term growth

one-stop comprehensive financial of our customers to support their

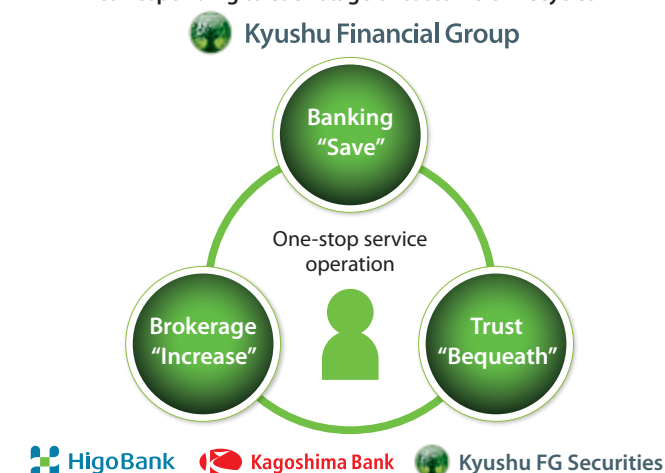
Collaboration among banking, brokerage, and trust functions

The Group launched trust operations through its banks in April 2019—the first regional financial group in Kyushu to do so in order to address the growing inheritance and asset succession needs on the back of the aging society.

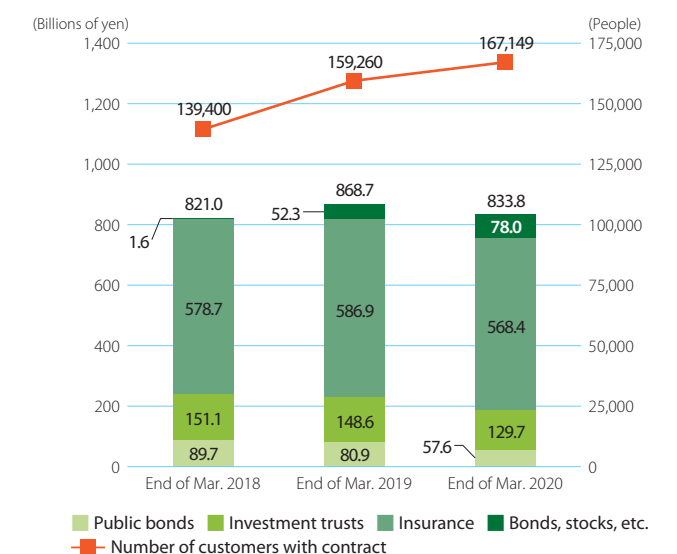
Furthermore, Kyushu FG Securities, which has celebrated its second anniversary, has been meeting customers' increasingly diverse asset management needs by expanding its online trading services and improving its product lineup.

These initiatives have enabled collaboration among banking, brokerage, and trust functions, allowing us to act as a one-stop service provider to meet customers' needs for inheritance services and for different stages at their financial lifecycle of "saving," "increasing" and "bequeathing." Our two banks and Kyushu FG Securities will continue to work together in an appropriate manner and strive to offer highly specialized financial products and service.

Proposal of wide-range of products and services corresponding to each stage of customers' lifecycles



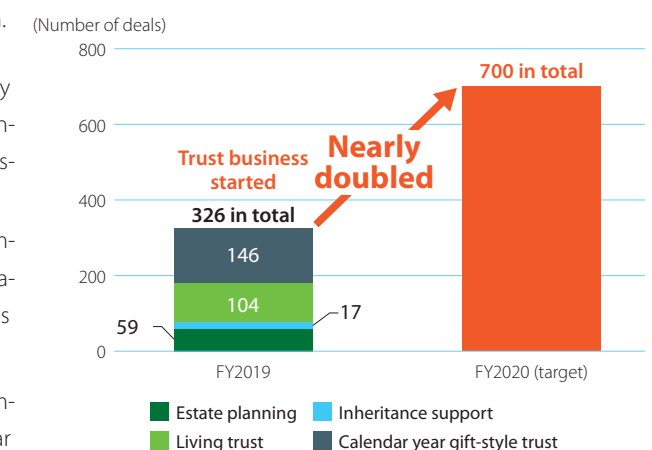
Balance of assets under management and number of customers with contract



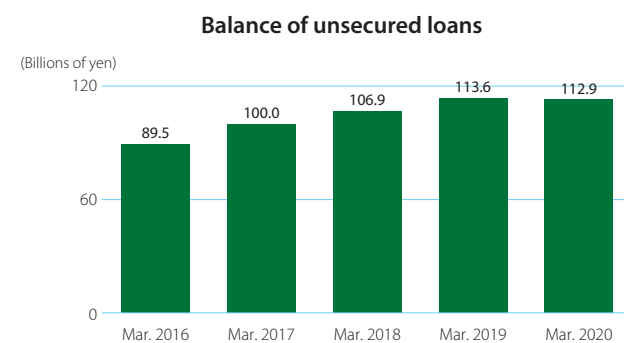
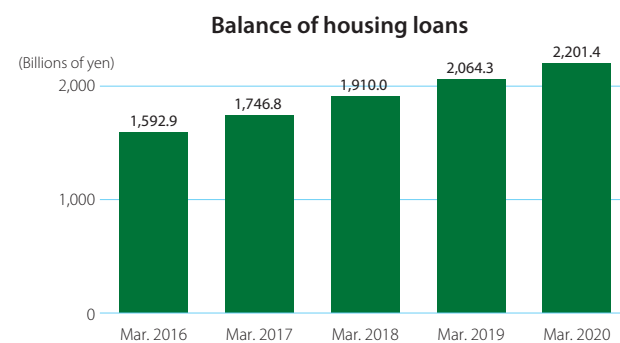
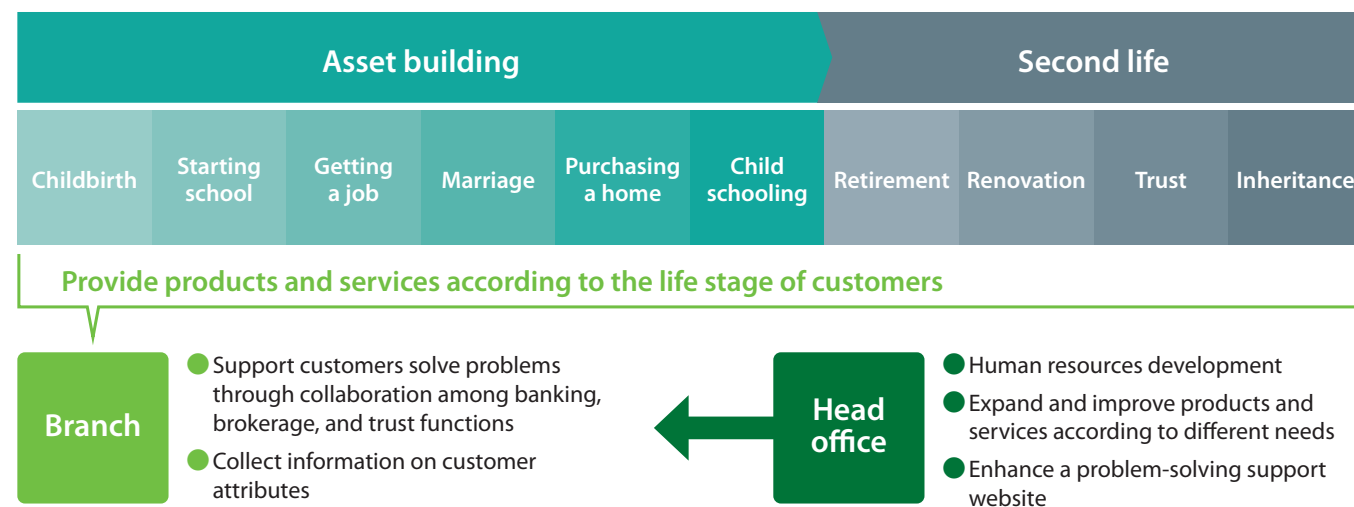
Products offered in trust business

- Estate planning** We offer support for the entire process of will preparation (as a notarized deed), safekeeping, and execution.
- Inheritance support** When a customer inherits assets, we take potentially burdensome procedures on behalf of the customer (inheritor). For instance, these include transferring deposits, savings or real estate to the inheritor.
- Living trust** Money trust holding the funds entrusted by a customer will be distributed to the pre-designated beneficiaries by the designed method using simple procedures when an inheritance occurs.
- Calendar year gift trust** Money trust holding the funds entrusted by a customer will be given to his/her family members each year under the designated conditions.

Results and target of trust business



Providing solutions according to the life plan of our customers



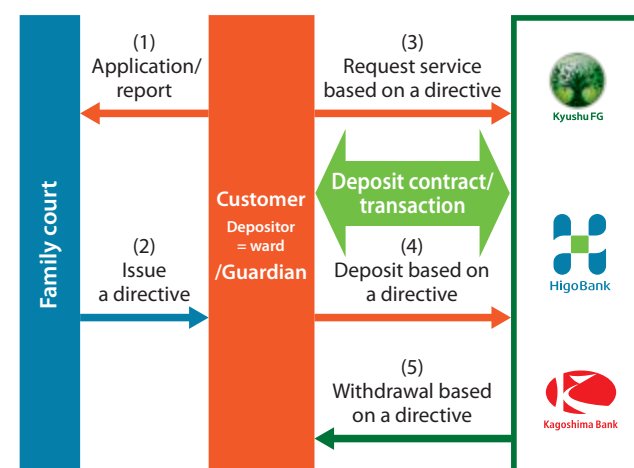
Our response to dementia sufferers

On July 1, 2020, we launched the Adult Guardianship Deposit Account, a new type of deposit to support customers using the adult guardianship system.

This deposit account (ordinary savings account) can be opened for customers using the adult guardianship system (i.e., adult ward) and is designed to manage money that is not used in the normal course of their lives separately from money required for ordinary purchases.

The opening of an account and all transactions using the account including depositing, withdrawing, and cancellation require a directive issued by a family court. This allows a ward's properties to be managed in a highly transparent and appropriate manner and is expected to spread the use of the adult guardianship system.

The Group will continue to respond to a wide range of customer needs and work to provide services that contribute to solving issues for local customers.



Initiatives for customer-centered business operations

Pursuant to the Basic Policies concerning Customer-centered Business Operations established in September 2017, we are enhancing our abilities to identify customer needs and to make proposals through the continuous implementation of initiatives such as the introduction of robot advisors using tablets, enhancement of training on interview skills, AI-based targeting practices, and onsite sales promotion activities at companies.

We actively hold seminars for our customers and endeavor to provide information that helps our customers' asset building.

Seminars for customers

Unit: number of seminars/number of participants

Number of seminars held for customers	1,538
Number of seminar participants	13,079



Effective use of tablets

Organizing a structure to meet customers' trust and expectations

Improving the effectiveness of training

We aim to improve our abilities to provide solutions by offering our employees practical educational programs designed to improve their thinking ability and dialogue capability based on current issues and by implementing on-the-job training.

Developing professional personnel

We offer our employees educational programs that nurture human resources with a higher level of specialization. This is designed to strengthen our abilities to manage deposited assets so that we can ensure customer-centered business operations (fiduciary duties) and to establish structures for managers and supervisors to provide guidance to and support their staff members. We also offer programs to enhance our abilities to support problem solving that are needed to propose optimal products and services for customers' asset management and asset succession needs.

Creating a culture of learning

We encourage our employees to obtain qualifications such as first- and second-grade Financial Planner and Private Banker (PB) qualifications and a Level 3 certificate in trust operations to realize collaboration among banking, brokerage, and trust functions.

Number of employees with asset management-related qualifications	2,036 people
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Growth Strategy: Upgrading Sales Promotion of Solutions

Business for corporate customers

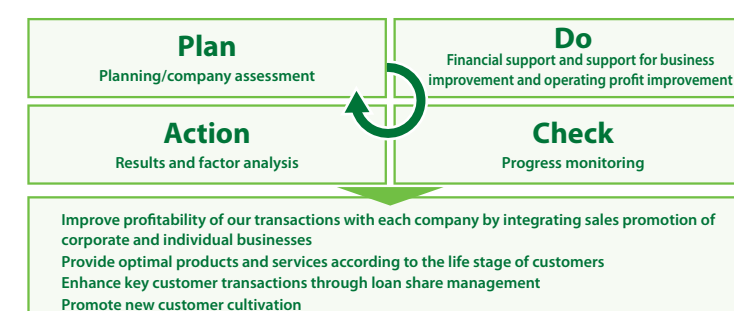
We improve profitability of our transactions with promotion of corporate and individual businesses and services based on our customers' life stage

each company through the integrated sales according to the market and offer optimal products

Initiatives for business continuity evaluation

We will further advance the PDCA cycle of business continuity evaluation and offer optimal financial services to our customers in order to enhance our loans and to charge an appropriate level of interests for them.

Furthermore, we will improve profitability of our transactions with each company through the integrated sales promotion activities of corporate and individual businesses and offer optimal products and services based on our customers' life stage in order to further cultivate markets, and propose solutions, including through the collaboration with external organizations and by increasing new transaction partners through the usage of supply chains.



FY2020 priority measures

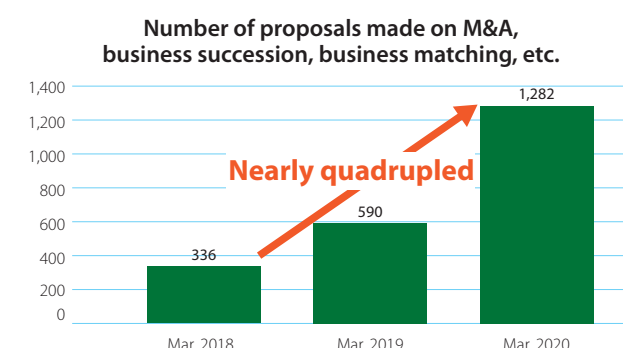
Higo Bank

- Enhance corporate consulting services and support activities for regional industries
- Strengthen earnings power by helping core corporations solve the issues they are facing
- Promote comprehensive corporate transactions by strengthening relationships with companies in Kumamoto Prefecture
- Develop human resources with the abilities (knowledge and actions) to liaise with corporations

Kagoshima Bank

- Acquire financial advisor contracts by enhancing internal structures for business succession and M&A
- Establish a structure to support business start-ups as a new business
- Funding support utilizing funds
- Improve effectiveness of business improvement support

Proposing solutions



Status of funds utilization

We utilize funding methods such as equity investment and the subscription of preferred shares to fulfill a supplementary role to bank loans for customers starting, succeeding or revitalizing businesses or readying themselves for or recovering from earthquakes and other disasters.

Cumulative total of joint funds: ¥9.8 billion

KFG Regional Enterprise Support Fund	Kumamoto Recovery Support Fund
KFG Agri-Fund	Kumamoto Mirai Sosei Fund
Higo/Kagoshima Regional Vitalization Fund	

Initiatives for start-up and new business areas

The Kyushu Financial Group is stepping up its efforts in the business start-up and new business areas as part of its attempt to improve its consulting service menu for business operators.

Higo Bank established the Higin Limited Partnership for Venture Business Investment in March 2020 jointly with Higin Capital Co., Ltd. for the purpose of holding the Kumamoto Tech Grand Prix under the industry-academia-public sector collaboration and creating regional industries through providing support to ventures. Through these efforts, the bank will help create and support the growth of global venture businesses originating in Kumamoto and contribute to the development of a sustainable local community.

Kagoshima Bank has engaged in initiatives designed to contribute to regional revitalization through the growth of regional companies and employment creation. For instance, the bank jointly organized the Kagoshima Startup Birth Project with Kagoshima City with the aim of generating a momentum for the launch of business start-ups. It also held the Kagoshima Tech Planter, jointly with Kagoshima Prefecture and Leave a Nest Co., Ltd., to develop technological seeds owned by researchers and local companies in Kagoshima Prefecture into businesses. We will continue to engage in initiatives that will help revitalize the region through the growth of local companies and employment creation by supporting business start-ups, existing businesses undergoing an overhaul under new management, and the development of new businesses.

Initiatives in the fields of agriculture, forestry, and fisheries

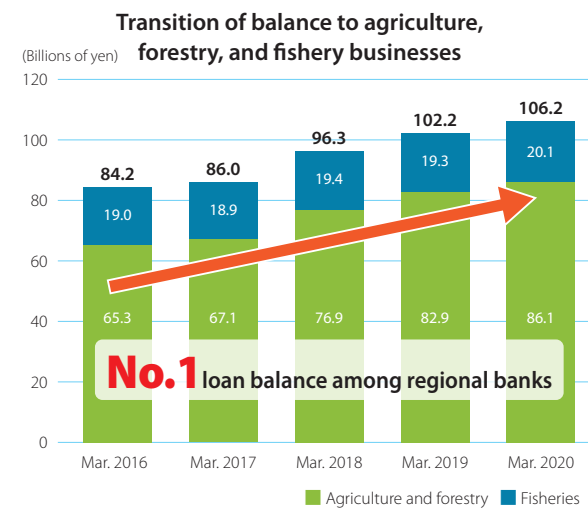
The Group is enhancing its support for customers' business expansion utilizing the respective strengths of two banks in the fields of agriculture, forestry, and fisheries industries and sharing their know-how.

Higo Bank signed an agreement to collaborate on the branding and sales channel expansion of the *Kumamoto Akaushi* beef brand in November 2019 with the Federation of Kumamoto Prefecture Livestock Agricultural Cooperatives and the Graduate School of Media Design, Keio University to contribute to the branding and sales channel expansion of the *Kumamoto Akaushi* beef brand.

In addition, the bank held a job fair for agricultural workers titled *Shunou* FEST Kumamoto in July 2019 to solve the agricultural labor shortage issue. The fair was the first of its kinds in Kumamoto Prefecture, inviting people who were looking into agriculture as a potential career path from all over Japan and communicating the attraction of agriculture in Kumamoto Prefecture through an individual matching service.

Kagoshima Bank distributed vegetable growing kits called *Vege Pods* to over 60,000 elementary school children in Kagoshima Prefecture to inspire children who will shoulder the future of the prefecture to have an interest in agriculture, which is a core industry of the region, and to let them experience the joy of eating safe and secure vegetables grown by themselves.

Both banks also participated in the Food Selection 2019, jointly held with 54 regional banks from across Japan. This event provides business matching between food companies wishing to extend their sales channels nationwide and food buyers looking for safe and secure food products with regional appeal. Through this, they support the development of sales channels in the regional food related industry. The two banks will continue to work together to turn the fields of agriculture, forestry, and fisheries into growth industries and revitalize the local economy.



Initiatives for personnel placement service

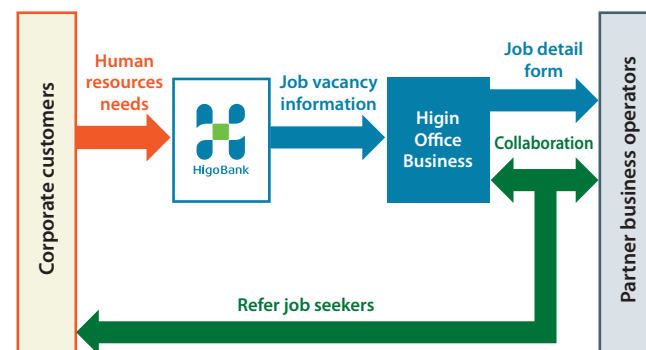
In April 2020, Higo Bank launched a personnel placement service for their corporate customers through a Group company, Higin Office Business Co., Ltd.

The business succession problem of the region and local companies is expected to further escalate due to the shortage of human resources and successors. Through our personnel placement service, we introduce personnel who can manage companies which transact with us in our region as their executives or successors as well as engineers and technicians with specialized skills to continuously support the growth of their core business. We will further contribute to the revitalization of the local economy by proactively offering consulting services as the entire Group.

To help solve the labor shortage issue of local businesses, Kagoshima Bank supported the foundation of the Kyushu Asia Human Resources Development Cooperative, a supervisory body for the acceptance of overseas workers under the government's training and internship program, and created a highly transparent structure for the cooperative in collaboration with a law firm and social security consultancy firm.

Furthermore, we hold seminars on overseas workers in various locations in collaboration with local public institutions and others to foster a better understanding of the training and internship program for overseas workers in the region.

We will engage in initiatives designed to contribute to the international community and the sustainable development of the region through the appropriate operation of the training and internship program for overseas workers.



Timing	Number of persons accepted/recruited
Oct. 2018	Local interviews (2 companies) Hired 5 people
May 2019	Local interviews (5 companies) Hired 17 people
May 2019	5 people arrived in Japan (Construction/building cleaning)
As of March 31, 2020	Number of arrivals: 23 Number of people waiting to enter Japan: 78 (Cumulative total number of people recruited: 101)

In May 2020, Kagoshima Bank's initiative received a commendation from the Minister of State for Regional Revitalization as one of the fiscal year 2020's noteworthy initiatives of financial institutions that contributed to regional revitalization. The recipients were announced by Machi, Hito, Shigoto Sousei Honbu (Town, People, Work Development Office) of the Cabinet Office.

Support for Overseas Business Development and Wide-area Business Development

- Assist customers entering overseas markets and strengthen local support
- Strengthen collaboration support

- **Strengthening the international business**
 - Strengthen the promotion of foreign exchange business
 - Jointly nurture global human resources
 - Consider setting up new bases

- [China and Taiwan (Greater China)]
- **Effective utilization of the Group's overseas bases and information sharing**

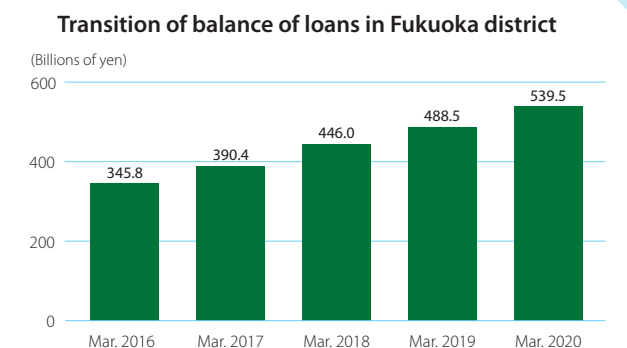
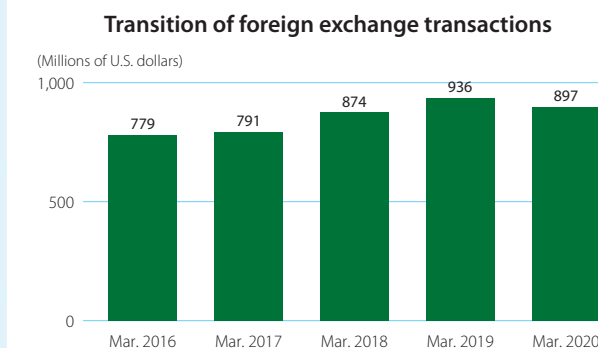
- **Kagoshima Bank opened a representative office in Taipei (Apr. 2019)**
 - Support entry into overseas markets and expansion of trade
 - Promote tourism and exchange

- Higo Bank's overseas bases
- Kagoshima Bank's overseas bases
- Banks not in tie-ups



In April 2019, Kagoshima Bank opened a representative office in Taipei, strengthening its links with the existing representative offices operated by Higo Bank and Kagoshima Bank in Shanghai. Further, as part of the Group's activities to support the overseas expansion of customers, we held the "Overseas Expansion Support Seminar for Small and Medium-sized Enterprises" in Kumamoto and Kagoshima in January 2020 for customers interested in entering or extending their sales channels into overseas markets. The objective of these seminars was to provide support in solving business challenges faced by our customers through the provision of information on case studies of companies operating business overseas.

Furthermore, in July 2019, our Fukuoka Building was completed in Fukuoka City and is currently tenanted by Group companies such as the Kagoshima Bank Fukuoka Branch, Higo Bank Fukuoka Branch (Fukuoka corporate sales office), Kyushu Economic Research Institute, and JR Kyushu FG Lease, Inc. We will further utilize the building as the Group's sales and information base in Fukuoka.



Growth Strategy: Upgrading Sales Promotion of Solutions

Initiatives for demonstrating the function to promote regional industries

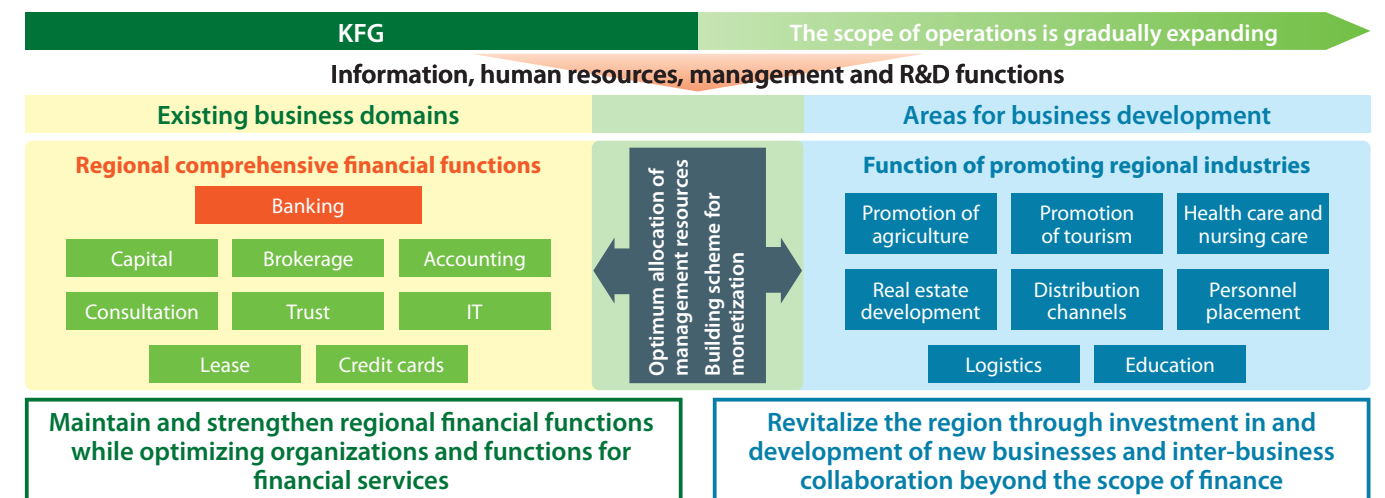
We will proactively implement various initiatives to realize a vibrant local community.

initiatives

Establishment of the Business Development Office

Effective October 1, 2019, we renamed the Group Strategy Division as the Business Strategy Division as part of structural improvement to strengthen consolidated earnings in response to the rapid environmental and technological changes and clarified the division's role to draft strategy for the development of existing and new businesses. We also established the Business Development Office specialized in the development of new businesses within the Business Strategy Division.

The Office will propose and design business development themes and oversee, manage the progress of, and support projects in order to contribute to regional revitalization beyond the boundaries of finance. Its aim is to expand the function of promoting regional industries, in addition to developing new functions of the comprehensive regional financial function.



Establishment of a crowdfunding company

We established Glocal Crowdfunding Inc. (GCF), a crowdfunding company, through joint funding with Music Securities, Inc., Kumamoto Dai-ichi Shinkin Bank, and Kyushu Electric Power Co., Inc.

By using the crowdfunding method, the GCF aims to supply businesses in Kyushu with growth funds to solve regional issues. In order to turn the resources and ideas of local communities into businesses, we will serve as a bridge that connects the empathy and capital of investors across Japan with enterprise owners, contributing to the development of a sustainable local economy.

Sashiyori Support Project, the first deal

A project to support food service operators by using the crowdfunding function as part of support given to combat the impact of COVID-19

The GCF plans to launch various projects in the future.

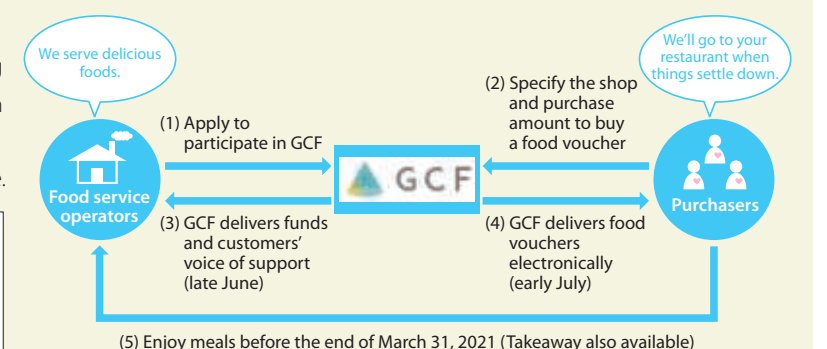
[Target businesses]

Food service operators in Kumamoto Prefecture

[Method] Purchase of food vouchers (via the internet)

[Project period (purchase period of food vouchers)] May 20, 2020 to June 19, 2020

[Voucher validity period] July 1, 2020 to March 31, 2021



*No charge necessary for participating food service business operators. Both food service operators and purchasers only pay the actual cost of bank transfer fee.

Support to combat COVID-19

<The Group's approach>

Given the impact of COVID-19 on local economies, and in accordance with the Group management philosophy, we position the safety and security of our customers, local communities and employees as our top priority. As a group that co-creates regional vitality, the entire Group is committed to creating a society that is resilient to epidemics in order to achieve economic recovery and realize vibrant local communities in cooperation with our customers and local residents.

1. Efforts on customers' business continuity and maintenance of living

We fully utilize our financial intermediary function and listen carefully to each customer in order to speedily and sincerely find realistic solutions to their problems and challenges and help customers continue their business and sustain their livelihood.

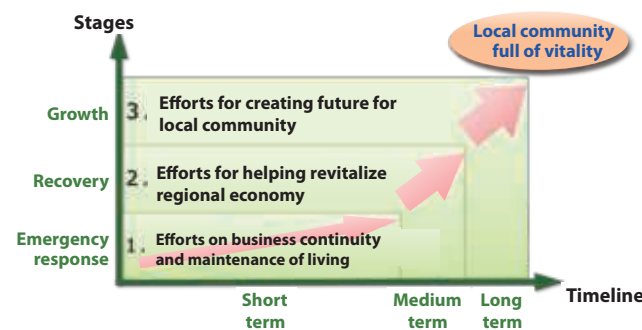
2. Efforts for helping revitalize regional economy

We utilize the consulting function and the ability to find solutions we have developed over the years and promote government-industry-academia-financial sector collaboration, cooperation, and partnership in order to help recover the economy and industries across the region.

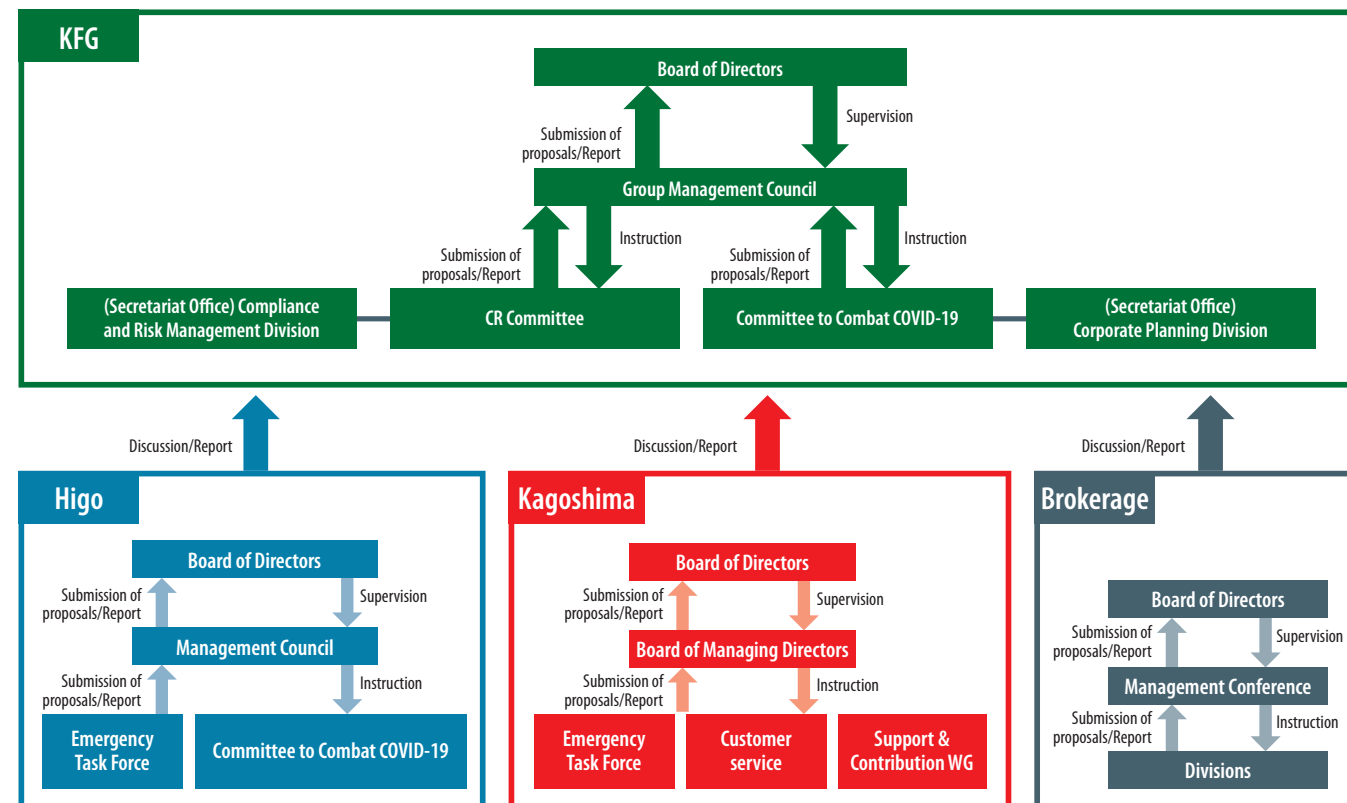
3. Efforts for creating future for local community

We will utilize our comprehensive regional financial function and the function of promoting regional industries and permanently work on realizing vibrant local communities together with our customers and local residents.

■ Concept behind our approach to combat COVID-19



■ The Group structure



Measures to address COVID-19

Understanding the situation of our customers		<ul style="list-style-type: none"> ■ Special consulting service and non-business day consultations ■ Interview customers to ascertain COVID-19's impact and their requests
Lending	Corporate customers	<ul style="list-style-type: none"> ■ Offer speedy and fine-tuned services to not only customers already affected but also those who may be affected in the future ■ Expanded investment functions and investment and lending targets of the existing funds, Kumamoto Recovery Support Fund and Kagoshima Value-up Fund, and started offering flexible, wide-ranging support ■ Expanded eligible recipients of special loans provided by Kumamoto Prefecture to small- and medium-sized businesses to ease their cash flow problems in collaboration with local governments and credit guarantee associations ■ Enabled waiving of loan rescheduling fees for affected customers who wished to change repayment dates or amounts ■ Made transaction charges free for Pay-don member stores to support businesses (Kagoshima Bank)
	Individual customers	<ul style="list-style-type: none"> ■ Support individual customers who are financially affected by COVID-19 and customers who are worried about loan repayments by providing fixed-term cash back offers on interest payments and preparing products with a flexible repayment start date (interest only payment for a certain period) ■ Start supporting customers who wish to start a new side job due to the temporary closure or downsizing of their employers (Higin Office Business Co., Ltd.)
Organizing structures		<ul style="list-style-type: none"> ■ Given the impact of the spread of COVID-19 on the local economy, established the Committee to Combat COVID-19 to clearly define our approach to COVID-19 and to discuss how to facilitate groupwide information sharing on COVID-19 and our initiatives for our customers and the local economy
Other		<ul style="list-style-type: none"> ■ Participated in a project organized by the Kumamoto Regional Financial and Economic Forum to purchase and distribute free facemasks made by Kumamoto residents as their side job (Higo Bank)

(As of June 30, 2020)

Customers already interviewed	Affected customers	Customers who have requests
36,398	16,692	9,9



Non-business day consultations

Overview of projects for recovery of the local economy

Sashiyori Support Project	
Operator	Glocal Crowdfunding Inc. (2,152 members)
Feature	Purchase of food vouchers (advance payment)
Number of registered food service businesses (target)	614 stores (500 stores)
Purchase amount (target)	¥37,315 thousand (¥25,000 thousand)
Number of purchasers	1,721 people (Purchase rate: 80%)
Ticket validity period	July 1, 2020 to March 31, 2021

Kibaddo Kagoshima Project	
Operator	Kagoshima Agriculture & Food Finance Council*
Feature	<ul style="list-style-type: none"> - Operate a portal site with local information - Initiative to support the purchase of products of Kagoshima Prefecture by providing information on the prefecture's specialty products, restaurants, accommodation facilities, and so on - No charge for posting information on the portal site
Portal site launched on	June 26, 2020
Number of registered companies	327 companies (as of July 20, 2020)

*Council consisting of seven financial institutions, including Kagoshima Bank, for the purpose of promoting agriculture, food and other industries in southern Kyushu

Future initiatives

(1) Strengthen abilities to provide financial support to businesses that drive the regional economy

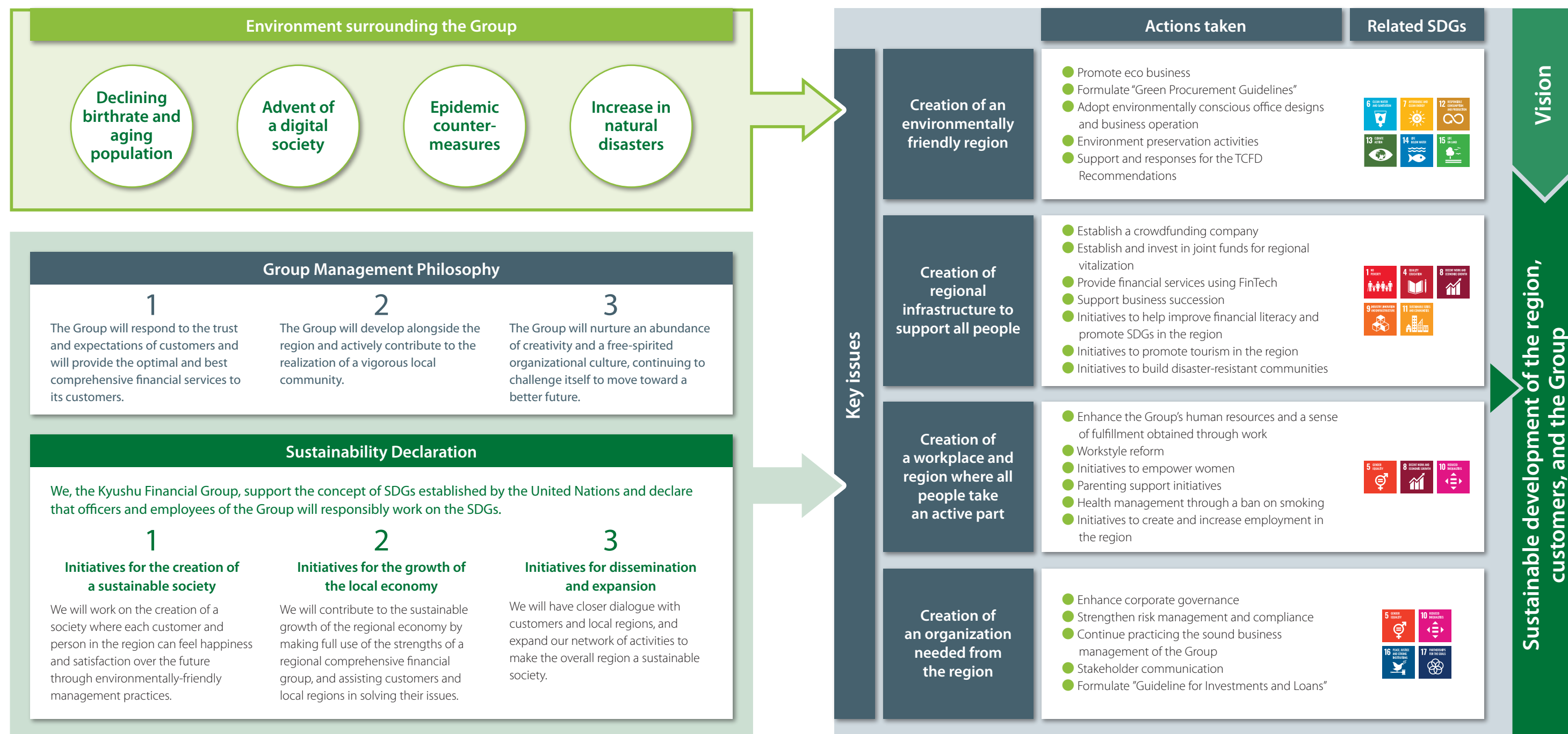
- Continue the smooth supply of funds for cash flow management support and so on
- Effectively use funds that are capital in nature in collaboration with public entities and others
- Post appropriate provisions that contribute to increasing our risk taking ability

(2) Accelerate efforts to expand the use of ICT among customers and in local communities

- Support the introduction of teleworking to businesses and others
- Support the promotion of online procedures in collaboration with local governments
- Strengthen non-face-to-face channels and functions of the Group

Creating a Sustainable Society

To “develop alongside local regions and actively contribute in the realization of a vigorous local community” as part of its management philosophy, the Kyushu Financial Group has developed the Sustainability Declaration and has been working to offer solutions to various issues facing customers according to environmental, social, and governance (ESG) criteria. In doing so, the Group helps the local communities sustainably develop and, through this effort, increases its corporate value.



We signed the Agreement on Cooperation Regarding Regional Environment Cohabitation Zone in Central and Southern Kyushu

Higo Bank and Kagoshima Bank in the Kyushu Financial Group signed an agreement on cooperation with the Ministry of the Environment, Oita Bank, and Miyazaki Bank on January 18, 2020 to help establish a vibrant regional environment cohabitation zone in Central and Southern Kyushu. We will work together in the Project to Fully Enjoy National Parks, activities to provide education on the Sustainable Development Goals (SDGs) for the public, and promotion of ESG loans with the aim of creating sustainable local communities.

[Related SDGs]



Recognition and accreditation by external organizations



Initiatives we support



Creating a Sustainable Society

Wide application of ESG financing

The Kyushu Financial Group applies the perspectives of the SDGs and ESG criteria to its investments and loans in order to expand the use of ESG financing in the region toward the realization of sustainable local communities.

Formulation of the “Guideline for Investments and Loans”

The Group formulated the “Guideline for Investments and Loans” in July 2019 as part of its efforts to help develop sustainable local communities through investment and loan services, which are the mainstay of the Group’s banking business.

1. The Kyushu Financial Group promotes autonomous and responsible investment and lending intended to help solve environmental and social issues facing customers and local communities in order to create a sustainable society.
2. We examine not only financial information but also the effects of planned investments or loans on the environment and society to make the right decision.

We actively support projects that aim to contribute to:

- (i) Curbing climate change, such as reducing carbon dioxide emissions toward realizing a decarbonized society
- (ii) Conserving biodiversity, such as protecting water resources, forest resources, and endangered species
- (iii) Promoting the development of the region’s key industries, such as agriculture, forestry, fisheries, and tourism
- (iv) Preserving cultural assets, such as World Heritage sites and other tangible or intangible cultural properties
- (v) Preventing or mitigating disasters
- (vi) Other activities that contribute to the creation of a sustainable society.

We will NOT invest in or grant a loan to an entity if it is:

- (i) Involved in the violation of human rights or forced labor including human trafficking
- (ii) Involved in the development and/or manufacturing of inhumane weapons such as cluster bombs, and/or regulated and sanctioned

With the establishment of this guideline, we revised both banks’ rules and established a management system for ESG investment and lending. In addition to the conceptual Sustainability Declaration and the entire sustainability framework, we have incorporated ESG elements into the scheme of the investment and loan services which are the mainstay of our business. In doing so, we aim to facilitate our officers’ and employees’ understanding of sustainability and support our local communities’ and customers’ initiatives to help protect the environment and develop society. These efforts will lead to enhance our investment capacity and presence, eventually benefitting the business, customers, and society.

Contributions to the Environment and Society Through a Wider Application of ESG Financing

We apply the perspectives of the SDGs and ESG criteria to our loan review process and credit ratings in accordance with the Guideline for Investments and Loans so that we make the right decisions that take account of not only financial information but also the effects of planned investments or loans on the environment and society, thereby contributing to the development of sustainable local communities.

Renewable energy

The Group helps solve regional issues and facilitates the transition to a decarbonized society through financial support to renewable energy projects. In May 2019, one of Kagoshima Prefecture’s largest woody biomass power plant was completed. Invested by nine companies including Kagoshima Bank, the power plant helps reduce CO₂ emissions and has created jobs for the local community. We also take advantage of the ESG financing promotion program offered by the Ministry of the Environment in order to establish ESG financing through the project designed to solve local issues (livestock excretion treatment) using biomass power generation and to build a local-production-for-local-consumption model for energy in Kimotsuki Town, Kagoshima Prefecture, where animal husbandry is the key industry.



Woody Biomass Power Plant



Agriculture, forestry, and fisheries industries

The Group aims to help further develop agriculture, forestry, and fisheries, which are the region’s key industries, through ESG financing in order to revitalize the local economy. In 2014, we founded Kagoshima Olive Co., Ltd. in collaboration with the city government of Hioki City, Kagoshima Prefecture. This initiative is an attempt to create jobs and revitalize the local economy and has been selected by the Ministry of the Environment as an example of local ESG financing. We also worked in cooperation with a local food trading company in Hong Kong to increase sales channels for farm produce. In 2017, we opened a Japanese restaurant called “Kappo ro ann” that serves dishes using produce from Kumamoto Prefecture. With Kappo ro ann positioned as our antenna shop for produce from Kumamoto, we provide information about Kumamoto’s local food and promote the exportation. We are also trying to entice overseas travelers in Hong Kong to visit Kumamoto.



Kagoshima Olive Co., Ltd.

Tourism

The Group supports the promotion of local tourism through its investment and lending activities. In 2016, we founded Kumamoto DMC Co., Ltd. in collaboration with Kumamoto Prefecture. We not only grant a loan to Kumamoto DMC but also send our employees to help the company provide information about the prefecture’s local food and tourist attractions, create local offerings for tourists, and make other promotional efforts revolving around food and tourism for regional revitalization. We have invested in Aso Kuju National Park Hotel & Resort through a fund, dispatched our officers and employees and also provide loan services since 2018. The company runs a rest house and a hotel in the Senomoto Plateau in Aso that was struck by the Kumamoto Earthquake. In November 2018, we organized the Aso Region Recovery Fair in San-ai. We aim to revitalize the region to help Aso recover from the devastation caused by the Kumamoto Earthquake.



Aso Kuju National Park Hotel & Resort

FY2019 Balance of ESG-related investments and loans

¥1,227.2 billion

We were awarded a silver prize in the lending service category of the 1st ESG Finance Awards Japan hosted by the Ministry of the Environment for our comprehensive ESG financing initiatives (e.g., to actively grant loans to projects for renewable energy or for agriculture or tourism, the key local industry, through the promotion of the SDGs and ESG financing in the main business).



Creating a Sustainable Society

Initiatives to protect the environment

The Kyushu Financial Group considers climate change and other environmental risks as critical business issues and has been taking various courses of action to deal with environmental risks. The Group also believes that actions toward a decarbonized society can generate business opportunities.

In June 2019, we announced our support for the TCFD Recommendations as part of our initiative to disclose information relevant to climate change.

Formulation of the “Green Procurement Guidelines”

The Group formulated the “Green Procurement Guidelines” in order to focus further on its efforts to protect the environment. The entire Group is working to help create sustainable local communities through environmentally conscious purchases.

1. The Group promotes the purchase of products and services designed to help reduce environmental burdens as part of its environmentally conscious management, thereby contributing to the creation of sustainable local communities.
2. Basic stance
 - (1) When purchasing a product or service, take account of the following viewpoints to help reduce environmental burdens, in addition to price and quality:
 - Can this product/service be used for a long time?
 - Is a good part of the product made from recycled materials or made of reused parts?
 - Is the product reused or recycled?
 - Is it easy to dispose of this product?
 - Will the product likely help cut the total cost, including the disposal cost?
 - (2) Think carefully about whether the product/service is really necessary so that we make minimum purchases.
 - (3) Use the product/service properly for a long time.

Higo Bank and Kagoshima Bank uses 100% recycled copy paper and have discontinued the use of plastic bags given to customers.

Environmentally Conscious Office Design and Business Operation

We have adopted the following for our new business assets and operation as part of our environmentally conscious efforts:

- Solar and wind power equipment
- LED lighting
- Environmentally friendly buildings for the main branch and branches (rainwater utilization systems, roof greening, utilization of natural light, temperature control using the double-skin facade)
- Permeable asphalt pavement
- Introduction of environmentally friendly vehicles such as electric cars and electric motorcycles
- Paperless internal materials



Environmentally friendly branch

Environmental Conservation Activities

We have planted approximately 130,000 trees since 2006 for carbon offsets in Aso Daikan no Mori in collaboration with the Foundation for the Preservation of Green and Water Resources of Higo. Based on the Kagoshima Environment Partners Agreement, we participate in the “afforestation project by companies to nurture the environment” and work on forest management focused on thinning.

Moreover, starting from 2011, to conserve groundwater and reduce abandoned farm land, officers and employees of the Group plant rice in May and harvest it in October each year at the fields named the *Aso Mizukake no Tanada* (Aso terraced rice paddies). Moreover, focusing on the groundwater recharge capacity of Aso's vast grasslands, we support the ASO Grassland Restoration Committee, which is engaged in grassland maintenance activities. In response to requests from customers who wish to make a social contribution, our business partners also participate in tree planting and rice planting. The total number of volunteers has exceeded 23,000.



Support and Action for the TCFD Recommendations

In June 2019, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD)* Recommendations as part of our initiative to disclose information relevant to climate change.



*The private sector-led task force was established according to the recommendations of the Financial Stability Board in December 2015 for the purpose of reinforced disclosure of corporate information concerning climate change.

Governance	The Group Management Council of the Group discusses its policy and material matters pertaining to climate change. It also reports updates to the Board of Directors as necessary, ensuring appropriate supervision by the Board of Directors. [Subjects for discussion and reporting pertaining to climate change] Formulation of the Guideline for Investments and Loans, the Green Procurement Guidelines, the Sustainability Declaration, and the entire sustainability framework																										
Strategies	The Group recognizes that initiatives to protect the environment, including those related to the mitigation of climate change, as important challenges. The entire Group works together to practice environmentally-friendly management in accordance with the Sustainability Declaration it has issued. Higo Bank and Kagoshima Bank-our subsidiaries-have formulated their own environmental policies as part of this Group-wide effort. - Identify priority environmental issues (i.e., identify the key challenges of the entire sustainability framework). - Support projects that contribute to curbing climate change, such as reducing carbon dioxide emissions toward a decarbonized society. (The Guideline for Investments and Loans) We plan to explore the possibility of scenario analysis to consider the risks of climate change and how we could turn the risks into opportunities.																										
Risk management	The Group is aware that physical and transition risks resulting from climate change will have effects on its business operation, strategies, and financial plans of the Group. - The front-line sales office and the loan-related department that conducts loan inspection examine, by taking into consideration ESG elements, whether the loan application meet ESG criteria. - We have established the Green Procurement Guidelines to promote environmentally conscious purchases across the Group. We will work on establishing a system that will enable us to take actions within the framework of comprehensive risk management.																										
Numerical targets and goals	<div>- Changes in greenhouse gas emissions</div> <table><tr><th colspan="3">Measured Item</th><th>FY2017</th><th>FY2018</th><th>FY2019</th></tr><tr><td rowspan="3">CO₂ emissions (Unit: t-CO₂)</td><td>Scope 1</td><td>Direct emissions</td><td>1,249</td><td>1,243</td><td>1,195</td></tr><tr><td>Scope 2</td><td>Indirect emissions</td><td>12,581</td><td>11,391</td><td>10,927</td></tr><tr><td colspan="2">Total</td><td>13,830</td><td>12,634</td><td>12,122</td></tr></table> <div>- We will continue to work toward setting Science Based Targets (SBT).</div>					Measured Item			FY2017	FY2018	FY2019	CO ₂ emissions (Unit: t-CO ₂)	Scope 1	Direct emissions	1,249	1,243	1,195	Scope 2	Indirect emissions	12,581	11,391	10,927	Total		13,830	12,634	12,122
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	Total		13,830	12,634	12,122																						

Creating a Sustainable Society

Initiatives for local communities

To “demonstrate the function of promoting regional industries,” which is one of its basic strategies in the 2nd Medium-Term Management Plan, the Group applies the perspectives of the SDGs and ESG criteria to its investment and lending services, the mainstay of its business, and actively supports businesses that contribute to creating sustainable local communities, such as the region’s key industries including agriculture, forestry, fisheries, and tourism and disaster recovery.

In addition to our main business, we are committed to offering education on finance for the public, supporting local sports teams, and protecting cultural heritage in an effort to help realize a vigorous local community, which is part of our management philosophy.

Establishment of a Crowdfunding Company

In January 2020, we established Glocal Crowdfunding Inc., a crowdfunding company, with the aim of providing growth capital for business operators in Kyushu to help solve local issues. We are determined to act as a bridge between local resources, business operators seeking a way to make their ideas a reality, and investors across Japan who are eager to help these businesses.



Establishment of and Investment in Joint Funds for Regional Revitalization

Higo Bank and Kagoshima Bank established joint funds for assistance through investments in order to help find solutions to various issues facing the local communities and assist customers who have been affected by the Kumamoto Earthquake with their recovery efforts.

- Higo/Kagoshima Regional Vitalization Fund
- KFG Regional Enterprise Support Fund
- KFG Agri-Fund
- Kumamoto Recovery Support Fund
- Kumamoto Mirai Sosei Fund

Joint funds
cumulative total

Total **63** projects / **¥9.8** billion

Support for Business Succession

We actively support businesses facing the lack of successors due to a declining birth-rate and aging population in the region. Higo Bank has worked with a leading local company on the issue of the lack of business successors. The effort was recognized as “a contribution to the continuation and development of a company facing the absence of a business successor,” and Higo Bank was selected as the Deal of the Year at the 7th M&A Bank of the Year.



Deal of the Year

Promotion of Local Culture and Sports

We actively support local culture and sports. Our efforts include making donations to the recovery and restoration of cultural properties damaged by the Kumamoto Earthquake, including Kumamoto Castle and Aso Shrine, supporting local sports teams, and officially sponsoring major sporting events.

We are working to contribute to the region through athletic sports by providing opportunities for female track and field athletes within the prefecture.



Higo Bank Women's Ekiden Club



Kagoshima Bank Athletics Club

Initiatives to Help Improve Financial Literacy and Promote the SDGs in the Region

To improve financial literacy in the region, we offer a workshop called “money class” for children in local elementary, junior high, and senior high schools. In FY2019, we set up a new curriculum designed for children to learn about the SDGs as part of our efforts to help them develop their skills needed to make the right decisions in the coming years of their lives. We are also working to promote the SDGs, such as by creating our own leaflet about the SDGs and using them as tools for our sales activities.



Money class

Initiatives to Create and Increase Employment in the Region

The Group contributes to job security in the region through its efforts to actively employ local talent. In 2016, we made a joint investment with local businesses to establish an agricultural company named Haru Ichiban. This venture aims to help find solutions to issues facing the agricultural, forestry, and fisheries sectors, which are the key local industries. Those issues include a decline in the number of workers, the aging workforce, and the lack of successors. Haru Ichiban aims to create new forms of agriculture to make the agricultural sector an appealing workplace for younger generations and thereby increase workers. Moreover, we have run the program “Job Center Sawayaka” since 2018. This program offers on-the-job training at our bank for people with disabilities in the region to help them find employment and become independent, which will help create more employment opportunities for them in the local communities.



Agricultural Company, Haru Ichiban Co., Ltd.

Initiatives to Promote Tourism in the Region

In October and November 2019, we held an outdoor program that included “glamping” at the Kirishima-Kinkowan National Park in Ibusuki City. This program was part of the project designed to invigorate tourism by using the area in the Kirishima-Kinkowan National Park. The project was based on the National Park Official Partner agreement established between Kagoshima Bank and the Ministry of the Environment in June 2018. It aims to revitalize the local economy by making local resources more appealing and increasing visitors through the newly developed outdoor activities.



Initiatives to Build Disaster-resistant Communities

Higo Bank made emergency wells as local water stations for daily use at 10 locations in Kumamoto Prefecture, including the premises of its main branch, by FY2019. In February 2020, Kagoshima Bank signed the Agreement on Support of People Stranded on their Way Home During Natural Disaster with Kagoshima City, with a part of the annex to its new main branch designated as “temporary emergency accommodations.” Other efforts we make to help create disaster-resistant communities include the launch of banks on wheels used in an emergency at the time of a disaster and assistance with the development of business continuity plans (BCP) to prepare for various disasters in order to address the issue that only a limited percentage of local businesses have their BCPs at the ready. After the Heavy Rain Event of July 2020, we provided financial support for payments and relief supplies pursuant to the Agreement on Mutual Assistance at the Time of a Disaster signed in April of the same year between Higo Bank, Kagoshima Bank, Oita Bank, and Miyazaki Bank.



Emergency well

First Winner of the Japan Quality Award (leading company category) in the banking business

The Japan Quality Award was established in December 1995 by Japan Productivity Center to facilitate companies' qualitative change to internationally competitive business structures. The Award is given to a company with an “excellent management framework” designed to run the whole of the company's business from customers' perspective and keep creating new value through self-innovation. Higo Bank was the only award-winning company in FY2019 and is the first winner in the banking industry.



Corporate Governance

Basic Philosophy on Corporate Governance

The Group complies with laws and regulations and ensures appropriate business decision-making and the execution of operations to realize its management philosophy, and strives to achieve a high degree of management transparency, openness to the public, and soundness of operation to enhance corporate governance.

Our Basic Stance on the Corporate Governance System

- (1) We clearly define supervision and execution in order to establish an environment that allows the Board of Directors to focus on the supervision of the performance of Directors' duty, thereby ensuring the effectiveness of corporate governance.

(2) The Board of Directors delegates decision-making on the execution of individual operations to Senior Management wherever possible unless it involves matters specified in laws and regulations or the articles of incorporation, or material matters of execution of operations such as policies, strategies, or plans pertaining to the company's operation.
- (3) We have in place and leverage optional internal bodies, including the Group Management Council and other various committees, in order to support Senior Management in prompt and decisive decision-making, thereby ensuring flexible execution of operations and enhancing our corporate governance.

(4) We leverage objective views offered by our outside officers wherever possible in order to ensure the fairness and transparency of our decision-making process pertaining to our operation.

Efforts to Enhance Corporate Governance

We have taken the following actions to establish solid corporate governance in accordance with the Basic Philosophy on Corporate Governance:

- (1) We clearly define Directors' management responsibilities, and give Directors only a one-year term so that we remain capable of promptly responding to changes in the business environment.

(2) We have introduced the executive officer system in order to separate the "functions of business decision-making and supervising the performance of Directors' duty" for which Directors should be responsible and the "function of executing operations" for which Executive Officers should be responsible. The separation has led to clear definitions of Directors' and Executive Officers' roles and responsibilities, systematically enabling flexible and efficient execution of operations.

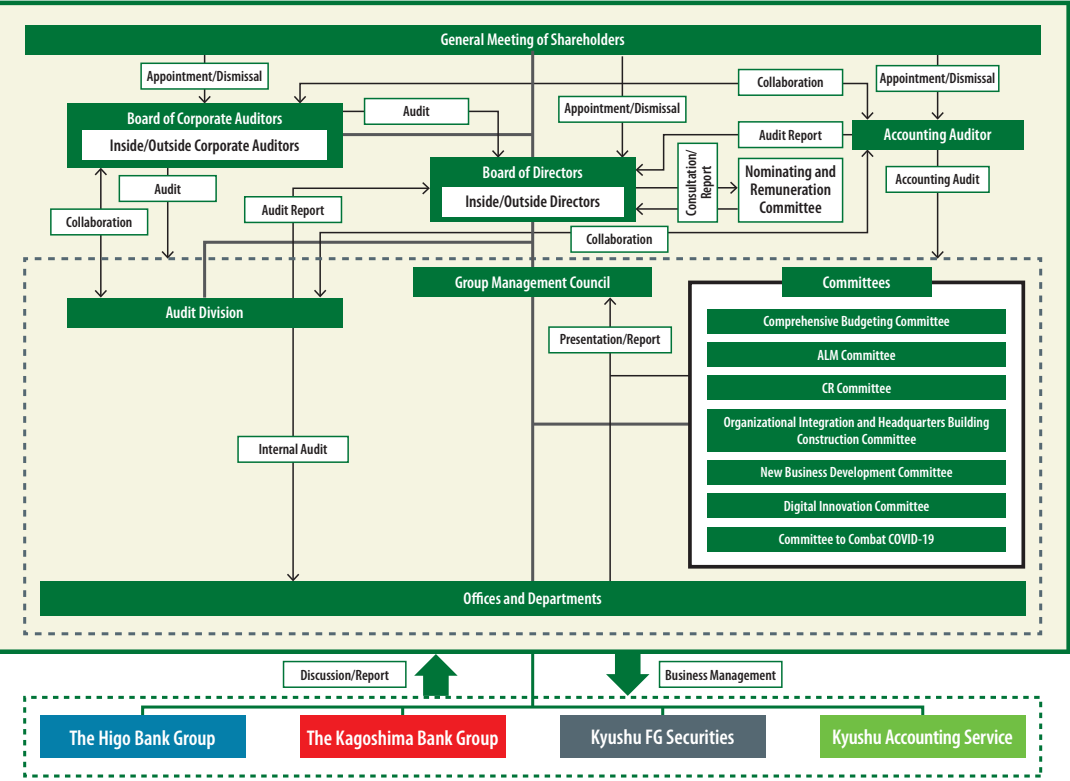
(3) We appoint more than one outside officer (i.e., two Outside Directors and three Outside Corporate Auditors) to leverage their objective views wherever possible, thereby ensuring the fairness and transparency of our decision-making process pertaining to our operation.
- (4) We have the Office of the Board of Corporate Auditors with dedicated staff to assist with Corporate Auditors' duty in an effort to ensure efficient performance of Corporate Auditors' duty and independence of Corporate Auditors.

(5) We have the Nominating and Remuneration Committee as the advisory body to the Board of Directors in order to make our decision-making process fairer and more transparent, through focused discussions and exchanges of opinions between Representative Directors and outside officers about matters pertaining to the nomination of and remuneration to our Directors and Executive Officers (hereinafter "Management" (Directors and Executive Officers)) and Corporate Auditors.

The Reason for Adopting a Structure of a Company with a Board of Corporate Auditors

The Company has decided that it is appropriate to have an established framework in which the Board of Directors that consists of 11 Directors (including two Outside Directors) supervises business decision-making and the performance of Directors' duty, and five Corporate Auditors (including three Outside Corporate Auditors) and the Board of Corporate Auditors audit the status of the decision-making and supervision, thereby enhancing management efficiency and strengthening corporate governance. Hence, we have adopted the current form as a company with a board of corporate auditors.

Corporate governance system of the Group



The following are the links to our corporate governance-related documents:

- Corporate Governance Framework: <https://www.kyushu-fg.co.jp/company/governance.html>
- Corporate Governance Guidelines (PDF): https://www.kyushu-fg.co.jp/company/pdf/201512_governance_gideline.pdf
- Corporate Governance Reports (PDF): https://www.kyushu-fg.co.jp/company/pdf/202006_gavarnance_houkokusho.pdf

Summary of Our Management Structure

<Board of Directors and Directors>

The Board of Directors comprises nine Directors from the Group who are thoroughly familiar with the financial business, as well as two Outside Directors who have a high degree of independence in supervising the entire management of the Group from a neutral and objective perspective. The main role of the Board is making decisions on matters stipulated by laws and regulations and the Articles of Incorporation, as well as important operational matters related to the management of the Group (e.g., material matters concerning management strategies, compliance with laws and regulations, risk management, and customer protection and management), and supervising the execution of duties by the Directors.

<Board of Corporate Auditors and Corporate Auditors>

The Board of Corporate Auditors comprises two Corporate Auditors from the Group who are thoroughly familiar with the financial business and possess suitable knowledge of finance and accounting, as well as three Outside Corporate Auditors (including one female Corporate Auditor) who have a high degree of independence in conducting audits to secure Group soundness and legality from a neutral and objective perspective. The Board carries out audits of the operations and financial conditions of the Group based on the Standards for Audits Conducted by Corporate Auditors, etc. In addition, the Board of Corporate Auditors has set the evaluation standards for the Accounting Auditor and policies for dismissal or non-reappointment. It regularly evaluates the performance of the Accounting Auditor, and determine the details of proposals to be submitted to the general meeting of shareholders regarding appointment, dismissal or non-reappointment of the Accounting Auditor.

<Nominating and Remuneration Committee>

This Committee, composed of two Representative Directors and two outside officers, has been established for the purpose of raising the transparency and fairness of the decision-making process and contributing to strengthening

corporate governance through focused discussions and exchanges of opinions pertaining to the nomination and remuneration of our management (Directors and Executive Officers) and Corporate Auditors.

<Group Management Council>

The Group Management Council comprises Representative Directors and Executive Officers, etc. above the position of Managing Executive Officer, and deliberates and make decisions on matters delegated by the Board of Directors as well as deliberates important matters regarding the Group's management, and works to enrich and enliven the discussions for prompt and decisive decision making.

<Committees under the Group Management Council>

The following seven committees each regularly discuss matters for which they are responsible in order to effectively, efficiently, and promptly address the Group's cross-organizational issues. They submit and report material matters to the Group Management Council or the Board of Directors.

A. Comprehensive Budgeting Committee

The Comprehensive Budgeting Committee discusses the Group's overall budget, progress toward goals, and cross-organizational issues, among others, based on the Medium-Term Management Plan.

B. ALM Committee

The ALM Committee discusses the management of and policy on the Group's comprehensive risk, credit risk, market risk, and liquidity risk, along with matters regarding Group-wide revenue management, investments, and procurement.

C. CR Committee

The CR Committee discusses management of operational risk of the Group and development of crisis management system. It also discusses cross-organizational issues related to the verification of effectiveness and appropriateness of the Group's legal compliance system, and compliance with laws and regulations.

D. Organizational Integration and Headquarters Building Construction Committee

The Organizational Integration and Headquarters Building Construction Committee discusses the integration (e.g., integration and unification) of the Group's organizations and functions, along with matters concerning the construction of the headquarters building.

E. New Business Development Committee

The New Business Development Committee discusses matters concerning new businesses launched to help increase the Group's consolidated revenue, the exploration of new revenue sources, and new domestic and overseas markets for our business domains.

F. Digital Innovation Committee

The Digital Innovation Committee discusses matters concerning the development, implementation, and evaluation of effectiveness of policies and strategies regarding how to take advantage of digital technologies adopted to change the Group's marketing and business processes and how to develop the infrastructure for these technologies.

G. Committee to Combat COVID-19

The Committee to Combat COVID-19 discusses how to facilitate Group-wide information sharing pertaining to the Group's response to COVID-19 and what initiatives the Group has launched for customers and the local economy.

Evaluation of the Effectiveness of the Board of Directors and Our Efforts to Enhance the Effectiveness

We analyze and evaluate the overall effectiveness of the Board of Directors annually, referring to our Directors' self-evaluations. The board meeting held in May 2020 conducted the analysis and evaluation for FY2019 based on self-evaluations of all Directors and Corporate Auditors that encompassed how the Board of Directors is composed and how it operates. The meeting concluded that the overall effectiveness of the Board of Directors is ensured,

and agreed that the following are the challenges that should be met to facilitate even more active discussions at board meetings.

- Having even fuller discussions at the Nominating and Remuneration Committee
- Having more extensive and in-depth discussions about medium- and long-term issues in order to increase sustainable corporate value

Executive Remuneration System

(1) Policy on executive remuneration specified in our Corporate Governance Guidelines

Remuneration, bonuses, and other financial benefits in exchange for the performance of duty that our Directors and Corporate Auditors receive from us (hereinafter "remuneration and other benefits") shall be determined by resolution of our general shareholders meeting.

The 1st Ordinary General Meeting of Shareholders held on June 21, 2016 resolved that the remuneration to Directors would be capped at ¥25 million (including ¥3 million to Outside Directors) and the remuneration to Corporate Auditors at ¥10 million.

(2) Composition of executive remuneration and other benefits

Remuneration and other benefits to our management and Corporate Auditors consist solely of basic remuneration (monthly remuneration). The basic remuneration (monthly remuneration) to our Representative Directors, Directors above the position of Managing Executive Officers, and full-time Directors (excluding Outside Directors) and Executive Officers consists of defined salaries and performance-linked fees. The percentage of performance-linked fees included in basic remuneration (monthly remuneration) and the payment standards for these fees are submitted to the Nominating and Remuneration Committee for deliberation and determined by the Board of Directors. The table below shows the detailed percentages.

- Performance-linked fees included in basic remuneration (monthly remuneration) comprises 20 percent of the total annual remunera-

tion paid to management entitled to these fees.

- The payment of performance-linked fees shall be based on the consolidated net income that indicates the overall state of the Group's operation. The payment rate is determined according to how much has been achieved toward the target value for the fiscal year set in the 2nd Medium-Term Management Plan.

(3) Process for determining the amounts of remuneration and other benefits or how to calculate the amounts

The Board of Directors and (the Board of) Corporate Auditors have the authority to finalize the policy on the determination of the amounts of remuneration and other benefits to the Group's officers or of how to calculate the amounts. The details of the authority and the scopes of their discretion are as stated below.

- Remuneration to Directors shall be determined by the Board of Directors through a fair and transparent deliberation within the amount resolved at the General Meeting of Shareholders. Opportunities to appropriately involve Outside Directors for advice are provided during this process.
- Remuneration and other benefits to Corporate Auditors are treated separately from remuneration and other benefits to Directors and determined through discussions among Corporate Auditors within the amount resolved at the General Meeting of Shareholders.

We also have the Nominating and Remuneration Committee as the advisory body to the Board of Directors concerning the nomination of and remuneration to management and Corporate Auditors. We follow the processes specified below when we make decisions regarding remuneration to management.

- The total amount of remuneration to management for each fiscal year is submitted to the Nominating and Remuneration Committee for deliberation and determined by the Board of Directors.
- The exact amount of remuneration to each management member is submitted to the Nominating and Remuneration Committee for deliberation and determined by the President within the total amount of remuneration for the fiscal year determined by the Board of Directors.

Policy for Selection of Director and Corporate Auditor Candidates

(1) Policy for selection of Director candidates

Candidates for Director are selected at the Board of Directors and are appointed at the General Meeting of Shareholders.

Director candidates are selected in accordance with the policy stated below, provided that they fulfill the requirements provided under laws and regulations:

- Select a well-balanced mix of candidates for Director from within the Group who has knowledge, experience, and skills in the fields of operation, sales, and management in financial operations, and is well versed in the economic and social situations.
- Select several Outside Director candidates who have the knowledge, experience, and skills in the fields that should be complemented from the viewpoint of group management, and do not conflict with the Independence Standards established by the Group (see below).

(2) Policy for selection of Corporate Auditor candidates

Candidates for Corporate Auditor are selected at the Board of Directors and are appointed at the General Meeting of Shareholders.

Corporate Auditor candidates are selected in accordance with the policy stated below, provided that they fulfill the requirements provided under laws and regulations:

- Select at least one Corporate Auditor candidate from within the Group who has knowledge, experience, and skills in the fields of operation, sales, and management in financial operations and is well versed in the economic and social situations, as well as has appropriate knowledge about finance and accounting.
- In addition to possessing the knowledge that should be complemented from the viewpoint of group management, half or more of the total number of candidates for Outside Corporate Auditor shall not conflict with the Independence Standards established by the Group (see below).

(3) 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.
10. 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.
11. Under these standards, if an outside officer who is judged as possessing independence loses independence, he or she shall notify the Company promptly.
12. 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).

Management

Directors

Chairman and Representative Director

Sumihiro Matsuyama

President of The Kagoshima Bank, Ltd.

Attendance at the Board of Directors meetings:
10 out of 10



President and Representative Director

Yoshihisa Kasahara

President of The Higo Bank, Ltd.

Attendance at the Board of Directors meetings:
12 out of 12



Director and Managing Executive Officer

Toru Hayashida

Director of Kyushu FG Securities, Inc.

Director of Kyushu Accounting Service Co., Ltd.

Attendance at the Board of Directors meetings:
12 out of 12



Director and Managing Executive Officer

New election

Norihisa Akatsuka

Director of Kyushu FG Securities, Inc.



Director and Managing Executive Officer, General Manager of Compliance and Risk Management Division

New election

Eichi Eto

Director and Managing Executive Officer of The Higo Bank, Ltd.



Director and Managing Executive Officer

New election

Hiroyuki Tanaka

Managing Executive Officer of The Kagoshima Bank, Ltd.



Director and Executive Officer, General Manager of Corporate Planning Division

Tadataka Tokunaga

Director of Kyushu Accounting Service Co., Ltd.

Attendance at the Board of Directors meetings:
10 out of 10



Director

Takahiro Kai

Chairman of the Higo Bank, Ltd.

Attendance at the Board of Directors meetings:
12 out of 12



Director

Motohiro Kamimura

Chairman of the Kagoshima Bank, Ltd.

Attendance at the Board of Directors meetings:
12 out of 12



Director

Outside Independent

Katsuaki Watanabe

Corporate Auditor of Sumitomo Electric Industries, Ltd.

Attendance at the Board of Directors meetings:
10/12 meetings



Director

Outside Independent

Yuji Nemoto

Professor of Toyo University

Attendance at the Board of Directors meetings:
12 out of 12



Corporate Auditors



Corporate Auditor (Full-time)

Yuichi Tanabe

Corporate Auditor of The Higo Bank, Ltd.

Attendance at the Board of Directors meetings:
12 out of 12

Attendance at the Board of Corporate Auditors meetings:
13 out of 13



Corporate Auditor

Hirofumi Kaigakura

Corporate Auditor of The Kagoshima Bank, Ltd.

Attendance at the Board of Directors meetings:
12 out of 12

Attendance at the Board of Corporate Auditors meetings:
13 out of 13



Outside Independent

Corporate Auditor

Kenichi Sekiguchi

Senior Advisor of Meiji Yasuda Life Insurance Co.

Attendance at the Board of Directors meetings:
12 out of 12

Attendance at the Board of Corporate Auditors meetings:
13 out of 13



Outside Independent

Corporate Auditor

Katsuro Tanaka

Senior Managing Partner of TMI Associates

Attendance at the Board of Directors meetings:
11 out of 12

Attendance at the Board of Corporate Auditors meetings:
12 out of 13



Outside Independent

Corporate Auditor

Yuko Tashima

Partner Attorney of Sawayaka Law Office

Attendance at the Board of Directors meetings:
12 out of 12

Attendance at the Board of Corporate Auditors meetings:
13 out of 13

Executive Officers



Executive Officer

Tsutomu Tajima

Director and Managing Executive Officer of The Higo Bank, Ltd.



Executive Officer, General Manager of Personnel / General Affairs Division

Seiji Yamamoto



Executive Officer, General Manager of Audit Division

Naoya Otsuka

Executive Officer of The Higo Bank, Ltd.

Ensuring Compliance

Compliance Basic Policy

The Group positions compliance as one of the most crucial management issues, and is engaged in thorough compliance based on the following three principles.

1. We recognize our social responsibilities and public mission, and we earn the trust of society through the sound and appropriate operation of our business.

2. We adhere to laws and regulations, rules and internal regulations, and we carry out sincere and fair corporate activities based on social norms and management philosophy.

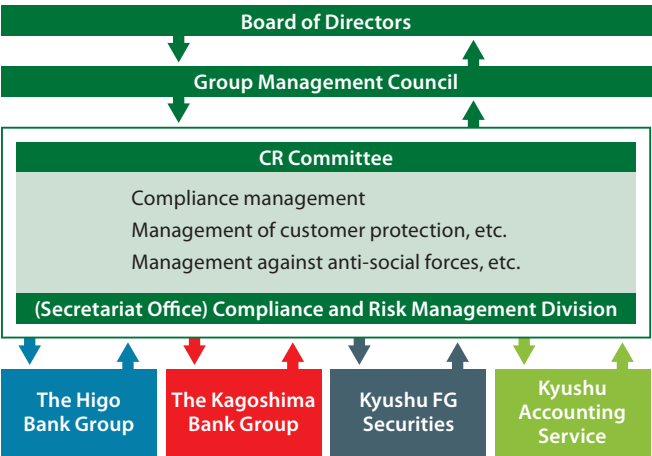
3. In order to ensure the soundness and appropriateness of our business operations, we break off any relations with anti-social forces, etc. that threaten the order and safety of society.

Compliance Management System

The Group is engaged in thorough compliance by establishing the "Compliance Basic Policy," which sets out its basic stance and approach towards compliance.

The Group has established a Compliance and Risk Management Division as a division to oversee compliance matters of the Group, and convenes the Compliance and Risk Management Committee chaired by the President. In the Committee, we report and hold discussions on the status of compliance management and the status of management to prevent money laundering, in our efforts to maintain and enhance our compliance system.

Additionally, we have formulated a compliance program as a specific practical plan to achieve thorough compliance and by doing so we are engaged in the strengthening of our compliance system.



Customer and Personal Information Protection

Customer protection

The Group develops a system for management of customer protection, etc. as part of its efforts to protect customers' interest and improve the convenience for customers. Specifically, we classify customer protection management into five categories: customer explanation management, customer support management (response to customer inquiries and complaints), customer information management, outsourcing management, and conflict of interest management. We ensure that each of these categories is appropriately managed.

Personal information protection

The Group develops a system for appropriate management of customer information to ensure that the Group's officers and employees comply with the Act on the Protection of Personal Information, the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures, and other relevant laws and regulations, and consequently to ensure appropriate protection and use of customer information. We appropriately take care of customer information and make sure it is kept accurately and confidentially to prevent loss or leakage, thereby ensuring that customer information is safely managed.

Whistleblowing System

We have set up a whistleblowing system called Compliance Hotline as part of our efforts to improve our self-corrective function. All officers and employees across the Group can directly report to the Hotline, facilitating the prevention as well as early detection and correction of compliance-related problems including the violation of

laws and regulations. We try to make it as easy as possible for our officers and employees to use the system by taking appropriate measures so that whistleblowers will not be identified, and establishing rules that forbid disadvantageous treatment of a person who has made a report.

Response to the Financial ADR System

Our subsidiaries have contracts with the designated ADR institutions shown in the table below in order to resolve complaints and disputes from a fair and neutral standpoint.

Designated ADR Institutions	Higo Bank and Kagoshima Bank		Kyushu FG Securities
	Customer Relations Center, Japanese Bankers Association	Trust Consultation Center, Trust Companies Association of Japan	Financial Instruments Mediation Assistance Center

Exclusion of Anti-Social Forces

The Group is resolutely against anti-social forces who pose a threat to the order and safety of civil society, and we are carrying out efforts to create a system that blocks out relations with anti-social forces, as well as making efforts to eradicate all dealings with antisocial forces. Specifically, we are strengthening our response towards the

exclusion of dealings with anti-social forces through the creation of a response policy and regulations, etc. against anti-social forces, the expansion of Group-wide anti-social forces database, and the introduction of anti-social forces exclusionary provisions in our legal contracts.

Our Basic Response Policy to Anti-Social Forces is available on our website.

<https://www.kyushu-fg.co.jp/antisocial>



Initiatives for Preventing Money Laundering, etc.

With the recognition that the deterrence of organized crime by preventing money laundering and terrorism financing ("money laundering, etc.") is a universal issue, the Group is fully committed to preventing money laundering, etc. as one of the highest priorities in the management of its business, and complies with all relevant laws and regulations to address the issue. Specifically, the Group establishes unified policies and regulations for the issue throughout the Group, ensures conducting checks at the time of transaction, detects any unusual transactions through systems and other tools, and makes notification on any suspicious transactions to prevent money laundering, etc.

[The Group's major initiatives]

- In April 2019, the Money Laundering and Other Financial Crime Control Office was set up within the Compliance and Risk Management Divisions at Higo Bank and Kagoshima Bank, respectively, in order to enhance the system for prevention and management of money laundering, etc.
- In April 2019, Higo Bank and Kagoshima Bank revised their Risk Assessment Reports pertaining to the Prevention of Money Laundering, etc. (documents prepared by specified business operators) (hereinafter the "Risk Assessment Reports").

In addition to enhancing various training systems and encouraging employees to obtain relevant qualifications, we take continuous measures to prevent money laundering, etc. in accordance with the Risk Assessment Reports.

Our Basic Policies for Preventing Money Laundering and Terrorism Financing is available on our website.

<https://www.kyushu-fg.co.jp/antisocial/financingstop.html>



Risk Management Efforts

Risk Management Basic Policy

The Group positions risk management as one of the most crucial management issues to respond to the trust given by its customers, shareholders, officers and employees and the local community.

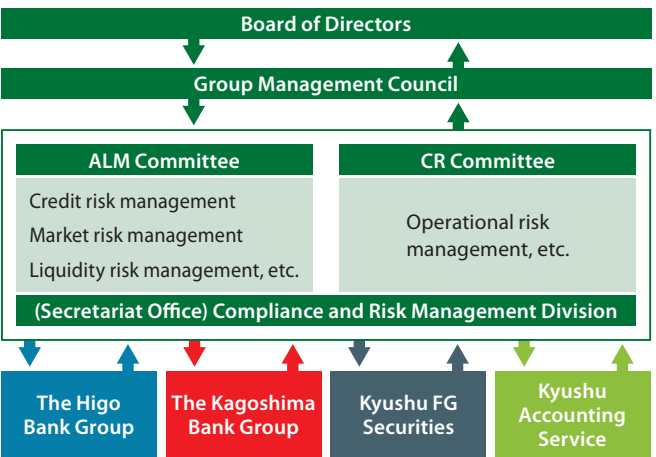
Our operation focuses on striking a balance between stable

earnings and sound and appropriate management practices in order to establish a solid business foundation. For this purpose, we accurately identify all risks across the Group to properly keep those risks within the control of the Group's corporate strength (equity capital).

Risk Management System

The Group positions risk management as one of the most crucial management issues, and works together with the Company and Group companies to strengthen risk management.

The Group is working to build a risk management system by establishing the Compliance and Risk Management Division as a division to assume overall control for the Group's risk management, and convening the ALM Committee and Compliance and Risk Management Committee, both chaired by the President, to report and discuss about the status of credit risk, market risk, liquidity risk and operational risk.



Our Integrated Risk Management

While the Group controls and manages Group-wide risks by category, it practices comprehensive risk management. With this approach, we form an integrated picture of risks specific to the Group that individual Group companies are unable to handle (e.g., the spread of risks across the Group) in order to compare and contrast the risks with the Group's corporate strength (equity capital) for the purpose of management.

■ Integrated risk management

To optimize the Group's risk and return, we quantitatively and qualitatively identify and assess credit risk, market risk, liquidity risk, and operational risk in order to take appropriate actions before or after the occurrence of events as necessary, thereby practicing integrated risk management to keep those risks within the control of the Group's corporate strength (equity capital).

■ Credit risk management

Credit risk refers to the risk of the Group incurring losses from the depreciation or loss of value of an asset (including off-balance assets) through the deterioration of financial condition of a party granted credit by the Group.

Credit risk management involves the timely and accurate assessment and evaluation of credit risk to the Group, and, through the appropriate management of the risk, we work to maintain the soundness of our assets and secure stable earnings.

■ Market risk management

Market risk refers to the risk of the Group incurring losses from the fluctuation of values of assets and liabilities (including off-balance types) as well as the risk of fluctuation in earnings generated from assets and liabilities, due to various market risk factors, including interest rates, exchange rates, and stocks.

Market risk management involves the timely and accurate assessment and evaluation of market risk to the Group. We strive to secure earnings through the active undertaking of a certain level of market risk, and the appropriate management of such risk.

■ Liquidity risk management

Liquidity risk refers to the risk of the Group incurring losses from difficulties in securing the necessary fund or having to procure funding at interest rates significantly higher than usual, owing to a timing mismatch between the investment and fund procurement or an

unexpected outflow of fund (cash management risk). It also refers to the risk of the Group incurring losses from the inability to perform transactions in the market owing to market confusion, etc., or being required to perform transactions at values significantly more unfavorable than usual (market liquidity risk).

In liquidity risk management, the Group works to ensure funding management that is stable, appropriate, and suitable to the structure of the fund procurement and investment activities of the Group.

■ Operational risk management

Operational risk collectively refers to administrative risk, system risk, legal risk, personnel risk, tangible asset risk, reputational risk, and information asset risk. These risk categories are defined as follows:

[Administrative risk]

Administrative risk is the risk of the Group incurring losses from officers' or employees' negligence in accurately performing their administrative duties, or an accident or wrongdoing caused by them during the course of their administrative operations.

[System risk]

System risk is the risk of the Group incurring losses from a system defect or misuse of a computer, such as a downed computer system or malfunction.

[Legal risk]

Legal risk is the risk of the Group incurring losses from violation of laws and regulations, the conclusion of an inappropriate contract, or other legal causes.

[Personnel risk]

Personnel risk is the risk of the Group incurring losses from the outflow or loss of human resources, a reduction in employee morale, inadequate human resource development, inappropriate work environment and work conditions, unfair and unjust human resource management practices (problems with remuneration, allowances, dismissals, etc.), and discriminatory behavior (such as sexual harassment).

[Tangible asset risk]

Tangible asset risk is the risk of the Group incurring losses from damage to tangible assets (movable property or real estate, such as "land and buildings," "facilities attached to buildings," and "fixtures and equipment" that are owned or leased) due to natural disasters, crime or defective asset management, etc.

[Reputational risk]

Reputational risk is the risk of the Group incurring losses from a loss in credit owing to a worsening reputation or the circulation of rumors.

[Information asset risk]

Information asset risk is the risk of the Group incurring losses from the destruction, loss, alteration, leakage, theft, misuse, etc. of information assets.

In operational risk management, we strive to minimize the various operational risks by assessing and evaluating the various operational risks in a timely and accurate manner, and then appropriately dealing with the risks in advance or after the fact, as necessary.

■ Cybersecurity risk management

The Group practices appropriate cybersecurity risk management according to the scale and characteristics of the risks inherent to the companies of the Group in order to deal with various threats facing the Group, including cyberattacks, unauthorized access, and computer viruses.

Specifically, we have established the CSIRT (Computer Security Incident Response Team), consisting of the relevant departments, under the supervision of the CISO (Chief Information Security Officer), and are working to upgrade our management system and prevent the spread of any damage.

■ Risk management related to external factors (e.g., large-scale natural disasters and infectious diseases)

If the Group's branch, system center, or any other facility is damaged by an external factor such as a large-scale natural disaster (e.g., a big earthquake, unprecedented heavy typhoon, or torrential downpour) or an outbreak of an infectious disease, suffer any loss of human resources necessary for the Group's operations, and the whole or part of the Group's business becomes difficult to continue, the Group may incur losses from having to respond to these issues.

If such an event occurs, we accurately assess and evaluate the overall situation of the Group, and work closely with the Company and Group companies as necessary in order to take appropriate actions, thereby minimizing the risk.

Risk Appetite Framework

Overview of the Risk Appetite Framework

Operational structure of the risk appetite framework

The Group operates its risk appetite framework (hereinafter, the "RAF") as a pillar of its management strategies that are aligned with the Group management philosophy.

As the first step, the Group Management Council forms its view on the external environment including the macro economic environment, regulatory environment, and competitive environment, and discusses future risk events such as economic recessions and financial market disruptions.

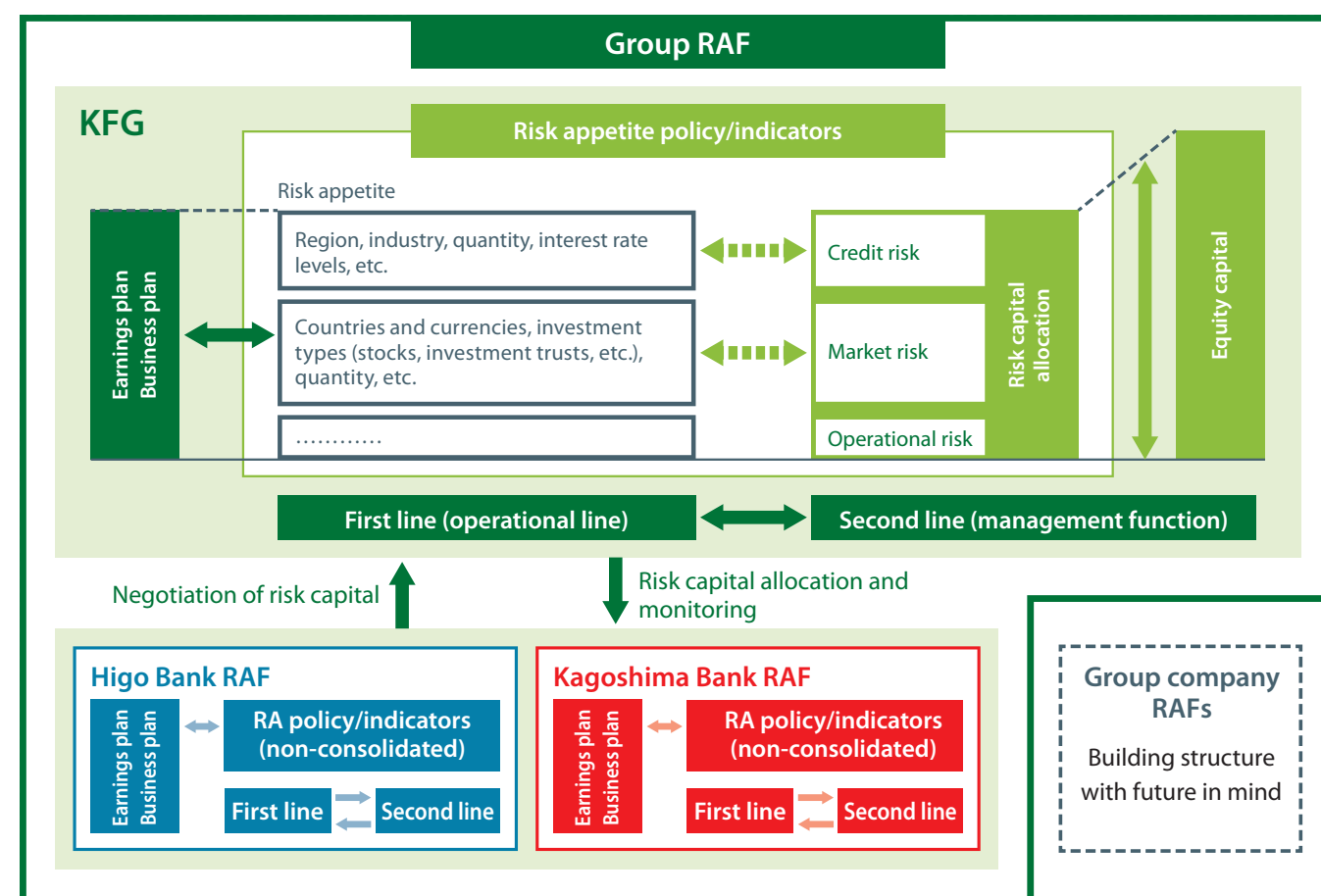
The Group Management Council then determines the Group's future risk appetite policy^{*1} and risk appetite indicators^{*2} based on the said policy in reference to the strategies we have adopted in the past and the challenges we have identified.

In operating the RAF, the Group Management Council monitors risk appetite indicators on a periodical basis, provides regular reports to the Comprehensive Budgeting Committee, ALM Committee, and other bodies which are under the Group Management Council's umbrella, and reviews the Group's strategy as needed.

^{*1} Basic policy on business and financial strategies and risk-taking

^{*2} Quantitative indicators we establish in accordance with our risk appetite policy

Group RAF



Initiatives as a regional financial institution

As stated in our risk appetite policy, we prioritize risk-taking in our local community as much as possible to help achieve the sustained growth of a vibrant local community as a regional financial institution. In FY2020, we have included the amount spent on measures to

combat COVID-19 as a risk appetite indicator and are supporting these measures. We will continue to serve the needs of our local customers during these uncertain times.

Risk Appetite Policy and Indicators

The Group's risk appetite policy is as follows:

Risk Appetite Policy

- (1) Place emphasis on the balance between stable earnings and sound and appropriate management practices
(From the Risk Management Basic Policy)
- (2) Prioritize risk-taking in the local community as much as possible for the sustained growth of a vibrant local community
- (3) Make investments and provide loans with a clear understanding of risks and avoid excessively focusing on profitability to prevent risk concentration in specific areas

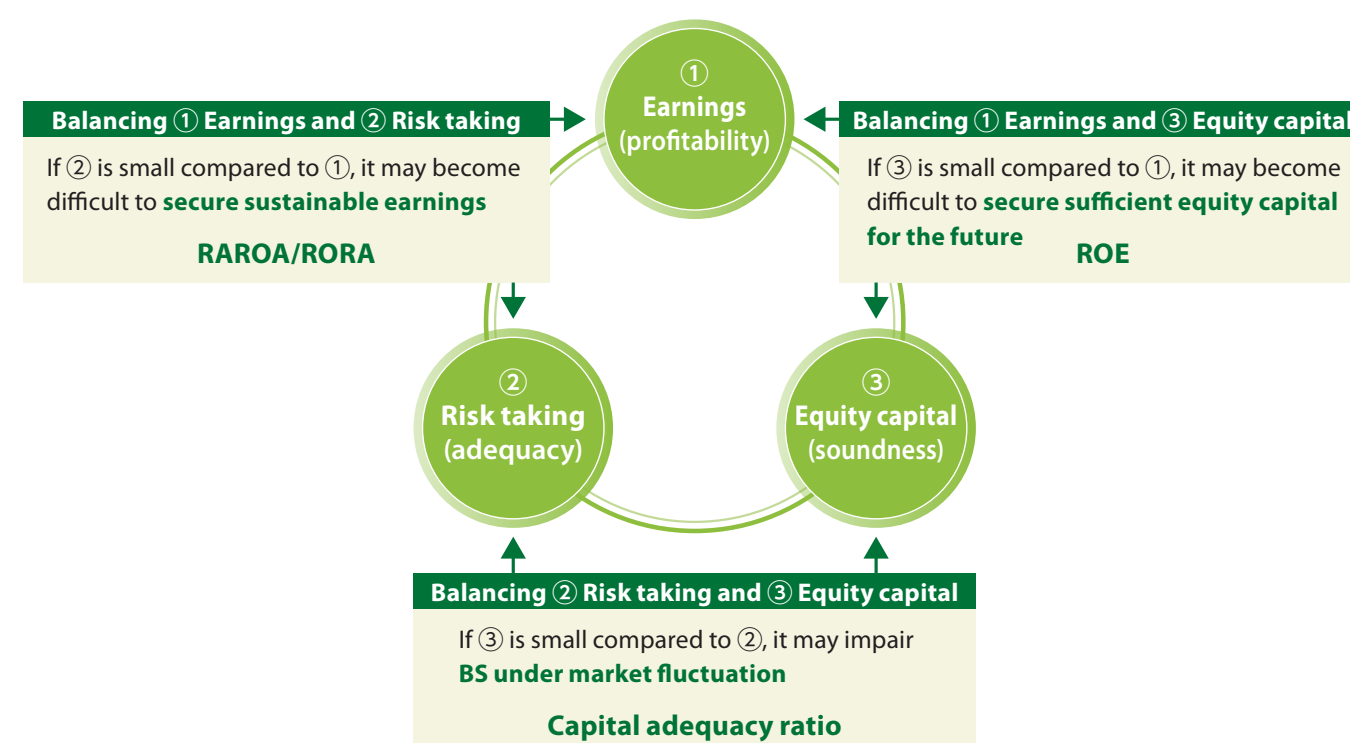
As a regional financial institution, our policy is to prioritize risk-taking in the local community as much as possible for the sustained growth of the local community and to place emphasis on the balance between profitability on one hand and soundness and appropriateness on the other while eliminating risk concentration in specific areas. Based on this risk appetite policy, we develop specific strategies and measures and determine management resource allocation and earnings plans.

In addition, we quantitatively monitor capital, earnings power, and other factors that support our sustained growth and corporate value using consolidated capital adequacy ratios, consolidated ROE (shareholders' equity), RAROA, RORA, and others, as risk appetite indicators.

With these efforts, we will endeavor to enhance our consolidated earnings power by building an appropriate portfolio.

- Enhancing consolidated earnings power by building an appropriate portfolio with an emphasis on the balance among the whole Group's (1) earnings, (2) risk-taking, and (3) equity capital.

Significance of balancing earnings/risk taking/equity capital

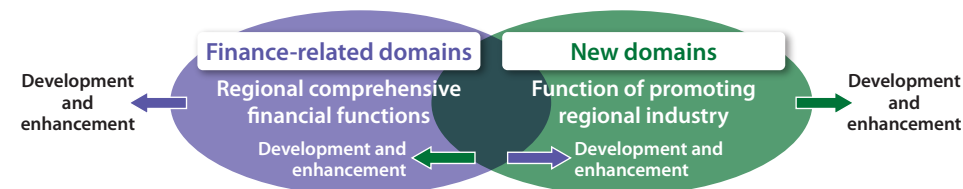


Strengthening of the Group's Human Resources

The Group identifies the strengthening of the Group's human resources as one of the basic strategies under its 2nd Medium-Term Management Plan and is mobilizing the entire Group to enhance human resources management and development in order to nurture specialists to implement strategies and to achieve optimal staffing.

Expanding Areas for Human Resources Development

As a corporate group, we will nurture human resources who can support the long-term growth of our customers and region and help build a vibrant local community as stated in our management philosophy. This is to be done through the performance of not only the core business of the Group, which is the comprehensive regional financial function, but also the function of promoting regional industries.



The Group's Human Resources Development

Human resources development for new areas (wider and more diverse areas)

We provide an environment to focus on the development of human resources who will lead the Group in the future, positioning new businesses, innovation exploration, and commercialization as the development areas of the Group, in order to expand our function of promoting regional industries.

Kyushu Financial Group

- Human resources development for new areas (wider and more diverse areas): overseas studies and language learning, FinTech business strategy seminars
- Development of future management executives of the Group: training programs for next-generation leaders
- Further nurturing of a sense of oneness as the Group: joint professional development programs (new recruits and fifth year staff members)



Human resources development to upgrade finance-related areas

We proactively offer opportunities that enable our employees to have diverse experience under a structure for supporting the autonomous growth of each employee in order to aggressively deepen and strengthen our financial operations.

Internship at Blue Lab Co., Ltd.

An internship offered under the Career Challenge program to develop human resources who can create next-generation businesses and new culture

Shiina Kubo, Business Strategy Division, Kyushu Financial Group

Working in a city that is home to many FinTech companies enabled me to obtain information in an amount, quality, and freshness, which were different from a regional city. I was able to develop insights especially in next-generation business models and services. Utilizing this experience, I am currently working in a section in charge of developing new businesses.



Internship in New York

(Daiwa Capital Markets America Inc.)

An internship to learn business English, nurture and expand global perspectives, and conduct research and study of the US finance markets

Hayato Umeki, Market Finance Division, Kagoshima Bank

During my internship, I learned about securities operations in English and was able to improve my English-language skills and acquire more knowledge about securities operations. I was assigned to the Market Finance Division upon my return to Japan and am utilizing my experience during the internship in foreign bonds.



Diversity Management

Workstyle reform <Kyushu Financial Group>

In addition to introducing a wider range of workstyle options such as allowing employees to start working from early in the morning (from 6 a.m.) or working in staggered hours to improve productivity as well as enabling employees to have a sufficient rest time between work times to maintain their physical and mental health, we also proactively promote teleworking through the use of the state-of-the-art ICT technologies.

In particular, our teleworking initiatives played an important role in ensuring business continuity under the current crisis as part of our measures to combat COVID-19, enabling each business line to conduct its businesses from various locations under the three-team structure. As a foundation for the workstyle reform in the new head office building scheduled to be completed in 2021, we will continue to organize the teleworking environment and actively promote teleworking in our operations.



Joint development and introduction of a peeping prevention app

Iku Boss, Yoka Boss <Higo Bank>

In January 2019, Higo Bank made an Iku Boss, Yoka Boss declaration and joined the Iku Boss corporate alliance with the aim of becoming a bank whose employees can feel a sense of pride and happiness through their work while unleashing their abilities to the full and respecting the diversity of each individual employee.

In June, Higo Bank prepared a specific action plan as an Iku Boss, Yoka Boss company, and has been working on the creation of a diverse workplace where employees can nurture a sense of awareness as an Iku Boss, Yoka Boss company and reach their potential while feeling a sense of fulfillment and satisfaction in their work.



Iku Boss, Yoka Boss declaration

* We were the first private company headquartered in Kumamoto Prefecture which made an Iku Boss declaration and joined the Iku Boss corporate alliance.

* Iku Boss is a term defined by a non-profit organization, Fathering Japan. It refers to a supervisor who supports both career and private life of his or her staff members with attention to work-life balance, while achieving good results for the organization and enjoying his or her own career and private life.

* Yoka Boss is a term defined by Kumamoto Prefecture and refers to a supervisor who supports his or her staff members in their efforts to make their lives satisfying through work, marriage, parenting, etc., while endeavoring to make his or her own work and private lives fulfilling.

* The Iku Boss corporate alliance is a network of companies which proactively works on transforming the awareness of their respective managers and develop ideal supervisors (Iku Boss) in a new era based on the awareness of the needs for Iku Boss in response to the increasingly diversifying needs of corporate employees.

■ Initiatives to empower women

<Higo Bank> <Kagoshima Bank>

Higo Bank and Kagoshima Bank respectively prepared a general employers' action plan in the spring of 2016 under the Act on the Promotion of Female Participation and Career Advancement in the Workplace (for a three-year period from FY2016 to FY2019 for Higo Bank and a four-year period from FY2016 to FY2020 for Kagoshima Bank), in an effort to create an employment environment that enables women to continue working, engage in diverse types of work, and advance their career. This has led to the development of female managers and officers and enabled many women to engage in a broad range of duties.

Going forward, we will endeavor to create a workplace environment where all employees are able to fully utilize their abilities according to their individual strengths through initiatives such as individual interviews, group training sessions, provision of information exchange opportunities, and the operation of in-house daycare centers, under the annual action plans.

* Higo Bank prepared a new action plan in April 2020 (for a three-year period from FY2020 to FY2022) after the initial plan had ended.

Act on the Promotion of Female Participation and Career Advancement in the Workplace: Targets and Results

■ Ratio of women in managerial positions

	Target	Result
Higo Bank	8% or more (Initially 5.2%)	10.2% [34 people]
Kagoshima Bank	—	4.0% [12 people]

■ Ratio of women in senior staff-level positions

	Target	Result
Higo Bank	20% or more (Initially 15.9%)	23.0% [188 people]
Kagoshima Bank	20% or more (Initially 16.2%)	19.3% [176 people]

■ Women in corporate sales positions

	Target	Result
Higo Bank	—	48 people (Women in loan liaison positions)
Kagoshima Bank	50 people or more (Initially 7 people)	46 people (Have worked in corporate sales for at least a year)

■ Parenting support initiatives

<Higo Bank> <Kagoshima Bank>

Following the enactment of the revised Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members on October 1, 2017, we have been working on creating an environment where our employees are able to work with a sense of security by establishing various systems, including childcare leave and shorter work hours, which offer the same or better level of flexibility as those required by laws.

Higo Bank opened an in-house daycare center, Higokko no Mori Daycare Center, in April 2015, while Kagoshima Bank opened its in-house daycare center, Kagin Daycare Center Yumeiro, in October 2016. In addition, we endeavor to disseminate information on various work-related systems to our employees through professional development and other opportunities in order to promote their use of these systems and understanding of our support for employees who are balancing their home and work responsibilities. By doing so, we aim to create an environment where not only women but also men find it easier to fulfill their work and parenting responsibilities. We have also held meetings and professional development courses for those currently taking or who have returned to work from a childcare leave.

In recognition of these ongoing efforts to support childrearing employees, Higo Bank and Kagoshima Bank have received a platinum kurumin certification under the Act on Advancement of Measures to Support Raising Next-Generation Children.

* For three consecutive years, Higo Bank was recognized by Kumamoto City for its excellent support for employees who were raising children. The bank also won an Excellence Award in the Japan Productivity Center women's empowerment awards.

Received a *platinum kurumin* certification under the Act on Advancement of Measures to Support Raising Next-Generation Children



Higokko no Mori Daycare Center



Kagin Daycare Center Yumeiro

■ Number of staff who took childcare leave (total of two banks) in FY2019

108 men <Higo Bank: 36> <Kagoshima Bank: 72>	156 women <Higo Bank: 96> <Kagoshima Bank: 60>
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■ Meetings to exchange opinions on work-life balance

<Higo Bank> <Kagoshima Bank>

To enable a broad range of human resources to fully utilize their abilities in view of the aging of the population and the falling birth rate, we hold meetings to exchange opinions and seminars as needed to achieve an appropriate work-life balance through diverse and flexible workstyles.

<Higo Bank> September 2019

Meeting to exchange opinions on work-life balance



Twenty-four people participated from 9 companies/organizations. A meeting was held to exchange opinions on the theme entitled "unconscious bias: accepting diversity and raising workplace productivity."

<Kagoshima Bank> November 2019

Seminar to support hardworking dads and moms



Twenty-seven people (of whom, sixteen were children) consisting of bank employees and their families participated in the meeting. A lecture and an exchange of opinions were held on dietary education and disaster prevention.

Health Management

■ Certified as a 2020 Health & Productivity Management Outstanding Organization (White 500)

<Higo Bank>

Following its certification in FY2019, Higo Bank was again recognized for its health management efforts under the Certified Health & Productivity Management Organization Recognition Program operated by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.

The Program recognizes enterprises that approach health management of their officers and employees from a business perspective, strategically engage in health management, and implement outstanding initiatives.

Higo Bank believes that the physical and mental health of its officers and employees and their families are vital to nurturing an abundance of creativity and establishing a free-spirited corporate



culture where people respect one another, as set out in its corporate philosophy. Based on this belief, the bank made a Health Management Declaration in January 2019.

■ Health management through a ban on smoking

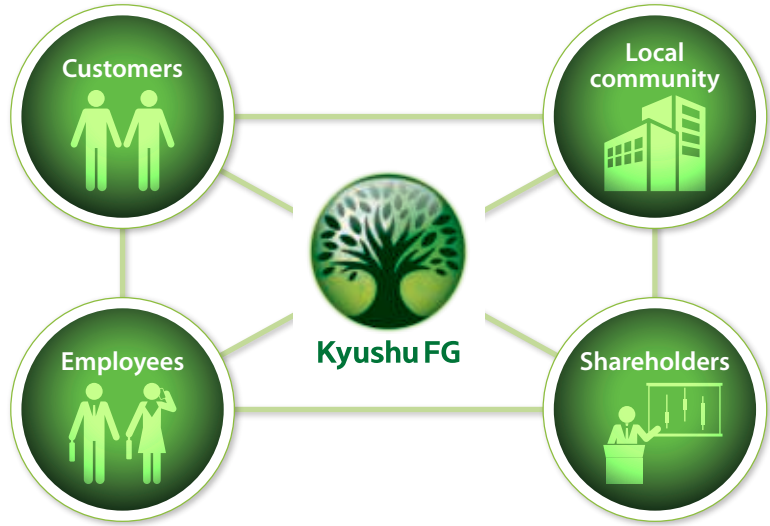
<Kyushu Financial Group>

The Group banned smoking during work hours and inside its premises (indoors) in April 2020 to promote the health of its employees through the prevention of passive smoking and a ban on smoking from the viewpoint of facilitating health management. This initiative is a response to the Act on the Partial Revision of the Health Promotion Act, which came into full effect on April 1, 2020, and is designed to help achieve one of the Sustainable Development Goals (SDGs) established by the United Nations, which is, "Ensure healthy lives and promote well-being for all at all ages."



Stakeholder Communication

The Group aims to become a comprehensive financial group which is truly favored by its customers, shareholders, local community, and other stakeholders. We will contribute to the sustained development of a whole society through active communication and appropriate information disclosure.



Main methods of communication with stakeholders	
Customers	Gathering customer feedback, dialogue via branch counters and sales reps
Employees	Various opinion exchange meetings, employee awareness surveys, etc.
Shareholders	General meeting of shareholders, investor briefings, individual meetings, etc.
Local community	Social contribution activities, financial education activities, supporting initiatives

Efforts to Improve Customer Satisfaction

Customer-centered Business Conduct

We have established the Basic Policies concerning Customer-centered Business Operations as the group-wide basic policy and announce our Action Plan and its implementation status on a regular basis in order to ensure customer-centered business conduct and to further promote initiatives that will lead to the stable asset building and best interest of our customers.

Under the Group's management philosophy of responding to the trust and expectations of customers and providing optimal, high-level comprehensive financial services to its customers, we will improve measures to embed these Basic Policies throughout the Group and work on offering the optimal and best comprehensive financial services to realize the best interest of our customers.

Development of a Structure to Meet Customers' Trust and Expectations

We conduct NPS® surveys to reflect the voice of our customers in our business operation.

The NPS® survey is designed to gauge the level of trust and loyalty customers have toward a company, brand, product or service. We sincerely accept the result of this survey to improve our business operation in the future.

Organizing and improving our transaction environment

In addition to organizing and improving the online and mobile banking environment, we offer services that make transactions with our banks easier. For instance, our customers can use ATMs in both banks to deposit funds or make card loan repayments for the accounts they have with either of the bank. We also offer a smartphone payment service, PayB, so that our customers can make payments without visiting our branches.

At the same time, we are making our transaction environment simpler, safer, and speedier, through the introduction of additional functions such as a cardless withdrawal service using smartphone and the voice print authentication function.



Smartphone payment service PayB

Smartphone ATM withdrawal service (cardless)

Bank on wheels

We have introduced bank on wheels to improve customer convenience and ensure business continuity during the times of disaster. Using this service, we provide financial services in the areas with few bank branches and respond to emergency situations caused by disasters to help residents in our local community.

We sent our bank on wheels to the areas affected by the heavy rains in July 2020.



Bank on wheels

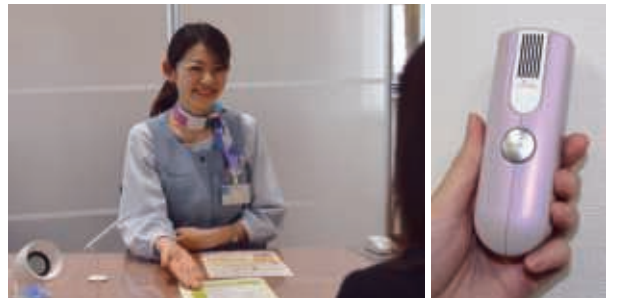
Barrier-free initiatives

We are working on making our branches and facilities barrier free so that all our customers can visit our branches with a sense of security.

We are endeavoring to improve our services to cater to the various needs of our customers. For instance, we have introduced at all branches a tabletop speech assistance device called "comuoon," which allows customers who are hard of hearing to hear the voices of bank staff more clearly, as well as a portable hearing aid called "Voice Messe."



Mobile ATM vehicle



comuoon

Voice Messe

Launch of Adult Guardianship Deposit Account

With the aging of the population, the ratio of people suffering from dementia is increasing.

In response to this situation, we launched on July 1, 2020 the Adult Guardianship Deposit Account.

This deposit account (ordinary savings account) can be opened for customers using the adult guardianship system (i.e., adult ward) and is designed to manage money that is not used in the normal course of their lives separately from money required for ordinary purchases. The opening of an account and all transactions using the account including depositing, withdrawing, and cancellation require a directive issued by a family court. This allows a ward's properties to be managed in a highly transparent and appropriate manner.

Communication with Shareholders

Communication with Shareholders and Investors

The Group values dialogue with its shareholders and investors for its sustained growth and medium- and long-term improvement of its corporate value and works to develop a structure for promoting constructive dialogue.

General Meeting of Shareholders

Based on the recognition that the general meeting of shareholders is a forum for constructive dialogue with shareholders, the Group works to vitalize the meeting and improve the environment so that shareholders can smoothly exercise their voting rights.

Specifically, we send out a notice of the general meeting of shareholders before the due date stipulated by law and disclose it on our website and on the Tokyo Stock Exchange website before it is sent out. We also started using the Netto-de-shoshu (online convocation notice) service from this year, which allows our shareholders to easily view convocation notices on their smartphones or tablets.

To improve the environment for the exercise of voting rights, we have adopted an electronic voting platform for institutional investors operated by ICJ, Inc. We also organize an environment that enables our shareholders to exercise their voting rights easily using the internet, smartphones, etc.

In 2020, we held our general meeting of shareholders on June 19 in order to avoid peak days. On the day of the meeting, in addition to holding the meeting at the main venue (Kagoshima City for this year), we livestreamed the meeting via the internet at another venue (Kumamoto City for this year) to make the meeting accessible to a greater number of shareholders.



2020 general meeting of shareholders

Financial Results Briefing Sessions and Dialogue with Investors

We hold briefing sessions for analysts and institutional investors semi-annually where our management explain our business strategies and financial conditions, among other matters. In June of this year, in response to the COVID-19 pandemic, we streamed a video of our management's briefing on our website. We also actively held individual meetings using a telephone conference system and other means.

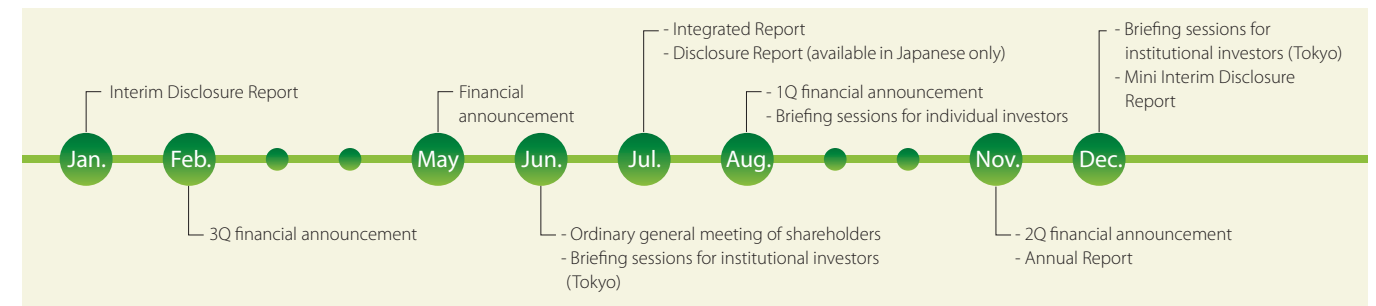
For our overseas investors, we annually participate in conferences organized by securities companies to create an opportunity for dialogue with them. (The conference scheduled for March this year was cancelled due to the COVID-19 pandemic.)

In addition, in FY2016, we began holding management's briefing sessions for individual investors in Kumamoto, Kagoshima, and Fukuoka.



Company briefing session (video streaming)

IR Calendar



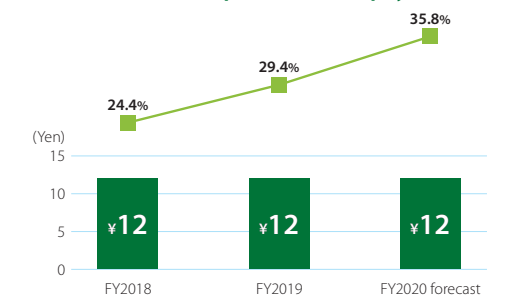
Shareholder Return

Dividends

Our basic dividend policy is to provide stable dividends through profit growth while improving capital efficiency and enhancing internal reserves.

Based on this policy and our intention to prioritize the return of profits to our shareholders, we paid a dividend of ¥12 per share (payout ratio: 29.4%) in FY2019.

Cash dividends per share and payout ratio



Share buybacks

The Group bought back approximately 11.6 million of its own shares during the period between November 13, 2019 and February 12, 2020, in order to increase shareholder value through improved capital efficiency.

We will continue to work to further raise our corporate value through improved capital efficiency and enhanced shareholder return.

- What is a share buyback?

A share buyback refers to a company's repurchase of its own shares using its own funds.

The purchase and retirement of a company's own shares will reduce the total number of issued shares, and raise the company's book value per share (BPS) and earnings per share (EPS), ultimately resulting in an increase in its corporate value.

IR Magazines

We practice highly transparent information disclosure providing information on companies, businesses, the Group's initiatives, etc.



Kyushu Financial Group magazine



Mini Interim Report

Review of FY2019 and Analysis of Our Performance

Operating Results

During the fiscal year under review, corporate earnings remained high in the Japanese economy amidst improving employment conditions, and consumer spending remained relatively robust even after the consumption tax hike. While housing investment was bearish, capital investment continued to gradually increase, and public investment remained steady. On the other hand, the impact of trade friction between the US and China caused overseas economies to slow down, and production and exports became sluggish. Overall, the Japanese economy continued its moderate recovery, but saw a sudden downturn towards the end of the fiscal year due to the spread of COVID-19.

In this economic environment, the Nikkei index recovered to the ¥24,000 level, owing to expectations that US-China trade talks will resume and the implementation of monetary easing measures by the FRB and other central banks. However, due to the impact of COVID-19, it plunged to the ¥16,000 level at one point towards the end of the fiscal year. The exchange rate was roughly ¥110 against

the dollar at the beginning of the fiscal year, but the yen appreciated against the dollar due to the impact of COVID-19, rising at one point to the ¥101 level.

As for our regional economy, although there was some weakness in the areas of production activities and consumption, employment conditions remained strong, and overall the regional economy followed a moderate recovery track. The region's tourism had some positive factors, including Rugby World Cup 2019 in Japan, but signs of weakness were seen amid the impact of deteriorated relations between Japan and South Korea and a backlash of a tourism spike in Kagoshima Prefecture driven by the popularity of "*Segodon*," a period serial drama that ran on NHK TV in 2018. In terms of investment, the amount of private sector investment remained high, led by redevelopment projects. In Kumamoto Prefecture, disaster recovery-related investment has decreased gradually. Th effect of COVID-19 has extended across a wide range of industries toward the end of the fiscal year and the regional economy has slowed substantially.

Results of operation

Regarding operating results for the current consolidated fiscal year, ordinary income increased 1,817 million yen from the previous consolidated fiscal year to 172,140 million yen due to an increase in other operating income and other factors resulting from an increase in gains on sales of securities including Japanese government bonds and acquisition of a subsidiary.

On the other hand, ordinary expenses increased 8,502 million yen from the previous consolidated fiscal year to 145,106 million yen due to increase in other expenses and other factors resulting from an increase in loss on impairment of securities and other factors.

As a result, ordinary profit decreased 6,684 million yen from the previous consolidated fiscal year to 27,033 million yen. Meanwhile, net income attributable to owners of parent decreased 3,941 million yen from the previous consolidated fiscal year to 18,261 million yen.

Financial conditions

Regarding the financial position at the end of the current consolidated fiscal year, total assets increased 635,207 million yen from the end of the previous consolidated fiscal year to 11,079,796 million yen, and total equity decreased 32,563 million yen from the end of the previous consolidated fiscal year to 619,754 million yen.

Regarding the balances of primary accounting items, the balance of deposits increased 198,764 million yen from the end of the previous consolidated fiscal year to 8,766,321 million yen.

The balance of loans and bills discounted increased 333,763 million yen from the end of the previous consolidated fiscal year to 7,186,901 million yen.

The balance of securities increased 204,086 million yen from the end of the previous consolidated fiscal year to 2,216,941 million yen.

Key Financial Data

Summary of consolidated financial results

	Millions of yen, unless otherwise indicated					Thousands of U.S. dollars, unless otherwise indicated (Note 1)
	FY2019	FY2018	FY2017	FY2016	FY2015	FY2019
Consolidated ordinary income	172,140	170,322	164,696	172,216	131,224	1,581,732
Consolidated trust fees	41	—	—	—	—	376
Consolidated ordinary profit	27,033	33,717	29,381	21,532	25,606	248,396
Net income attributable to owners of the parent	18,261	22,202	19,395	14,602	108,471	167,793
Consolidated comprehensive income	(20,805)	27,012	23,971	15,336	99,452	(191,169)
Consolidated net assets	619,754	652,317	633,548	615,035	605,309	5,694,698
Consolidated total assets	11,079,796	10,444,589	10,084,039	9,638,577	8,939,965	101,808,288
Net assets per share (yen/U.S. dollars)	1,404.71	1,436.34	1,374.67	1,334.98	1,308.94	12.90
Net income per share (yen/U.S. dollars)	40.70	49.12	42.67	32.12	316.70	0.37
Diluted net income per share (yen/U.S. dollars)	—	—	—	—	—	—
Capital adequacy ratio (%)	5.5	6.2	6.1	6.2	6.6	
Consolidated return on equity (%)	2.8	3.4	3.1	2.4	24.2	
Consolidated price-to-earnings ratio (times)	10.1	9.1	12.3	21.2	2.0	
Net cash provided by (used in) operating activities	195,306	(32,408)	(65,602)	295,430	(77,324)	1,794,597
Net cash provided by (used in) investing activities	(222,741)	325,890	253,711	130,489	37,950	(2,046,687)
Net cash used in financing activities	(11,805)	(8,243)	(5,458)	(5,598)	(3,601)	(108,471)
Cash and cash equivalents at end of year	1,169,723	1,208,955	923,705	741,053	320,712	10,748,166
Number of employees	4,561	4,579	4,615	4,648	4,685	
[average number of temporary employees]	[819]	[831]	[870]	[935]	[962]	
Trust properties	2,586	—	—	—	—	23,761

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.
2. Transactions of the Company and consolidated subsidiaries are recorded at amounts exclusive of consumption tax and local consumption tax.
3. The Company was established on October 1, 2015 as the joint holding company of The Higo Bank, Ltd. (hereinafter "Higo Bank") and The Kagoshima Bank, Ltd. (hereinafter "Kagoshima Bank") as a result of the business integration of the two banks. As business combination accounting was carried out at the establishment of the Company, with Higo Bank as the acquiring company, the consolidated results of operation for the year ended March 31, 2016 incorporates consolidated results of operation for the year ended March 31, 2016 of Higo Bank, the acquiring company, Kagoshima Bank's consolidated results of operation for the period from October 1, 2015 to March 31, 2016, and the Company's results of operation for the period from October 1, 2015 to March 31, 2016, as well as necessary adjustments associated with the combination accounting, such as gains on negative goodwill.
4. "Diluted net income per share" is not reported as there are no dilutive shares.
5. "Capital adequacy ratio" is "net assets at the end of the period" less "noncontrolling interests at the end of the period," divided by total assets at the end of the period.
6. Trust properties are the amount of the trust properties related to the trust business as provided in the Act on Engagement in Trust Business by a Financial Institution. Of the consolidated companies, Higo Bank and Kagoshima Bank are the companies that operate the relevant trust business.

Non-consolidated total of the two Banks (Higo Bank and Kagoshima Bank)

	Millions of yen					Thousands of U.S. dollars (Note)
	FY2019	FY2018	FY2017	FY2016	FY2015	FY2019
Ordinary income	139,042	140,986	137,171	149,843	147,687	1,277,607
Gross income from business	105,546	103,821	99,124	103,769	109,342	969,824
Net interest income	88,795	93,044	91,786	92,464	93,457	815,905
Expenses (excluding non-recurring expenses)	70,099	69,731	71,045	74,046	75,529	644,114
Net income from core business	29,785	34,025	31,780	29,815	31,803	273,683
Net income from business	34,817	34,605	32,966	28,246	36,476	319,920
Ordinary profit	34,775	35,588	33,682	28,524	39,285	319,535
Net income	24,096	24,520	23,303	19,602	25,525	221,409

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.

	Billions of yen					Thousands of U.S. dollars (Note 1)
	FY2019	FY2018	FY2017	FY2016	FY2015	FY2019
Balance of deposits	8,779.2	8,581.3	8,590.7	8,297.6	7,837.3	80,668,933
Balance of loans	7,254.6	6,896.0	6,486.3	6,111.1	5,695.3	66,659,928
Balance of assets under management	1,224.4	1,207.8	1,123.0	1,087.2	1,038.1	11,250,574

Notes: 1. U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.
2. The amounts of balance of assets under management for FY2017 and later include those of Kyushu FG Securities.

Consolidated Financial Statements

Consolidated Balance Sheet

March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	2020	2019	2020
ASSETS:			
Cash and due from banks	¥ 1,173,509	¥ 1,211,471	\$ 10,782,955
Call loans and bills bought	388	314	3,565
Monetary claims purchased	14,542	10,557	133,621
Trading assets	876	1,183	8,049
Money held in trust	18,746	18,621	172,250
Securities	2,216,941	2,012,855	20,370,679
Loans and bills discounted	7,186,901	6,853,138	66,037,866
Foreign exchange assets	13,273	12,419	121,960
Lease receivables and investment assets	67,150	52,606	617,017
Other assets	285,610	191,314	2,624,368
Fixed assets	108,885	98,306	1,000,505
Intangible assets	11,011	9,317	101,176
Asset for retirement benefits	4,681	5,857	43,012
Deferred tax assets	9,301	972	85,463
Customers' liabilities for acceptances and guarantees	35,927	33,893	330,120
Reserve for possible loan losses	(67,950)	(68,241)	(624,368)
Total assets	¥ 11,079,796	¥ 10,444,589	\$ 101,808,288
LIABILITIES AND EQUITY:			
Liabilities:			
Deposits	¥ 8,766,321	¥ 8,567,557	\$ 80,550,592
Call money and bills sold	12,733		116,998
Payables under repurchase agreements	232,754	207,630	2,138,693
Borrowing under securities lending transactions	647,317	479,347	5,947,964
Trading liabilities	11		101
Borrowed money	594,946	402,402	5,466,746
Foreign exchange liabilities	82	172	753
Borrowed money from trust account	2,586		23,761
Other liabilities	158,278	81,540	1,454,360
Liability for retirement benefits	2,437	2,785	22,392
Reserve for repayments for dormant deposits	2,101	2,267	19,305
Reserve for contingent losses	473	484	4,346
Reserve under special laws	0	0	0
Deferred tax liabilities	37	10,114	339
Deferred tax liabilities related to land revaluation	4,028	4,076	37,011
Acceptances and guarantees	35,927	33,893	330,120
Total liabilities	10,460,041	9,792,272	96,113,580
Equity:			
Common stock			
authorized, 1,000,000,000 shares;			
issued, 463,375,978 shares in 2020 and 2019	36,000	36,000	330,791
Capital surplus	199,636	198,362	1,834,383
Retained earnings	379,006	366,087	3,482,550
Treasury stock, at cost, 23,464,212 shares in 2020 and 11,862,526 shares in 2019	(10,771)	(5,270)	(98,970)
Accumulated other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities	74,783	58,987	687,154
Deferred gains (losses) on derivatives under hedge accounting	(61,458)	(7,915)	(564,715)
Excess of land revaluation	5,779	5,855	53,101
Defined retirement benefit plans	(5,024)	(3,575)	(46,163)
Total accumulated other comprehensive income	14,080	53,350	129,376
Noncontrolling interests	1,803	3,788	16,567
Total equity	619,754	652,317	5,694,698
Total liabilities and equity	¥ 11,079,796	¥ 10,444,589	\$ 101,808,288

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.

Consolidated Statement of Income

Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	2020	2019	2020
Income:			
Interest income:			
Interest on loans and discounts	¥ 71,302	¥ 70,254	\$ 655,168
Interest and dividends on securities	26,941	27,446	247,551
Other interest income	409	418	3,758
Trust fees	41		376
Fees and commissions income	21,284	21,661	195,571
Trading income	474	827	4,355
Other operating income	45,947	41,002	422,190
Other income	6,135	8,825	56,372
Total income	172,538	170,437	1,585,390
Expenses:			
Interest expenses:			
Interest on deposits	787	904	7,231
Other interest expenses	11,042	6,856	101,460
Fees and commissions expenses	8,612	8,132	79,132
Other operating expenses	34,227	36,658	314,499
General and administrative expenses	76,686	75,645	704,640
Provision for possible loan losses	1,208	3,809	11,099
Losses on impairment of long-lived assets	118	92	1,084
Other expenses	13,038	4,971	119,801
Total expenses	145,726	137,070	1,339,024
Income before income taxes	26,810	33,366	246,347
Income taxes:			
Current	10,177	12,185	93,512
Deferred	(1,755)	(1,484)	(16,126)
Total income taxes	8,421	10,701	77,377
Net income	18,389	22,665	168,969
Net income attributable to noncontrolling interests	127	462	1,166
Net income attributable to owners of the parent	¥ 18,261	¥ 22,202	\$ 167,793
Per share of common stock:			
Basic net income	¥ 40.70	¥ 49.12	\$ 0.37
Cash dividends applicable to the year	12.00	12.00	0.11

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	2020	2019	2020
Net income	¥ 18,389	¥ 22,665	\$ 168,969
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale securities	15,796	10,708	145,143
Deferred gains (losses) on derivatives under hedge accounting	(53,542)	(6,039)	(491,978)
Defined retirement benefit plans	(1,449)	(321)	(13,314)
Total other comprehensive income (loss)	(39,194)	4,347	(360,139)
Comprehensive income (loss)	¥ (20,805)	¥ 27,012	\$ (191,169)
Total comprehensive income (loss) attributable to:			
Owners of the parent	¥ (20,933)	¥ 26,574	\$ (192,345)
Noncontrolling interests	127	438	1,166

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.

Consolidated Statement of Changes in Equity

Year ended March 31, 2020

	Thousands	Millions of yen			
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2018	463,375	¥ 36,000	¥ 194,112	¥ 349,103	¥ (3,601)
Purchase of shares of consolidated subsidiaries			4,249		
Cash dividends, ¥12.00 per share				(5,436)	
Net income attributable to owners of the parent				22,202	
Purchase of treasury stock					(1,668)
Disposal of treasury stock			(0)		0
Reversal of excess of land revaluation				217	
Net change in the year					
Balance at March 31, 2019	463,375	36,000	198,362	366,087	(5,270)
Purchase of shares of consolidated subsidiaries			1,273		
Cash dividends, ¥12.00 per share				(5,418)	
Net income attributable to owners of the parent				18,261	
Purchase of treasury stock					(5,500)
Reversal of excess of land revaluation				75	
Net change in the year					
Balance at March 31, 2020	463,375	¥ 36,000	¥ 199,636	¥ 379,006	¥ (10,771)

	Millions of yen					
	Accumulated other comprehensive income					
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Excess of land revaluation	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling interests
Balance at April 1, 2018	¥ 48,255	¥ (1,876)	¥ 6,072	¥ (3,254)	¥ 49,196	¥ 8,737
Purchase of shares of consolidated subsidiaries						
Cash dividends, ¥12.00 per share						
Net income attributable to owners of the parent						
Purchase of treasury stock						
Disposal of treasury stock						
Reversal of excess of land revaluation						
Net change in the year	10,731	(6,039)	(217)	(321)	4,154	(4,949)
Balance at March 31, 2019	58,987	(7,915)	5,855	(3,575)	53,350	3,788
Purchase of shares of consolidated subsidiaries						
Cash dividends, ¥12.00 per share						
Net income attributable to owners of the parent						
Purchase of treasury stock						
Reversal of excess of land revaluation						
Net change in the year	15,796	(53,542)	(75)	(1,449)	(39,269)	(1,985)
Balance at March 31, 2020	¥ 74,783	¥ (61,458)	¥ 5,779	¥ (5,024)	¥ 14,080	¥ 1,803

	Thousands of U.S. dollars (Note)			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2019	\$ 330,791	\$ 1,822,677	\$ 3,363,842	\$ (48,424)
Purchase of shares of consolidated subsidiaries		11,697		
Cash dividends, \$0.11 per share			(49,784)	
Net income attributable to owners of the parent			167,793	
Purchase of treasury stock				(50,537)
Reversal of excess of land revaluation			689	
Net change in the year				
Balance at March 31, 2020	\$ 330,791	\$ 1,834,383	\$ 3,482,550	\$ (98,970)

	Thousands of U.S. dollars (Note)					
	Accumulated other comprehensive income					
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Excess of land revaluation	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling interests
Balance at March 31, 2019	\$ 542,010	\$ (72,728)	\$ 53,799	\$ (32,849)	\$ 490,214	\$ 34,806
Purchase of shares of consolidated subsidiaries						
Cash dividends, \$0.11 per share						
Net income attributable to owners of the parent						
Purchase of treasury stock						
Reversal of excess of land revaluation						
Net change in the year	145,143	(491,978)	(689)	(13,314)	(360,828)	(18,239)
Balance at March 31, 2020	\$ 687,154	\$ (564,715)	\$ 53,101	\$ (46,163)	\$ 129,376	\$ 16,567

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.

Consolidated Statement of Cash Flows

Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	2020	2019	2020
Operating activities:			
Income before income taxes	¥ 26,810	¥ 33,366	\$ 246,347
Adjustments for:			
Income taxes paid	(12,604)	(10,040)	(115,813)
Depreciation and amortization	7,421	7,212	68,188
Losses on impairment of long-lived assets	118	92	1,084
Amortization of goodwill	935		8,591
Increase (decrease) in reserve for possible loan losses	(374)	2,151	(3,436)
(Increase) decrease in asset for retirement benefits	1,176	294	10,805
Increase (decrease) in liability for retirement benefits	(406)	(25)	(3,730)
Increase (decrease) in reserve for repayments for dormant deposits	(165)	51	(1,516)
Increase (decrease) in reserve for contingent losses	(10)	(4)	(91)
Interest and dividend income	(98,654)	(98,120)	(906,496)
Interest expenses	11,834	7,760	108,738
(Gains) losses on securities	93	(4,300)	854
(Gains) losses on money held in trust	125	164	1,148
(Gains) losses on foreign exchanges	(434)	701	(3,987)
(Gains) losses on disposal of fixed assets	103	259	946
Net (increase) decrease in trading assets	306	2,243	2,811
Net (increase) decrease in loans and bills discounted	(333,762)	(406,939)	(3,066,819)
Net increase (decrease) in deposits	198,765	(5,437)	1,826,380
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	175,897	103,242	1,616,254
Net (increase) decrease in due from banks (excluding deposits paid to the Bank of Japan)	(24)	183	(220)
Net (increase) decrease in call loans and others	477	40,816	4,382
Net increase (decrease) in call money and others	12,733		116,998
Net increase (decrease) in payables under repurchase agreements	25,124	46,172	230,855
Net increase (decrease) in borrowing under securities lending transactions	167,970	173,384	1,543,416
Net (increase) decrease in foreign exchange assets	(853)	1,967	(7,837)
Net increase (decrease) in foreign exchange liabilities	(90)	49	(826)
Net (increase) decrease in lease receivables and investment assets	(4,405)	(1,268)	(40,475)
Net (increase) decrease in collateral offered for financial instruments, etc.	(79,779)	(5,033)	(733,060)
Net increase (decrease) in borrowed money from trust accounts	2,586		23,761
Interest received	101,516	100,368	932,794
Interest paid	(10,648)	(7,718)	(97,840)
Other	3,521	(14,004)	32,353
Total adjustments	168,496	(65,774)	1,548,249
Net cash provided by (used in) operating activities	195,306	(32,408)	1,794,597

Investing activities:

Payments for purchase of securities	(1,676,373)	(1,744,197)	(15,403,592)
Proceeds from sales of securities	278,355	482,494	2,557,704
Proceeds from redemption of securities	1,196,256	1,600,974	10,991,969
Increase in money held in trust	(8,450)	(14,239)	(77,644)
Decrease in money held in trust	8,102	13,303	74,446
Payments for purchase of fixed assets	(14,592)	(10,196)	(134,080)
Proceeds from sales of fixed assets	524	566	4,814
Payments for purchase of intangible assets	(5,163)	(2,814)	(47,440)
Payments for purchases of shares of subsidiaries that result in change in scope of consolidation	(1,400)		(12,864)
Net cash provided by (used in) investing activities	(222,741)	325,890	(2,046,687)

Financing activities:

Cash dividends paid	(5,418)	(5,436)	(49,784)
Cash dividends paid to noncontrolling interests	(0)	(4)	(0)
Payments for purchases of treasury stock	(5,500)	(1,668)	(50,537)
Proceeds from sales of treasury stock		0	
Payments for purchases of shares of subsidiaries that do not result in change in scope of consolidation	(886)	(1,134)	(8,141)
Net cash used in financing activities	(11,805)	(8,243)	(108,471)
Foreign currency translation adjustments on cash and cash equivalents	8	10	73
Net increase (decrease) in cash and cash equivalents	(39,231)	285,249	(360,479)
Cash and cash equivalents at beginning of year	1,208,955	923,705	11,108,655
Cash and cash equivalents at end of year	¥ 1,169,723	¥ 1,208,955	\$ 10,748,166

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥108.83 = U.S.\$1.00, the exchange rate prevailing on March 31, 2020.

Profile

Kyushu Financial Group

Name:	Kyushu Financial Group, Inc.
Location of main branch:	6-6, Kinseicho, Kagoshima-shi, Kagoshima Prefecture, Japan 892-0828
Location of headquarters:	1, Renpeicho, Chuo-ku, Kumamoto-shi, Kumamoto Prefecture, Japan 860-0017 (Location of head office: 1-13-5, Koyamachi, Chuo-ku, Kumamoto-shi, Kumamoto Prefecture, Japan 860-0025, Phone: (096)326-5588)
Details of business	Banking business: The Higo Bank, Ltd. and The Kagoshima Bank, Ltd. provide a wide range of financial products and services in the Group's main operational areas of Kumamoto, Kagoshima and Miyazaki Prefectures, with main branches and branches providing deposit service, lending service, securities investment service, domestic funds transfer service, foreign exchange service, agency service, over-the-counter sale service for government and other public bonds, securities investment trusts and insurance products, and trust business. Leasing business: Three of our consolidated subsidiaries operate leasing and lending services. Others: Thirteen of our consolidated subsidiaries operate credit card service, consigned computing and software development service, credit guarantee service, financial instruments business, etc.
Capital:	¥36.0 billion
Established:	October 1, 2015
Listing exchange:	First section of Tokyo Stock Exchange Fukuoka Stock Exchange

Higo Bank

Name:	The Higo Bank, Ltd.
Location of main branch:	1, Renpeicho, Chuo-ku, Kumamoto-shi, Kumamoto Prefecture, Japan 860-8615
Capital:	¥18.1 billion
Established:	July 25, 1925
Number of employees	2,163
Number of branches:	124 (118 main branch and branches, 5 subbranches, 1 overseas representative office)

Kagoshima Bank

Name:	The Kagoshima Bank, Ltd.
Location of main branch:	6-6, Kinseicho, Kagoshima-shi, Kagoshima Prefecture, Japan 892-0828
Capital:	¥18.1 billion
Established:	October 6, 1879
Number of employees	2,135
Number of branches:	153 (115 main branch and branches, 18 subbranches, 18 agencies, 2 overseas representative offices)

Kyushu FG Securities

Name:	Kyushu FG Securities, Inc.
Location of main branch:	1-13-5, Koyamachi, Chuo-ku, Kumamoto-shi, Kumamoto Prefecture, Japan 860-0025
Capital:	¥3.0 billion
Established:	June 1, 2017
Number of employees	57
Number of branches:	4 (4 main branch and branches)

(As of March 31, 2020)

Shareholding by Shareholder Category

As of March 31, 2020

Classification	Shares (100 shares per unit)							Shares less than one unit
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total
					Non-individuals	Individuals		
Number of shareholders	11	75	31	1,013	215	5	14,492	15,842
Number of shares held (unit)	4,977	1,700,206	60,035	1,175,113	557,229	304	1,132,463	4,630,327
Ratio of shares held (%)	0.11	36.72	1.30	25.38	12.03	0.00	24.46	100.00

Notes 1. Of the 23,464,212 shares of treasury stock, 234,642 units are included in "Individuals and others" and 12 shares in "Shares less than one unit."
2. The "Other corporations" column includes 13 units of shares under the name of Japan Securities Depository Center, Incorporated.

Principal Shareholders

As of March 31, 2020

Name	Number of shares (thousands)	Equity stake (%)
Iwasaki Ikuei Bunka Zaidan, General Foundation	20,936	4.75
Meiji Yasuda Life Insurance Co.	18,568	4.22
The Master Trust Bank of Japan, Ltd. (Trust account)	17,091	3.88
The Bank of Fukuoka, Ltd.	12,620	2.86
Japan Trustee & Services Bank, Ltd. (Trust account 9)	10,806	2.45
Japan Trustee & Services Bank, Ltd. (Trust account)	10,005	2.27
Takara Kogyo Co., Ltd.	9,088	2.06
Kagoshima Bank Employees' Shareholding Association	7,852	1.78
Iwasaki Sangyo Co., Ltd.	7,616	1.73
Nippon Life Insurance Company	7,361	1.67
Total	121,948	27.72

Please visit our website for our profile, news releases, financial information, IR information, and other various information.



Please visit our website for details.
<https://www.kyushu-fg.co.jp/>

Kyushu Financial Group

検索



Initiatives for CSR and SDGs
<https://www.kyushu-fg.co.jp/csr/index.html>



IR information
<https://www.kyushu-fg.co.jp/ir/index.html>



Address of Main Branch:

6-6, Kinseicho, Kagoshima-shi,
Kagoshima Prefecture, Japan 892-0828

Address of Headquarters:

1, Renpeicho, Chuo-ku, Kumamoto-shi,
Kumamoto Prefecture, Japan 860-0017

Address of Head Office: 1-13-5, Koyamachi Chuo-ku, Kumamoto-shi, Kumamoto Prefecture, Japan Phone: (096)326-5588

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