

Securities code: 7180

May 31, 2019

To our shareholders:

Motohiro Kamimura

President

Kyushu Financial Group, Inc.

6-6, Kinseicho, Kagoshima-shi, Kagoshima-ken

(The address above is the registered address of the Company. Head office operations are conducted at the address below.)

1, Rempeicho, Chuo-ku, Kumamoto-shi, Kumamoto-ken

NOTICE OF THE 4TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 4th Ordinary General Meeting of Shareholders of Kyushu Financial Group, Inc. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or on the Internet, etc. After reviewing the Reference Documents for the General Meeting of Shareholders hereinafter described, please exercise your voting rights no later than Thursday, June 20, 2019 at 5:30 p.m. (Japan Standard Time).

1. Date and Time: Friday, June 21, 2019 at 10:00 a.m. (Japan Standard Time)

2. Venue: Headquarters of the Company (Head office of The Higo Bank, Ltd.)

Main conference room on the 2nd floor

1, Rempeicho, Chuo-ku, Kumamoto-shi, Kumamoto-ken

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 4th Term (from April 1, 2018 to March 31, 2019), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors.
2. Non-Consolidated Financial Statements for the 4th Term (from April 1, 2018 to March 31, 2019)

Items to be resolved:

Proposal 1: Election of Ten (10) Directors

Proposal 2: Election of Five (5) Corporate Auditors

Notes:

- 1 Among the documents that the Company should provide to its shareholders when sending this Convocation Notice, the information contained in the following documents is posted on the Company’s website (<https://www.kyushu-fg.co.jp/>) in accordance with the laws and regulations and the provisions of Article 16 of the Company’s Articles of Incorporation, and therefore it is not included in the documents attached hereto.
 - (i) The Non-Consolidated Statement of Changes in Net Assets, and the Notes to Non-Consolidated Financial Statements
 - (ii) The Consolidated Statement of Changes in Net Assets, and the Notes to Consolidated Financial StatementsThus, the documents attached hereto comprise only part of the Consolidated Financial Statements and Non-Consolidated Financial Statements, etc., that the Accounting Auditor audited in preparing its Accounting Audit Report and that the Corporate Auditors audited in preparing their Audit Report.
- 2 If any revision is made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-Consolidated Financial Statements, or the Consolidated Financial Statements, the Company will post the revised material on its website (<https://www.kyushu-fg.co.jp/>).

Reference Documents for the General Meeting of Shareholders

Proposal 1: Election of Ten (10) Directors

At the conclusion of this meeting, the terms of office of all ten (10) current Directors will expire. Therefore, the Company proposes the election of ten (10) Directors. Please note that the nominations of the Candidates for Directors have been approved by the Board of Directors under the Candidate Selection Policies established by the Company.

<Director Candidate Selection Policies>

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

In addition, both candidates for Outside Director satisfy the requirements of the Outside Officer Independence Standards established by the Company (see page 13 or the Outside Officer Independence Standards).

The candidates for Director are as follows:

No.	Name	Current position and responsibilities in the Company	
1	Sumihiro Matsuyama	—	[New election]
2	Yoshihisa Kasahara	Director	[For reelection]
3	Tsuyoshi Mogami	Director and Senior Managing Executive Officer (In charge of Corporate Planning Division and Compliance and Risk Management Division)	[For reelection]
4	Tsutomu Nakamura	Director and Senior Managing Executive Officer (In charge of Group Strategy Department and Operations Administration and IT Management Division)	[For reelection]
5	Toru Hayashida	Director and Executive Officer (General Manager of Corporate Planning Division)	[For reelection]
6	Tadataka Tokunaga	—	[New election]
7	Takahiro Kai	Chairman of the Board (Head)	[For reelection]
8	Motohiro Kamimura	President (Head, in charge of Audit Department)	[For reelection]
9	Katsuaki Watanabe	Director	[For reelection] [Outside]
10	Yuji Nemoto	Director	[For reelection] [Outside]

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
1	Sumihiro Matsuyama (June 11, 1955) [New election]	<p>Apr. 1978 Joined The Kagoshima Bank, Ltd.</p> <p>June 2007 Director, General Manager of Integrated Planning Division and Head of Supervisory Office for Group Companies, Integrated Planning Division</p> <p>June 2008 Managing Director, General Manager of Integrated Planning Division and Head of Supervisory Office for Group Companies, Integrated Planning Division</p> <p>June 2011 Senior Managing Director</p> <p>June 2013 Deputy President (to present)</p> <p>[Position and responsibilities in the Company]</p> <p>—</p> <p>[Significant concurrent positions outside the Company]</p> <p>Deputy President of The Kagoshima Bank, Ltd. (scheduled to be appointed President on June 21, 2019)</p>	48,110
<p>Reasons for nomination as candidate for Director</p> <p>At The Kagoshima Bank, Ltd., now a wholly owned subsidiary of the Group, Sumihiro Matsuyama has served in various posts including Director in charge of planning, markets, general affairs and business, in addition to which he became Senior Managing Director in 2011, and since 2013 has driven management in his role as Deputy President. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Sumihiro Matsuyama can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>			
2	Yoshihisa Kasahara (January 5, 1962) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	<p>Apr. 2014 Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.</p> <p>Apr. 2015 Joined The Higo Bank, Ltd. (Managing Executive Officer and General Manager of Internal Audit Division)</p> <p>June 2015 Director and Managing Executive Officer</p> <p>May 2016 Director of The Kagoshima Bank, Ltd.</p> <p>June 2016 Director of the Company (to present)</p> <p>Apr. 2018 Representative Director and Deputy President of The Higo Bank, Ltd.</p> <p>June 2018 Representative Director and President (to present)</p> <p>[Position and responsibilities in the Company]</p> <p>Director</p> <p>[Significant concurrent positions outside the Company]</p> <p>Representative Director and President of The Higo Bank, Ltd.</p>	37,400
<p>Reasons for nomination as candidate for Director</p> <p>Since assuming Director of the Company in 2016, Yoshihisa Kasahara has served as Director in charge of the Compliance and Risk Management Division and the Audit Department, in addition to which he has driven the management of The Higo Bank, Ltd., now a wholly owned subsidiary of the Group, since assuming its President in 2018. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Yoshihisa Kasahara can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
3	Tsuyoshi Mogami (June 18, 1956) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 1980	Joined The Higo Bank, Ltd.	51,826
		June 2011	Director, Executive Officer, and General Manager of Loan Management Division	
		June 2013	Director and Managing Executive Officer	
		June 2015	Director and Senior Managing Executive Officer	
		Oct. 2015	Director of the Company	
		Apr. 2018	Director and Senior Managing Executive Officer (to present)	
		May 2018	Director of Kyushu FG Securities, Inc. (to present)	
		[Position and responsibilities in the Company] Director and Senior Managing Executive Officer (In charge of Corporate Planning Division and Compliance and Risk Management Division)		
		[Significant concurrent positions outside the Company] Director of Kyushu FG Securities, Inc.		
Reasons for nomination as candidate for Director Since the Company's establishment in 2015, Tsuyoshi Mogami has served as Director in charge of the Group Strategy Department of the Company, and since 2018, as full-time Director and Senior Managing Executive Officer, and he has also worked to promote various measures as Director in charge of the Corporate Planning and Compliance and Risk Management Divisions. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Tsuyoshi Mogami can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				
4	Tsutomu Nakamura (December 28, 1957) [For reelection] Attendance at 10 out of 10 board of directors meetings (100%)	Apr. 1981	Joined The Kagoshima Bank, Ltd.	26,040
		June 2011	Director and Chief of Sendai Branch	
		June 2013	Managing Director and General Manager of Sales Strategy Division	
		June 2014	Managing Director	
		Apr. 2018	Senior Managing Executive Officer of the Company	
		May 2018	Director of Kyushu FG Securities, Inc. (to present)	
		June 2018	Director and Senior Managing Executive Officer of the Company (to present)	
		[Position and responsibilities in the Company] Director and Senior Managing Executive Officer (In charge of Group Strategy Department and Operations Administration and IT Management Division)		
		[Significant concurrent positions outside the Company] Director of Kyushu FG Securities, Inc.		
Reasons for nomination as candidate for Director Since becoming full-time Director and Senior Managing Executive Officer of the Company in 2018, Tsutomu Nakamura has strived to promote various measures as Director in charge of the Group Strategy Department and Operations Administration and IT Management Division. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Tsutomu Nakamura can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
5	Toru Hayashida (June 6, 1959) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 1983	Joined The Higo Bank, Ltd.	27,200
		June 2013	Executive Officer and General Manager of General Planning Division	
		June 2015	Director, Executive Officer and Chief of Business Integration Preparation Section	
		Oct. 2015	Director	
		Oct. 2015	Director and General Manager of Corporate Planning Division of the Company	
		Apr. 2018	Director, Executive Officer and General Manager of Corporate Planning Division (to present)	
		[Position and responsibilities in the Company] Director and Executive Officer (General Manager of Corporate Planning Division)		
Reasons for nomination as candidate for Director Since the Company's establishment in 2015, as General Manager of Corporate Planning Division, Toru Hayashida has strived to promote various measures including establishing management plans and strengthening the corporate management system. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Toru Hayashida can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				
6	Tadataka Tokunaga (February 2, 1963) [New election]	Apr. 1985	Joined The Kagoshima Bank, Ltd.	11,269
		June 2010	Chief of Ei Branch and Ishigaki Branch	
		June 2013	General Manager of Loan Planning Division	
		June 2014	General Manager of Sales Management Division	
		Apr. 2017	General Manager of Personnel Division	
		Apr. 2019	Associate Director and Counselor of Corporate Planning Division (to present)	
		[Position and responsibilities in the Company] —		
Reasons for nomination as candidate for Director At The Kagoshima Bank, Ltd., which is now a wholly owned subsidiary of the Group, Tadataka Tokunaga has served in various roles, including Chief of branch, General Manager of Loan Planning Division, Manager of Sales Management Division, and General Manager of Personnel Division. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Tadataka Tokunaga can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
7	Takahiro Kai (April 25, 1951) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 1975	Joined The Higo Bank, Ltd.	109,670
		June 2006	Senior Managing Director	
		June 2008	Representative Director and Deputy President	
		June 2009	Representative Director and President	
		Oct. 2015	Chairman of the Board of the Company (to present)	
		June 2018	Director and Chairman of The Higo Bank, Ltd. (to present)	
		[Position and responsibilities in the Company] Chairman of the Board (Head)		
		[Significant concurrent positions outside the Company] Director and Chairman of The Higo Bank, Ltd. Chairman of The District Economics Research Institute of Kumamoto Area, Chairman of Foundation for the Preservation of Green and Water Resources in the Province of Higo		
Reasons for nomination as candidate for Director Since the Company's establishment in 2015, Takahiro Kai has supervised the general management of the Group as Chairman of the Board, and has also driven the management of The Higo Bank, Ltd., now a wholly owned subsidiary of the Group, as its President since 2009, and as Chairman since 2018. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Takahiro Kai can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				
8	Motohiro Kamimura (August 18, 1952) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 1975	Joined The Kagoshima Bank, Ltd.	41,750
		June 2004	Director and General Manager of Operations Management Division	
		June 2006	Managing Director	
		June 2010	President (to present)	
		Oct. 2015	President of the Company (to present)	
		[Position and responsibilities in the Company] President (Head, in charge of Audit Department)		
		[Significant concurrent positions outside the Company] President of The Kagoshima Bank, Ltd. (scheduled to be appointed Chairman on June 21, 2019), Chairman of The Kagin Cultural Foundation		
Reasons for nomination as candidate for Director Since the Company's establishment in 2015, Motohiro Kamimura has supervised the general management of the Group as President, and has also driven the management of The Kagoshima Bank, Ltd., now a wholly owned subsidiary of the Group, as its President since 2010. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Motohiro Kamimura can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.				

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
9	Katsuaki Watanabe (February 13, 1942) [For reelection] [Outside] Attendance at 10 out of 12 board of directors meetings (83.3%)	Apr. 1964 Joined Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation) Sept. 1992 Director of Toyota Motor Corporation June 1997 Managing Director June 1999 Senior Managing Director June 2001 Executive Vice President June 2005 President June 2009 Vice Chairman June 2011 Senior Advisor July 2015 Advisor Oct. 2015 Director of the Company (to present) [Position and responsibilities in the Company] Outside Director [Significant concurrent positions outside the Company] Corporate Auditor of Sumitomo Electric Industries, Ltd.	10,100
<p>Reasons for nomination as candidate for Outside Director</p> <p>Since the Company judges that, based on the rich experience, broad insight, and knowledge that Katsuaki Watanabe has developed as a top executive of a leading manufacturer, he can supervise the general management of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the "Outside Officer Independence Standards" established by the Company.</p>			
10	Yuji Nemoto (October 27, 1954) [For reelection] [Outside] Attendance at 9 out of 10 board of directors meetings (90.0%)	Apr. 1978 Joined Japan Development Bank (currently, Development Bank of Japan Inc.) Apr. 2004 General Manager of Regional Planning Department Apr. 2006 Professor at Faculty of Economics, Toyo University (to present) Apr. 2008 Director of Research Center for PPP, Toyo University (to present) June 2015 Director of The Kagoshima Bank, Ltd. June 2018 Director of the Company (to present) [Position and responsibilities in the Company] Outside Director [Significant concurrent positions outside the Company] Professor of Toyo University	—
<p>Reasons for nomination as candidate for Outside Director</p> <p>Since the Company judges that, based on the rich experience, broad insight and knowledge that Yuji Nemoto has developed being involved in regional policy as a university professor and as an expert in public policy, urban development and regional development, he can supervise the general management of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the "Outside Officer Independence Standards" established by the Company.</p>			

- Notes:
1. Candidate Takahiro Kai concurrently serves as Chairman of The District Economics Research Institute of Kumamoto Area and Chairman of Foundation for the Preservation of Green and Water Resources in the Province of Higo, and The Higo Bank, Ltd., which is a wholly owned subsidiary of the Company, makes donations to both of these foundations. Candidate Motohiro Kamimura concurrently serves as Chairman of the Kagin Cultural Foundation, and The Kagoshima Bank, Ltd., which is a wholly owned subsidiary of the Company, makes donations to this foundation. There is no special interest between any of the other candidates for Director and the Company.
 2. Katsuaki Watanabe and Yuji Nemoto are candidates for Outside Director.
 3. The term of office of Katsuaki Watanabe as Outside Directors of the Company will be approximately three (3) years and nine (9) months at the conclusion of this meeting. The term of office of Yuji Nemoto as Outside Directors of the Company will be approximately one (1) year at the conclusion of this meeting.
 4. Both Katsuaki Watanabe and Yuji Nemoto are registered, with the stock exchanges on which the Company is listed, as Independent Officers who have no possibility of a conflict of interest arising with ordinary shareholders. If they are both elected as Outside Directors, the Company plans to continue to register them as Independent Officers.

5. With respect to the liability provided for in Article 423, Paragraph 1 of the Companies Act, the Company has entered into limited liability agreements with Katsuaki Watanabe and Yuji Nemoto that limit their liabilities to the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. If they are both elected as Outside Directors, the Company plans to continue the agreements with them.
6. In December 2013, Sumitomo Electric Industries, Ltd., where Katsuaki Watanabe serves as an outside auditor, received a cease and desist order, etc., from the Japan Fair Trade Commission on the suspicion of having violated the Antimonopoly Act in connection with receiving orders from Tokyo Electric Power Company Holdings, Incorporated, for overhead transmission line construction. In addition to this, in July 2013, Sumitomo Electric Industries, Ltd., received notification from the European Commission of its decision finding infringements of the EU competition law in connection with transactions for automotive wiring-harness products, and, in August 2014, the same company was ordered by the National Development and Reform Commission of China to pay a surcharge under the Chinese Antimonopoly Law. Furthermore, in April 2014, a surcharge was imposed on the same company by the European Commission for its finding of infringement of the EU competition law in connection with transactions involving high voltage and special high voltage power cables. It has been found that these violations ended before Katsuaki Watanabe's term of office. Until the situations became known, he was not aware of acts that were subject to orders, decisions, etc. However, with respect to compliance, on a regular basis and in collaboration with other corporate auditors, he checks and expresses opinions on the internal control system and concrete measures. Furthermore, after the situations became known, to eliminate and prevent violations of antitrust law, including overseas competition law, he made statements concerning such issues as development and improvement of the entire Sumitomo Electric Group's compliance system for competition law and the thoroughness and firm establishment of that system.

Proposal 2: Election of Five (5) Corporate Auditors

At the conclusion of this meeting, the terms of office of all five (5) current Corporate Auditors will expire. Therefore, the Company proposes the election of five (5) Corporate Auditors.

Please note that the nomination of the Candidate for Corporate Auditor has been determined by the Board of Directors under the Candidate Selection Policies established by the Company, and that the Board of Directors has obtained the consent of the Board of Corporate Auditors.

<Corporate Auditor Candidate Selection Policies>

1. On the assumption that the candidates for Corporate Auditor satisfy the statutory requirements, the selection policies for them are as follows.
 - (i) One (1) or more candidates for Corporate Auditor must be originally from the Group and possess knowledge, experience, and ability in various fields, such as management, business, and supervision in financial services, be well informed about economic and social conditions, and possess appropriate knowledge of finance and accounting.
 - (ii) In accord with the preceding item, candidates for Outside Corporate Auditor who have knowledge in an area that should particularly be supplemented from the perspective of management audits of the Group and who do not infringe the independence standards established by the Company must be selected such that they account for half or more of the total number of candidates for Corporate Auditor who are selected.
2. In selecting candidates for Corporate Auditor, the Board of Directors shall observe the policies set forth in the preceding item and, in the selection stage, obtain the consent of the Board of Corporate Auditors.

In addition, all three candidates for Outside Corporate Auditor satisfy the requirements of the Outside Officer Independence Standards established by the Company (see page 13 for the Outside Officer Independence Standards).

The Candidate for Corporate Auditor is as follows.

No.	Name	Current Position in the Company	
1	Yuichi Tanabe	Corporate Auditor (full-time)	[For reelection]
2	Hirofumi Kaigakura	Corporate Auditor	[For reelection]
3	Kenichi Sekiguchi	Corporate Auditor	[For reelection] [Outside]
4	Katsuro Tanaka	Corporate Auditor	[For reelection] [Outside]
5	Yuko Tashima	Corporate Auditor	[For reelection] [Outside]

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
1	<p>Yuichi Tanabe (October 11, 1961)</p> <p>[For reelection]</p> <p>Attendance at 10 out of 10 board of directors meetings (100%)</p> <p>Attendance at 10 out of 10 board of corporate auditors meetings (100%)</p>	<p>Apr. 1985 Joined The Higo Bank, Ltd.</p> <p>June 2013 General Manager of Personnel Division</p> <p>June 2014 Chief of Suizenji Branch</p> <p>Mar. 2016 General Manager of Internal Audit Division</p> <p>Mar. 2017 Corporate Auditor (to present)</p> <p>June 2018 Corporate Auditor (full-time) of the Company (to present)</p> <p>[Position in the Company] Corporate Auditor (full-time)</p> <p>[Significant concurrent positions outside the Company] Corporate Auditor of The Higo Bank, Ltd.</p>	22,200
	<p>Reasons for nomination as candidate for Corporate Auditor</p> <p>In addition to taking on the role of Corporate Auditor at The Higo Bank, Ltd., now a wholly owned subsidiary of the Group, in 2017, Yuichi Tanabe assumed the role of Corporate Auditor (full-time) of the Company in 2018, and has conducted appropriate audits of compliance systems and business management of the Company and the Group. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services as well as appropriate knowledge of finance and accounting, the Company believes that he can contribute to ensuring the soundness of the Group, and it has therefore nominated him as a candidate for Corporate Auditor.</p>		
2	<p>Hirofumi Kaigakura (August 3, 1962)</p> <p>[For reelection]</p> <p>Attendance at 12 out of 12 board of directors meetings (100%)</p> <p>Attendance at 12 out of 12 board of corporate auditors meetings (100%)</p>	<p>Apr. 1985 Joined The Kagoshima Bank, Ltd.</p> <p>June 2011 Deputy Manager of Sales Strategy Division</p> <p>Oct. 2011 Chief of Miyakonojo Branch</p> <p>June 2014 Chief of Chuo Branch</p> <p>Apr. 2017 Corporate Auditor (to present)</p> <p>June 2017 Corporate Auditor of the Company (to present)</p> <p>[Position in the Company] Corporate Auditor</p> <p>[Significant concurrent positions outside the Company] Corporate Auditor of The Kagoshima Bank, Ltd.</p>	10,800
	<p>Reasons for nomination as candidate for Corporate Auditor</p> <p>Since taking on the role of Corporate Auditor at the Company and at The Kagoshima Bank, Ltd., which is now a wholly owned subsidiary of the Group, in 2017, Hirofumi Kaigakura has conducted appropriate audits of the compliance systems and business management of the Company and the Group. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services as well as appropriate knowledge of finance and accounting, the Company believes that he can contribute to ensuring the soundness of the Group, and it has therefore nominated him as a candidate for Corporate Auditor.</p>		

No.	Name (Date of birth)	Career summary	Number of the Company's shares owned
3	Kenichi Sekiguchi (March 14, 1949) [For reelection] [Outside] Attendance at 12 out of 12 board of directors meetings (100%) Attendance at 12 out of 12 board of corporate auditors meetings (100%)	Apr. 1972 Joined The Yasuda Mutual Life Insurance Company (now Meiji Yasuda Life Insurance Company) Apr. 2001 Managing Director, Deputy General Manager of Asset Management Office and General Manager of Management Planning Department Apr. 2002 President of Yasuda Life Direct Insurance Company Limited Jan. 2004 Managing Director and General Manager of New Market Development Division of Meiji Yasuda Life Insurance Company Dec. 2005 Representative Director and Chairman July 2006 Director, Chairman and Representative Executive Officer July 2013 Special Advisor (to present) Mar. 2014 Audit & Supervisory Board Member of Hulic Co., Ltd. (to present) Oct. 2015 Corporate Auditor of the Company (to present) [Position in the Company] Outside Corporate Auditor [Significant concurrent positions outside the Company] Special Advisor at Meiji Yasuda Life Insurance Company and Audit & Supervisory Board Member of Hulic Co., Ltd.	6,000
	<p>Reasons for nomination as candidate for Outside Corporate Auditor</p> <p>Since the Company judges that, based on the rich experience, broad insight, and knowledge that Kenichi Sekiguchi has developed as a top executive of a leading financial institution, he will be able to audit the financial soundness of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Corporate Auditor. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the “Outside Officer Independence Standards” established by the Company.</p>		
4	Katsuro Tanaka (June 5, 1945) [For reelection] [Outside] Attendance at 11 out of 12 board of directors meetings (91.6%) Attendance at 11 out of 12 board of corporate auditors meetings (91.6%)	Apr. 1970 Registered as an attorney at law (Tokyo Bar Association) Oct. 1990 Founding Partner and Senior Managing Partner of TMI Associates (to present) May 2009 Auditor of Japan Merchandising Rights Association June 2010 Auditor of Suntory Foundation (to present) June 2012 Auditor of The Kagoshima Bank, Ltd. June 2013 Director of ASICS Corporation (to present) Oct. 2015 Corporate Auditor of the Company (to present) [Position in the Company] Outside Corporate Auditor [Significant concurrent positions outside the Company] Founding Partner and Senior Managing Partner of TMI Associates, Director of ASICS Corporation	10,100
	<p>Reasons for nomination as candidate for Outside Corporate Auditor</p> <p>Since the Company judges that, based on the rich experience, broad insight, and knowledge that Katsuro Tanaka has developed as an attorney, he will be able to audit the financial soundness of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Corporate Auditor. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the “Outside Officer Independence Standards” established by the Company.</p>		

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
5	Yuko Tashima (July 26, 1952) [For reelection] [Outside] Attendance at 12 out of 12 board of directors meetings (100%) Attendance at 12 out of 12 board of corporate auditors meetings (100%)	Apr. 1979 Apr. 1992 July 2006 June 2015 Oct. 2015 June 2016 [Position in the Company] Outside Corporate Auditor [Significant concurrent positions outside the Company] Partner of Sawayaka Law Office, Director of The Chiba Bank, Ltd., Corporate Auditor of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.	Prosecutor, Tokyo District Public Prosecutors Office Registered as an attorney at law (Tokyo Bar Association) Partner of Sawayaka Law Office (to present) Outside Director of Meiji Yasuda Life Insurance Company Director of The Chiba Bank, Ltd. (to present) Corporate Auditor of the Company (to present) Corporate Auditor of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd. (to present)	2,500
	Reasons for nomination as candidate for Outside Corporate Auditor Since the Company judges that, based on the rich experience, broad insight, and knowledge that Yuko Tashima has developed as a prosecutor and attorney, she will be able to audit the financial soundness of the Group from an objective and neutral standpoint, the Company requests her election as an Outside Corporate Auditor. Furthermore, she does not infringe on the independence standards established by the stock exchanges, and she also meets the “Outside Officer Independence Standards” established by the Company.			

- Note:
1. There is no special interest between each candidate for Corporate Auditor and the Company.
 2. Kenichi Sekiguchi, Katsuro Tanaka and Yuko Tashima are candidates for Outside Corporate Auditor.
 3. The tenures of Kenichi Sekiguchi, Katsuro Tanaka and Yuko Tashima as Outside Corporate Auditors of the Company will be approximately three (3) years and nine (9) months at the conclusion of this meeting.
 4. Kenichi Sekiguchi, Katsuro Tanaka and Yuko Tashima are registered with the stock exchanges on which the Company is listed as Independent Officers who have no possibility of a conflict of interest arising with ordinary shareholders. If they are elected as Corporate Auditor, the Company plans to continue to register them as Independent Officers.
 5. With respect to the liability provided for in Article 423, Paragraph 1 of the Companies Act, the Company has entered into limited liability agreements with Kenichi Sekiguchi, Katsuro Tanaka and Yuko Tashima that limit their liabilities to the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. If they are elected as Outside Corporate Auditor, the Company plans to continue the agreements with them.

<Outside Officer Independence Standards>

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

Supplementary Provisions

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

Business Report for the 4th Term (from April 1, 2018 to March 31, 2019)

1. Status of the Company

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

[Major businesses of the Group]

The Group is comprised of the Company, which is a bank-holding company, and 17 consolidated subsidiaries, including The Higo Bank, Ltd. (hereinafter referred to as “Higo Bank”) and The Kagoshima Bank, Ltd. (hereinafter referred to as “Kagoshima Bank”), and Kyushu FG Securities, Inc. (hereinafter referred to as “Kyushu FG Securities”), is engaged in operations related to financial services centered on banking, leasing services, credit card services, credit guarantee services and financial instrument transactions.

In addition, on April 1, 2019, Higo Bank and Kagoshima Bank began handling trust services at the banks themselves.

[Financial and economic environment]

During the fiscal year under review, the Japanese economy continued its gentle recovery owing to steady global economic growth. Consumer spending was brisk against a backdrop of improvements in income and employment conditions. Although housing and public investments were weak, capital investment was solid. On the other hand, towards the end of the fiscal year, the impact of trade friction between the US and China and the slowdown in overseas economies began to be seen in export and manufacturing activity.

In this economic environment, and with US stocks close to record highs, the Nikkei index recovered to the ¥24,000 level in September. Subsequently, at the end of the year, it fell to the ¥19,000 level, affected by trade friction between the US and China, and by US monetary policy, before rebounding to the ¥21,000 level by the end of fiscal 2018. From April onwards, the rise in long-term US interest rates resulted in a progressively weaker yen, with the exchange rate ranging from around ¥105 to ¥115 against the dollar.

As for the local economy, employment conditions were strong, and tourist-related activity picked up thanks to increases in inbound visitors. With regard to investment, in addition to high levels of investment in housing in Kumamoto Prefecture related to earthquake recovery programs, in Kagoshima Prefecture the start of full-scale redevelopment, etc., in Kagoshima City resulted in robust private-sector construction demand, and public works also remained strong despite some weakening seen in some areas. Conversely, in addition to the sense of a lull in hitherto firm manufacturing activity, factors such as lackluster consumer spending meant that overall, the regional economy, which had been recovering, weakened slightly into the end of the fiscal year.

[Progress and results of the Group's operations]

The Company was established on October 1, 2015 by means of joint share transfer by Higo Bank and Kagoshima Bank in conjunction with the business integration.

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

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

The 2nd Medium-Term Management Plan, which runs from April 1, 2018 to March 31, 2021, is set out below, having been created with the aim of realizing the Group's management philosophy. The Group is working on initiatives to enhance corporate value and achieve sustainable growth.

[Progress of the 2nd Medium-Term Management Plan]

1. Name: 2nd Medium-Term Management Plan - Integration Stage -
2. Period: Three years (April 2018-March 2021)
3. Vision: Become Kyushu's top full-service financial group for customers
4. Basic policy: Maximize Group synergy to provide the optimal and best services to our customers
5. Basic strategy and strategic pillars

Basic strategy	Strategic pillars
(1) Evolution into a Group that co-creates regional vitality	1. Enhancement of regional comprehensive financial functions 2. Demonstration of function of promoting regional industry
(2) Strengthening of Group's human resources	1. Enhancement of human resources management 2. Enhancement of human resources development
(3) Raise the level of Group governance	1. Enhancement of business management structure 2. Improvement of productivity

6. Numerical targets

Item		Target for final year	Fiscal 2018 Financial Results	Reference
(1) Growth	1. Average balance of loans	¥7.6 trillion	¥6.7 trillion	Simple sum of two banks
	2. Average balance of deposits/NCD	¥9.2 trillion	¥8.5 trillion	
(2) Profitability	1. Net income	¥25,000 million	¥22,200 million	Consolidated
	2. Business profits from services provided to customers*	¥14,000 million	¥12,100 million	
	3. Return on shareholders' equity	4% level	3.7%	
(3) Efficiency	1. OHR	Under 70%	68.2%	
(4) Financial soundness	1. Capital adequacy ratio	10% or higher	11.33%	

* Business profits from services provided to customers:

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

During the first fiscal year of the Medium-Term Management Plan, designated the "Integration Stage," the main measures implemented by the Group were as follows.

"Enhancement of regional comprehensive financial functions"

(Establishing connections between Bank, Securities and Trusts)

Kyushu FG Securities, which began operations in January 2018, worked with both Higo Bank and Kagoshima Bank (hereinafter, "both banks") on sales of products that use a Kyushu FG Securities account. The number of securities accounts opened by customers as a result of introductions from both banks reached a total significantly higher than initial projections. Going forward, we will work to provide even more specialized financial products and services, so as to be able to respond as a "one-stop shop" to the diversification of customer needs.

In order to respond to the rising need for inheritance and the passing on of assets against the backdrop of a progressively aging society, in February 2019 both banks obtained authorization for a trust business, and beginning in April, both banks started their own trust businesses. As a result, we became the first regional bank in Kyushu to have put in place within the group a system that enables the provision of one-stop services matched to customer needs such as inheritance, or to the customer's stage of life in terms of "saving," "growing," and "leaving."

(Regional expansion strategy)

The Group is centered on its places of origin in Kumamoto, Kagoshima and Miyazaki, but has also expanded into the prefectures of Fukuoka, Nagasaki, Oita and Okinawa, as well as Tokyo and Osaka. Also, in July 2018 Kagoshima Bank opened its second branch in Okinawa Prefecture, and is working to expand the commercial distribution of its customers, and strengthen its information brokerage functions. In April 2019, Kagoshima Bank opened a representative office in Taipei, which will strengthen its links with the existing representative offices operated by both banks in Shanghai, and support broader development of the customer base.

In addition, in July 2019, the Company's Fukuoka Building is scheduled for completion in Fukuoka City, which will be tenanted by Group companies including the Kagoshima Bank Fukuoka branch, Higo Bank's Fukuoka branch (Fukuoka corporate sales office), and the Kyushu Economic Research Institute, and strengthen its function as a sales and information base in Fukuoka.

(Aggressive investment in regional funds)

As part of our regional revitalization efforts, in fiscal 2018 the Group made 13 investments totaling ¥1.9 billion in funds jointly established and invested in by both banks. The cumulative total now stands at 56, with a total investment value of ¥8.7 billion, and we are also actively working on supporting regional reconstruction through our funds, such as when we invested in accommodation facilities after the 2016 Kumamoto Earthquake.

“Demonstration of function of promoting regional industry”

(Initiatives in the tourism field)

In order to convey to the world, the beautiful scenery and the appeal of the national parks, and to link them to the revitalization of the regional economy, in June 2018 we concluded a “National Parks Official Partnership” with the Ministry of the Environment, and are working on initiatives aimed at promoting tourism to the Aso-Kuju National Park and Kirishima-Kinkowan National Park. In November 2018, an “Aso Region Reconstruction Fair in San'ai” event was held to convey the appeal of the Aso region's food, tourism and experience, under the primary sponsorship of KUMAMOTO DMC Co., Ltd, which was funded jointly by Higo Bank and Kumamoto Prefecture, with the collaboration of other partnership companies.

(Initiatives for the agriculture, forestry and fisheries field)

In the field of agriculture, forestry and fisheries, both banks are sharing the know-how they have accumulated in areas where they have leveraged their strengths, in order to strengthen support for customer businesses.

Agricultural corporation Haruichiban Co., Ltd., which produces, processes and sells agricultural products, is working together with Kagoshima Olive Co., Ltd., to achieve the so-called sixth industrialization of agricultural products, which is one of the key local industries. In addition, initiatives are under way to expand sales routes overseas for local agricultural products, such as via the Hong Kong “Kappo ro ann” restaurant, which was established with investments from the Higo-Kagoshima Regional Revitalization Fund.

(Initiatives for startups/new businesses)

In terms of initiatives for start-ups and new businesses, Higo Bank is holding a “Kumamoto Tech Grand Prix” in a collaboration between industry, government and academia, while Kagoshima Bank is holding a “Future Creation Plan Contest” based on an agreement with eight institutions of higher education in Kagoshima Prefecture, with the aim of unearthing and nurturing next-generation businesses. Going forward we will continue to provide active support for commercialization.

(Regional regeneration support through collaboration between industry, government and academia)

As part of the activities of the “Kyushu FG PPP/PFI Platform,” which was established with a view to contributing to the regions, we have an ongoing program of seminars. We are pushing forward with discussions with the various local governments regarding the sharing and resolving of issues that face the various regions, and will continue these going forward.

“Strengthening of Group's human resources”

(Promotion of personnel integration)

With the aim of strengthening the organization by nurturing a sense of group identity and mutual understanding, we have implemented ongoing exchanges involving transfers of personnel, in addition to joint training. In the

fiscal year under review, the Group conducted personnel exchanges, involving 26 employees at various levels, and the total number of employees who have participated in these exchanges reached 126. In addition, in order to nurture human resources who will in the future be responsible for the Group, employees at both banks have been selected for “next-generation leadership development training” aimed at acquiring capabilities in planning, and realizing and putting into practice strategies from the perspective of establishing new businesses.

In terms of hiring activities, in addition to establishing unified Group operations, we are developing joint public relations for hiring. In terms of benefits, we are aiming to further bolster the benefits for Group employees, and have taken the decision to introduce a unified “selective defined contribution pension plan” throughout the Group.

The Group will continue to integrate the human resources departments going forward, and is working to strengthen its personnel functions.

(Initiatives for work style reform)

The Group is taking an active approach to work style reform in order to create environment in which employees can work with enthusiasm. We have introduced new approaches such as an early-morning work attendance system, which is very effective in improving productivity, an interval work attendance system, which helps maintain good health, and a staggered work attendance system that respects the employee’s lifestyle.

In addition, we are moving ahead with technical research into teleworking environments for work styles that utilize ICT, and in February 2019 we introduced the financial industry’s first “peeping prevention system,” using face recognition technology, which was developed in cooperation with an IT company, and have begun testing and verifying this at the Company.

“Raise the level of Group governance”

(Establishing nominating and remuneration committees)

For matters relating to the nomination and remuneration of management and Corporate Auditors, nominating and remuneration committees have been established as advisory bodies to the Board of Directors, with the aim of providing a venue for representative directors and outside officers to exchange opinions, etc., to raise the transparency and fairness of the decision-making process, and to assist in strengthening corporate governance.

(Shared clerical work/systems)

The Group is continuing to work on shared clerical work processes and systems to maximize the effect of the business integration. In order to enhance customer convenience and improve operational efficiency, we conducted a joint investigation into functions for using ATMs to restore cash cards with magnetic malfunctions, and Kagoshima Bank was the first to introduce this in March 2019. We are also shifting to a common approach to the international money transfer system (SWIFT) and to expense systems, etc.

In response to innovations in digital technology brought about by the rise of FinTech, we are also working on financial services initiatives, such as proving test of an authentication app for smartphones.

(Construction of head office building)

As well as aiming to realize the Group's management philosophy, the Company has made the decision to construct a head office building in Kumamoto City, as a further exertion of the Group’s combined financial strength. The head office’s construction began in April 2019 at a site close to JR Kumamoto Station, and it is scheduled for completion in fiscal 2020. In addition to bringing together head office functions and raising productivity, we will create an environmentally friendly, healthy and comfortable office environment. We will also contribute to ensuring the safety of the region in the event of a large-scale disaster.

“Towards the realization of a sustainable society”

The Group is working on initiatives to assist in sustainable economic development and the creation of sustainable communities in the regions based on three management philosophical pillars.

To reinforce these initiatives further, in October 2018 we established the Sustainability Management Office, whose goal is to take on perspectives such as those of the Sustainable Development Goals (SDGs) drawn up by the United Nations, and of Environmental, Social and Governance (ESG), in order to systematically manage sustainable business activities for the Group as a whole. In February 2019 we drew up a “Sustainability

Declaration,” becoming the first regional bank in Kyushu to do so, and in addition to social contribution activities such as nature conservation, the Group is reinforcing initiatives aimed at resolving issues faced by customers and the region.

(Initiatives for environmental conservation and regional contribution activities)

The Group is also actively working on challenges related to the environment, society, etc. to create a rich regional community. The Group is engaged in ongoing environmental conservation activities, including cultivating headwater forests, implementing flooding paddy fields operation and maintaining forests, to pass on the abundant natural resources of our home towns to the next generation.

In addition to such efforts, the Group continues to assist with medium- to long-term revitalization of the regional community by participating in regional events, sponsoring sporting and cultural events, engaging in social welfare activities, etc. In November 2018, the Higo Bank women's ekiden club and the Kagoshima Bank athletics club participated as a pair for the first time in the All Japan Industrial Teams Women's Ekiden (nicknamed “the Queens Ekiden”), the 38th round of which was held in Miyagi Prefecture.

Fiscal 2018 Financial Results

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

(Deposits [deposits and negotiable certificates of deposit])

Due to declines in public and other deposits, deposits fell by ¥5.4 billion over the end of the previous fiscal year to ¥8.5675 trillion.

(Loans)

Loans rose by ¥406.9 billion year on year to ¥6.8531 trillion, as a result of increases in loans to corporate customers.

(Securities)

Securities fell by ¥291.2 billion year on year to ¥2.0128 trillion, due in part to declines in government bonds.

(Profit and loss)

Consolidated ordinary income increased by ¥5.625 billion year on year to ¥170.322 billion due primarily to a rise in gains on sales of government and other bonds. Consolidated ordinary profit increased ¥4,336 million year on year to ¥33,717 million. Additionally, profit attributable to owners of the parent increased ¥2,807 million year on year to ¥22,202 million.

With regard to distributing profits, the Company maintains a basic policy of increasing capital efficiency and providing stable dividends through profitable growth while giving consideration to enhancing internal reserves. In line with the aforementioned policy, the Company proposes to pay a year-end dividend for the fiscal year under review of ¥6 per share.

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

With regard to year-end balances of main accounts, deposits (deposits and negotiable certificates of deposit) decreased by ¥71.1 billion year on year to ¥4.6230 trillion owing primarily to declines in public and corporate deposits. Loans increased ¥241.9 billion year on year to ¥3.4884 trillion due mainly to higher corporate loans. Securities decreased ¥236.2 billion year on year to ¥1.2089 trillion mostly as a result of a decrease in government bonds.

Additionally, net business profit increased ¥3 million year on year to ¥16,177 million, ordinary profit increased ¥199 million year on year to ¥18,170 million, and net income increased ¥183 million year on year to ¥12,495 million.

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

With regard to year-end balances of main accounts, deposits (deposits and negotiable certificates of deposit) increased ¥61.6 billion year on year to ¥3.9582 trillion owing primarily to increases in corporate and personal deposits, loans increased ¥167.7 billion year on year to ¥3.4075 trillion owing primarily to increases in personal and corporate loans, and securities decreased ¥55.5 billion year on year to ¥806.4 billion due mainly to a decrease in government bonds.

Additionally, net business profit increased ¥1,635 million year on year to ¥18,428 million, ordinary profit increased ¥1,707 million year on year to ¥17,418 million, and net income increased ¥1,033 million year on year to ¥12,024 million.

[Business environment and issues to be addressed]

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

Moreover, in the financial industry, financial institutions are facing an increasingly harsh environment due to declining yields on investments caused by the continuation of negative interest rate policies, competition with Japan Post Bank and other regional financial institutions, and rising uncertainty in the market and operating environment mainly as a result of increased geopolitical risks such as the U.S.-China trade friction. The Group must also address innovations in digital technology associated with advances in FinTech.

In the midst of these circumstances, the Group recognizes that our role and mission are to provide comprehensive financial services tailored to each of our customers by fully utilizing our management resources, in addition to making lasting contributions to the creation of sustainable regional communities that takes into account the special characteristics of the region.

During the period of the 2nd Medium-Term Management Plan (integration stage), the Group will work on integration of the group with a sense of urgency to become “Kyushu’s top full-service financial group for customers” and tie that into sustainable growth. The Group greatly appreciates understanding and support from all our shareholders and look forward to continued support in the future.