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Securities code: 7180
May 29, 2020

To our shareholders:

Yoshihisa Kasahara
President and Representative Director
Kyushu Financial Group, Inc.
6-6, Kinseicho, Kagoshima-shi, Kagoshima-ken
(The address above is the registered address of the
Company. Head office operations are conducted at the
address below.)
1, Renpeicho, Chuo-ku, Kumamoto-shi, Kumamoto-ken

NOTICE OF THE 5TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you that the 5th Ordinary General Meeting of Shareholders of Kyushu Financial Group, Inc. (the “Company”) will be held as described below.

In consideration of the global COVID-19 pandemic, we are holding this year’s meeting on a reduced scale than usual in order to avoid the risk of infection among shareholders.

As there may not be enough seats available, please take priority in exercising your voting rights in advance in writing or via the Internet, etc. The Company will make donations to organizations related to COVID-19 countermeasures according to the number of shareholders who exercise their voting rights in advance. We would appreciate your cooperation in this matter.

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

- 1. Date and Time:** Friday, June 19, 2020 at 10:00 a.m. (Japan Standard Time)
- 2. Venue:** Large Hall, 3F, Annex Building, Head Office of The Kagoshima Bank
3-3, Izumi-cho, Kagoshima-shi, Kagoshima-ken
- 3. Purposes:**
- Items to be reported:**
1. Business Report and Consolidated Financial Statements for the 5th Term (from April 1, 2019 to March 31, 2020), 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 5th Term (from April 1, 2019 to March 31, 2020)
- Item to be resolved:**
- Proposal:** Election of Eleven (11) Directors

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) Basic Policies on Persons Who Control Financial and Business Policy Decisions of the Business Report
 - (ii) System to Ensure the Propriety of Business Activities
 - (iii) Matters Concerning Specific Wholly-owned Subsidiaries
 - (iv) Matters Concerning Accounting Advisors
 - (v) Other Matters
 - (vi) The Non-Consolidated Statement of Changes in Net Assets, and the Notes to Non-Consolidated Financial Statements
 - (vii) The Consolidated Statement of Changes in Net Assets, and the Notes to Consolidated Financial StatementsThus, the documents attached hereto comprise only part of the Business Report, 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: Election of Eleven (11) 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 eleven (11) Directors, including the addition of one (1) Director, for the purpose of enhancing the Company's management structure.

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 11 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	Chairman of the Board	[For reelection]
2	Yoshihisa Kasahara	President	[For reelection]
3	Toru Hayashida	Director and Managing Executive Officer (In charge of Corporate Planning Division, Public Relations / IR Division and Personnel / General Affairs Division)	[For reelection]
4	Norihisa Akatsuka	Managing Executive Officer (In charge of Business Strategy Division and Operations Administration / IT Management Division)	[New election]
5	Eiichi Eto	Managing Executive Officer (In charge of Compliance and Risk Management Division, General Manager of Compliance and Risk Management Division)	[New election]
6	Hiroyuki Tanaka	Managing Executive Officer (In charge of Audit Division)	[New election]
7	Tadataka Tokunaga	Director and Executive Officer (General Manager of Corporate Planning Division)	[For reelection]
8	Takahiro Kai	Director	[For reelection]
9	Motohiro Kamimura	Director	[For reelection]
10	Katsuaki Watanabe	Director	[For reelection] [Outside] [Independent]
11	Yuji Nemoto	Director	[For reelection] [Outside] [Independent]

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
1	Sumihiro Matsuyama (June 11, 1955) [For reelection] Attendance at 10 out of 10 board of directors meetings (100%)	Apr. 1978 June 2007 June 2008 June 2011 June 2013 June 2019 June 2019	Joined The Kagoshima Bank, Ltd. Director, General Manager of Integrated Planning Division and Head of Supervisory Office for Group Companies, Integrated Planning Division Managing Director, General Manager of Integrated Planning Division and Head of Supervisory Office for Group Companies, Integrated Planning Division Senior Managing Director Deputy President President (to present) Chairman of the Board of the Company (to present)	57,310
<p>[Position and responsibilities in the Company]</p> <ul style="list-style-type: none"> • Chairman of the Board <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • President of The Kagoshima Bank, Ltd. 				
<p>[Reasons for nomination as candidate for Director]</p> <p>Since becoming Chairman of the Board of the Company in 2019, Sumihiro Matsuyama has supervised the general management of the Group, and has also driven the management of The Kagoshima Bank, Ltd., a Group subsidiary, as its President since 2019. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Sumihiro Matsuyama can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>				
2	Yoshihisa Kasahara (January 5, 1962) [For reelection] Attendance at 12 out of 12 board of directors meetings (100%)	Apr. 2014 Apr. 2015 June 2015 May 2016 June 2016 Apr. 2018 June 2018 June 2019	Managing Executive Officer of Mizuho Trust & Banking Co., Ltd. Joined The Higo Bank, Ltd. (Managing Executive Officer and General Manager of Internal Audit Division) Director and Managing Executive Officer Director of The Kagoshima Bank, Ltd. Director of the Company Deputy President of The Higo Bank, Ltd. President (to present) President of the Company (to present)	59,400
<p>[Position and responsibilities in the Company]</p> <ul style="list-style-type: none"> • President <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • President of The Higo Bank, Ltd. 				
<p>[Reasons for nomination as candidate for Director]</p> <p>Since becoming President of the Company in 2019, Yoshihisa Kasahara has supervised the general management of the Group, and has also driven the management of The Higo Bank, Ltd., a Group subsidiary, as its President since 2018. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Yoshihisa Kasahara can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>				

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
3	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.	32,700
		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	
		Apr. 2020	Director and Managing Executive Officer (to present)	
		Apr. 2020	Director of Kyushu FG Securities, Inc. (to present)	
		[Position and responsibilities in the Company]		
		• Director and Managing Executive Officer (In charge of Corporate Planning Division, Public Relations / IR Division and Personnel / General Affairs Division)		
		[Significant concurrent positions outside the Company]		
		• Director of Kyushu FG Securities, Inc.		
	[Reasons for nomination as candidate for Director] Since the Company's establishment in 2015, as General Manager of Corporate Planning Division, Toru Hayashida has worked to establish management plans and strengthen the corporate management system. Furthermore, since April 2020, he has been in charge of corporate planning, public relations / IR and personnel / general affairs, and has strived to promote various measures as Director and Managing Executive Officer. 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.			
4	Noriyuki Akatsuka (October 3, 1961) [New election]	Apr. 1982	Joined The Kagoshima Bank, Ltd.	30,940
		June 2015	Executive Officer and General Manager of Systems Division	
		Oct. 2015	Executive Officer and General Manager of Operations Administration / IT Management Division of the Company	
		Apr. 2016	Director and General Manager of Systems Division of The Kagoshima Bank, Ltd.	
		Apr. 2018	Managing Director and General Manager of Administrative Management Division	
		Apr. 2020	Managing Executive Officer of the Company (to present)	
		Apr. 2020	Director of Kyushu FG Securities, Inc. (to present)	
		[Position and responsibilities in the Company]		
		• Managing Executive Officer (In charge of Business Strategy Division and Operations Administration / IT 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, as General Manager of Operations Administration / IT Management Division, Noriyuki Akatsuka has worked to establish IT strategies and improve the efficiency of administration operations. Furthermore, since April 2020, he has been in charge of business strategy and operations administration / IT management, and has strived to promote various measures as Managing Executive Officer. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Noriyuki Akatsuka 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	Eiichi Eto (July 31, 1959) [New election]	<p>Apr. 1983 Joined The Higo Bank, Ltd.</p> <p>June 2014 Executive Officer and General Manager of Compliance/Risk Management Division (currently Compliance and Risk Management Division)</p> <p>June 2015 Director, Executive Officer and General Manager of Compliance/Risk Management Division (currently Compliance and Risk Management Division)</p> <p>Oct. 2015 Executive Officer and General Manager of Compliance/Risk Management Division of the Company (currently Compliance and Risk Management Division)</p> <p>May 2016 Director and Managing Executive Officer of The Higo Bank, Ltd. (to present)</p> <p>Apr. 2020 Managing Executive Officer and General Manager of Compliance and Risk Management Division of the Company (to present)</p> <p>[Position and responsibilities in the Company]</p> <ul style="list-style-type: none"> • Managing Executive Officer (In charge of Compliance and Risk Management Division and General Manager of Compliance and Risk Management Division) <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • Director and Managing Executive Officer of The Higo Bank, Ltd. 	31,300
<p>[Reasons for nomination as candidate for Director]</p> <p>Since the Company's establishment in 2015, as General Manager of Compliance/Risk Management Division (currently Compliance and Risk Management Division), Eiichi Eto has worked to enhance the Company's compliance structure and integrated risk management structure. Furthermore, since April 2020, he has been in charge of compliance and risk management and strived to promote various measures as Managing Executive Officer and General Manager of Compliance and Risk Management Division. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Eiichi Eto can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.</p>			
6	Hiroyuki Tanaka (October 19, 1961) [New election]	<p>Apr. 1984 Joined The Kagoshima Bank, Ltd.</p> <p>June 2010 Chief of Makurazaki Branch</p> <p>June 2012 Chief of Sendai Branch</p> <p>June 2014 General Manager of General Affairs Division</p> <p>June 2015 Corporate Auditor (full-time)</p> <p>Apr. 2020 Managing Executive Officer and General Manager of Internal Audit Division (to present)</p> <p>Apr. 2020 Managing Executive Officer of the Company (to present)</p> <p>[Position and responsibilities in the Company]</p> <ul style="list-style-type: none"> • Managing Executive Officer (In charge of Audit Division) <p>[Significant concurrent positions outside the Company]</p> <ul style="list-style-type: none"> • Managing Executive Officer of The Kagoshima Bank, Ltd. 	27,950
<p>[Reasons for nomination as candidate for Director]</p> <p>At The Kagoshima Bank, Ltd., a Group subsidiary, Hiroyuki Tanaka has served in various roles, including Chief of branches, General Manager of General Affairs Division, and Corporate Auditor (full-time). Furthermore, since April 2020, he has been in charge of audit and has strived to promote various measures as Managing Executive Officer. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Hiroyuki Tanaka 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
7	Tadataka Tokunaga (February 2, 1963) [For reelection] Attendance at 10 out of 10 board of directors meetings (100%)	Apr. 1985	Joined The Kagoshima Bank, Ltd.	12,900
		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	
		June 2019	Director, Executive Officer and General Manager of Group Strategy Department (currently Business Strategy Division)	
		Apr. 2020	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 being appointed Director of the Company in 2019, Tadataka Tokunaga has worked to formulate sales strategies and expand business operations as General Manager of Group Strategy Department (currently Business Strategy Division). Furthermore, since April 2020, he has strived to promote various measures including establishing management plans and strengthening the corporate management system as General Manager of Corporate Planning 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.		
8	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.	121,970
		June 2006	Senior Managing Director	
		June 2008	Deputy President	
		June 2009	President	
		Oct. 2015	Chairman of the Board of the Company	
		June 2018	Chairman of The Higo Bank, Ltd. (to present)	
		June 2019	Director of the Company (to present)	
		[Position and responsibilities in the Company] • Director		
		[Significant concurrent positions outside the Company] • Chairman of The Higo Bank, Ltd.		
		[Reasons for nomination as candidate for Director] Since the Company's establishment in 2015 to 2019, Takahiro Kai has supervised the general management of the Group as Chairman of the Board, and has also driven the management of The Higo Bank, Ltd., a Group subsidiary, as its President since 2009, and as Chairman since 2018. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Takahiro Kai can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.		

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
9	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.	47,050
		June 2004	Director and General Manager of Operations Management Division	
		June 2006	Managing Director	
		June 2010	President	
		Oct. 2015	President of the Company	
		June 2019	Chairman (to present)	
		June 2019	Director of the Company (to present)	
		[Position and responsibilities in the Company] • Director		
		[Significant concurrent positions outside the Company] • Chairman of The Kagoshima Bank, Ltd.		
	[Reason for nomination as candidate for Director] Since the Company's establishment in 2015 to 2019, Motohiro Kamimura supervised the general management of the Group as President, and has also driven the management of The Kagoshima Bank, Ltd., a Group subsidiary, as its President since 2010 and as Chairman since 2019. Since he possesses abundant knowledge, rich experience, and high ability in the field of financial services, the Company believes that Motohiro Uemura can contribute to the Group's further development, and it has therefore nominated him as a candidate for Director.			
10	Katsuaki Watanabe (February 13, 1942) [For reelection] [Outside] [Independent] Attendance at 10 out of 12 board of directors meetings (83.3%)	Apr. 1964	Joined Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation)	15,500
		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.		
	[Reasons for nomination as candidate for Outside Director] Since the Company judges that, based on the rich experience, broad insight, and knowledge that Katsuaki Watanabe has developed as a top executive of a leading manufacturer, he can supervise the general management of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the "Outside Officer Independence Standards" established by the Company.			

No.	Name (Date of birth)	Career summary		Number of the Company's shares owned
11	Yuji Nemoto (October 27, 1954)	Apr. 1978	Joined Japan Development Bank (currently, Development Bank of Japan Inc.)	-
	[For reelection] [Outside] [Independent]	Apr. 2004 Apr. 2006 Apr. 2008 June 2015 June 2018	General Manager of Regional Planning Department Professor at Faculty of Economics, Toyo University (to present) Director of Research Center for PPP, Toyo University (to present) Director of The Kagoshima Bank, Ltd. Director of the Company (to present)	
	Attendance at 12 out of 12 board of directors meetings (100%)	[Position and responsibilities in the Company] • Outside Director [Significant concurrent positions outside the Company] • Professor of Toyo University		
	[Reasons for nomination as candidate for Outside Director] Since the Company judges that, based on the rich experience, broad insight and knowledge that Yuji Nemoto has developed being involved in regional policy as a university professor and as an expert in public policy, urban development and regional development, he can supervise the general management of the Group from an objective and neutral standpoint, the Company requests his election as an Outside Director. Furthermore, he does not infringe on the independence standards established by the stock exchanges, and he also meets the "Outside Officer Independence Standards" established by the Company.			

- Notes:
1. There is no special interest between any of the candidates for Director and the Company.
 2. Katsuaki Watanabe and Yuji Nemoto are candidates for Outside Director.
 3. The term of office of Katsuaki Watanabe as Outside Director of the Company will be approximately four (4) years and nine (9) months at the conclusion of this meeting.
The term of office of Yuji Nemoto as Outside Director of the Company will be approximately two (2) years at the conclusion of this meeting.
 4. Both Katsuaki Watanabe and Yuji Nemoto are registered with the stock exchanges on which the Company is listed, as Independent Officers who have no possibility of a conflict of interest arising with ordinary shareholders. If they are both elected as Outside Directors, the Company plans to continue to register them as Independent Officers.
 5. With respect to the liability provided for in Article 423, Paragraph 1 of the Companies Act, the Company has entered into limited liability agreements with Katsuaki Watanabe and Yuji Nemoto that limit their liabilities to the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. If they are both elected as Outside Directors, the Company plans to continue the agreements with them.

<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 5th Term

(From April 1, 2019 to March 31, 2020)

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 18 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.

[Financial and economic environment]

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 increase of the consumption tax rate. 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 fiscal year due to the spread of the novel coronavirus diseases (hereinafter "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 monetary easing by the FRB, etc. However, due to the impact of COVID-19, it fell significantly 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 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 the local economy, although there was some weakness in the areas of production activities and consumption, employment conditions remained strong, and overall the local economy followed a moderate recovery track. In the tourism sector, although there were some positive notes such as the Rugby World Cup, tourism declined due to deteriorating relations between Japan and South Korea, and the backlash from the popularity Kagoshima Prefecture enjoyed thanks to NHK's 2018 historical TV drama *Segodon*. With regard to investment, there were high levels of private investment, primarily in redevelopment projects, but the amount of disaster recovery-related investment in Kumamoto Prefecture gradually decreased. Towards the end of the fiscal year, various industries were affected by COVID-19, and the local economy rapidly deteriorated.

[Progress and results of the Group's operations]

The Company was established on October 1, 2015 by means of joint share transfer by Higo Bank and Kagoshima Bank (hereinafter, "both banks") in conjunction with the business integration. By establishing a solid business foundation that can further enhance our presence in Kyushu, the place of origin of both banks, we seek to create a new business model tied closely to local communities while extending over a wide area, further build mutual trust with local communities, promote greater management efficiency, improve corporate value, and actively contribute to the realization of dynamic local communities as a regional comprehensive financial group.

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

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

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	<ol style="list-style-type: none"> 1. Enhancement of regional comprehensive financial functions 2. Demonstration of function of promoting regional industry
(2) Strengthening of Group's human resources	<ol style="list-style-type: none"> 1. Enhancement of human resources management 2. Enhancement of human resources development
(3) Raise the level of Group governance	<ol style="list-style-type: none"> 1. Enhancement of business management structure 2. Improvement of productivity

6. Numerical targets

Item		Target for final year	Fiscal 2019 Financial Results	Fiscal 2018 Financial Results	Reference
Growth	1. Average balance of loans	¥7.6 trillion	¥7.1 trillion	¥6.7 trillion	Simple sum of two banks
	2. Average balance of deposits/NCD	¥9.2 trillion	¥8.7 trillion	¥8.5 trillion	
Profitability	1. Net income	¥25,000 million	¥18,200 million	¥22,200 million	Consolidated
	2. Business profits from services provided to customers*	¥14,000 million	¥11,700 million	¥12,100 million	
	3. Return on shareholders' equity	4% level	3.0%	3.7%	
Efficiency	1. OHR	Under 70%	67.8%	68.2%	
Financial soundness	1. Capital adequacy ratio	10% or higher	10.89%	11.34%	

* Business profits from services provided to customers:

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

During fiscal 2019, the second fiscal year of the Medium-Term Management Plan, designated the “Integration Stage,” the main measures implemented by the Group were as follows.

[Evolution into a Group that co-creates regional vitality]

Enhancement of regional comprehensive financial functions

(Establishing connections between Bank, Securities and Trusts)

In order to respond to the rising need for inheritance and the passing on of assets against the backdrop of a progressively aging society, in April 2019, the Group started operating the trust business at the banks, becoming the first regional banking Group in Kyushu to take such initiatives.

Furthermore, Kyushu FG Securities, Inc., now in its second year of operations, is meeting the increasingly diverse asset management needs of customers by expanding services, such as online trading, and extending the range of product offering.

Accordingly, the three business formats of Bank, Securities and Trusts, cooperate to enable the provision of one-stop services matched to customer needs such as inheritance, or to customers’ life stages in terms of “saving,” “growing,” and “leaving.” Both banks and Kyushu FG Securities will continue to coordinate appropriately, striving to supply more specialized financial products and services.

(Expanding services and channels)

In January 2020, the Group established Glocal Crowdfunding Inc., a crowdfunding company, through joint funding with Music Securities, Inc., Kumamoto Dai-ichi Shinkin Bank, and Kyushu Electric Power Co., Inc., with the aim of providing growth capital to enterprises in Kyushu. In order to turn the resources and ideas of local communities into realities, the Group will serve as a bridge that connects the empathy and capital of investors across Japan with enterprise owners, contributing to the development of sustainable regional economies.

Furthermore, to share the kindness of customers with the community, both banks have extended their product lineups with privately-placed bonds and medical institution bonds, which donates part of the issuance amount to schools and organizations designated by customers. In addition to *Manabiya* Privately-placed Bonds with School Donations and Kumamoto Reconstruction Support Privately-placed Bonds, Higo Bank offers Higin SDGs Medical Institution Bonds. Kagoshima Bank offers Kagin SDGs Promotion Privately-placed Bonds and Kagin SDGs Promotion Medical Institution Bonds.

The Group will continue to work as one to enhance its measures aimed at solving the issues of communities and customers.

(Regional expansion strategy)

The Group is working as one to expand the commercial distribution of its customers.

In April 2019, Kagoshima Bank opened a representative office in Taipei, strengthening its links with the existing representative offices operated by both banks in Shanghai. Further, as part of the Group’s overseas expansion support activities, in January 2020, an Overseas Expansion Support Seminar for Small and Medium-sized Enterprises was held in both Kumamoto and Kagoshima for customers interested in entering or extending their sales channels into overseas markets. The objective of these seminars is to provide support in solving participants’ issues by providing information such as case examples regarding companies operating business overseas.

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

Demonstration of function of promoting regional industry

(Communicating regional appeal)

The Group is collaborating with local governments and related organizations, and working to convey the various appeals of regions.

Higo Bank held regional revitalization fairs with local governments and related organizations with the objective of communicating the appeals of various areas of Kumamoto Prefecture and attracting a greater number of tourists. In September 2019, Higo Bank held the Kitakuma (Northern Kumamoto) Regional Promotion Fair, and in October held the Aso Regional Promotion Fair 2019. In these fairs, we worked together with members of the community to publicize the food, tourism and activities of northern Kumamoto and the Aso regions.

With the opening of Head Office Building YOCADO KAGOSHIMA upon the completion of the new head office building, Kagoshima Bank will work to convey the charms of the local area, appealing to all five senses. The objective is to become a new attraction in Kagoshima that would invigorate the local area as a whole and to create new value, by fusing and developing people, experiences, and goods associated with Kagoshima. In addition, in order to nurture human resources with an interest in regional revitalization and development, a large screen was installed on Head Office Building YOCADO KAGOSHIMA, showing videos featuring the perspectives and ideas of university students, graduate students, and professors at eight universities and educational institutes under agreements relating to initiatives for regional revitalization with Kagoshima Bank.

(Initiatives in the tourism field)

Through the leveraging of regional tourist resources, and the planning and sharing of new tourism content, the Group supports tourism promotion and regional revitalization.

Higo Bank signed an agreement with Kumamoto Prefecture and Kyushu Electric Power Co., Inc., regarding the promotion of tourism by leveraging infrastructure resources, and is planning, designing, and promoting tourist routes featuring facilities such as dams and power generation facilities in Kumamoto Prefecture. In November 2019, Higo Bank held a tour to enjoy the Kumamoto Prefecture Kikuchi River dams, power stations, and autumn foliage of the Kikuchi Gorge. We capitalized on the rich nature of the Kikuchi River, together with infrastructure facilities and famous sights where people can experience the bounty of the river, as tourism assets to attract new tourists and help revitalize Kumamoto Prefecture's tourism industry and the regional economy.

In November 2019, Kagoshima Bank engaged in businesses such as the operation of a glamping service (a luxury outdoor service) in Ibusuki City (in Kirishima-Kinkowan National Park) with the aims of improving the appeal of regional assets through the provision of new outdoor content in Kirishima-Kinkowan National Park, and revitalizing the region's economy by increasing the nonresident population. Going forward, we will continue to engage in measures with the objective of discovering tourism resources in local areas, and promoting regional revitalization by increasing nonresident populations.

(Initiatives for the agriculture, forestry and fisheries field)

In the field of agriculture, forestry, and fisheries, the Group strengthens support for customer businesses by leveraging the strengths of both banks and sharing the know-how they have accumulated.

In November 2019, Higo Bank, the Kumamoto Prefecture Federation of Livestock Agriculture Cooperatives and Keio University Graduate School of Media Design concluded a partnership agreement to for the development of the *Kumamoto Akaushi* beef brand and the expansion of its sales channels. Also, in July 2019, Higo Bank gathered people from across the country who are interested in working in the agricultural field in the first job fair in Kumamoto Prefecture for members of the agricultural industry, titled *Shunou* FEST Kumamoto. The aim of this job fair was to help solve labor shortage in agriculture by individually matching candidates and employers and sharing the appeal of agriculture in Kumamoto Prefecture.

Kagoshima Bank distributed vegetable-growing kits called *Vege Pods* to over 60,000 elementary school students in Kagoshima Prefecture, in the hopes of cultivating interest in agriculture, the key industry of the region, and providing the joyous experience of eating safe vegetables grown themselves, for the children who would be leaders of the future.

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. Both banks will continue to work together to turn the agriculture, forestry, and fishery industries into growth industries and revitalize regional economies.

(Initiatives for startups/new businesses)

As part of the efforts to expand and enrich its consulting services for enterprise owners, the Group has reinforced initiatives for start-ups and new businesses.

Higo Bank has contributed to the creation and growth support of venture companies from Kumamoto that are active on the global stage to produce sustainable regional development. Measures have included holding a Kumamoto Tech Grand Prix in a collaboration between industry, government, and academia, and the March 2020 establishment of the Higin Limited Partnership for Venture Business Investment together with Higin Capital Co., Ltd. with the aim of creating regional industries through supporting venture businesses.

Kagoshima Bank has worked to contribute to regional revitalization including the growth of regional companies and the creation of new jobs through various initiatives, such as jointly holding the Kagoshima Startup Birth Project with Kagoshima City to give greater momentum to the startup business creation movement, and holding the Kagoshima Tech Planter together with Kagoshima Prefecture and Leave a Nest Co., Ltd. to develop the *seeds of technology* of researchers and local companies in Kagoshima Prefecture into full-fledged businesses. We will continue to contribute to regional revitalization by assisting regional company growth and the creation of new jobs by supporting the development of start-ups, second formation, and new businesses.

(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, the Group has 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, the Group has implemented ongoing exchanges involving transfers of personnel and joint training. In the fiscal year under review, the Group conducted personnel exchanges involving 22 junior employees and the total number of employees who have participated in these exchanges reached 148. Joint training was provided to 481 employees during the fiscal year under review, and the total number of employees engaged in exchange through joint training reached around 2,300.

In our personnel development measures, we have actively implemented educational measures for developing executive personnel, and education measures in specialized fields. Over the course of the year, we have conducted Next-Generation Leadership Development Training aimed at acquiring capabilities in planning and realizing and implementing strategies (14 participants) from the perspective of establishing new businesses, one-month language study sessions in the US (14 participants), overseas training to cultivate global perspectives within participants (66 participants), and seminars regarding the new field of FinTech and business strategies (22 participants).

In terms of hiring activities, we are accelerating the aggregation and integrated operation of our planning divisions, such as organizing an internship program for the first time. As regards employee benefit programs, in April 2020 we introduced a unified “selective defined contribution pension plan” throughout the Group to realize further bolstered benefits for Group employees.

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. So far, we have implemented new approaches such as an early-morning work attendance system, which is highly effective in improving productivity, an interval work attendance system, which helps maintain good health, and a staggered work attendance system that respects employee's lifestyle.

From fiscal 2020, we have actively leveraged telework, including working from home, not only to enable more flexible work styles, but also from the perspective of realizing business continuity plans (BCPs) for dealing with disasters and emergencies.

Raise the level of Group governance

(Reorganization)

In October 2019, we carried out a reorganization to promote the integration of the Group, improve the Company's corporate management functions, and promote revenue diversification and new business development in order to improve consolidated revenue.

The Public Relations / IR Group and the Personnel / General Affairs Office were split from the Corporate Planning Division, creating the new Public Relations /IR Division and Personnel / General Affairs Division. Personnel responsible for the Group's public relations / IR operations, and fiscal operations were reassigned to perform operations for all three companies, centered on the Company, and the public relations / IR, and accounting departments of the Group were integrated.

Furthermore, the Group Strategy Division was renamed the Business Strategy Division, and a new Business Development Office specializing in new business development was established within the division.

(Revisions to committees)

In order to enhance the Group's ability to address cross-organizational issues, the Group's committee structure was reviewed and revised from October 2019.

The Group Strategy Committee was reorganized, three new committees, namely, the Organizational Integration and Headquarters Building Construction Committee, the New Business Development Committee, and the Digital Innovation Committee were established, the operation of the risk appetite framework was transferred from the ALM Committee to the Comprehensive Budgeting Committee, and the offensive and defensive roles of both committees were clarified.

Furthermore, the Compliance Committee and the Risk Management Committee were merged into the CR Committee.

(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.

The cash card issuing operations of both banks, which were heretofore handled separately, were integrated, and digital tablets were utilized to integrate and unify administrative operations and systems used when performing inheritance operations or receiving passbooks, cash, etc., from customers. We will further increase the use of tablets in order to reduce the burden of customers filling out forms and improve convenience, such as by digitizing insurance sales counter operations and in-store forms.

We will also continue to improve the financial services offered to customers through the use of digital technologies in order to drive digital transformation, such as by developing financial apps, supporting the open application programming interface (API), and adding cashless payment service functions.

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, 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, as well as formulating a “Sustainability Declaration” and working as one to realize a sustainable society.

Based on this declaration, in July 2019, we formulated the Guidelines for Investment and Lending to contribute to sustainable regional development through the Group’s core operations, investment and lending. We are promoting autonomous and responsible investment and lending that lead to solutions of the environmental and social issues faced by customers and local communities, as well as actively supporting businesses that help mitigate climate change and contribute to biodiversity, together with businesses that contribute to the revitalization of key local industries.

In recognition of the Group’s ESG finance activities, we were awarded the Silver Prize in the First ESG Finance Awards Japan organized by the Ministry of the Environment in 2019 (Banking Category).

Furthermore, in January 2020, both banks, Oita Bank, Miyazaki Bank, and the Kyushu Regional Environmental Office, Ministry of the Environment concluded the Partnership Agreement for the Regional Circular and Ecological Sphere (CES) in Central and Southern Kyushu. This partnership agreement will reinforce members’ regional capabilities and sustainable development capabilities through regional revitalization, including the use of regional resources such as national parks, and joint efforts to promote and generate awareness on SDGs in regional areas.

In addition, to assist in creating communities more resilient to disasters, Higo Bank has constructed 10 emergency wells in Kumamoto Prefecture, and has concluded agreements with five cities stipulating matters necessary for opening these wells to the general public in the event of an emergency. Kagoshima Bank is collaborating with Group companies and other organizations to support the formulation of BCPs by local customers.

(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 July 2019, the Group declared its support for recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), and formulated the Green Purchasing Guidelines in March 2020. The Group will promote purchasing activities in accordance with these guidelines, and will engage in Group-wide environmentally-conscious activities, such as discontinuing the use of plastic bags to distribute materials to customers in an effort to eliminate microplastics.

In addition to such efforts, the Group continues to contribute to medium- and long-term revitalization of local communities by participating in regional events, sponsoring sporting and cultural events, engaging in social welfare activities, etc.

Fiscal 2019 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 increases in personal and other deposits, deposits rose by ¥198.7 billion over the end of the previous fiscal year to ¥8,766.3 billion.

(Loans)

Loans rose by ¥333.7 billion year on year to ¥7,186.9 billion, mainly as a result of increases in personal loans.

(Securities)

Securities rose by ¥204.0 billion year on year to ¥2,216.9 billion, mainly as a result of increases in foreign securities.

(Profit and loss)

Consolidated ordinary income increased by ¥1,817 million year on year to ¥172,140 million due primarily to a rise in gains on sales of government and other bonds. Consolidated ordinary profit decreased by ¥6,684 million year on year to ¥27,033 million. Additionally, profit attributable to owners of the parent decreased by ¥3,941 million year on year to ¥18,261 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) increased by ¥54.4 billion year on year to ¥4,677.5 billion owing primarily to increases in personal and corporate deposits. Loans increased by ¥207.9 billion year on year to ¥3,696.4 billion due mainly to higher corporate and public loans. Securities increased by ¥158.5 billion to ¥1,367.5 billion mostly as a result of an increase in foreign securities.

Additionally, net business profit increased by ¥887 million year on year to ¥17,064 million, ordinary profit increased by ¥389 million year on year to ¥18,559 million, and net income increased by ¥365 million year on year to ¥12,860 million.

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

With regard to year-end balances of main accounts, deposits (deposits and negotiable certificates of deposit) increased by ¥143.4 billion year on year to ¥4,101.7 billion owing primarily to increases in personal deposits, loans increased by ¥150.5 billion year on year to ¥3,558.1 billion owing primarily to increases in personal and public loans, and securities increased by ¥47.2 billion year on year to ¥853.6 billion due mainly to an increase in foreign securities.

Additionally, net business profit decreased by ¥675 million year on year to ¥17,752 million, ordinary profit decreased by ¥1,202 million year on year to ¥16,216 million, and net income decreased by ¥788 million year on year to ¥11,236 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. The Group must also address innovations in digital technology including FinTech.

Furthermore, with regard to the global COVID-19 pandemic, many countries including Japan have taken measures such as declaring a state of emergency and prohibiting travel across international borders. Specifically within Japan, the government has requested businesses such as restaurants to remain closed, in addition to urging the public to refrain from nonessential outings and travel to other prefectures. The physical movement of people and goods have halted worldwide, and there are no signs of the situation settling down, neither at the international, national, or local levels, and there are concerns that its impact will further spread and persist.

Especially under these extremely uncertain 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 active 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.