

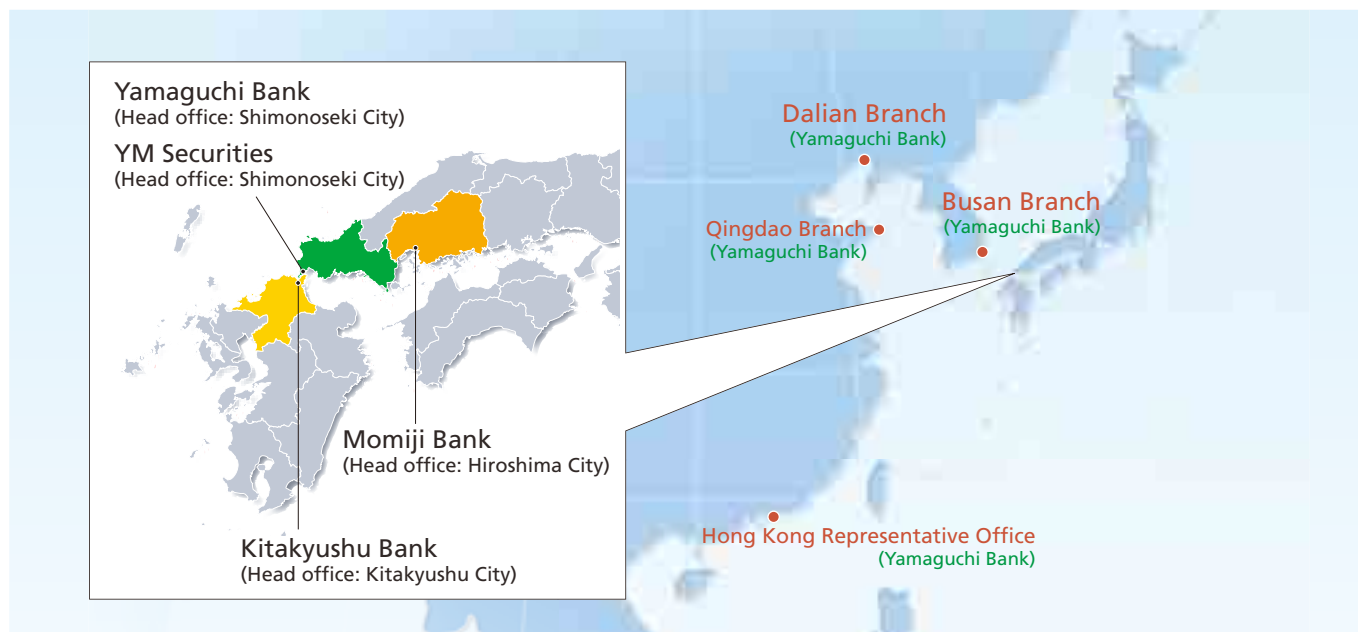
ANNUAL REPORT 2019

For the year ended March 31, 2019

*Co-Creating a Bountiful Future
for Our Region*



YMFG Networks



- Yamaguchi Bank
Networks in Japan: 131 (109 head office and branch offices, 22 sub-branch offices)
Networks in overseas: 4 (3 branch offices, 1 representative office)



- Momiji Bank
Networks in Japan: 112 (98 head office and branch offices, 14 sub-branch offices)



- Kitakyushu Bank
Networks in Japan: 37 (37 head office and branch offices)



- YM Securities
Networks in Japan: 18 offices



- HOKEN HIROBA
Networks in Japan: 54 offices



- HOKEN HIROBA+
Networks in Japan: 3 offices

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Disclaimer Regarding Forward-Looking Statements

The forward-looking statements in this Annual Report are based on management's assumptions and beliefs in light of information available as of the date of publication, and involve both known and unknown risks and uncertainties. Actual financial results may differ materially from those presented in this document, being dependent on a number of factors.

YMFG Financial Highlights (For the fiscal year ended March 31, 2019)



Message from the President

Co-Creating a Bountiful Future for Our Region



Thank you for your continued support of the Yamaguchi Financial Group (“YMFG”).

Japan’s outlying regions are affected by declining childbirth and aging populations, the outflow of young people into urban areas and a shortage of workers to shoulder operations. Amid these circumstances, expectations are mounting and regional financial institutions are being called upon to play an even greater role in regional economic development by helping to invigorate local companies and industries, ensure employment and bolster the sustainability of the regional economy.

The business environment in which regional financial institutions operate is characterized by growing social expectations about protecting customers, enhancing accountability, and fulfilling our duty to conduct operations in the spirit the customer intends (fiduciary duty). At the same time, the emergence of fintech, the onward march of artificial intelligence (AI) and other new technologies, and the move toward a cashless society are fueling competition from companies in a host of other sectors.

Amid this climate, in the fiscal year ended March 31, 2019, we formulated YMFG’s 2019 medium-term management plan, which we launched in the aim of further growth. Under the mission of “working

with intention to co-create a bountiful future for our region,” we aim to go beyond the boundaries of finance to address the social issues facing our region, maintaining an awareness closely attuned to businesses. We strive to be a company that adds value to the region.

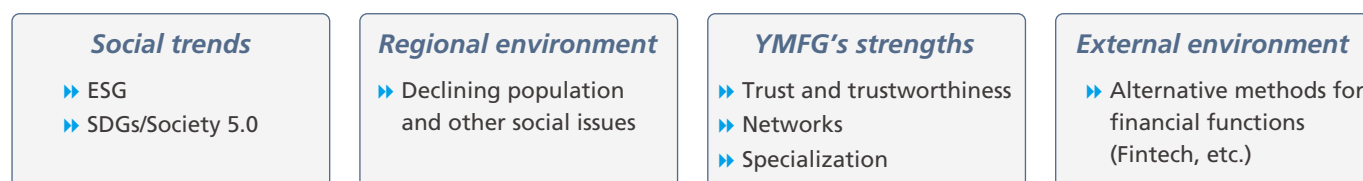
Going forward, we will continue striving to provide customers in the region we serve with the best possible value-added services. By fostering the development of the regional economy, we aim to enhance our corporate value. We will create a stable and highly effective corporate governance structure for the Group and augment the transparency of Group management to ensure accountability to our stakeholders. We remain unyielding in our aim to be a financial institution that truly benefits the region. We look forward to your continued patronage and support.

August 2019

A handwritten signature in black ink that reads "T. Yoshimura". The signature is written in a cursive, flowing style.

Takeshi Yoshimura
President
Yamaguchi Financial Group, Inc.

YMFG Medium-Term Management Plan 2019



Further accelerate our initiatives to date, taking the regional environment and social trends into consideration

Through our business activities, we aim to address regional social issues. In the process we aim for management focused on **creating shared value (CSV)**, which refers to both social value and economic value.

Goals

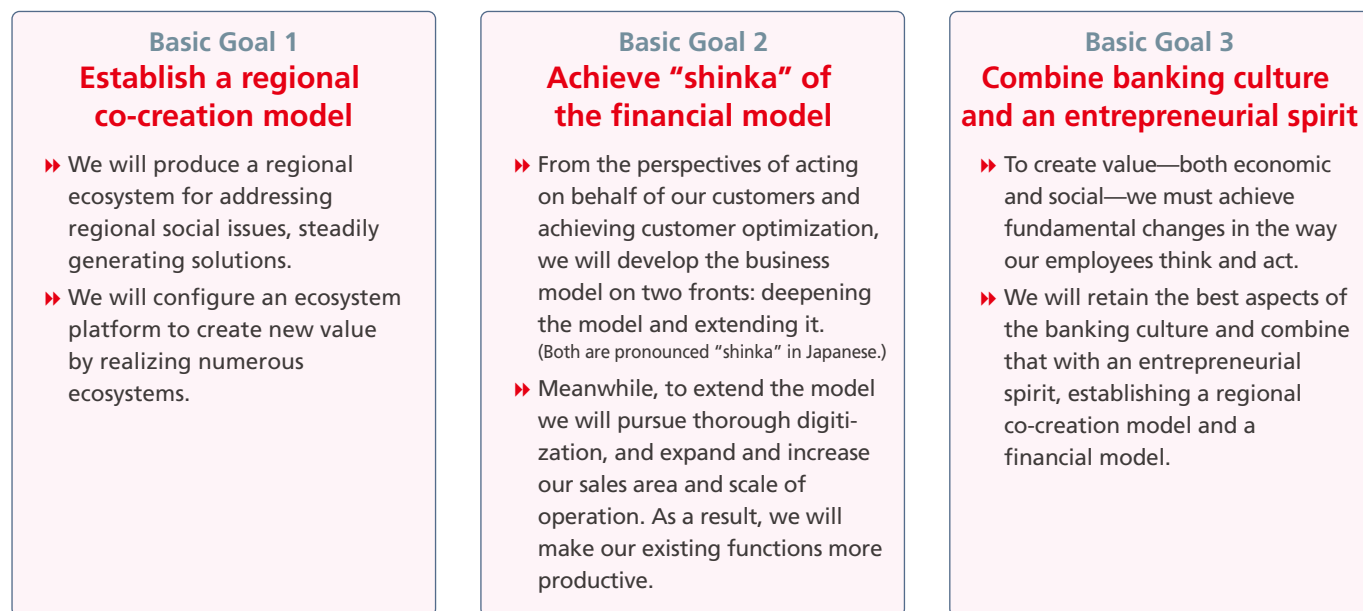
We aim to go beyond the boundaries of finance to address the social issues facing our region, maintaining an awareness closely attuned to businesses. We strive to be a company that adds value to the region.

Mission

Working with intention to co-create a bountiful future for our region

Basic Goals

By achieving the three basic goals below, realize a CSV management model for YMFG.



Financial Targets

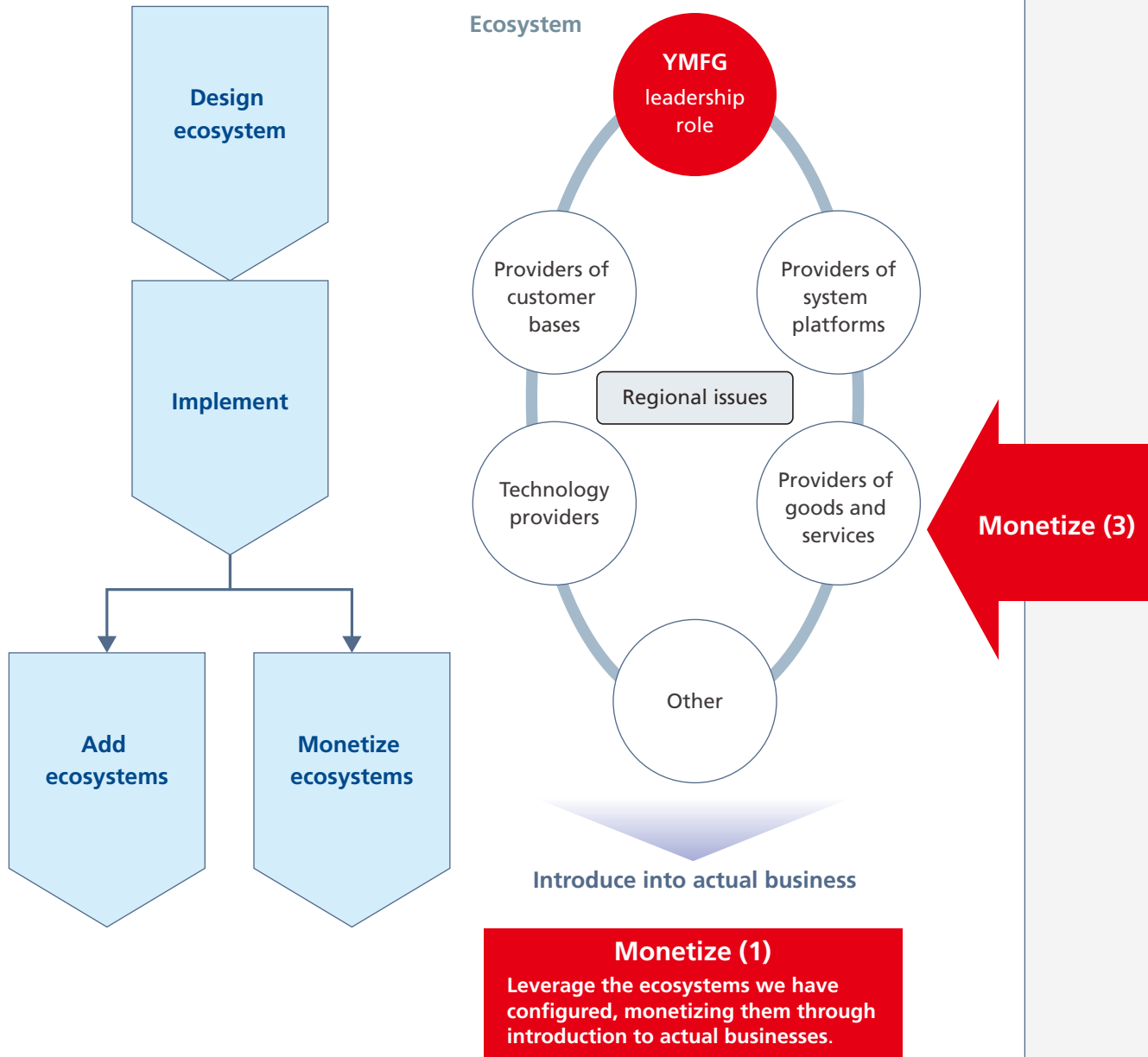
Category (consolidated)	Fiscal Year Ended March 31, 2019 (Results)	Fiscal Year Ending March 31, 2022 (Final Year of the Plan)
ROE	3.5%	5.0% or more
Dividend payout ratio	23.2%	30% or more
Total capital ratio	13.62%	12% or more

Business Model

YM-CSV model

Regional co-creation model

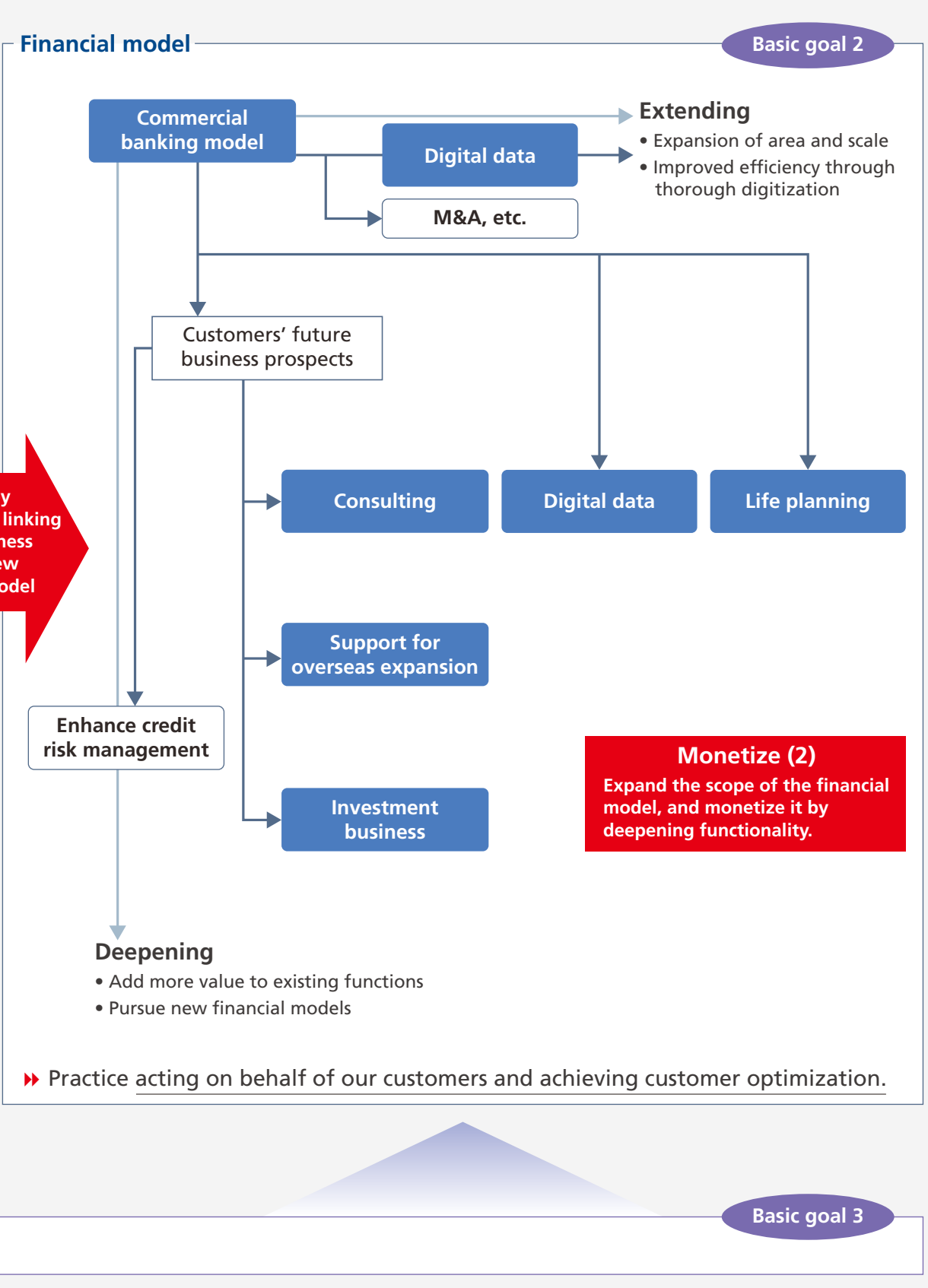
Basic goal 1



▶ YMFG will take a leadership role in creating a framework to steadily generate regional ecosystems.

Combine banking culture and an entrepreneurial spirit

*Refers to always acting from the customer's perspective and providing these customers with optimal services and proposals



Monetize by organically linking actual business with the new financial model

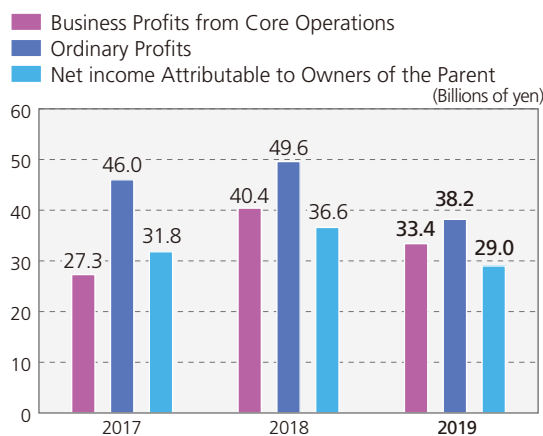
Performance Highlights (YMFG)

Performance during the fiscal year ended March 31, 2019

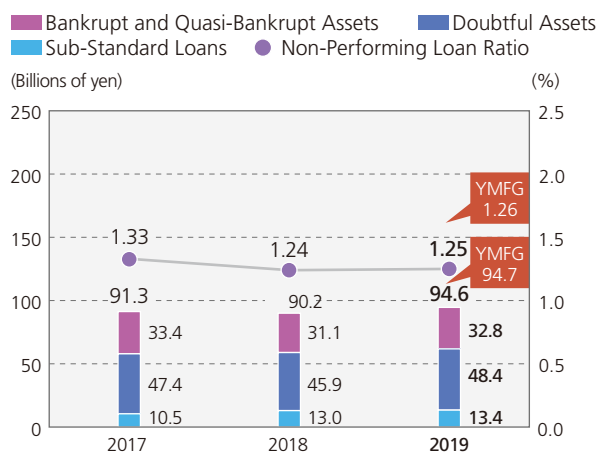
Business Profits from Core Operations/ Ordinary Profits/Net Income (Three Banks)

Business profits from core operations decreased ¥7.0 billion year on year, to ¥33.4 billion due to decrease in interest income and income from fees and commissions compared with the previous fiscal year.

Ordinary profits decreased ¥11.4 billion, to ¥38.2 billion, and net income attributable to owners of the parent amounted to ¥29.0 billion.

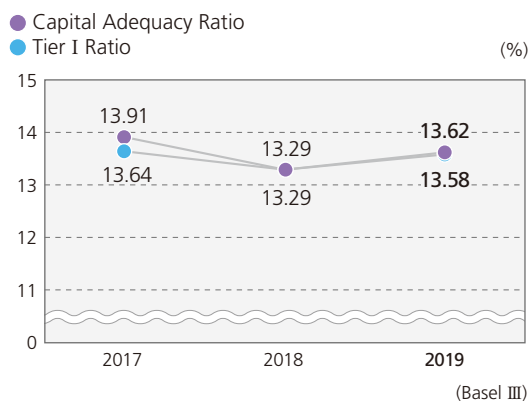


Non-Performing Assets Based on the Financial Revitalization Law (Three Banks)



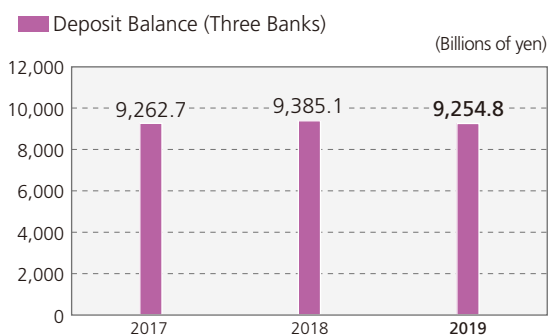
Capital Adequacy Ratio (YMFG)

YMFG's consolidated capital adequacy ratio (uniform international standard) under Basel III was 13.62%. The total Tier 1 capital adequacy ratio was 13.58%, and consolidated common equity Tier 1 capital adequacy ratio were 13.55%.



Deposit Balance (Three Banks)

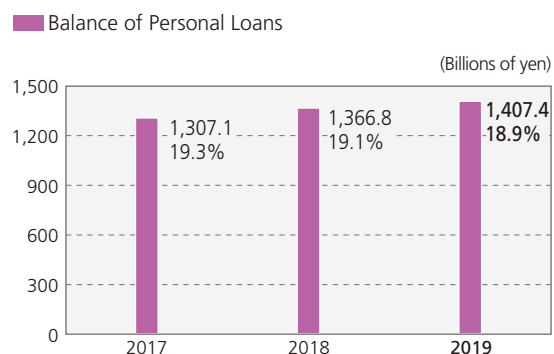
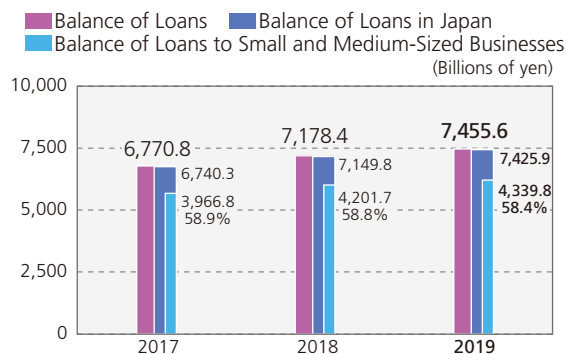
The total deposit balance at term-end was ¥8,896.6 billion, or ¥9,254.8 billion including Negotiable Certificates of Deposit (NCDs). This came about because of the expansion of products and services and steady marketing efforts based on solid community relationships.



Note: The deposit balance includes the NCD balance.

Balance of Loans/Balance of Personal Loans (Three Banks)

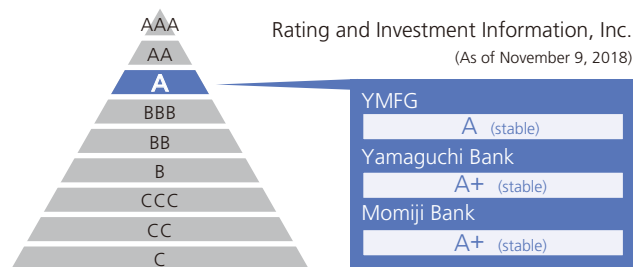
The balance of loans at term-end was ¥7,455.6 billion, as a result of active efforts to live up to the trust placed in us by our customers by meeting healthy demand for funds.



Note: The percentages of loans to small and medium-sized businesses and personal loans are calculated on the basis of the balance of loans in Japan.

Ratings for YMFG, Yamaguchi Bank and Momiji Bank

Ratings for the Group companies were A (stable) for YMFG, A+ (stable) for Yamaguchi Bank and Momiji Bank.



Dividend Policy (YMFG)

We have continued to provide stable dividends to our shareholders while securing profits and reinforcing financial health to maintain our credit strength.

In the year ended March 31, 2019, the dividend per share at term-end was ¥11. Combined with the interim dividend of ¥11 per share, the full-year dividend amounted to ¥22 per share.

	2017	2018	2019	2020 (Forecast)
Annual dividend per share (Interim dividend)	18.0 (10.0)	20.0 (10.0)	22.0 (11.0)	24.0 (12.0)

(Yen)

Expected Performance for the Fiscal Year Ending March 31, 2020 (YMFG)

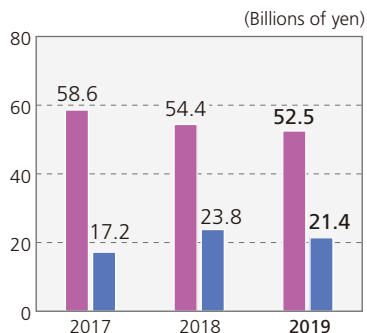
YMFG aims to achieve its consolidated ordinary profits of ¥40.0 billion and net income attributable to owners of the parent of ¥26.5 billion.

Performance Highlights (Three Banks)

Yamaguchi Bank (Non-consolidated)

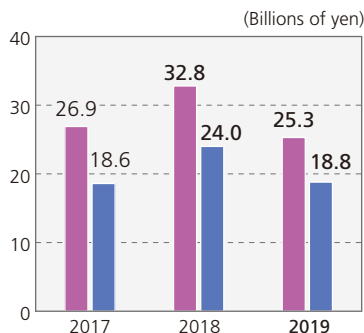
Gross Operating Income/Business Profits From Core Operations

- Gross Operating Income
- Business Profits From Core Operations



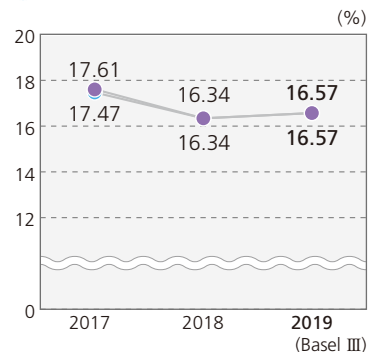
Ordinary Profits/Net Income

- Ordinary Profits
- Net Income



Capital Adequacy Ratio

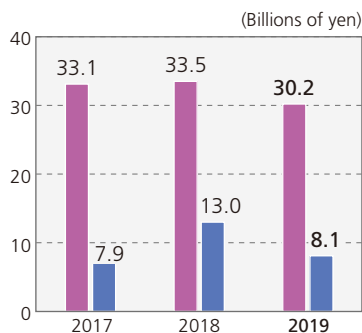
- Capital Adequacy Ratio
- Tier I Ratio



Momiji Bank (Non-Consolidated)

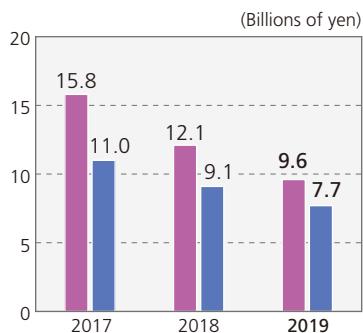
Gross Operating Income/Business Profits From Core Operations

- Gross Operating Income
- Business Profits from Core Operations



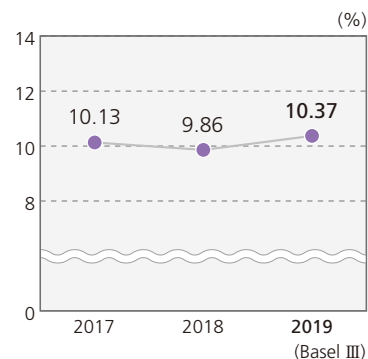
Ordinary Profits/Net Income

- Ordinary Profits
- Net Income



Capital Adequacy Ratio

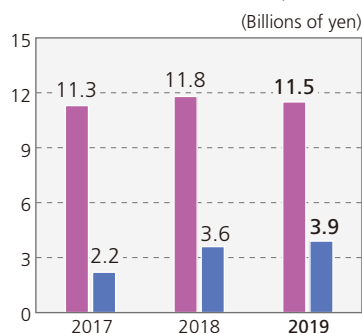
- Capital Adequacy Ratio



Kitakyushu Bank (Non-Consolidated)

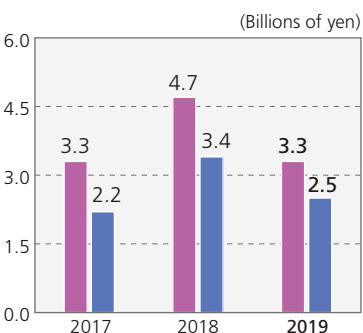
Gross Operating Income/Business Profits From Core Operations

- Gross Operating Income
- Business Profits from Core Operations



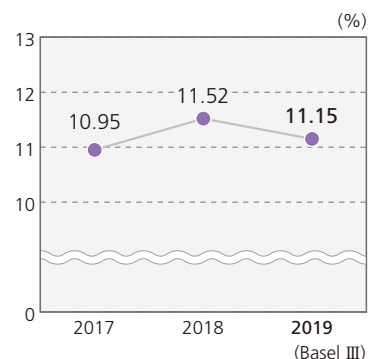
Ordinary Profits/Net Income

- Ordinary Profits
- Net Income



Capital Adequacy Ratio

- Capital Adequacy Ratio



YMFG Forecast for the Fiscal Year Ending March 31, 2020

Although the operating environment remain adverse, we expect profit categories to increase during the fiscal year ending March 31, 2020.

In the first year of our Medium-Term Management Plan 2019, we expect consolidated ordinary profits for the YMFG Group to amount to ¥40.0 billion, up 19.7% year on year. We also anticipate net income attributable to owners of the parent of ¥26.5 billion, up 14.5%.

(Billions of yen)

YMFG (Consolidated)		
	Fiscal Year Ending March 31, 2020	Year-on-Year Change
Ordinary profits	40.0	6.6
Net income attributable to owners of the parent	26.5	3.4

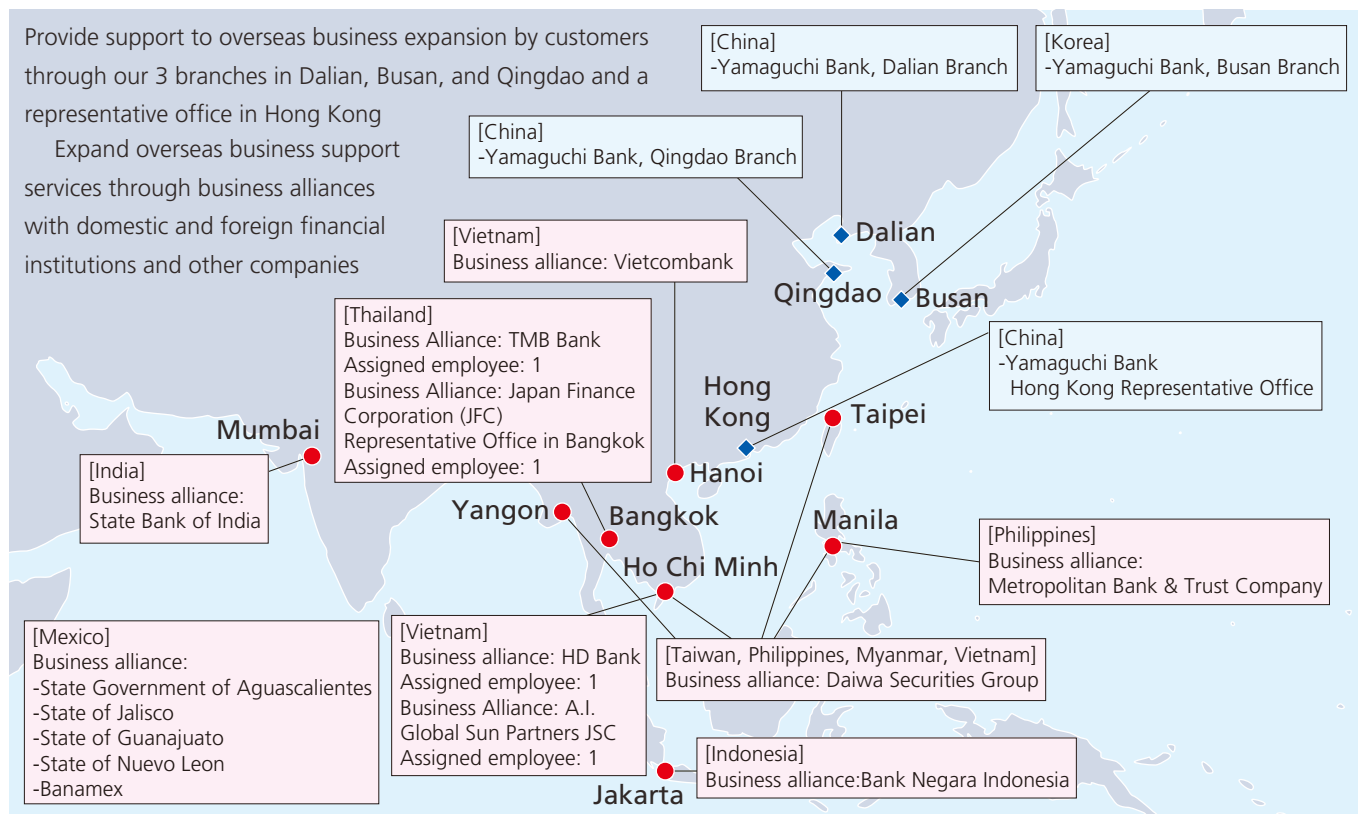
Yamaguchi Bank (Non-Consolidated)		
	Fiscal Year Ending March 31, 2020	Year-on-Year Change
Ordinary profits	29.0	3.7
Net income attributable to owners of the parent	20.5	1.7

Momiji Bank (Non-Consolidated)		
	Fiscal Year Ending March 31, 2020	Year-on-Year Change
Ordinary profits	10.4	0.8
Net income attributable to owners of the parent	8.0	0.3

Kitakyushu Bank (Non-Consolidated)		
	Fiscal Year Ending March 31, 2020	Year-on-Year Change
Ordinary profits	4.7	1.4
Net income attributable to owners of the parent	3.5	1.0

Note: Figures have been rounded off below the stated amounts.

Overseas Networks (As of July 1, 2019)



International Department

2-36, 4-chome Takezaki-cho, Shimonoseki, P.O. Box 24,
Shimonoseki 750-8603, Japan SWIFT Address: YMBKJPJT

Overseas Offices

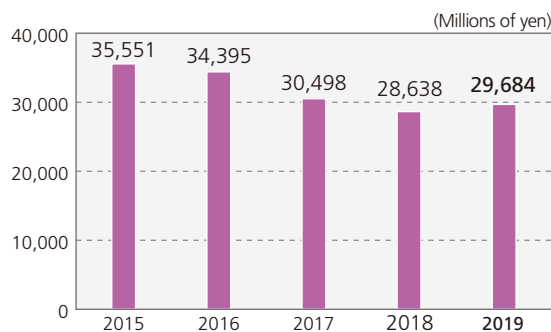
BUSAN BRANCH
4F, Postal Insurance Busan Bldg., Jungang-Dong 3-Ga, 63,
Jungang-Daero, Jung-Gu, Busan, Republic of Korea
SWIFT Address: YMBKCR2P

QINGDAO BRANCH
2F, Crowne Plaza Hotel Qingdao, 76 Hong Kong Central
Road, Qingdao, Shandong Province, The People's Republic of
China
SWIFT Address: YMBKCNBQ

DALIAN BRANCH
14F Senmao Building No. 147, Zhongshan Road Xigang
District, Dalian, Liaoning Province, The People's Republic
of China
SWIFT Address: YMBKCNBD

HONG KONG REPRESENTATIVE OFFICE
403, 4/F, Far East Finance Centre, 16 Harcourt Road,
Hong Kong
Fax: +852-28104902

Loans of overseas branches (As of March 31)



Yamaguchi Bank: The first local bank that can deal with RMB in China

Corporate Governance

Based on its management policy of maintaining a sound and proactive enterprising spirit, YMFG aims for management transparency and fair, swift and bold decision-making that will lead to sustainable growth and increases in corporate value over the medium to long term. To this end and recognizing that creating an effective corporate governance system is an important management priority, on an ongoing basis we are pursuing the initiatives described below to enhance our corporate governance.

- i. We strive to ensure the rights of shareholders and create an environment that facilitates the appropriate exercise of shareholders' rights and substantive shareholder equality.
- ii. We cooperate closely with our principal stakeholders, including customers, the local community, shareholders and employees.
- iii. We diligently disclose important management-related information to our principal stakeholders.
- iv. We endeavor to ensure the effectiveness of the business execution supervisory and auditing function through the establishment of various institutions, including the Board of Directors.
- v. We create systems to promote constructive dialogue in order to build long-term relationships with shareholders.

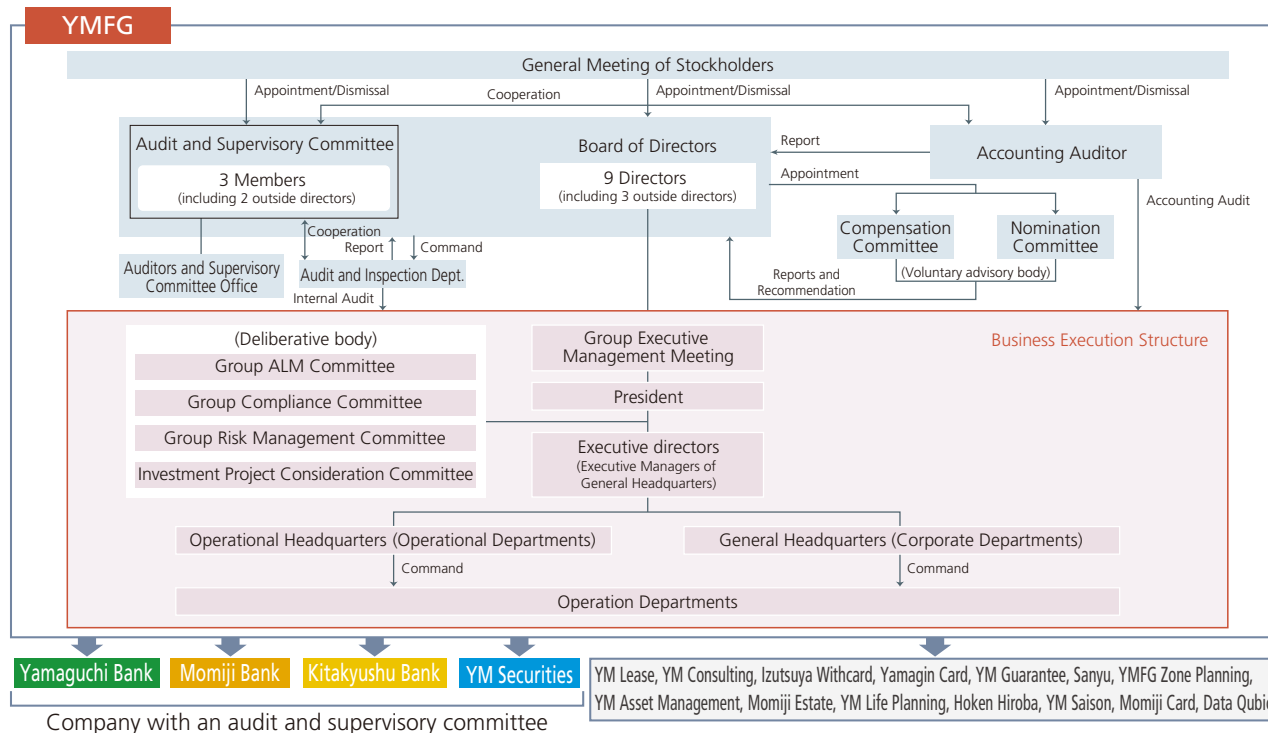
The Board of Directors, consisting of 9 directors (including three outside

directors), makes decisions about important matters related to the Group's management and supervises the directors. Furthermore, we have adopted the executive officer system to fortify the Board of Directors' supervisory function and enhance the business execution function. The Nomination Committee discusses matters related to the appointment and dismissal of directors, and the Compensation Committee discusses matters related to the compensation of the directors. Both guarantee the objectivity and transparency of decision-making processes.

YMFG has adopted an audit and supervisory committee system. The Audit and Supervisory Committee comprises three directors, of whom two are outside directors. The committee audit the execution of operations by directors, configure, audit and verify the operation of internal control systems at YMFG and its subsidiaries, and prepare audit reports. By having the Audit and Supervisory Committee, which chiefly comprises outside directors, exercise its voting rights at Board of Directors meetings, we endeavor to reinforce its auditing and supervisory function with respect to the Board of Directors and enhance the transparency and speed of the decision-making process.

The Group Executive Management Meeting, the Group Asset and Liability Management Committee, the Group Compliance Committee and the Group Risk Management Committee discuss important management issues.

YMFG Corporate Governance Structure (As of July 1, 2019)



YMFG Board of Directors and Corporate Auditors (As of July 1, 2019)

President
Takeshi Yoshimura
Vice-President
Hirohide Umemoto

Managing Director
Ichinari Koda
Managing Director
Koji Oda
Managing Director
Mitsuru Kato

Director
Masao Kusunoki*

Director
Audit and Supervisory Committee Member
Susumu Fukuda
Director
Audit and Supervisory Committee Member
Kazuo Tsukuda*
Director
Audit and Supervisory Committee Member
Michiaki Kunimasa*

* Masao Kusunoki, Kazuo Tsukuda and Michiaki Kunimasa are outside directors under Article 15 of Section 2 of the Companies Act.

Internal Audits and Compliance System

Internal Audits

Principles of Internal Audits

We define an internal audit as a series of processes for objective verification of the appropriateness and effectiveness of internal controls (including risk management) and as making suggestions for necessary improvements.

YMFG has devised standard internal audit rules for the whole Group. On the basis of these rules, the internal audit departments of each Group company implement audits.

Further, YMFG creates the Group's medium-term internal audit plan on the basis of its management policy and conditions. Internal audits by the auditing bodies of each Group company are conducted on the basis of this plan to ensure their effectiveness and efficiency.

Implementation of Internal Audits

YMFG's Audit and Inspection Dept. plans audit processes for the whole Group, implements audits and supervises each Group company's internal audits.

The YMFG Audit and Inspection Dept. devises the rules and medium-term plans for the Group's internal audits, implements audits of the Group companies' compliance/risk management departments and checks the accuracy of the financial statements of the Group companies.

Internal audits of front-line sales outlets are performed to verify the status of compliance and risk management functions and ensure their mutual effectiveness.

The department monitors and gives guidance and advice to the Group companies' audit and inspection departments. On the basis of their audit reports, the department reports on the internal audits of the Group to the Board of Directors and audit and supervisory committee.

Compliance System

YMFG's Attitude toward Compliance

YMFG shares a common understanding of their responsibilities to fulfill their public mission and corporate social responsibilities as a financial group. Accordingly, we accord topmost management priority to thorough compliance, take the seriousness of compliance seriously and consider earning the trust of a broad-based society our fundamental policy.

Compliance System

To ensure appropriate compliance, YMFG has established the Compliance Management Department. In addition to ensuring the status of compliance, this department conducts related training for executives and employees. This department liaises with the compliance management department of YMFG's subsidiaries as part of its efforts to centralize compliance matters throughout the Group.

The Group Compliance Committee acts as a deliberative

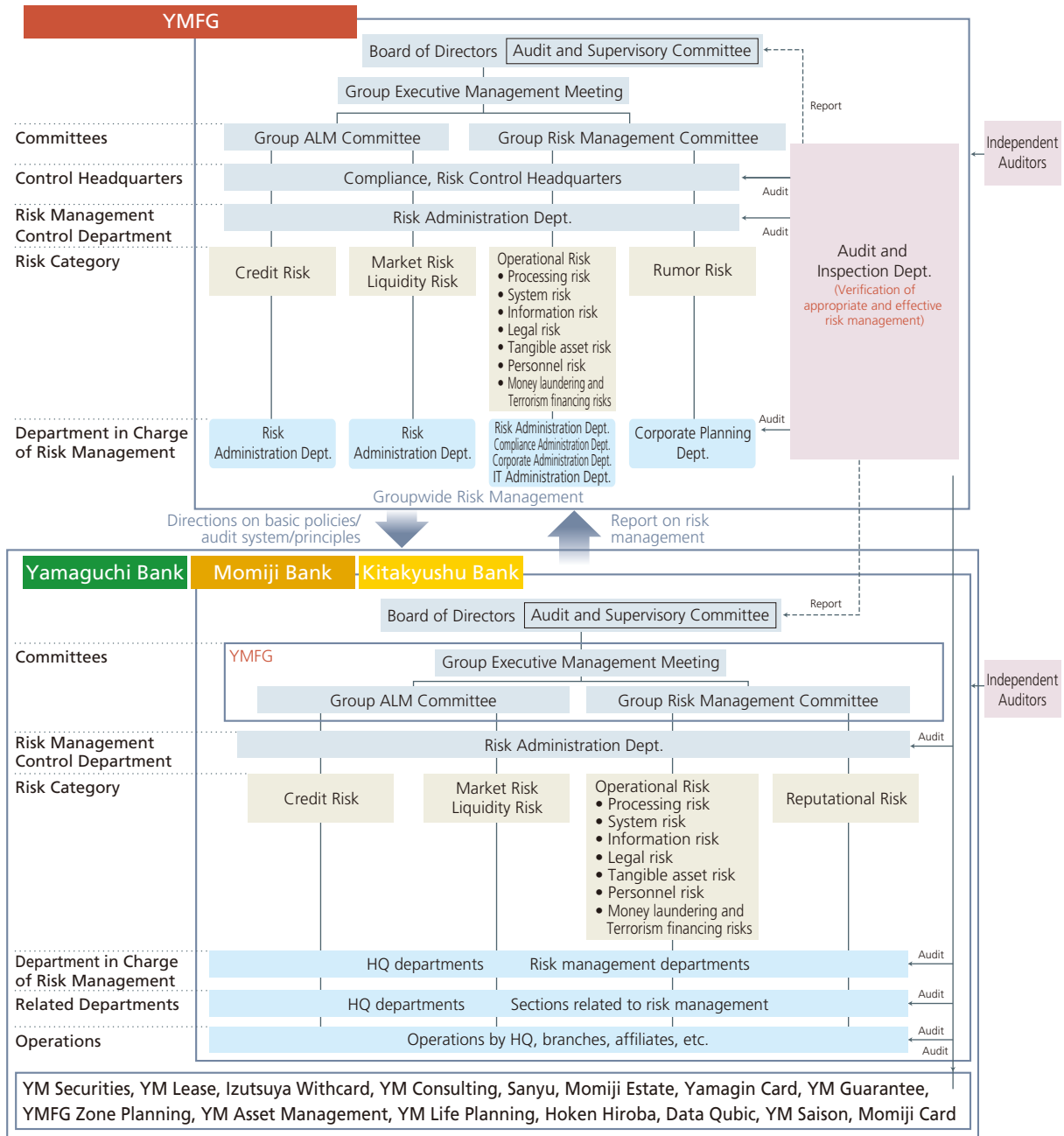
body of YMFG. We also formulate compliance programs for each fiscal year, which equate to specific execution plans, and monitor the status of program implementation.

Efforts to Prevent Money Laundering

The Act on Punishment of Organized Crimes and Control of Crime Proceeds and the Law for Prevention of Transfer of Criminal Proceeds prescribes heightened measures to prevent money laundering. The Group's efforts are appropriate and in conformance with these regulations, in keeping with our aim of maintaining society's trust in us as a financial institution. Specifically, we have formulated a policy of controls and procedures reasonably designed to prevent and detect money laundering/terrorist financing activities. We have appointed a senior officer to take charge of this policy and established training programs on this topic for all management and staff.

Risk Management System

YMFG Risk Management System (AS of July 1, 2019)



YMFG faces all kinds of risks that have become more diversified and complex along with changes in the economy and in society. Risk management is one of the most important issues facing the Group.

As part of our basic risk management policy, we have devised standard risk management rules that apply to the Group.

The Group has organized risk management sections, risk management departments, Group Risk Management Committee and Group Executive Management Meeting to

cope with risks. Risk amounts are measured by a uniform method, capital is allocated on the basis of these methods, and risks are collectively managed.

YMFG's risk management sections check risk management conditions in the whole Group.

The Audit and Inspection Department, which is independent of the operation departments, implements internal audits to ascertain the appropriateness and effectiveness of risk management. This system applies both to the Group.

Business and Other Risks

Risks that could have a material impact on investor decisions are outlined below. Forward-looking items described below are those of which YMFG is aware as of the end of the fiscal year under review.

1. Non-Performing Loans

(1) Non-Performing Loans

YMFG maintains sufficient allowances against non-performing loans to maintain the soundness of its assets. However, YMFG's non-performing loans and credit expenses could increase as the result of economic movements in Japan and the local community, fluctuations in real estate values and share prices, and the management status of recipients of YMFG's financing. Such factors could have a negative effect on operating performance and reduce equity capital.

To date, YMFG has worked diligently to move non-performing loans off the balance sheet, to write off non-performing loans appropriately, and to post sufficient allowances for doubtful accounts. However, the Group could face larger-than-expected losses when disposing of non-performing loans or incur higher-than-expected amortization.

(2) Allowance for Doubtful Accounts

In accordance with predetermined standards, YMFG posts an allowance for doubtful accounts using expected losses based on past loan loss ratios. However, actual losses may differ from the amounts expected when the allowance for doubtful accounts is posted. As a result, actual losses could significantly exceed expected losses, resulting in an insufficient allowance for doubtful accounts.

Furthermore, worsening overall economic conditions, declines in collateral values and other unexpected factors may require the Group to revise its set standards and expected losses, resulting in the need to increase the allowance for doubtful accounts.

(3) Loans by Business Category, Geographic Region and Other Factors

From a risk management perspective, YMFG conducts credit management of its portfolio by rating level, business category, scale, region and other factors.

However, large amounts of non-performing loans could be generated in a specific business category and, if poor business conditions in that business sector are prolonged, new corporate bankruptcies could arise. In such circumstances, YMFG's credit expenses could increase, having a negative impact on YMFG's operating performance and financial condition.

Furthermore, as YMFG's main bases of operation are in Yamaguchi Prefecture, Hiroshima Prefecture and the city of Kitakyushu, the Group's operations tend to be particularly affected by regional economies. Conditions in those regional economies could therefore have a negative impact on YMFG's operating performance.

2. Capital Adequacy Ratio

As YMFG has overseas bases, it calculates a consolidated capital adequacy ratio according to uniform international standards as provided by "standards for determining whether a bank holding company's equity capital is sufficient, after taking into account assets held by the bank holding company and its subsidiary companies, based on the provisions of Article 52-25 of the Banking Act" (Financial Services Agency Notification No. 20 of 2016).

Yamaguchi Bank, a YMFG subsidiary, calculates its non-consolidated capital adequacy ratio according to uniform international standards based on "standards for determining whether a bank's equity capital is sufficient, after taking into account assets held by the bank, based on the provisions of Article 14-2 of the Banking Act" (Financial Services Agency Notification No. 19 of 2016).

Under uniform international standards (Basel 3), the consolidated capital adequacy ratio must be maintained at 8% or higher, the Tier 1 ratio at 6% or higher and the Tier 1 ratio on common shares at 4.5% or higher (as of the end of the consolidated fiscal year under review).

Momiji Bank and Kitakyushu Bank calculate their non-consolidated capital adequacy ratios according to domestic standards, based on Financial Services Agency Notification No. 19 of 2016.

Domestic standards require a bank to maintain a capital adequacy ratio of 4% or higher (as of the end of the consolidated fiscal year under review).

If the capital adequacy ratio falls below the above-stated standards, the regulatory authorities may order a bank to discontinue all or part of its operations.

(1) Deferred Tax Assets

As of the end of the consolidated fiscal year under review, Japanese accounting standards allow companies to record deferred tax assets as expected tax benefits to be realized in the future.

Uniform international standards (Basel 3) allow deferred tax assets related to temporary differences to be included in equity capital, up to a certain limited amount, and YMFG includes in equity capital an amount calculated in accordance with Financial Services Agency Notification No. 28 of 2012.

As the balance sheet amount of deferred tax assets is based on various forecasts and assumptions, including those related to future taxable income, YMFG may reduce deferred tax assets if it decides that all or part of these deferred tax assets cannot be recovered. Such a reduction would have a negative impact on YMFG's operating performance and cause the capital adequacy ratio to decrease.

(2) Total Accumulated Other Comprehensive Income

Under uniform international standards (Basel 3), the entire amount of total accumulated other comprehensive income is included in common stock and other Tier 1 capital.

Momiji Bank and Kitakyushu Bank, which apply domestic standards (Basel 3), include amounts equivalent to 45% of land revaluation differences in 50% of equity capital under transitional measures provided by Financial Services Agency Notification No. 6 of 2013.

Accordingly, decreases in valuation differences on other available-for-sale securities due to fluctuations in share prices and interest rates, as well as declines in land revaluation differences in line with impairment or sale, can cause the capital adequacy ratio to decrease.

3. Interest Rate Risk

YMFG, which engages mainly in banking operations, is affected by fluctuations in market interest rates through interest on loans—an asset investment method, yields on

bond and other investments, and interest rates on deposits—a funding method. Mismatches between the amount and timing of asset investments and funding, as well as unforeseen interest rate fluctuations, may have a negative effect on YMFG's operating performance and financial condition.

4. Risk of Price Fluctuations on Holdings of Available-for-Sale Securities

YMFG has substantial holdings of marketable, available-for-sale securities for investment purposes. Broad-based and large-scale price declines may engender impairments or valuation losses on holdings of available-for-sale securities, which could have a negative effect on YMFG's operating performance and financial condition and lower the capital adequacy ratio.

5. Risk Related to Pension Obligations

Decreases in the market value or investment yield of YMFG's pension assets or changes in the base rate used for calculating retirement benefit obligations can result in losses. Also, changes in pension plans can incur amortization expenses on past service obligations. In addition, changes in the interest rate environment and other factors can have a negative impact on the unfunded portion of retirement benefit obligations.

6. Risk of Credit Rating Being Lowered

If rating agencies were to lower their ratings, YMFG could be required to engage in transactions under unfavorable conditions or become unable to engage in certain transactions. This situation could have a negative impact on YMFG's operating performance and financial condition.

7. Compliance

To encourage all executives and employees to reinforce the compliance system, each year YMFG formulates compliance program practice items and undertakes a variety of initiatives. However, if a compliance-related problem were to arise, it could cause direct losses as well as resulting in the loss of trust among customers cultivated over many years. As a result, YMFG's operating performance could be negatively affected.

8. Holding Company Risk

Being a bank holding company, the majority of YMFG's earnings come from the dividends paid by its wholly owned subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank. Under certain conditions, the Banking Act or the Companies Act may restrict the amounts that Yamaguchi Bank, Momiji Bank and Kitakyushu Bank can pay as dividends to YMFG. In addition, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank may become unable to pay dividends to YMFG due to the insufficient posting of earnings. Their inability to pay dividends to YMFG could render YMFG unable to pay dividends.

9. Other Risks

(1) Liquidity Risk

YMFG raises the majority of its funds through deposits and is therefore able to manage funds provided through a stable source of funding. However, inconsistencies between investment and funding or unexpected outflows of funds could hinder funding, rendering YMFG unable to fulfill its payment obligations on their settlement dates. Alternatively, YMFG may be compelled to raise funds at substantially higher interest rates than usual, thereby generating losses.

(2) Operational Risks

YMFG faces operational risks in the course of its operations. These risks include internal fraud, external fraud, workplace improprieties (such as acts that conflict with laws and regulations), the improper handling of customer transactions (including violations of obligations and problems with product designs), natural disasters, accidents, system failures, customer relations, the inappropriate handling of transactions and unsatisfactory process management. Such issues with business operations could result in losses and have a negative impact on YMFG's operating performance and financial condition.

(3) Risk Related to Significant Legislation

YMFG strives to ensure thorough compliance and is reinforcing its system for preventing violations of laws and regulations. Nevertheless, YMFG could become subject to lawsuits due to violations of laws and regulations in its various operations. Such situations could negatively affect YMFG's operating performance and financial condition.

(4) Risk Related to Outflows of Customer Information

YMFG retains significant information about customer deposits and loans that should not be leaked outside. The Group has in place measures to prevent outside incursions of its online and other systems. However, unexpected circumstances could result in outflows of such information. The Group stringently manages information printed on paper or stored in electronic media in accordance with information asset management regulations, but such information could be leaked outside the Group by people with malicious intent or as the result of the mishandling of information. Such situations could call into question the Group's social responsibility and result in claims of compensation for damages.

(5) Reputational Risk

Negative news reports and rumors about YMFG and the financial industry, whether true or not, could negatively affect YMFG's operating performance, financial condition and share price.

(6) Risk of Regulatory Change

As a bank holding company, YMFG is subject to restrictions and supervision under the Banking Act and is bound to operate within the restrictions in place as of the end of the consolidated fiscal year under review (including laws, regulations, policies and conventional practices). Consequently, future regulatory changes could negatively affect YMFG's execution of operations, operating performance and capital adequacy ratio.

(7) Risks Related to External Factors

External factors such as natural disasters (including earthquakes, storm and flood damage, and contagious diseases), man-made disasters (including terrorism and cybercrime) and technological disasters (including electrical outages and computer trouble), could result in damage to YMFG's head office, branches and other locations, threatening YMFG's ability to continue all or part of its operations and significantly affecting YMFG's operations. As a result, YMFG's operations and financial conditions could be negatively affected.

Financial Section

Financial Section

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YMFG Business Situation

Summary of Business Results

■ The Regional Economy

In the fiscal year ended March 31, 2019, the Japanese economy was on a path of modest recovery despite flat exports, with sustained increases in production activity and capital investment. Personal consumption and employment also showed signs of recovery, prompting an economic rally.

Although our region was affected by flooding across western Japan in July 2018, the economy enjoyed a modest recovery. Bolstered by robust domestic and overseas demand, production activity was generally firm. Capital investment increased, centered on the manufacturing sector, as major chemical manufacturers invested to boost production capacity. Personal consumption was also strong, providing a firm foundation for the overall economy.

Against this backdrop, from the perspective of regional invigoration and in line with their mission of contributing to regional economic development, regional financial institutions face requests to deliver stronger financial soundness and profitability, supply funding more flexibly and further enhance their financial services.

■ YMFG Performance

Amid these financial and economic conditions, supported by its shareholders and business partners all YMFG's officers and employees were united in their efforts to strengthen the Group's management base, bolster operating performance and contribute to the region.

During the year, we pushed forward with measures outlined in the YMFG Medium-Term Management Plan 2016, which launched in the fiscal year ended March 31, 2017. This plan set core objectives to "escape from interest rate competition" (establish a system for the thorough evaluation of business viability and provide solutions to potential management issues) and "escape from a 'product-out' mentality" (shift to an approach based on the perspective of what customers want).

In international operations, we signed a memorandum of business collaboration and cooperation with the Chugoku and Kyushu international centers of the Japan International Cooperation Agency (JICA). With this memorandum, through our three Group banks we aim to support efforts by our corporate business partners to expand their operations overseas, further invigorate our region and alleviate issues faced by developing countries. We are the first regional multiple financial group to sign such an agreement with multiple JICA offices in Japan. In August 2018, Yamaguchi Bank and the Japan Finance Corporation held a joint seminar in Dalian, China. Also in China, in September the Group's three banks collaborated with the Japan External Trade Organization (JETRO), the Department of Commerce of Liaoning Province and other parties for the "2018 Liaoning Province China-Japan Business Meeting" in the city of Shenyang. In February 2019, YMFG's three banks signed a memorandum of international business collaboration and cooperation with the Shoko Chukin Bank, Ltd., making us the first regional bank to enter such an agreement with Shoko Chukin Bank.

■ Financial Results

On a consolidated basis, total income rose ¥521 million year on year, to ¥162,593 million, due to higher gains on the sale of Japanese government bonds and interest on loans. Total expenses expanded ¥15,522 million, to ¥129,276 million, mainly because of losses on the redemption of Japanese government bonds and higher credit costs. As a result, income before income taxes fell ¥15,001 million, to ¥33,317 million, and net income attributable to owners of the parent decreased ¥9,768 million, to ¥23,149 million.

Deposits fell ¥125.0 billion, to ¥9,230.8 billion.

Loans and bills discounted increased ¥250.6 billion, to ¥7,408.4 billion as of March 31, 2019, due to the Group's efforts to fulfill its role as a regional financial institution through its function as a financial intermediary and aggressive efforts to meet demand from business

partners with whom the Group has developed trust-based relationships.

The Group's holdings of securities came to ¥1,398.0 billion at year-end, down ¥329.8 billion, due to decreases in Japanese bonds. This change reflected investment decisions made in consideration of market fluctuations.

Total assets amounted to ¥10,304.1 billion at fiscal year-end, down ¥62.4 billion from one year earlier. This decrease was the result of the redemption of bonds with stock acquisition rights and reduced holdings of securities.

At the end of the fiscal year, the consolidated capital adequacy ratio for the Yamaguchi Financial Group (uniform international standard) was 13.62%. Our consolidated total Tier 1 capital adequacy ratio was 13.58% and our

consolidated common equity Tier I capital adequacy ratio was 13.55%.

Net cash used in operating activities was ¥247.9 billion, ¥107.1 billion more than was used in these activities in the previous fiscal year, mainly due to the rise in deposits. Net cash provided by investing activities was ¥339.7 billion, ¥175.8 billion more than in the previous fiscal year, owing to proceeds from sales of securities. Net cash used in financing activities came to ¥33.7 billion, ¥30.3 billion more than in the previous fiscal year, due to purchases of treasury stock and the redemption of bonds with stock acquisition rights. As a result of these cash flows, cash and cash equivalents at the end of the fiscal year came to ¥1,015.6 billion, up ¥58.2 billion.

Yamaguchi Financial Group, Inc., Management Indices (Consolidated)

	Millions of yen 2019	Millions of yen 2018	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars*1 2019
Consolidated total income	162,593	162,072	163,818	166,858	1,464,934
Consolidated net income attributable to owners of the parent	23,149	32,917	31,587	32,296	208,568
Consolidated comprehensive income	652	47,269	37,676	7,840	5,874
Consolidated total net assets	660,958	660,451	617,053	583,168	5,955,113
Consolidated total assets	10,304,140	10,366,548	10,225,782	10,438,005	92,838,454
Net assets per share	2,580.74 yen	2,653.60 yen	2,486.35 yen	2,357.89 yen	23.25 U.S. dollars
Current term net income per share	94.65 yen	133.65 yen	128.70 yen	132.43 yen	0.85 U.S. dollars
Current term net income per share (diluted)	83.27 yen	111.22 yen	106.64 yen	109.39 yen	0.75 U.S. dollars
Capital ratio*2	13.62%	13.29%	13.91%	13.37%	
Earnings on equity - increase	3.53%	5.20%	5.31%	5.62%	
Group price earnings ratio	9.91 times	9.63 times	9.37 times	7.72 times	

*1 US dollar amounts have been translated, for convenience only, at the rate of ¥110.99 = US\$1.00 as of March 31, 2019.

*2 YMFG calculated its capital ratio according to the uniform international standard (Basel 3).

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

March 31, 2019 and 2018

ASSETS		Millions of yen	Millions of yen	Thousands of
		2019	2018	U.S. dollars (Note 1)
Assets	Cash and due from banks (Notes 3, 4 and 9)	¥ 1,043,994	¥ 985,503	\$ 9,406,199
	Call loans and bills purchased (Note 4)	39,042	77,437	351,761
	Monetary claims bought	7,055	8,404	63,564
	Trading assets (Notes 4 and 6)	1,465	1,514	13,199
	Money held in trust (Notes 4 and 6)	30,565	40,924	275,385
	Securities (Notes 4, 5, 6 and 9)	1,398,014	1,727,836	12,595,855
	Loans and bills discounted (Notes 4, 7 and 8)	7,408,387	7,157,837	66,748,239
	Foreign exchanges	18,550	17,852	167,132
	Lease receivables and investment assets	18,109	16,035	163,159
	Other assets (Notes 4, 6 and 9)	205,258	189,612	1,849,339
	Tangible fixed assets (Notes 10, 11, 15 and 20)	93,233	94,503	840,013
	Intangible fixed assets (Note 20)	10,927	10,944	98,450
	Net defined benefit asset (Note 14)	38,675	44,705	348,455
	Deferred tax assets (Note 21)	1,367	1,084	12,316
	Customers' liabilities for acceptances and guarantees (Note 16)	46,547	44,048	419,380
	Allowance for loan losses	(57,048)	(51,690)	(513,992)
	Total assets	¥ 10,304,140	¥ 10,366,548	\$ 92,838,454

LIABILITIES AND NET ASSETS

Liabilities	Deposits (Notes 4 and 9)	¥ 9,230,773	¥ 9,355,750	\$ 83,167,610
	Call money and bills sold (Note 9)	133,466	62,288	1,202,505
	Payables under securities lending transactions (Note 9)	67,711	46,884	610,064
	Trading liabilities (Notes 4 and 6)	568	493	5,118
	Borrowed money (Notes 9 and 13)	29,553	29,799	266,267
	Foreign exchanges	295	127	2,658
	Bonds with warrants	33,297	63,744	300,000
	Other liabilities (Notes 4 and 6)	75,448	67,773	679,772
	Provision for bonuses	2,590	3,232	23,335
	Net defined benefit liability (Note 14)	2,906	1,797	26,183
	Provision for directors' retirement benefits	293	279	2,640
	Provision for loss on interest repayments	15	23	135
	Provision for reimbursement of deposits	1,281	1,673	11,542
	Provision for customers point services	71	72	640
	Provision for directors' stock benefits	300	252	2,703
	Reserves under special laws	28	28	252
	Deferred tax liabilities (Note 21)	7,171	16,963	64,609
	Deferred tax liabilities for land revaluation (Notes 15 and 21)	10,869	10,872	97,928
	Acceptances and guarantees (Note 16)	46,547	44,048	419,380
	Total liabilities	9,643,182	9,706,097	86,883,341
Net Assets (Notes 22 and 23)	Capital stock	50,000	50,000	450,491
	Capital surplus	58,685	60,882	528,741
	Retained earnings	488,620	470,697	4,402,379
	Treasury stock	(14,795)	(22,107)	(133,300)
	Total shareholders' equity	582,510	559,472	5,248,311
	Unrealized gains on available-for-sale securities (Note 6)	45,710	59,927	411,839
	Deferred losses on hedges	(1,270)	(168)	(11,442)
	Revaluation reserve for land (Note 15)	24,526	24,533	220,975
	Remeasurements of defined benefit plans	3,009	10,350	27,111
	Total accumulated other comprehensive income	71,975	94,642	648,483
	Stock options (Note 24)	209	359	1,883
Non-controlling interests	6,264	5,978	56,436	
Total net assets	660,958	660,451	5,955,113	
Total liabilities and net assets	¥ 10,304,140	¥ 10,366,548	\$ 92,838,454	

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2019 and 2018

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Income			
Interest income:			
Interest on loans and discounts	¥ 77,264	¥ 74,483	\$ 696,135
Interest and dividends on securities	19,995	23,189	180,151
Other interest income	1,340	1,102	12,073
Trust fees	1	1	9
Fees and commissions	23,898	27,351	215,317
Trading income	2,316	3,535	20,867
Other operating income	24,584	16,231	221,497
Recoveries of written-off claims	25	29	225
Gain on returns of retirement benefit trust	—	376	—
Compensation for branch relocation	—	414	—
Other income (Note 17)	13,170	15,362	118,660
Total income	162,593	162,072	1,464,934
Expenses			
Interest expense:			
Interest on deposits	6,544	5,039	58,960
Interest on borrowings and rediscounts	2,381	1,898	21,452
Interest on bonds payable	664	294	5,983
Other interest expense	997	801	8,983
Fees and commissions	9,057	8,869	81,602
Other operating expenses	25,909	18,147	233,435
General and administrative expenses (Notes 18 and 24)	71,325	72,585	642,625
Impairment losses (Note 12)	14	225	126
Other expenses (Note 19)	12,385	5,896	111,588
Total expenses	129,276	113,754	1,164,754
Income before income taxes	33,317	48,318	300,180
Income taxes (Note 21):			
Current	10,637	13,360	95,837
Deferred	(646)	1,518	(5,820)
Net income	23,326	33,440	210,163
Net income attributable to non-controlling interests	177	523	1,595
Net income attributable to owners of the parent	¥ 23,149	¥ 32,917	\$ 208,568

Amounts per share of common stock:	Yen 2019	Yen 2018	U.S. dollars (Note 1) 2019
Net income attributable to owners of the parent (Note 29)	¥ 94.65	¥ 133.65	\$ 0.85

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2019 and 2018

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Net income	¥ 23,326	¥ 33,440	\$ 210,163
Other comprehensive income (Note 26)	(22,674)	13,829	(204,289)
Unrealized gains (losses) on available-for-sale securities	(14,232)	4,411	(128,228)
Deferred gains (losses) on hedges	(1,102)	49	(9,929)
Remeasurements of defined benefit plans	(7,340)	9,369	(66,132)
Share of other comprehensive income in affiliated companies accounted for using equity method	—	(0)	—
Comprehensive income (Note 26)	¥ 652	¥ 47,269	\$ 5,874
Comprehensive income attributable to owners of the parent	489	46,738	4,406
Comprehensive income attributable to non-controlling interests	163	531	1,468

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2019 and 2018

	Millions of yen												
	Shareholders' Equity					Accumulated other comprehensive income					Stock options	Non-controlling Interests	Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2017	¥50,000	¥60,765	¥442,259	¥(22,702)	¥530,322	¥ 55,524	¥ (217)	¥24,533	¥ 981	¥ 80,821	¥ 513	¥5,397	¥617,053
Changes of items during the year													
Dividend paid			(4,460)		(4,460)								(4,460)
Net income attributable to owners of the parent			32,917		32,917								32,917
Purchase of treasury stock				(30)	(30)								(30)
Disposal of treasury stock		117		625	742								742
Reversal of revaluation reserve for land													—
Effect to capital surplus resulting from changes in ownership interest in a subsidiary													—
Decrease in retained earnings from decrease of entities accounted for by the equity method			(19)		(19)								(19)
Net changes of items other than shareholders' equity						4,403	49		9,369	13,821	(154)	581	14,248
Total changes of items during the year	—	117	28,438	595	29,150	4,403	49	—	9,369	13,821	(154)	581	43,398
Balance at March 31, 2018	¥50,000	¥60,882	¥470,697	¥(22,107)	¥559,472	¥ 59,927	¥ (168)	¥24,533	¥10,350	¥ 94,642	¥ 359	¥5,978	¥660,451
Changes of items during the year													
Dividend paid			(5,232)		(5,232)								(5,232)
Net income attributable to owners of the parent			23,149		23,149								23,149
Purchase of treasury stock				(20,161)	(20,161)								(20,161)
Disposal of treasury stock		(2,468)		27,473	25,005								25,005
Reversal of revaluation reserve for land			6		6								6
Effect to capital surplus resulting from changes in ownership interest in a subsidiary		271			271								271
Decrease in retained earnings from decrease of entities accounted for by the equity method													—
Net changes of items other than shareholders' equity						(14,217)	(1,102)	(7)	(7,341)	(22,667)	(150)	286	(22,531)
Total changes of items during the year	—	(2,197)	17,923	7,312	23,038	(14,217)	(1,102)	(7)	(7,341)	(22,667)	(150)	286	507
Balance at March 31, 2019	¥50,000	¥58,685	¥488,620	¥(14,795)	¥582,510	¥ 45,710	¥(1,270)	¥24,526	¥ 3,009	¥ 71,975	¥ 209	¥6,264	¥660,958

	Thousands of U.S. dollars (Note 1)												
	Shareholders' Equity					Accumulated other comprehensive income					Stock options	Non-controlling Interests	Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2018	\$450,491	\$548,544	\$4,240,887	\$(199,180)	\$5,040,742	\$ 539,932	\$ (1,514)	\$221,038	\$ 93,252	\$ 852,708	\$ 3,235	\$53,860	\$5,950,545
Changes of items during the year													
Dividend paid			(47,139)		(47,139)								(47,139)
Net income attributable to owners of the parent			208,568		208,568								208,568
Purchase of treasury stock				(181,647)	(181,647)								(181,647)
Disposal of treasury stock		(22,245)		247,527	225,282								225,282
Reversal of revaluation reserve for land			63		63								63
Effect to capital surplus resulting from changes in ownership interest in a subsidiary		2,442			2,442								2,442
Decrease in retained earnings from decrease of entities accounted for by the equity method													—
Net changes of items other than shareholders' equity						(128,093)	(9,928)	(63)	(66,141)	(204,225)	(1,352)	2,576	(203,001)
Total changes of items during the year		(19,803)	161,492	65,880	207,569	(128,093)	(9,928)	(63)	(66,141)	(204,225)	(1,352)	2,576	4,568
Balance at March 31, 2019	\$450,491	\$528,741	\$4,402,379	\$(133,300)	\$5,248,311	\$ 411,839	\$(11,442)	\$220,975	\$ 27,111	\$ 648,483	\$ 1,883	\$56,436	\$5,955,113

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2019 and 2018

	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	¥ 33,318	¥ 48,318	\$ 300,189
Depreciation	6,472	4,889	58,312
Impairment losses	14	225	126
Amortization of goodwill	353	395	3,180
Equity in earnings of affiliates	(10)	(8)	(90)
Net change in allowance for loan losses	5,358	(2,704)	48,275
Net change in provision for bonuses	(642)	79	(5,784)
Net change in defined benefit asset	6,029	(15,109)	54,320
Net change in defined benefit liability	1,109	(81)	9,992
Net change in provision for directors' retirement benefits	14	20	126
Net change in provision for directors' stock benefits	48	143	432
Net change in provision for loss on interest repayments	(8)	8	(72)
Net change in provision for reimbursement of deposits	(391)	132	(3,523)
Net change in provision for customers point services	(1)	(6)	(9)
Net change in reserves under special laws	—	4	—
Interest income	(98,599)	(98,773)	(888,359)
Interest expenses	10,586	8,032	95,378
Net gains related to securities transactions	(11,485)	(11,501)	(103,478)
Net losses (gains) from money held in trust	816	1,224	7,352
Net exchange losses (gains)	(676)	3,012	(6,091)
Net losses (gains) from disposition of fixed assets	99	68	892
Gain on returns of retirement benefit trust	—	(376)	—
Net change in trading assets	49	1,285	441
Net change in trading liabilities	75	(1,681)	676
Net change in loans and bills discounted	(250,551)	(406,459)	(2,257,420)
Net change in deposits	138,786	285,255	1,250,437
Net change in negotiable certificates of deposits	(263,763)	(159,300)	(2,376,457)
Net change in borrowed money excluding subordinated loans	(246)	(1,596)	(2,216)
Net change in deposits with bank	(279)	(5,337)	(2,514)
Net change in call loans and bills purchased	39,744	201,773	358,086
Net change in call money and bills sold	71,178	(20,378)	641,301
Net change in payables under securities lending transactions	20,827	14,023	187,648
Net change in foreign exchanges (asset account)	(699)	(1,799)	(6,298)
Net change in foreign exchanges (liability account)	168	(349)	1,514
Net change in lease receivables and investment assets	(2,075)	(1,749)	(18,695)
Interest received	93,106	89,446	838,868
Interest paid	(10,769)	(9,051)	(97,027)
Other, net	(17,623)	(55,383)	(158,780)
Subtotal	(229,668)	(133,309)	(2,069,268)
Income taxes paid	(18,200)	(7,501)	(163,978)
Income taxes refunds	—	37	—
Net cash used in operating activities	(247,868)	(140,773)	(2,233,246)
Cash flows from investing activities:			
Purchases of securities	(2,610,787)	(2,150,355)	(23,522,722)
Proceeds from sales of securities	2,779,979	2,068,943	25,047,112
Proceeds from maturity of securities	166,812	251,047	1,502,946
Purchases of money held in trust	(10,260)	(6,610)	(92,441)
Proceeds from sales of money held in trust	19,936	11,763	179,620
Purchases of tangible fixed assets	(3,106)	(6,498)	(27,985)
Proceeds from sales of tangible fixed assets	8	108	72
Purchases of intangible fixed assets	(2,849)	(4,512)	(25,669)
Proceeds from sales of shares of entities accounted for by the equity method	—	34	—
Net cash provided by investing activities	339,733	163,920	3,060,933
Cash flows from financing activities:			
Payments for redemption of bonds with subscription rights to shares	(9,034)	—	(81,395)
Dividends paid	(5,232)	(4,460)	(47,139)
Dividends paid to non-controlling shareholders	(3)	(3)	(27)
Purchases of treasury stock	(20,114)	(30)	(181,224)
Proceeds from disposal of treasury stock	395	546	3,559
Proceeds from sales of shares of parent held by subsidiaries	1	588	9
Payments for acquiring additional shares of a subsidiary that do not result in change in scope of consolidation	(53)	—	(478)
Proceeds from selling shares of a subsidiary that do not result in change in scope of consolidation	381	—	3,433
Net cash used in financing activities	(33,659)	(3,359)	(303,262)
Effect of exchange rate changes on cash and cash equivalents	7	(9)	63
Net change in cash and cash equivalents	58,213	19,779	524,488
Cash and cash equivalents at the beginning of fiscal year	957,345	937,566	8,625,507
Cash and cash equivalents at the end of fiscal year (Note 3)	¥ 1,015,558	¥ 957,345	\$ 9,149,995

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2019 and 2018

1. BASIS OF PRESENTATION

Yamaguchi Financial Group, Inc. (“YMFG”) is a holding company for The Yamaguchi Bank, Ltd. (“Yamaguchi Bank”), Momiji Bank, Ltd. (“Momiji Bank”), The Kitakyushu Bank, Ltd. (“Kitakyushu Bank”) and other subsidiaries.

YMFG and its consolidated subsidiaries (“the Group”) maintain their accounts and records in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulation and in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Japanese GAAP are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of YMFG which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law.

In preparing the accompanying consolidated financial statements, certain restructuring and reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S.\$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation and equity method

(1) Scope of consolidation

Japanese accounting standards on consolidated financial statements require a company to consolidate any subsidiaries of which the company substantially controls the operations, even if it is not a majority owned subsidiary. Control is defined as the power to govern the decision making body of an enterprise.

- (i) 17 consolidated subsidiaries at March 31, 2019 and 16 consolidated subsidiaries at March 31, 2018.

The names of the main consolidated subsidiaries are listed on page 1.

The scope of consolidation includes DATA QVIC Inc. due to its establishment in the fiscal year ended March 31, 2019.

- (ii) One unconsolidated subsidiary at March 31, 2019 and 2018.

Name of major subsidiary:

Maple Funding Corporation

The unconsolidated subsidiary is excluded from the scope of consolidation because its total assets, ordinary income, net income (in proportion to ownership), retained earnings (in proportion to ownership) and accumulated other comprehensive income are so immaterial that they do not hinder a rational judgment of YMFG’s consolidated financial position and results of operations when excluded from the scope of consolidation.

(2) Application of the equity method

Japanese accounting standards also require any unconsolidated subsidiaries and affiliates with financial and operating policies over which YMFG is able to exercise material influence to be accounted for by the equity method.

- (i) No unconsolidated subsidiary was accounted for by the equity method at March 31, 2019 and 2018.
- (ii) As at March 31, 2019 and 2018, two affiliates were accounted for by the equity method.

Affiliates as at March 31, 2019 and 2018 were as follows:

YM Saison Co., Ltd.

Momiji Card Co., Ltd.

In the fiscal year ended March 31, 2018, due to the sale of some shares in Yamaguchi Capital Co., Ltd., YMFG's percentage of ownership decreased. Consequently, the company was removed from the scope of application of the equity method.

- (iii) As at March 31, 2019 and 2018, one unconsolidated subsidiary was not accounted for by the equity method.

Name of major subsidiary:

Maple Funding Corporation

The unconsolidated subsidiary is also excluded from the scope of application of equity method because its net income (in proportion to ownership), retained earnings (in proportion to ownership) and accumulated other comprehensive income (in proportion to ownership) are so immaterial that they do not hinder a rational judgment of YMFG's consolidated financial position and results of operations when excluded from the scope of equity method.

- (iv) There were no affiliates that were not accounted for by the equity method as at March 31, 2019 and 2018.

(3) The balance sheet dates of consolidated subsidiaries

The balance sheet date of consolidated subsidiaries is as follows:

March 31, 2019 17 companies

March 31, 2018 16 companies

(4) Accounting Policies

Trading assets, trading liabilities and transactions for trading purposes

The valuation method of "Trading assets" and "Trading liabilities" is as follows:

Balances incurred by transactions of which the purpose is to earn a profit by taking advantage of short-term fluctuations in a market or discrepancies in different markets of interest rates, currency exchange rates, share prices or other indices (hereinafter referred to as "trading purposes") are included in "Trading assets" or "Trading liabilities" in the consolidated balance sheets as of the date on which the transactions have been contracted. The income or losses on these transactions are recorded as "Trading income" and "Trading expenses" in the consolidated statement of income.

Trading assets and trading liabilities are valued, in the case of securities and commercial paper, at the market value as of the date of the balance sheet and, in the case of derivatives, including swaps, futures and options, at the amount due if the transactions were to be settled as of the date of the balance sheet. "Trading income" and "Trading expenses" include interest income and interest expense, respectively, and gains and losses, respectively, resulting from the valuation of securities, commercial paper, derivatives, etc., which are included in "Trading assets" or "Trading liabilities."

Securities

With regard to the valuation of securities, held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method. Investments in unconsolidated subsidiaries that are not accounted for by the equity method are stated at cost determined by the moving-average method. Available-for-sale securities are in general stated at fair value (cost of sale calculated primarily according to the moving-average method) indicated according to market price at the consolidated balance sheet date (for equity securities, the average market price during the one-month period ending on the consolidated balance sheet date). Available-for-sale securities having no readily available market value are valued at cost using the moving-average method.

Unrealized gains (losses) on available-for-sale securities are reported as a component of net assets.

Money in trust

Trust assets within money held in trust are valued using the market value method.

Derivatives

Derivatives other than those for which exceptional accounting treatment is applied are stated at fair value.

Method of hedge accounting

The subsidiaries that conduct banking business ("the Banks") apply deferred hedge accounting in accordance with "Treatments of Accounting and Audit on Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report

No. 24, February 13, 2002). As for the hedge to offset market fluctuation, the Banks assess the effectiveness of the hedge by grouping the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity.

Also, the Banks apply deferred hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

The Banks apply an exceptional accounting treatment, as permitted if certain conditions are met, for certain interest rate swaps utilized as hedging instrument. In that treatment, the interest swap contracts are not recorded at fair values but the net interest to be paid or received under the contracts is added or deducted to the interest arising from their related hedged assets or liabilities.

Allowance for loan losses

The Banks provide allowance for loan losses according to the following write-off and provisioning standards.

For loans to borrowers who are legally bankrupt (due to bankruptcy, composition, suspension of transactions with banks by the rules of clearinghouses, etc.) or substantially bankrupt, an allowance is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees.

For loans to borrowers in danger of bankruptcy, an allowance is provided in the amount considered uncollectible based on the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and other sources.

Loans to normal borrowers and borrowers requiring caution are classified into certain groups, and an

allowance is provided for each group using the rate of loan losses experienced for the Banks during certain reference periods in the past.

Each branch as well as the credit supervision department evaluates all loans in accordance with the self-assessment rule.

Other consolidated subsidiaries provide an allowance for an amount calculated using the rate of collection losses in the past for loans of normal borrowers in addition to amounts estimated based on collectability analysis for borrowers in danger of bankruptcy and certain other borrowers.

Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets of YMFG and its consolidated subsidiaries that conduct banking business are computed by using the declining-balance method except for buildings (excluding fixtures) acquired after April 1, 1998 and fixtures and buildings acquired after April 1, 2016, which are depreciated using the straight-line method.

The estimated useful lives of the assets are primarily as follows:

Buildings: 7 to 50 years

Others: 3 to 15 years

Other consolidated subsidiaries depreciate their tangible fixed assets using mainly the declining-balance method over the useful lives of the respective assets provided by the Corporation Tax Act in Japan.

Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is computed by using the straight-line method. Software costs for internal uses are amortized over the estimated useful life (5 years).

Lease assets

Lease assets included within tangible and intangible fixed assets related to finance lease transactions that do not transfer ownership are depreciated over the lease term using the straight-line method. For lease assets with a guaranteed residual value stated in their lease agreements, the residual value is set at the guaranteed amount. Otherwise, the residual value is assumed to be zero.

Income taxes

Income taxes comprise corporate, enterprise and inhabitant taxes. The Group recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

Foreign currency translation

Foreign currency assets and liabilities and the accounts of overseas branches of YMFG and consolidated subsidiaries are translated into yen at the rates prevailing at the consolidated balance sheet date.

Provision for bonuses

Provision for bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses that are attributable to the fiscal year.

Method of accounting for retirement benefits

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through the year-end. The methods for recognizing past service cost and actuarial gains or losses are as follows:

Past service cost: Recognition of past service cost is apportioned by the straight-line method over a fixed number of years (2 years) within the employees' average remaining service period from the time of their occurrence

Actuarial gains or losses: Recognition of actuarial gains or losses are apportioned by the straight-line method over a fixed number of years (Mainly 10 to 11 years) within the employees' average remaining service period at the time of their occurrence in each fiscal year, starting from the following fiscal year

Some consolidated subsidiaries employ the simplified method for calculating retirement benefit obligations

and periodic benefit costs, stating retirement benefit obligations at the amounts required as if all employees voluntarily terminate their employment as of the year-end.

Provision for directors' retirement benefits

The provision for directors' retirement benefits for consolidated subsidiaries outside the banking business is provided for the estimated amount corresponding to accrued retirement benefit payments to directors as of the end of the fiscal year.

Standards for recording provision for directors' stock benefits

To prepare for the provision of YMFG's shares distributed to directors of YMFG and the Banks (excluding directors who are also Audit and Supervisory Committee members, part-time directors and outside directors; hereinafter, "Subject Directors"), the provision for directors' stock benefits is recorded based on the expected value of stock benefit obligations as of the balance sheet date, in accordance with directors' stock benefit regulations formulated by YMFG and the Banks.

Provision for loss on interest repayment

Provision for loss on interest repayment is provided for possible losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Law.

In accordance with "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments," issued by JICPA in 2012, the amount of such provision is rationally estimated and booked based on actual historical repayment claims by debtors.

Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided for in order to meet depositor requests for reimbursement on deposits already derecognized as liabilities, in an amount deemed necessary by estimating the losses corresponding to the expected requests for reimbursements in the future.

Provision for customer point services

Provision for customer point services is provided in conjunction with a point system to promote credit card use. The provision is recorded for the expected cost to be incurred when credit card members use points they have received as of the balance sheet date.

Reserves under special laws

Reserves under special laws consist of the financial instruments transaction responsibility reserve posted by YM Securities Co., Ltd., which were calculated according to the specified formula of Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Order Related to the Financial Instruments Business, to prepare for future eventual losses originating from incidents relating to the purchase and sale of securities or other transactions.

Amounts per share of common stock

Computations of net income per share of common stock are based on the weighted-average number of shares outstanding during each year.

Cash dividends per share represent the cash dividends declared as applicable to each year.

Amortization of goodwill

Goodwill is amortized mainly over a 10-year period using the straight-line method.

Consumption taxes

YMFG and its consolidated subsidiaries employ the tax exclusion method for consumption tax and local consumption taxes, meaning that transaction amounts and consumption tax amounts are treated separately for accounting purposes.

However, non-deductible consumption taxes for purchase of property, plant and equipment are recognized as expenses for the year of the purchase.

Adoption of consolidated tax payment system

YMFG and certain of its consolidated subsidiaries adopted the consolidated tax payment system as provided under the Corporation Tax Act.

Standards and guidance not yet adopted

The following standard and guidance were issued but not yet adopted.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

Additional Information

(ESOP Trust)

To enhance its welfare benefits, YMFG has introduced the ESOP Trust for Group employees (hereinafter, "Employees")

1. ESOP Trust for Employees introduced in March 2017

(1) Overview of Transactions

Of those Employees enrolled in YMFG's ESOP, YMFG has established the trust for those beneficiaries satisfying certain conditions. This trust acquired as a lump sum certain number of shares of YMFG corresponding to the number expected to be acquired by YMFG's ESOP over the five-year period beginning in March 2017. Thereafter, the trust will sell YMFG's shares to YMFG's ESOP each month on a specific date.

(2) Company Shares Residing in the Trust

YMFG's shares residing in the trust are recorded in treasury

stock in the net assets section based on the book value of the trust (excluding ancillary expenses).

The book value and the number of shares of this treasury stock amounted to ¥1,274 million (\$11 million) and 990 thousand shares on March 31, 2019 and ¥1,703 million and 1,323 thousand shares on March 31, 2018.

(3) Book Value of Borrowings Recorded by Applying the Gross Price Method

The book value of borrowings recorded by applying the gross price method was ¥1,321 million (\$12 million) on March 31, 2019 and ¥1,715 million on March 31, 2018.

(Board Benefit Trust (BBT))

YMFG has introduced a Board Benefit Trust (“BBT”) to raise awareness among Subject Directors of Banks within YMFG toward raising operating performance at YMFG over the medium to long term and contributing to increases in corporate value.

(1) Overview of Transactions

Via the trust, YMFG acquires YMFG’s common shares using funds provided by YMFG. YMFG’s share and cash equivalent to fair value of YMFG’s stock measured at the time of retirement are granted to be distributed via the trust to Subject Directors according to Subject Directors’ positions, and the level of achievement of operating performance in accordance with directors’ stock benefit regulations established by YMFG and Banks within YMFG.

(2) Company Shares Residing in the Trust

YMFG’s shares residing in the trust are recorded as treasury stock in the net assets section based on the book value of the trust (excluding ancillary expenses).

The book value and the number of shares of this treasury stock amounted to ¥558 million (\$5 million) and 578 thousand shares on March 31, 2019 and ¥609 million and 631 thousand shares on March 31, 2018.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS AND CASH EQUIVALENTS

1. In preparing the consolidated statements of cash flows, the Group considers cash and due from THE BANK OF JAPAN as cash and cash equivalents.

The reconciliation of cash and due from banks in the

consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and due from banks	¥1,043,994	¥985,503	\$9,406,199
Time deposits in other banks	(16,602)	(16,645)	(149,581)
Other	(11,834)	(11,513)	(106,623)
Cash and cash equivalents	¥1,015,558	¥957,345	\$9,149,995

2. Details of important non-funding transactions

Details of important non-funding transactions through the exercise of share options to shares that took place during the fiscal year ended March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Decrease in capital surplus by exercise of share options to shares	¥ (2,625)	\$ (23,651)
Decrease in treasury shares by exercise of share options to shares	27,421	247,058
Decrease in bonds with subscription rights to shares by exercise of share options to shares	¥24,796	\$223,407

4. FINANCIAL INSTRUMENTS

Items pertaining to the status of financial instruments

(1) Policies on financial instruments

YMFG provides community-based integrated financial services centered on the banking, securities and credit card businesses. Accordingly, the Group is subject to a variety of risks, including credit risk, market risk and liquidity risk. Due to changes in economic, social and financial conditions, these risks have grown more diverse and complex. Under these conditions, the Group considers strengthening its risk management structure as a priority issue. To maintain and enhance the soundness of its operations, YMFG has created groupwide risk management regulations, which clarify the Group’s fundamental stance on risk management.

(2) Content and risks of financial instruments

Of financial assets held by the Group, principally loans and bills discounted extended to business partners are subject

to the credit risk from breach of contract. The Group holds securities, principally debt securities, equity securities and investment trusts, for trading purposes, for holding to maturity, for purely investment purposes or to promote positive business relations. These securities are subject to issuer credit risk, interest rate fluctuation risk and market price fluctuation risk.

The Group's financial liabilities center on deposits and negotiable certificates of deposit, and call money that it raises in the market. However, the Group is subject to the liquidity risk of becoming unable to secure necessary funding. The Group is also subject to interest rate risk arising from fluctuations in financial and economic conditions.

The Group employs derivative transactions to hedge underlying market risks on its assets and liabilities. The Group also provides derivatives as financial products to meet customers' needs. Interest-related and securities-related derivative transactions are employed to limit the impact on income of future interest rate fluctuations and price fluctuations for loans and bills discounted, deposits, securities and other instruments bearing long-term interest at fixed rates. Currency-related derivative transactions are used primarily to avoid fluctuations in income stemming from future exchange rate fluctuations, stabilize funding denominated in foreign currencies, as well as offered as products to clients. With regard to transactions to secure income through changes in market rates, which are conducted on a limited basis, the Group has established stringent standards that include risk limits and loss limits.

As market risk factors, interest rate related and securities-related derivative transactions are subject to the risk of fluctuations in interest rates and prices, and currency-related derivative transactions are subject to exchange rate fluctuations. For transactions that are not conducted on exchanges, the Group is subject to credit risk, the risk of loss in the event a counterparty becomes unable to fulfill its contractual obligations due to deteriorating financial conditions.

With regard to use of hedge accounting, the Group applies deferred hedge accounting after it ensured in advance that the established conditions are satisfied. As for hedging methods, the Group employs the portfolio hedge where certain group of assets with similar risk is identified and such risk is hedged comprehensively. In addition, for certain interest swap contracts, exceptional accounting treatment are applied.

(3) Risk management structure related to financial instruments

(i) Management of credit risk

Through the appropriate operation of a credit rating system, the Group endeavors to determine the financial conditions of business partners and accurately evaluate their credit risk. The Group has enhanced the precision of its credit evaluations, reviewing business partner credit ratings swiftly and appropriately for each financial period and each time their credit conditions change.

The Group conducts self assessments according to stringent standards that are consistent throughout the Group. The Group performs write-off and provisions based on the results of its self assessments. The Group's authentication departments verify the content of such self assessments. Independence is maintained through internal audits conducted by audit departments. In addition, the Group undergoes external audits conducted by its independent external auditors.

With regard to the screening of individual transactions, the Group employs a screening system suited to each subsidiary bank's size of the business and characteristics to conduct detailed screenings that take individual sector and regional characteristics into consideration. In terms of portfolio management, the Group strives to enhance its risk management by first measuring credit risk, and then managing risk by category, sector and geographic area.

Risk management departments periodically obtain credit information and fair value as a part of managing credit risks on securities issuers and counterparty risks on derivative transactions.

(ii) Management of market risk

Qualitative information on the management of market risk

The Group has formulated a market risk management process that identifies and quantitatively measures market risks. An asset-liability management (ALM) system is employed to control market risk within allowable limits, and the Group ALM Committee is periodically held to respond to such risks.

YMFG periodically evaluates market risk conditions and verifies the appropriateness of risk controls.

Quantitative information on the management of market risk

The market risk (estimated loss amount) of the loans, securities, deposits and derivatives transactions of Yamaguchi Bank, Momiji Bank and Kitakyushu Bank of the Group are calculated according to value at risk (VaR). Furthermore, the covariance method is used to calculate VaR.

As of March 31, 2019, the market risk (estimated loss amount) of Yamaguchi Bank was ¥62,679 million (\$565 million), the market risk (estimated loss amount) of Momiji Bank was ¥15,373 million (\$139 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥21,883 million (\$197 million). Also, as of March 31, 2018, the market risk (estimated loss amount) of Yamaguchi Bank was ¥79,408 million, the market risk (estimated loss amount) of Momiji Bank was ¥20,766 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥27,258 million.

Assumptions used in calculating VaR include a holding period of three months (however, one year for a holding period for shares held for the purpose of strategic investment), a confidence interval of 99.9% and an observation period of five years.

Yamaguchi Bank, Momiji Bank and Kitakyushu Bank conduct back-testing to compare the VaR calculated by the model with the actual losses. However, because of relatively large fluctuations in Japanese stock and foreign exchange market prices, instances arose in which they were unable to capture the risk on Japanese stocks and foreign bond funds. Consequently, from fiscal 2016, to determine the amount of risk on Japanese stocks and foreign bond funds, VaR is measured for observation periods of both one year and five years, and the larger number is taken as the risk amount. As of March 31, 2019, the VaR observation period was five years for both Japanese stocks and foreign bond funds.

However, as the practice of measuring market risk amount with a set risk probability calculated on the basis of historical market fluctuations remains unchanged even after revising the measurement method to appropriately capture the market risk amount, in some cases it is not possible to capture market risk in the event of sudden changes in the market environment outside the normally expected scope.

(iii) Management of liquidity risk related to fundraising
The majority of funds is raised through deposits, which constitute a stable base for procuring funds. The Group manages funds on the basis of elaborate forecasts, confirming cash flows primarily through the management of financial balances using short-term financial markets.

For cash flow management, the Group strives to manage the liquidity risk by ensuring stability, preparing for unexpected events, and maintaining highly liquid assets.

(4) Supplementary explanation of items pertaining to the fair value of financial instruments

The fair values of some financial instruments are based on market prices. The fair values of other instruments, for which market prices are not readily available, are based on rational calculation. However, as assumptions are used in these calculations, different assumptions can yield different values.

Items pertaining to the fair value of financial instruments

The table below indicates the consolidated balance sheet amounts of financial instruments, as well as their fair values and the differences between the two. Line items with little significance to balance sheet amounts have been omitted. Unlisted equity securities and other instruments for which fair value is not easily determinable are not included in the table below. (Refer to (Note 2).)

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥1,043,994	¥1,043,994	¥ —
(2) Call loans and bills purchased	39,042	39,042	—
(3) Money held in trust	30,565	30,565	—
(4) Securities			
Held-to-maturity debt securities	8,273	8,438	165
Available-for-sale securities	1,374,849	1,374,849	—
(5) Loans and bills discounted	7,408,387		
Allowance for loan losses (* 1)	(53,983)		
	7,354,404	7,450,478	96,074
Total assets	¥9,851,127	¥9,947,366	¥96,239
(1) Deposits	¥9,230,773	¥9,231,171	¥ 398
(2) Call money and bills sold	133,466	133,466	—
Total liabilities	¥9,364,239	¥9,364,637	¥ 398
Derivative transactions (* 2)			
Hedge accounting not applied	¥ 1,577	¥ 1,577	¥ —
Hedge accounting applied	(2,115)	(2,115)	—
Total derivative transactions	¥ (538)	¥ (538)	¥ —

	Millions of yen		
	2018		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 985,503	¥ 985,503	¥ —
(2) Call loans and bills purchased	77,437	77,437	—
(3) Money held in trust	40,924	40,924	—
(4) Securities			
Held-to-maturity debt securities	7,789	7,918	129
Available-for-sale securities	1,707,440	1,707,440	—
(5) Loans and bills discounted	7,157,837		
Allowance for loan losses (* 1)	(49,572)		
	7,108,265	7,177,960	69,695
Total assets	¥9,927,358	¥9,997,182	¥69,824
(1) Deposits	¥9,355,750	¥9,356,268	¥ 518
(2) Call money and bills sold	62,288	62,288	0
Total liabilities	¥9,418,038	¥9,418,556	¥ 518
Derivative transactions (* 2)			
Hedge accounting not applied	¥ 8,352	¥ 8,352	¥ —
Hedge accounting applied	565	565	—
Total derivative transactions	¥ 8,917	¥ 8,917	¥ —

	Thousands of U.S. dollars		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	\$ 9,406,199	\$ 9,406,199	\$ —
(2) Call loans and bills purchased	351,761	351,761	—
(3) Money held in trust	275,385	275,385	—
(4) Securities			
Held-to-maturity debt securities	74,538	76,025	1,487
Available-for-sale securities	12,387,143	12,387,143	—
(5) Loans and bills discounted	66,748,239		
Allowance for loan losses (* 1)	(486,377)		
	66,261,862	67,127,471	865,610
Total assets	\$88,756,888	\$89,623,984	\$867,097
(1) Deposits	\$83,167,610	\$83,171,196	\$ 3,586
(2) Call money and bills sold	1,202,505	1,202,505	—
Total liabilities	\$84,370,115	\$84,373,692	\$ 3,586
Derivative transactions (* 2)			
Hedge accounting not applied	\$ 14,208	\$ 14,208	\$ —
Hedge accounting applied	(19,056)	(19,056)	—
Total derivative transactions	\$ (4,848)	\$ (4,848)	\$ —

(* 1) The general allowance for loan losses and specific allowance for loan losses are deducted.

(* 2) The amount collectively represents derivative transactions that are recorded as trading assets and liabilities, and other assets and liabilities. This indicates the net amount of rights and obligations under derivative transactions. Parentheses, (), indicate that the net amount is negative.

(Note 1) Methods of calculating the fair value of financial instruments

(1) Assets

(i) Cash and due from banks

As the settlement term of these instruments is short (within one year) and their fair values and book values are approximately the same, their book values are taken as their fair values.

(ii) Call loans and bills purchased

As the settlement term of these instruments is short (within one year) and their fair values and book values are approximately the same, their book values are taken as their fair values.

(iii) Money held in trust

As for the securities held as trusted assets in money held in trust established independently for the purpose of investing mainly in the securities of the Group, the value on stock exchanges is taken as fair value for the equity securities, and either the value on exchanges or a price indicated by other financial institutions dealing with the specific instruments is taken as fair value.

Notes pertaining to money held in trust exchanges for the purpose of holding are indicated within "Money held in trust."

(iv) Securities

For equity securities, fair value is determined by stock exchange prices; the fair value of debt securities is determined by exchange prices or prices received from information vendors. Fair values of investment trusts are determined by exchange prices or standard prices disclosed by investment trust management companies.

The fair value of private placement bonds guaranteed by Yamaguchi Bank and Momiji Bank is determined for each internal rating category and period by discounting the total amount of interest and principal to their present value, using as the discount rate the risk-free rate plus the credit cost determined for each internal rating category. However, fair value of bonds of legally bankrupt debtors, substantially bankrupt debtors and debtors in danger of bankruptcy is determined by deducting the expected amount of loss on the bond by using the same method applied to loans from the bond's face value.

(v) Loans and bills discounted

For loans and bills discounted with floating interest rates, as in the short term their values reflect market interest rates, unless the credit status of the obligor has changed significantly since the loans were extended, their fair value is similar to their book value, so their book value is taken as their fair value.

For loans and bills discounted bearing fixed interest rates, fair value is determined for each internal rating category and period by discounting the total amount of interest and principal to their present value, using as the discount rate the risk-free rate for operating loans and bills discounted plus the credit cost for each internal rating category. For consumer loans and bills discounted, fair value is determined by discounting the total amount of interest and principal to their present value using the assumed interest rate on new loans of the same type. For instruments having a short settlement period (within one year), as their fair values and book values are approximately the same, their book value is taken as their fair value.

With regard to loans to legally bankrupt obligors, substantially bankrupt obligors or obligors who are in danger of bankruptcy, the estimated collectible amount is based on either the present value of estimated future cash flows or the expected amounts recoverable from the disposal of collateral and/or under guarantees. As the fair value is essentially equivalent to the amount after deducting the allowance for possible loan losses from the book value as of the consolidated balance sheet date, this amount is taken as fair value.

For loans that have no specific repayment period, as the fair value is assumed to be equivalent with the book value according to the expected payment dates and interest rates, book value is taken as the fair value.

(2) Liabilities

(i) Deposits

The fair value of demand deposits is determined as the payment amount if payment were required on the consolidated balance sheet date (book value). The fair value of time deposits is determined by discounting future cash flows to their present value by certain time periods. The discount rate employed is the interest rate required for

newly accepted deposits. For deposits having a short period (within one year), as their fair values and book values are approximately the same, their book value is taken as their fair value.

(ii) Call money and bills sold

As the contract period is short (within one year) and the market value is similar to the book value, the book value is taken as the market value.

(3) Derivative transactions

The fair value of derivative transactions, comprising interest-rate-related transactions (such as interest rate futures, interest rate options and interest rate swaps) currency-related transactions (such as currency futures, currency options and currency swaps), bond-related transactions (such as bond futures and bond options) is taken as their value on exchanges, discounted present value or price as calculated using option pricing models.

Interest rates swaps that employ exceptional accounting treatment are accounted for as part of the loans and bills discounted that are hedged. Therefore, their fair value is included in the fair value of loans and bills discounted.

(Note 2) The consolidated balance sheet amounts of financial instruments for which market prices are not readily available

Financial instruments for which market prices are not readily available are not included in "Assets (4) Available-for-sale securities."

Category	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Consolidated balance sheet amount			
(1) Unlisted equity securities (*1, *2)	¥ 6,918	¥ 6,918	\$ 62,330
(2) Investments in partnerships, etc. (*3)	7,974	5,689	71,844
Total	¥14,892	¥12,607	\$134,174

(*1) As unlisted equity securities have no market prices and their fair value is not readily available, they are not included in the scope of fair value disclosures.

(*2) During the fiscal year ended March 31, 2019 and 2018, impairment losses of ¥7 million (\$63 thousand) and ¥0 million were recorded on unlisted equity securities.

(*3) Of investments in partnerships, those partnership assets comprising unlisted equity securities, which have no readily available fair value, are not included in the scope of fair value disclosure.

(Note 3) Expected maturity amount of monetary claims and securities with maturities after the consolidated balance sheet date

	Millions of yen				
	2019				
	Within one year	More than one year and within three years	More than three years and within five years	More than five years and within seven years	More than seven years
(1) Due from banks	¥ 942,716	¥ —	¥ —	¥ —	¥ —
(2) Call loans and bills purchased	39,042	—	—	—	—
(3) Securities Held-to-maturity debt securities	144,598	224,574	134,442	187,809	411,065
Local government bond	326	909	2,158	2,283	2,600
Corporate bond	—	100	700	900	1,400
Available-for-sale securities with maturities	144,272	223,665	132,284	185,526	408,465
Japanese government bond	57,000	88,000	6,500	39,600	58,250
Local government bond	15,508	9,826	9,424	10,965	70,775
Corporate bond	56,489	94,963	47,462	65,793	160,390
Others	15,275	30,876	68,898	69,168	119,050
(4) Loans and bills discounted (*)	1,721,944	991,035	962,930	809,990	2,922,490
Total	¥2,848,300	¥1,215,609	¥1,097,371	¥997,799	¥3,333,555

	Millions of yen				
	2018				
	Within one year	More than one year and within three years	More than three years and within five years	More than five years and within seven years	More than seven years
(1) Due from banks	¥ 884,642	¥ —	¥ —	¥ —	¥ —
(2) Call loans and bills purchased	77,437	—	—	—	—
(3) Securities Held-to-maturity debt securities	201,488	231,704	142,849	238,604	602,068
Local government bond	724	708	1,142	2,316	2,899
Corporate bond	—	—	200	900	1,400
Available-for-sale securities with maturities	200,764	230,996	141,707	236,288	599,170
Japanese government bond	49,134	74,813	6,256	43,865	255,307
Local government bond	1,396	5,741	4,626	3,130	5,746
Corporate bond	117,400	107,824	98,906	127,507	246,771
Others	32,834	42,618	31,919	61,786	91,346
(4) Loans and bills discounted (*)	1,704,363	975,550	926,260	772,149	2,779,515
Total	¥2,867,930	¥1,207,254	¥1,069,109	¥1,010,753	¥3,381,584

	Thousands of U.S. dollars				
	2019				
	Within one year	More than one year and within three years	More than three years and within five years	More than five years and within seven years	More than seven years
(1) Due from banks	\$ 8,493,702	\$ —	\$ —	\$ —	\$ —
(2) Call loans and bills purchased	351,761	—	—	—	—
(3) Securities Held-to-maturity debt securities	1,302,802	2,023,371	1,211,299	1,692,126	3,703,622
Local government bond	2,937	8,190	19,443	20,570	23,426
Corporate bond	—	901	6,307	8,109	12,614
Available-for-sale securities with maturities	1,299,865	2,015,181	1,191,856	1,671,556	3,680,196
Japanese government bond	513,560	792,864	58,564	356,789	524,822
Local government bond	139,724	88,530	84,909	98,793	637,670
Corporate bond	508,956	855,600	427,624	592,783	1,445,085
Others	137,625	278,187	620,759	623,191	1,072,619
(4) Loans and bills discounted (*)	15,514,407	8,929,048	8,675,827	7,297,865	26,331,111
Total	\$25,662,672	\$10,952,419	\$9,887,126	\$8,989,991	\$30,034,733

(*) Loans and bills discounted for which no period is specified are included in "within one year."

(Note 4) Estimated repayment amounts of deposits, negotiable certificates of deposit and other interest-bearing liabilities to be repaid after the consolidated balance sheet date

	Millions of yen			
	2019			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	¥8,076,897	¥ 614,162	¥158,059	¥28,760
Negotiable certificates of deposit	352,360	535	—	—
Call money and bills sold	133,466	—	—	—
Total	¥8,562,723	¥614,697	¥158,059	¥28,760

	Millions of yen			
	2018			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	¥8,027,989	¥357,889	¥322,988	¥30,226
Negotiable certificates of deposit	616,118	540	—	—
Call money and bills sold	62,288	—	—	—
Total	¥8,706,395	¥358,429	¥322,988	¥30,226

	Thousands of U.S. dollars			
	2019			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	\$72,771,394	\$5,533,490	\$1,424,083	\$259,131
Negotiable certificates of deposit	3,174,700	4,820	—	—
Call money and bills sold	1,202,505	—	—	—
Total	\$77,148,599	\$5,538,310	\$1,424,083	\$259,131

(*) Within deposits, demand deposits are included in "within one year."

5. SECURITIES

Securities held at March 31, 2019 include shares of unconsolidated subsidiaries and affiliates amounting to ¥27 million (\$0 million) and investments of ¥1 million (\$9 thousand). Corresponding figures at March 31, 2018, were ¥27 million and ¥1 million.

The amount of guarantee obligations for private placement bonds (Financial Instruments and Exchange Law, Article 2, Item 3), out of bonds included in securities, amounted to ¥8,751 million (\$79 million) and ¥9,643 million as of March 31, 2019 and March 31, 2018 respectively.

Bonds included in securities also include securities lent through unsecured loan agreements (bond lending transactions) of ¥8,176 million (\$74 million) and ¥5,010 million, at March 31, 2019 and 2018 respectively.

6. FAIR VALUE INFORMATION

Securities

The following tables summarize book values, fair value and acquisition cost of securities with available fair values as of March 31, 2019 and 2018:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statement of income

— ¥2 million (\$18 thousand) and ¥(4) million as at March 31, 2019 and 2018, respectively.

(b) Held-to-maturity debt securities:

	Type	Millions of yen		
		2019		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	¥3,000	¥3,061	¥ 61
	Corporate bonds	5,144	5,248	104
	Subtotal	8,144	8,309	165
Securities with fair value not exceeding book value	Local government bonds	100	100	—
	Corporate bonds	29	29	(0)
	Subtotal	129	129	(0)
Total		¥8,273	¥8,438	¥165

	Type	Millions of yen		
		2018		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	¥2,300	¥2,345	¥ 45
	Corporate bonds	4,769	4,855	86
	Subtotal	7,069	7,200	131
Securities with fair value not exceeding book value	Local government bonds	200	200	(0)
	Corporate bonds	520	518	(2)
	Subtotal	720	718	(2)
Total		¥7,789	¥7,918	¥129

	Type	Thousands of U.S. dollars		
		2019		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	\$27,029	\$27,579	\$ 550
	Corporate bonds	46,347	47,284	937
	Subtotal	73,376	74,863	1,487
Securities with fair value not exceeding book value	Local government bonds	901	901	—
	Corporate bonds	261	261	(0)
	Subtotal	1,162	1,162	(0)
Total		\$74,538	\$76,025	\$1,487

(c) Available-for-sale securities

	Type	Millions of yen		
		2019		
		Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	Shares	¥ 121,610	¥ 48,812	¥ 72,798
	Japanese government bonds	194,549	193,355	1,194
	Local government bonds	112,188	111,315	873
	Corporate bonds	415,824	410,561	5,263
	Others	143,228	141,486	1,742
Subtotal	987,399	905,529	81,870	
Securities with book value not exceeding acquisition cost	Shares	5,688	6,450	(762)
	Japanese government bonds	60,845	61,525	(680)
	Local government bonds	5,628	5,629	(1)
	Corporate bonds	16,145	16,179	(34)
	Others	299,143	314,311	(15,168)
Subtotal	387,449	404,094	(16,645)	
Total	¥1,374,848	¥1,309,623	¥ 65,225	

		Millions of yen		
		2018		
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	Shares	¥ 143,485	¥ 44,723	¥ 98,762
	Japanese government bonds	203,630	202,432	1,198
	Local government bonds	13,079	12,900	179
	Corporate bonds	584,279	573,387	10,892
	Others	30,309	30,099	210
	Subtotal	974,782	863,541	111,241
Securities with book value not exceeding acquisition cost	Shares	10,168	11,255	(1,087)
	Japanese government bonds	225,744	228,774	(3,030)
	Local government bonds	7,560	7,580	(20)
	Corporate bonds	114,129	114,868	(739)
	Others	375,057	395,964	(20,907)
	Subtotal	732,658	758,441	(25,783)
	Total	¥1,707,440	¥1,621,982	¥ 85,458

		Thousands of U.S. dollars		
		2019		
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	Shares	\$ 1,095,684	\$ 439,787	\$ 655,897
	Japanese government bonds	1,752,852	1,742,094	10,758
	Local government bonds	1,010,794	1,002,928	7,866
	Corporate bonds	3,746,500	3,699,081	47,419
	Others	1,290,459	1,274,763	15,696
	Subtotal	8,896,289	8,158,653	737,639
Securities with book value not exceeding acquisition cost	Shares	51,248	58,113	(6,865)
	Japanese government bonds	548,203	554,329	(6,126)
	Local government bonds	50,707	50,716	(9)
	Corporate bonds	145,464	145,770	(306)
	Others	2,695,225	2,831,886	(136,661)
	Subtotal	3,490,847	3,640,814	(149,967)
	Total	\$12,387,136	\$11,799,467	\$ 587,669

(d) Held-to-maturity debt securities sold during the fiscal year
There were no held-to-maturity securities sold during the fiscal year ended March 31, 2019 and 2018.

(e) Available-for-sale securities sold during the fiscal year

		Millions of yen		
		2019		
	Sale amount	Total gain on sale	Total loss on sale	
Shares	¥ 9,519	¥ 6,543	¥ 367	
Japanese government bonds	1,233,253	2,763	1,368	
Local government bonds	1,656	—	2	
Corporate bonds	282,929	6,018	166	
Others	808,359	7,320	4,063	
Total	¥2,335,716	¥22,644	¥5,966	

		Millions of yen		
		2018		
	Sale amount	Total gain on sale	Total loss on sale	
Shares	¥ 12,754	¥ 6,840	¥ 4	
Japanese government bonds	932,178	2,564	155	
Local government bonds	21,803	483	13	
Corporate bonds	107,010	549	19	
Others	494,422	5,429	3,025	
Total	¥1,568,167	¥15,865	¥3,216	

		Thousands of U.S. dollars		
		2019		
	Sale amount	Total gain on sale	Total loss on sale	
Shares	\$ 85,764	\$ 58,951	\$ 3,307	
Japanese government bonds	11,111,388	24,894	12,325	
Local government bonds	14,920	—	18	
Corporate bonds	2,549,140	54,221	1,496	
Others	7,283,170	65,952	36,607	
Total	\$21,044,382	\$204,018	\$53,753	

(f) Securities for which purpose of holding changed

There were no securities for which the purpose of holding changed at March 31, 2019 and 2018.

Impairment losses on securities

Regarding securities (excluding those for which market prices are not readily available) other than trading securities, if their market values have fallen substantially below their acquisition price and are not expected to recover to the acquisition price, such market values are recorded as the consolidated balance sheet amounts. The valuation difference is recorded as a loss for the fiscal year in which such difference is realized (hereinafter, "impairment losses").

During the fiscal year ended March 31, 2019, impairment losses were ¥27 million (\$243 thousand) on equity securities and during the fiscal year ended March 31, 2018, impairment losses totaled ¥463 million on equity securities. The basis for determining whether the market value has fallen significantly is as follows.

If the market value of the securities in general has fallen by 30% or more compared with the acquisition cost, the value of the securities is determined to have "fallen significantly." However in the case of shares and equivalent securities, if their market value has fallen by 30% or more but less than 50% of the acquisition cost, the determination of whether the value has "fallen significantly" takes into consideration other factors such as the issuing company's credit risk (independent debtor classification, external ratings, etc.) and previous percentage decreases over a specific period of time in the past.

Money held in trust

Information on money held in trust as of March 31, 2019 and 2018 was as follows:

(a) Money held in trust classified as trading purposes

	Millions of yen	
	2019	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	¥4,730	¥—

	Millions of yen	
	2018	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	¥4,732	¥—

	Thousands of U.S. dollars	
	2019	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	\$42,616	\$—

(b) Money held in trust classified as held-to-maturity
 There are no corresponding transactions as at March 31, 2019 and 2018.

(c) Available-for-sale money held in trust

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥25,835	¥25,821	¥14

	Millions of yen		
	2018		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥36,192	¥36,316	¥(124)

	Thousands of U.S. dollars		
	2019		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	\$232,769	\$232,643	\$126

Unrealized gains (losses) on available-for-sale securities

Information on unrealized gains (losses) on available-for-sale securities and available-for-sale money held in trust was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains	¥65,286	¥85,371	\$588,215
Available-for-sale securities	65,271	85,495	588,080
Available-for-sale money held in trust	15	(124)	135
Deferred tax liabilities	19,576	25,430	176,376
Unrealized gains on available-for-sale securities before following adjustment	45,710	59,941	411,839
Equivalent to non-controlling interests	(0)	14	(0)
YMFG's interest in net unrealized gains on valuation of available-for-sale securities held by affiliates accounted for by the equity method	—	—	—
Unrealized gains on available-for-sale securities	¥45,710	¥59,927	\$411,839

Valuation differences on investments in partnerships, etc., of ¥44 million (\$396 thousand) at March 31, 2019 and ¥36 million at March 31, 2018, for which market values are extremely difficult to determine, are recorded in available-for-sale securities of net unrealized gains in the list above.

Derivatives

(1) Derivative transactions at March 31, 2019 and 2018, to which hedge accounting is not applied

(a) Interest-rate-related:

Type	Millions of yen			
	2019			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥21,570	¥18,642	¥ 454	¥ 454
Receivable floating, payable fixed	21,570	18,643	(308)	(308)
Total	¥ —	¥ —	¥ 146	¥ 146

Type	Millions of yen			
	2018			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥24,978	¥21,911	¥ 370	¥ 370
Receivable floating, payable fixed	24,985	21,912	(225)	(225)
Total	¥ —	¥ —	¥ 145	¥ 145

Type	Thousands of U.S. dollars			
	2019			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	\$194,342	\$167,961	\$4,090	\$4,090
Receivable floating, payable fixed	194,342	167,970	(2,775)	(2,775)
Total	\$ —	\$ —	\$ 1,315	\$ 1,315

(b) Currency-related:

Type	Millions of yen			
	2019			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	¥379,563	¥104,863	¥ 239	¥ (945)
Foreign exchange forward contracts:				
Sold	92,353	14,919	1,014	1,014
Bought	160,858	14,373	177	177
Currency options				
Sold	122,012	85,952	(4,316)	1,246
Bought	122,012	85,952	4,319	54
Total	¥ —	¥ —	¥ 1,433	¥1,546

Type	Millions of yen			
	2018			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	¥366,190	¥111,614	¥ 7,546	¥ (528)
Foreign exchange forward contracts:				
Sold	76,995	3,929	1,026	1,026
Bought	34,332	3,347	(465)	(465)
Currency options				
Sold	132,001	94,802	(5,773)	1,060
Bought	132,001	94,802	5,909	592
Total	¥ —	¥ —	¥ 8,243	¥1,685

Type	Thousands of U.S. dollars			
	2019			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	\$3,419,795	\$944,797	\$2,153	\$ (8,514)
Foreign exchange forward contracts:				
Sold	832,084	134,418	9,136	9,136
Bought	1,449,302	129,498	1,595	1,595
Currency options				
Sold	1,099,306	774,412	(38,886)	11,226
Bought	1,099,306	774,412	38,913	487
Total	\$ —	\$ —	\$ 12,911	\$ 13,930

(c) Stock-related:

There were no stock-related transactions as at March 31, 2019 and 2018.

(d) Bond-related:

Type	Millions of yen			
	2019			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	¥765	¥—	¥(1)	¥(1)
Total	¥ —	¥—	¥(1)	¥(1)

Type	Millions of yen			
	2018			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	¥76,253	¥—	¥(36)	¥(36)
Total	¥ —	¥—	¥(36)	¥(36)

Type	Thousands of U.S. dollars			
	2019			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	\$6,893	\$—	\$(9)	\$(9)
Total	\$ —	\$—	\$(9)	\$(9)

(e) Commodity-related:

There were no commodity-related transactions as at March 31, 2019 and 2018.

(f) Credit-derivatives:

There were no credit related transactions as at March 31, 2019 and 2018.

(2) Derivative transactions as at March 31, 2019 and 2018, to which hedge accounting is applied

(a) Interest-rate-related:

Type	Millions of yen		
	2019		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥127,166	¥120,000	¥(1,910)
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	382	288	*
Total	¥ —	¥ —	¥(1,910)

Type	Millions of yen		
	2018		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥128,802	¥128,802	¥(300)
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	700	622	*
Total	¥ —	¥ —	¥(300)

Type	Thousands of U.S. dollars		
	2019		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	\$1,145,743	\$1,081,178	\$(17,209)
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	3,442	2,595	*
Total	\$ —	\$ —	\$(17,209)

(*) Of interest rate swaps employing exceptional accounting treatment, as these instruments are accounted for together with the hedged loans and bills discounted and borrowings, their fair value is included in the fair value of said loans and bills discounted within "Financial instruments."

(b) Currency-related:

Type	Millions of yen		
	2019		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥20,994	¥4,900	¥(205)
Total	¥ —	¥ —	¥(205)

Type	Millions of yen		
	2018		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥27,960	¥2,918	¥865
Total	¥ —	¥ —	¥865

Type	Thousands of U.S. dollars		
	2019		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	\$189,152	\$44,148	\$(1,847)
Total	\$ —	\$ —	\$(1,847)

(c) Stock-related:

There were no stock-related transactions at March 31, 2019 and 2018.

(d) Bond-related:

There were no bond-related transactions at March 31, 2019 and 2018.

7. LOANS AND BILLS DISCOUNTED

Loans at March 31, 2019 and 2018 include "Risk-Managed Loan Amounts" as follows:

- (1) Loans to borrowers in bankruptcy amounting to ¥14,168 million (\$128 million) and ¥13,712 million denote loans subject to Article 96-1-3 and 96-1-4 of "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 of 1965) on which interest accrual has stopped as there is doubt about the collectability of either principal or interest because they have been contractually past due for a considerable period of time or for other reasons.
- (2) Other delinquent loans amounting to ¥65,253 million (\$588 million) and ¥62,612 million denote loans on which the Banks have stopped accruing interest

- excluding loans to borrowers in bankruptcy and loans on which interest payments are deferred in order to promote recovery of borrowers in economic difficulty.
- (3) Loans past due for three months or more amounting to ¥1,192 million (\$11 million) and ¥986 million denote loans where payment of interest or principal has been delayed for three months or more excluding loans to borrowers in bankruptcy and other delinquent loans.
 - (4) Restructured loans amounting to ¥12,203 million (\$110 million) and ¥12,105 million denote loans to borrowers for which the repayment terms have been modified to more favorable terms including reduction of interest rate, deferral of interest payments, extension of principal payments and debt forgiveness with the objective of promoting recovery of borrowers in economic difficulty excluding loans to borrowers in bankruptcy, other delinquent loans, and past-due loans.
 - (5) The total of loans to borrowers in bankruptcy, other delinquent loans, past-due loans, and restructured loans amounted to ¥92,816 million (\$836 million) and ¥89,415 million.

The loan amounts disclosed from (1) to (5) above are amounts before deducting an allowance for loan losses.

Commercial bills

Bills discounted are accounted for as financing transactions in accordance with the Industry Audit Committee Report No. 24, February 13, 2002, of the JICPA, although the Banks have the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥41,462 million (\$374 million) at March 31, 2019 and ¥47,022 million at March 31, 2018.

Loan Participation

Based on "Accounting Treatment and Presentation of Loan Participation," (Japanese Institute of Certified Public Accountants Accounting System Committee Report No. 3, November 28, 2014), the consolidated balance sheet amount of loan participation agreements in which the Banks have acquired the economic benefits and risks of the underlying loans from the original lender was ¥7,015 million (\$63 million) at March 31, 2019 and ¥4,454 million at March 31, 2018.

8. COMMITMENT LINES

Loan agreements and commitment line agreements relating to loans are agreements that oblige the consolidated subsidiaries to lend funds up to a certain limit agreed in advance. The consolidated subsidiaries make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements amounted to ¥920,674 million (\$8,295 million) at March 31, 2019 and ¥925,546 million at March 31, 2018. Of this amount, ¥776,530 million (\$6,996 million) at March 31, 2019, and ¥808,080 million at March 31, 2018, relates to loans for which the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit amount when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the consolidated subsidiaries' credit. Consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral to the consolidated subsidiaries in the form of real estate, securities, etc., at entering into a loan agreement or in accordance with the consolidated subsidiaries' established internal procedures for confirming the obligor's financial condition, etc., at regular intervals.

9. PLEDGED ASSETS

At March 31, 2019 and 2018, the following assets were pledged as collateral for certain liabilities of the Banks.

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Cash and due from banks	¥ 14	¥ 14	\$ 126
Securities	272,155	279,594	2,452,068

The collateral was pledged to secure the following:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Deposits	¥28,693	¥26,832	\$258,519
Call money	—	26,560	—
Payables under securities lending transactions	67,711	46,884	610,064

In addition, securities not included in the above schedules were pledged as collateral for operating transactions, such as foreign exchange contracts and forward exchange contracts. These securities amounted to ¥9,045 million (\$81 million) at March 31, 2019 and securities amounted to ¥72,627 million at March 31, 2018.

Also, other assets included security deposits, collateral pledged for transactions involving public funds, collateral pledged for financial instruments, collateral pledged for exchange settlements and the financial futures margin, as indicated below.

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Deposits	¥ 2,858	¥ 3,212	\$ 25,750
Collateral pledged for transactions involving public funds	1,188	1,189	10,704
Collateral pledged for financial instruments	6,267	7,693	56,465
Collateral pledged for exchange settlements	70,000	68,410	630,687
Financial futures margin	10	10	90

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥76,231 million (\$687 million) at March 31, 2019, and ¥72,359 million at March 31, 2018.

11. ADVANCED DEPRECIATION AMOUNT OF TANGIBLE FIXED ASSETS

At March 31, 2019 and 2018, accumulated advanced depreciation amount of tangible fixed assets were ¥8,178 million (\$74 million) and ¥8,230 million. There were no such advance depreciation expenses in fiscal year ended March 31, 2019 and 2018.

12. IMPAIRMENT LOSSES

During the fiscal year ended March 31, 2019 and 2018, impairment losses were recorded on the following assets.

Location	Primary use	Type	Impairment loss		
			Millions of yen		Thousands of U.S. dollars
			2019	2018	2019
Within Yamaguchi Prefecture	Business-use and assets for lease	Land, buildings, movable property, software	¥11	¥ 13	\$ 99
Within Hiroshima Prefecture	Business-use and Idle assets for sale	Land, buildings, movable property, software	¥ 1	¥210	\$ 9
Within Fukuoka Prefecture	Business-use assets	Movable property,	¥ 2	¥ —	\$ 18
Other	Business-use assets	Buildings, movable property	¥—	¥ 2	\$ —
Total			¥14	¥225	\$126

YMFG and its consolidated subsidiaries that engage in the banking and securities business group their business-use assets into the smallest units possible from the standpoint of management accounting, which is the branch. Idle assets are, in principle, grouped as units of individual assets. In addition, corporate headquarters, administrative centers, training facilities, company housing and dormitories are considered corporate assets, as these are related to all the consolidated subsidiaries which are engaged in the banking businesses.

Consolidated subsidiaries that do not engage in the banking and securities business group their assets, in principle, on an individual company basis.

In the fiscal year ended March 31, 2019 and 2018,

the book values of the business-use and idle assets, which were determined not to create sufficient operating cash flow are reduced to their recoverable values, and recognized the reduction of ¥14 million (\$126 thousand) and ¥224 million as impairment losses. This amount includes land of ¥6 million (\$54 thousand), buildings of ¥5 million (\$45 thousand) and movable property of ¥3 million (\$27 thousand) in fiscal year ended March 31, 2019, and land of ¥81 million, buildings of ¥47 million, movable property of ¥1 million and software of ¥96 million in fiscal year ended March 31, 2018.

The recoverable amount used to estimate the impairment loss for the fiscal year ended March 31, 2019 and 2018, is the net selling price, which is calculated by deducting the expected disposal cost from the expected disposal value.

13. BORROWED MONEY

Payment schedule of borrowed money as of March 31, 2019 is as follows:

	Millions of yen	Thousands of U.S. dollars
2019	¥10,781	\$ 97,135
2020	5,381	48,482
2021	4,296	38,706
2022	2,633	23,723
2023	1,631	14,704
Thereafter	4,831	43,517
Total	¥29,553	\$266,267

14. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

Overview of severance payments and pension plans
YMFG and some consolidated subsidiaries employ funded and unfunded defined benefit and defined contribution plans as employee retirement benefits.

Defined benefit plans include defined benefit corporate pension plans and lump-sum retirement plans. Also, some are established as retirement benefit trusts.

Some consolidated subsidiaries employ the simplified method for calculating retirement benefit obligations.

Defined benefit plans

(1) Reconciliation of retirement benefit obligation balances at the beginning and the end of the fiscal year ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations at the beginning of the fiscal year	¥59,819	¥61,709	\$538,958
Service cost	1,728	1,763	15,569
Interest cost	152	165	1,369
Actuarial differences	1,895	(176)	17,074
Retirement benefit payments	(3,061)	(3,626)	(27,579)
Others	2	(16)	18
Retirement benefit obligations at the end of the fiscal year	¥60,535	¥59,819	\$545,409

(2) Reconciliation of plan asset balances at the beginning and the end of the fiscal year ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance of plan assets at the beginning of the fiscal year	¥102,726	¥ 89,426	\$925,543
Expected return on plan assets	2,033	2,545	18,317
Actuarial differences	(8,680)	12,012	(78,205)
Contribution from employer	2,125	2,136	19,146
Retirement benefit payments	(2,203)	(2,319)	(19,849)
Partial returns of retirement benefit trust	—	(1,380)	—
Others	301	306	2,712
Balance of plan assets at the end of the fiscal year	¥ 96,302	¥102,726	\$867,664

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at the end of the fiscal year ended March 31, 2019 and 2018, and the carrying amounts of net defined benefit liability and net defined benefit asset

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations of funded plans	¥ 60,449	¥ 59,738	\$ 544,635
Plan assets	(96,303)	(102,726)	(867,673)
	(35,854)	(42,988)	(323,038)
Retirement benefit obligations of unfunded plans	85	80	766
Net carrying amount of obligations and assets	¥(35,769)	¥ (42,908)	\$(322,272)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net retirement benefit liability	¥ 2,906	¥ 1,797	\$ 26,183
Net retirement benefit asset	(38,675)	(44,705)	(348,455)
Net carrying amount of obligations and assets	¥(35,769)	¥(42,908)	\$(322,272)

(4) Retirement benefit costs and their breakdowns

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost*	¥ 1,728	¥ 1,763	\$ 15,569
Interest cost	152	165	1,369
Expected return on plan assets	(2,033)	(2,545)	(18,317)
Recognized actuarial loss	25	1,712	225
Amortization of past service cost	—	(427)	—
Others	80	404	721
Retirement benefit costs on defined benefit plans	¥ (48)	¥ 1,072	\$ (433)

* Excludes employee contribution portion of defined benefit corporate pensions

(5) Remeasurements of defined benefit plans

Items posted as remeasurements of defined benefit plans (before tax-effect exclusions) break down as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Past service cost	¥ —	¥ (427)	\$ —
Actuarial gain (loss)	(10,550)	13,900	(95,054)
Total	¥(10,550)	¥13,473	\$(95,054)

(6) Cumulative remeasurements of defined benefit plans

Items posted as cumulative remeasurements of defined benefit plans (before tax-effect exclusions) break down as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial gain (loss)	¥(4,328)	¥(14,878)	\$(38,995)
Total	¥(4,328)	¥(14,878)	\$(38,995)

(7) Plan assets

(i) Percentages of major asset categories to total plan assets are as follows.

	2019	2018
Bonds	29%	20%
Shares	49%	65%
Others	22%	15%
Total	100%	100%

(Note) Plan assets include 45% of corporate pension plans established as retirement benefit trusts at the end of the fiscal year ended March 31, 2019, and 50% at March 31, 2018.

(ii) Method of establishing expected long-term return on plan assets

(Corporate pensions)

Based on the weighted average rate according to the policy asset mix (medium- to long term portfolio) of the expected rate of return for individual investment fiduciary institutions, net of investment cost

(Retirement benefit trusts)

Past dividend performance is converted to yield.

(8) Basis of actuarial calculation

The basis of actuarial calculations as of March 31, 2019 and 2018

	2019	2018
Discount rate	0.00%—0.77%	0.00%—1.16%
Expected long-term rate of return on plan assets	1.20%—2.60%	1.70%—3.70%
Expected rate of salary increase	0.65%—4.26%	0.65%—4.26%

Defined contribution plans

The required contribution to the consolidated subsidiaries' defined contribution plans at the end of the fiscal year ended March 31, 2019 and 2018 were ¥282 million (\$3 million) and ¥284 million, respectively.

15. REVALUATION RESERVE FOR LAND

Pursuant to the Law concerning Revaluation of Land (Law No. 34, promulgated March 31, 1998, the "Law"), YMFG revalued certain land used for banking operations by consolidated subsidiaries. The tax-equivalent portion of this revaluation amount was recorded in liabilities under "deferred tax liabilities for revaluation reserve for land," and the remainder under net assets as "revaluation reserve for land."

Revaluation date: March 31, 1998

Item 3, Article 3, of the Law establishes the evaluation method as that prescribed by Article 2-4 of the Order for Enforcement of Law on Revaluation of Land (Enforcement Order No. 119, promulgated March 31, 1998), and the amount of land tax is calculated on the basis of the land tax amount specified under Article 16 of the Land-holding Tax Act, adjusted rationally in accordance with the basis of calculation announced officially by the Director General of the National Tax Administration Agency.

Total difference between market value of land for business use revalued in accordance with Article 10 of the Law and the total post-revaluation book value of land at March 31, 2019 and 2018 were ¥20,113 million (\$181 million) and ¥21,391 million, respectively.

16. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

All contingent liabilities, including letters of credit, acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown on the asset side, which represent the Banks' right of indemnity from customers.

17. OTHER INCOME

Other income included the gains on sale of stock of ¥9,684 million (\$87 million) and income from investment partnership of ¥922 million (\$8 million) for the fiscal year ended March 31, 2019 and the gains on sale of stock of ¥11,251 million and income from investment partnership of ¥280 million for the fiscal year ended March 31, 2018.

18. GENERAL AND ADMINISTRATIVE EXPENSES

Items included operating expenses for the year ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Salary and allowance	¥31,302	¥31,894	\$282,025
Depreciation	¥ 6,472	¥ 4,889	\$ 58,312

19. OTHER EXPENSES

Items included other expenses for the year ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loss on sale of stock	¥2,408	¥1,116	\$21,696
Loss on investment in money held in trust	¥ 821	¥1,230	\$ 7,397

20. LEASE TRANSACTIONS

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) Content of lease assets

Tangible fixed assets

Mainly office equipment

Intangible fixed assets

Software

(ii) Depreciation method for lease assets

As described in "Lease assets under" (5) Accounting Policies, in "2. SIGNIFICANT ACCOUNTING POLICIES."

2. Operating leases

Future minimum lease payments at March 31, 2019 and 2018 were as follows:

At March 31, 2019

	Millions of yen	Thousands of U.S. dollars
2019	¥111	\$1,000
2020 and thereafter	827	7,442
Total minimum lease payments	¥938	\$8,442

At March 31, 2018

	Millions of yen
2019	¥ 110
2020 and thereafter	929
Total minimum lease payments	¥1,039

21. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for loan losses	¥ 14,639	¥ 13,069	\$ 131,895
Provision for bonuses	844	1,126	7,604
Losses on devaluation of securities	668	816	6,019
Depreciation	699	589	6,298
Deferred gains or losses on hedges	560	78	5,045
Net defined benefit liability	433	300	3,901
Net operating losses carryforwards	296	192	2,667
Unrealized gains on available-for-sale securities	—	76	—
Other	2,306	2,702	20,777
Deferred tax assets	20,445	18,948	184,206
Valuation allowance	(1,479)	(1,546)	(13,326)
Total deferred tax assets	18,966	17,402	170,880
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(19,576)	(25,506)	(176,376)
Securities contributed to retirement benefit trusts	(3,067)	(3,964)	(27,633)
Net defined benefit asset	(766)	(2,444)	(6,902)
Other	(1,361)	(1,367)	(12,262)
Total deferred tax liabilities	(24,770)	(33,281)	(223,173)
Net deferred tax assets (liabilities)	¥ (5,804)	¥(15,879)	\$ (52,293)

2. Significant differences between the statutory effective tax rate and the actual income tax rate after application of deferred income tax accounting for the year ended March 31, 2019 and 2018 were omitted, as the difference between the effective statutory tax rate and the actual tax rate after application of deferred income tax accounting were 5% or less of the effective statutory tax rate.

22. NET ASSETS

Under the Companies Act of Japan (“the Act”), the entire amount paid for new shares is in principle required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Under the Act, legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit, or may be capitalized, by a resolution of the shareholders’ meeting.

Under the Act, additional paid-in capital and legal earnings reserve may not be distributed as dividends, however all of these may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that YMFG can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of YMFG in accordance with the Act.

At the annual shareholders’ meeting, held on June 25, 2019, the shareholders approved cash dividends amounting to ¥2,807 million (\$25 million). Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2019 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders’ meeting, held on June 28, 2018, the shareholders approved cash dividends amounting to ¥2,488 million. Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2018 and to be recognized in the period in which they are approved by the shareholders.

23. CHANGES IN NET ASSETS

1. Type and number of shares issued and treasury shares were as follows:

	Number of shares (in thousand)			
	March 31, 2018	Increase	Decrease	March 31, 2019
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock*1, *2, *3	17,853	14,653	21,756	10,750
Total	17,853	14,653	21,756	10,750

*1 The increase in the number of treasury stock is due to market purchases of 14,644 thousand shares, and purchases of shares constituting less than one trading unit, totaling 8 thousand shares.

The decrease of treasury stock included 21,184 thousand shares stemming from the exercise of convertible bond-type share options to shares denominated in euros and US dollars that matured in 2018, the sale of 332 thousand shares from the ESOP Trust for Group employees to the YMFG stock ownership plan, the 167 thousand shares for the exercise of share options, 52 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT), the sale of 17 thousand shares to the parent company of a consolidated subsidiary and an equity-method affiliate and purchases of shares constituting less than one trading unit, which amounted to 0 thousand shares.

*2 Treasury stock as of beginning and ending of fiscal year ended March 31, 2019 include 1,323 thousand shares and 990 thousand shares held by the ESOP Trust for employee shareholders.

*3 Treasury stock as of beginning and ending of fiscal year ended March 31, 2019 include 631 thousand shares and 578 thousand shares held by the Board Benefit Trust (BBT).

	Number of shares (in thousand)			
	March 31, 2017	Increase	Decrease	March 31, 2018
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock*1, *2, *3	18,554	22	3,202	17,853
Total	18,554	22	3,202	17,853

*1 The increase in the number of treasury stock is due to purchases of shares constituting less than one trading unit.

In addition, the decrease of treasury stock included the sale of 250 thousand shares to the parent company of a consolidated subsidiary, the sale of 296 thousand shares from the ESOP Trust for Group employees to the YMFG stock ownership plan, the 175 thousand shares for the exercise of share options, and 2 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT).

*2 Treasury stock as of beginning and ending of fiscal year ended March 31, 2018 include 1,619 thousand shares and 1,323 thousand shares held by the ESOP Trust for employee shareholders.

*3 Treasury stock as of beginning and ending of fiscal year ended March 31, 2018 include 633 thousand shares and 631 thousand shares held by the Board Benefit Trust (BBT).

2. Stock options

Stock options at March 31, 2019 and 2018 were ¥209 million (\$2 million) and ¥359 million, respectively.

3. Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2019 and 2018.

Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 11, 2018 Common stock	¥2,488* ¹	¥10.00	Mar. 31, 2018	Jun. 27, 2018
Resolved at the board of directors meeting on November 9, 2018 Common stock	¥2,751* ²	¥10.00	Mar. 31, 2018	Jun. 27, 2018

*1 The total amount of dividend on common stock includes ¥20 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

*2 The total amount of dividend on common stock includes ¥19 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 12, 2017 Common stock	¥1,989* ¹	¥8.00	Mar. 31, 2017	Jun. 28, 2017
Resolved at the board of directors meeting on November 10, 2017 Common stock	¥2,488* ²	¥10.00	Sep. 30, 2017	Dec. 8, 2017

*1 The total amount of dividend on common stock includes ¥18 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

*2 The total amount of dividend on common stock includes ¥21 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

Type of shares	Aggregate amount of dividends (Thousands of U.S. dollars)	Cash dividends per share (U.S. dollars)	Record date	Effective date
Resolved at the board of directors meeting on May 11, 2018 Common stock	\$22,416* ¹	\$0.08	Mar. 31, 2018	Jun. 27, 2018
Resolved at the board of directors meeting on November 9, 2018 Common stock	\$24,786* ²	\$0.09	Sep. 30, 2018	Dec. 10, 2018

*1 The total amount of dividend on common stock includes \$180 thousand in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

*2 The total amount of dividend on common stock includes \$171 thousand in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

(b) Dividends to be paid in the fiscal year ending March 31, 2019 and 2018 are as follows:

(Millions of yen, except per share amount)

Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 10, 2019 Common stock	¥2,807*	Retained earnings	¥11.00	Mar. 31, 2019	Jun. 26, 2019

* The total amount of dividend on common stock includes ¥17 million in dividends to ESOP Trust and for employee shareholders and Board Benefit Trust (BBT).

(Millions of yen, except per share amount)

Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 11, 2018 Common stock	¥2,488*	Retained earnings	¥10.00	Mar. 31, 2018	Jun. 27, 2018

* The total amount of dividend on common stock includes ¥20 million in dividends to ESOP Trust and for employee shareholders and Board Benefit Trust (BBT).

(Thousands of U.S. dollars, except per share amount)

Type of shares	Aggregate amount of dividends (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Resolved at the board of directors meeting on May 10, 2019 Common stock	\$25,291*	Retained earnings	\$0.09	Mar. 31, 2019	Jun. 26, 2019

* The total amount of dividend on common stock includes \$153 thousand in dividends to ESOP Trust and for employee shareholders and Board Benefit Trust (BBT).

24. STOCK OPTIONS

At a Board of Directors meeting, resolutions were passed with regard to subscription requirements for the allotment of stock options as compensation to directors of YMFG's banking subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank. The details of these resolutions are described below.

1. Recording of expenses related to stock options and the name of line items.

There were no expenses in the fiscal year ended March 31, 2019 and 2018.

2. The contents of the stock options are outlined as below.

2016	
Category and number of persons to be granted stock options	27 directors (excluding directors who are members of the Audit and Supervisory Committee, part-time directors and outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	122,000 shares of YMFG's common stock
Grant date	August 25, 2015
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	August 26, 2015—August 25, 2045
2015	
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	182,900 shares of YMFG's common stock
Grant date	July 29, 2014
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	July 30, 2014—July 29, 2044

2014	
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	225,100 shares of YMFG's common stock
Grant date	July 23, 2013
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	July 24, 2013—July 23, 2043

2013	
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	294,900 shares of YMFG's common stock
Grant date	July 30, 2012
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	July 31, 2012—July 30, 2042

2012	
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	192,600 shares of YMFG's common stock
Grant date	October 31, 2011
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	November 1, 2011—October 31, 2041

Note: Stated as the equivalent number of shares.

From the fiscal year ended March 31, 2016, the issuance of stock options to directors of the YMFG subsidiaries Yamaguchi Bank, Momiji Bank and Kitakyushu Bank (excluding directors who are Audit and Supervisory Committee members, part-time directors and outside directors) was discontinued.

3. The summary of stock option activity is as indicated below.

(a) Number of stock options

	2016	2015	2014	2013	2012
Prior to vesting					
As of the end of the previous consolidated fiscal year	—	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	—	—	—	—	—
Rights not yet determined	—	—	—	—	—
After vesting					
As of the end of the previous consolidated fiscal year	78,000	95,100	75,900	81,700	46,300
Rights determined	—	—	—	—	—
Rights exercised	25,400	35,100	34,600	45,000	27,600
Expiry	—	—	—	—	—
Amount unexercised	52,600	60,000	41,300	36,700	18,700

(b) Price information

	Yen				
	2016	2015	2014	2013	2012
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	1,228	1,228	1,228	1,228	1,228
Fair value on date granted	1,377	1,015	973	619	660

4. Method for estimating the number of rights determined for stock options

Due to the difficulty of rationally estimating the future number of rights that will expire, in general a method is employed that reflects only the number of rights that have actually expired.

25. INVESTMENT AND RENTAL PROPERTY

This note is omitted, as the total amount of investment and rental property is immaterial.

26. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts of reclassification adjustments and tax effect amounts related to other comprehensive income in the consolidated fiscal year ended March 31, 2019 and 2018 were as follows.

	Millions of Yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized gains (losses) on available-for-sale securities			
Amount generated during the year	¥(10,444)	¥17,087	\$ (94,099)
Reclassification adjustments	(9,780)	(11,027)	(88,125)
Before tax effect adjustment	(20,224)	6,060	(182,224)
Tax effect amount	5,992	(1,649)	53,996
Unrealized gains (losses) on available-for-sale securities	(14,232)	4,411	(128,228)
Deferred gains (losses) on hedges			
Amount generated during the year	(2,547)	(681)	(22,948)
Reclassification adjustments	963	752	8,676
Before tax effect adjustment	(1,584)	71	(14,272)
Tax effect amount	482	(22)	4,343
Deferred gains (losses) on hedges	(1,102)	49	(9,929)
Remeasurements of defined benefit plans			
Amount generated during the year	(10,575)	12,188	(95,279)
Reclassification adjustment	25	1,285	225
Before adjustment for tax effects	(10,550)	13,473	(95,054)
Tax effect amount	3,210	(4,104)	28,922
Remeasurements of defined benefit plans	(7,340)	9,369	(66,132)
Share of other comprehensive income in affiliated companies accounted for using the equity method			
Amount generated during the year	—	(0)	—
Reclassification adjustments	—	—	—
Before tax effect adjustment	—	(0)	—
Tax effect amount	—	—	—
Share of other comprehensive income in affiliated companies accounted for using the equity method	—	(0)	—
Total other comprehensive income	¥(22,674)	¥13,829	\$ (204,289)

27. SEGMENT INFORMATION

Business segment information is not presented, as the Group's business is predominantly consisted of the banking business, and the securities brokerage, credit card, leasing and other businesses conducted by the Group collectively is limited.

Geographic segment information is not presented, as domestic income of the Bank and consolidated subsidiaries and their consolidated assets located substantially in Japan represent more than 90% of the Group's consolidated income and assets.

Overseas sales information is not presented, as overseas sales are less than 10% of the Group's consolidated income.

28. RELATED PARTY TRANSACTIONS

Details of the transactions between the consolidated subsidiaries of YMFG submitting the consolidated financial statements and related parties are as follows:

Executives and major shareholders of YMFG submitting the consolidated financial statements (only for individuals), etc.

For the year ended March 31, 2019

Category:	Executive
Name:	Kazuo Tsukuda
Occupation or title:	Director and Audit and Supervisory Committee Member of YMFG
Relationship with related party:	Lender of funds
Content of transaction:	Lending of funds*
Transaction amount:	¥223 million (\$2 million) (average balance)
Account name:	Loan
Year-end balance:	¥223 million (\$2 million)

* Conditions for this transaction and for method of deciding this transaction conditions were the same as general transactions.

For the year ended March 31, 2018

Category:	Executive
Name:	Kazuo Tsukuda
Occupation or title:	Director and Audit and Supervisory Committee Member of YMFG
Relationship with related party:	Lender of funds
Content of transaction:	Lending of funds*
Transaction amount:	¥223 million (average balance)
Account name:	Loan
Year-end balance:	¥223 million

* Conditions for this transaction and for method of deciding this transaction conditions were the same as general transactions.

29. PER SHARE DATA

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥2,580.74	¥2,653.60	\$23.25
Net income per share	94.65	133.65	0.85
Net income per share (diluted)	¥ 83.27	¥ 111.22	\$ 0.75

Net assets per share are calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2019	2018	2019
Net assets	¥660,958	¥660,451	\$5,955,113
Amounts excluded from net assets	¥ 6,473	¥ 6,337	\$ 58,319
Stock options	209	359	1,883
Non-controlling interests	6,264	5,978	56,436
Net assets attributable to common stock at the fiscal year-end	654,485	654,114	5,896,794
Number of common stock at the fiscal year-end used for the calculation of net assets per share (in thousands)*	253,603	246,501	—

* Shares of YMFG held by the ESOP trust and the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above number of common stock at the fiscal year-end used for the calculation of net assets per share. This number of shares held by the ESOP and the Board Benefit Trust (BBT) was 1,954 thousand as of March 31, 2018, and 1,568 thousand as of March 31, 2019.

Net income per share is calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2019	2018	2019
Net income attributable to owners of the parent	¥ 23,149	¥ 32,917	\$208,568
Amount not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent for common stock	23,149	32,917	208,568
Average shares of common stock during the year* (in thousands)	244,575	246,290	—

Diluted net income per share is calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2019	2018	2019
Net income adjustment attributable to owners of the parent	¥ 462	¥ 205	\$4,163
Interest expenses (excluding tax amount)	462	205	4,163
Increase of shares of common stock	38,980	51,503	—
Bonds with warrant	38,719	51,029	—
Warrant	260	473	—
Dilutive shares not including calculation due to no dilutive effect	—	—	—

* Shares of YMFG held by the ESOP trust and the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above average shares of common stock during the year. The average number of shares was 1,734 thousand in the fiscal year ended March 31, 2019 and 2,086 thousand in the fiscal year ended March 31, 2018.

30. SUBSEQUENT EVENTS

For the year ended March 31, 2019

There were no significant subsequent events. Dividends were made in June 2019 and 2018. Please refer to "22. NET ASSETS."

For the year ended March 31, 2018

Dividends were made in June 2018 and 2017. Please refer to "23. NET ASSETS."

At a Board of Directors meeting on May 11, 2018, YMFG resolved and enacted the resolution to acquire treasury stock pursuant to Article 156 of the Companies Act, as applied by replacing terms pursuant to provisions of Article 165-3 of the Companies Act.

1 Reason for the acquisition of treasury stock

In response to the desire of multiple shareholders holding YMFG's shares for business relationships to sell those shares in line with the introduction of the Corporate Governance Code, and to allow future capital flexibility

2 Details of items related to the acquisition

(1) Type of shares acquired

Common stock of YMFG

(2) Total number of shares acquired

15,000,000 shares (maximum) (6.02% of the number of shares outstanding (excluding treasury stock))

(3) Total acquisition price of the shares

¥22,500,000,000 (maximum)

(4) Acquisition period

May 14, 2018 to June 29, 2018

(5) Acquisition method

Market purchases, including through off-auction own-share repurchase trading (ToSTNet-3)

3 Results of acquisition

(1) Type of shares acquired

Common stock of YMFG

(2) Total number of shares acquired

14,644,500 shares

(3) Total acquisition price of the shares

¥20,603,996,006

(4) Acquisition period

May 14, 2018 to June 11, 2018 (contract based)

(5) Acquisition method

Market purchases, including through off-auction own-share repurchase trading (ToSTNet-3)



Independent Auditor's Report

To the Board of Directors of Yamaguchi Financial Group, Inc.:

We have audited the accompanying consolidated financial statements of Yamaguchi Financial Group, Inc. ("YMFG") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of YMFG and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 31, 2019
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Yamaguchi Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2019 and 2018

ASSETS		Millions of yen	Millions of yen	Thousands of
		2019	2018	U.S. dollars
Assets	Cash and due from banks	¥ 608,108	¥ 670,231	\$ 5,478,944
	Call loans and bills purchased	83,137	86,142	749,049
	Monetary claims bought	6,941	8,339	62,537
	Trading assets	886	904	7,983
	Money held in trust	23,275	32,962	209,704
	Securities	896,686	1,071,319	8,078,980
	Loans and bills discounted	4,043,045	3,833,877	36,427,111
	Foreign exchanges	9,726	7,982	87,630
	Other assets	109,267	96,879	984,474
	Tangible fixed assets	44,554	45,720	401,424
	Intangible fixed assets	3,771	3,902	33,976
	Prepaid pension cost	17,626	16,435	158,807
	Customers' liabilities for acceptances and guarantees	23,788	24,555	214,326
	Allowance for loan losses	(26,801)	(22,375)	(241,472)
	Total assets	¥ 5,844,009	¥ 5,876,872	\$ 52,653,473

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 5,135,626	¥ 5,270,488	\$ 46,271,069	
	Call money and bills sold	133,617	60,933	1,203,865	
	Payables under securities lending transactions	50,173	30,670	452,050	
	Trading liabilities	570	493	5,136	
	Borrowed money	5,584	5,082	50,311	
	Foreign exchanges	2,119	2,844	19,092	
	Other liabilities	53,902	37,938	485,646	
	Provision for bonuses	8	15	72	
	Provision for retirement benefits	113	106	1,018	
	Provision for directors' stock benefits	104	92	937	
	Provision for reimbursement of deposits	796	1,020	7,172	
	Provision for customers point services	41	44	369	
	Deferred tax liabilities	7,210	12,523	64,961	
	Deferred tax liabilities for land revaluation	7,410	7,414	66,763	
	Acceptances and guarantees	23,788	24,555	214,326	
	Total liabilities	5,421,061	5,454,217	48,842,787	
	Net assets:	Capital stock	10,006	10,006	90,152
		Capital surplus	380	380	3,424
Retained earnings		364,850	354,471	3,287,233	
Total shareholders' equity		375,236	364,857	3,380,809	
Net unrealized gains on securities		32,208	41,186	290,188	
Deferred gains or losses on hedges		(1,255)	(154)	(11,307)	
Revaluation reserve for land		16,759	16,766	150,996	
Total valuation and translation adjustments		47,712	57,798	429,877	
Total net assets		422,948	422,655	3,810,686	
Total liabilities, and net assets	¥ 5,844,009	¥ 5,876,872	\$ 52,653,473		

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2019 and 2018

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Income			
Interest income:			
Interest on loans and discounts	¥ 43,039	¥ 40,036	\$ 387,774
Interest and dividends on securities	13,459	13,533	121,263
Other interest income	1,486	1,094	13,389
Fees and commissions	10,565	12,315	95,189
Trading income	24	23	216
Other ordinary income	10,376	4,307	93,486
Other income	8,916	11,684	80,331
Total income	87,865	82,992	791,648

Expenses			
Interest expense:			
Interest on deposits	5,078	3,399	45,752
Interest on borrowings and rediscounts	1,842	1,686	16,596
Other interest expense	324	160	2,919
Fees and commissions payments	4,719	4,562	42,517
Other operating expenses	14,525	7,163	130,868
General and administrative expenses	28,137	29,601	253,509
Impairment losses	11	—	99
Other expenses	8,010	3,282	72,169
Total expenses	62,646	49,853	564,429
Income before income taxes and minority interests	25,219	33,139	227,219
Income taxes:			
Current	7,387	8,887	66,555
Deferred	(956)	226	(8,613)
Net income	¥ 18,788	¥ 24,026	\$ 169,277

Amounts per share of common stock:	Yen 2019	Yen 2018	U.S. dollars 2019
Net income	¥ 93.94	¥ 120.13	\$ 0.85
Cash dividends applicable to the year	37.44	23.73	0.34

Momiji Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2019 and 2018

ASSETS		Millions of yen	Millions of yen	Thousands of
		2019	2018	U.S. dollars
Assets	Cash and due from banks	¥ 358,475	¥ 213,390	\$ 3,229,795
	Call loans and bills purchased	1,110	6,062	10,001
	Monetary claims bought	114	65	1,027
	Trading assets	579	619	5,217
	Money held in trust	4,730	4,732	42,616
	Securities	458,733	606,406	4,133,102
	Loans and bills discounted	2,253,369	2,212,359	20,302,451
	Foreign exchanges	5,286	7,541	47,626
	Other assets	70,298	71,316	633,373
	Tangible fixed assets	35,662	35,585	321,308
	Intangible fixed assets	2,368	2,482	21,335
	Prepaid pension cost	14,672	12,281	132,192
	Deferred tax assets	5,557	7,014	50,068
	Customers' liabilities for acceptances and guarantees	8,453	8,099	76,160
	Allowance for loan losses	(18,933)	(18,964)	(170,583)
Total assets	¥ 3,200,473	¥ 3,168,987	\$ 28,835,688	

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 2,982,359	¥ 2,948,221	\$ 26,870,520
	Call money and bills sold	—	2,125	—
	Payables under securities lending transactions	17,538	16,214	158,014
	Borrowed money	7,638	8,575	68,817
	Foreign exchanges	25	21	225
	Other liabilities	10,798	16,378	97,289
	Provision for bonuses	1	2	9
	Provision for directors' stock benefits	84	79	757
	Provision for reimbursement of deposits	415	547	3,739
	Deferred tax liabilities for land revaluation	4,419	4,419	39,814
	Acceptances and guarantees	8,453	8,099	76,160
	Total liabilities	3,031,730	3,004,680	27,315,344
Net assets:	Capital stock	10,000	10,000	90,098
	Capital surplus	59,533	59,533	536,382
	Retained earnings	90,012	86,526	810,992
	Total shareholders' equity	159,545	156,059	1,437,472
	Net unrealized gains on securities	816	(135)	7,352
	Deferred gains or losses on hedges	(23)	(22)	(207)
	Revaluation reserve for land	8,405	8,405	75,727
	Total valuation and translation adjustments	9,198	8,248	82,872
	Total net assets	168,743	164,307	1,520,344
Total liabilities, and net assets	¥ 3,200,473	¥ 3,168,987	\$ 28,835,688	

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2019 and 2018

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Income			
Interest income:			
Interest on loans and discounts	¥ 23,310	¥ 23,684	\$ 210,019
Interest and dividends on securities	5,901	9,095	53,167
Other interest income	217	195	1,955
Fees and commissions	5,983	7,516	53,906
Other ordinary income	3,182	1,139	28,669
Other income	3,335	3,395	30,048
Total income	41,928	45,024	377,764

Expenses			
Interest expense:			
Interest on deposits	1,030	1,098	9,280
Interest on borrowings and rediscounts	459	142	4,136
Other interest expense	672	640	6,055
Fees and commissions payments	3,835	3,851	34,553
Other operating expenses	2,353	2,354	21,200
General and administrative expenses	20,905	21,652	188,350
Impairment losses	—	293	—
Other expenses	3,085	2,838	27,795
Total expenses	32,339	32,868	291,369
Income before income taxes and minority interests	9,589	12,156	86,395
Income taxes:			
Current	1,065	2,182	9,595
Deferred	817	865	7,361
Net income	¥ 7,707	¥ 9,109	\$ 69,439

	Yen 2019	Yen 2018	U.S. dollars 2019
Amounts per share of common stock:			
Net income	¥ 17.69	¥ 20.91	\$ 0.16
Cash dividends applicable to the year	8.39	5.62	0.08

Kitakyushu Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2019 and 2018

ASSETS		Millions of yen	Millions of yen	Thousands of
		2019	2018	U.S. dollars
Assets	Cash and due from banks	¥ 76,160	¥ 101,525	\$ 686,188
	Call loans and bills purchased	151	770	1,360
	Securities	41,191	48,837	371,124
	Loans and bills discounted	1,159,186	1,132,205	10,444,058
	Foreign exchanges	5,442	5,097	49,031
	Other assets	3,725	5,349	33,561
	Tangible fixed assets	19,530	19,916	175,962
	Intangible fixed assets	977	1,003	8,803
	Prepaid pension cost	831	840	7,487
	Customers' liabilities for acceptances and guarantees	14,307	11,394	128,904
	Allowance for loan losses	(9,393)	(8,691)	(84,629)
	Total assets	¥ 1,312,107	¥ 1,318,245	\$ 11,821,849

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 1,136,787	¥ 1,166,349	\$ 10,242,247
	Call money and bills sold	45,206	14,767	407,298
	Borrowed money	790	881	7,118
	Foreign exchanges	55	30	496
	Other liabilities	4,763	6,503	42,913
	Provision for bonuses	1	1	9
	Provision for retirement benefits	1,161	1,154	10,460
	Provision for directors' stock benefits	70	60	631
	Provision for reimbursement of deposits	71	106	640
	Deferred tax liabilities	3,102	5,765	27,948
	Deferred tax liabilities for land revaluation	3,458	3,458	31,156
	Acceptances and guarantees	14,307	11,394	128,904
	Total liabilities	1,209,771	1,210,468	10,899,820
	Net assets:	Capital stock	10,000	10,000
Retained earnings		71,578	71,052	644,905
Total shareholders' equity		81,578	81,052	735,003
Net unrealized gains on securities		12,991	18,958	117,047
Revaluation reserve for land		7,767	7,767	69,979
Total valuation and translation adjustments		20,758	26,725	187,026
Total net assets		102,336	107,777	922,029
Total liabilities, and net assets	¥ 1,312,107	¥ 1,318,245	\$ 11,821,849	

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2019 and 2018

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Income			
Interest income:			
Interest on loans and discounts	¥ 11,329	¥ 11,023	\$ 102,072
Interest and dividends on securities	609	541	5,487
Other interest income	52	54	469
Fees and commissions	1,444	1,732	13,010
Other ordinary income	119	206	1,072
Other income	418	1,335	3,766
Total income	13,971	14,891	125,876

Expenses			
Interest expense:			
Interest on deposits	471	543	4,244
Interest on borrowings and rediscounts	413	240	3,721
Other interest expense	8	10	72
Fees and commissions payments	1,116	973	10,055
General and administrative expenses	7,794	8,303	70,223
Other expenses	890	107	8,018
Total expenses	10,692	10,176	96,333
Income before income taxes and minority interests	3,279	4,715	29,543
Income taxes:			
Current	836	790	7,532
Deferred	(92)	475	(829)
Net income	¥ 2,535	¥ 3,450	\$ 22,840

	Yen 2019	Yen 2018	U.S. dollars 2019
Amounts per share of common stock:			
Net income	¥ 2,534,656.75	¥ 3,449,640.36	\$ 22,836.80
Cash dividends applicable to the year	¥ 1,869,750.48	¥ 1,090,318.39	\$ 16,846.12



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