

Notes to Consolidated Financial Statements

Years ended March 31, 2020 and 2019

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, 2020, which was ¥108.83 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, 2020 and 2019.

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

The scope of consolidation includes YM Career Inc. due to its establishment in the fiscal year ended March 31, 2020.

In addition, Kitakyushu Economics Institute, Inc., formerly a consolidated subsidiary, was excluded from the scope of consolidation in the fiscal year ended March 31, 2020 due to the merger between Kitakyushu Economics Institute, Inc. and YMFG Zone Planning Co., Ltd. (an absorption-type merger in which YMFG Zone Planning Co., Ltd. was the surviving company).

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, 2020 and 2019.

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, 2020 and 2019.
- (ii) As at March 31, 2020 and 2019, two affiliates were accounted for by the equity method. Affiliates as at March 31, 2020 and 2019 were as follows:

YM Saison Co., Ltd.

Momiji Card Co., Ltd.

- (iii) As at March 31, 2020 and 2019, 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, 2020 and 2019.

(3) The balance sheet dates of consolidated subsidiaries

The balance sheet date of all of the consolidated subsidiaries is March 31 every year.

(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.

Impairment loss is recognized if the value of securities is declined significantly and such decline is considered other than temporal.

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 expected losses are estimated for the upcoming one or three-year periods. Expected loss amounts are calculated by using average values for actual rates of losses from bad debts and default probabilities during a specific period in the past, based on actual amounts of bad debt or bankruptcy over a one or three-year period, and adjusted as necessary for future forecasts.

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: 2 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 the year-end. Actuarial gains or losses are amortized on a straight-line basis over certain years (10-11 years) within the employees' average remaining service period commencing from the next fiscal year of incurrence.

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.

Provision for directors' stock benefits

The provision for directors' stock benefits is determined according to the directors' stock benefit regulations for YMFG and its subsidiaries (banks within YMFG (Yamaguchi Bank, Momiji Bank and Kitakyushu Bank) and YM Securities; the same shall apply hereafter) in preparation for the payment of stock benefits to directors (excluding directors who are members of the Audit and Supervisory Committee, part-time directors and outside directors) and executive officers (hereinafter, "Subject Directors, etc.") based on expected stock benefit obligations as of March 31, 2020.

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 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

(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.

- "Accounting Standard for Management of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

-Financial instruments in “Accounting Standard for Financial Instruments”; and
-Inventories held for trading purposes in “Accounting Standard for Measurement of Inventories.” and, under the “revised Implementation Guidance on Disclosures about Fair Value of Financial Instruments,” with notes outlining details of fair value of financial instruments for each level.

(2) Effective date

Fair Value Accounting Standards and guidance will be effective from the beginning of the consolidated 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.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

The objective is to provide an overview of principles for accounting treatment and procedures in the event these subjects are not clearly determined under related accounting standards.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2021.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The objective is to disclose information that will contribute to the understanding by users of financial statements with regard to amounts stated in the financial statements for the current fiscal year that involve accounting estimates whose details present the risk of materially affecting financial statements for the following fiscal year.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2021.

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 ¥588 million (\$5 million) and 456 thousand shares on March 31, 2020 and ¥1,274 million and 990 thousand shares on March 31, 2019.

(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 ¥929 million (\$9 million) on March 31, 2020 and ¥1,321 million on March 31, 2019.

(Board Benefit Trust (BBT))

YMFG has introduced a Board Benefit Trust (“BBT”) to raise awareness among Subject Directors, etc. of YMFG and its subsidiaries (banks within the Group (Yamaguchi Bank, Momiji Bank and Kitakyushu Bank) and YM Securities; the following shall apply hereinafter) 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, etc. according to Subject Directors, etc.’ positions, and the level of achievement of operating performance in accordance with directors’ stock benefit

regulations established by YMFG and its subsidiaries.

(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 ¥878 million (\$8 million) and 1,005 thousand shares on March 31, 2020 and ¥558 million and 578 thousand shares on March 31, 2019.

(Treatment Related to the Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)
 With regard to matters related to the transition to the group tax sharing system established by the "Act for the Partial Amendment of the Income Tax Act" (Act No. 8 of 2020) and the revision of the single tax payment system to coincide with the transition to the group tax sharing system, YMFG and certain consolidated subsidiaries base their amounts of deferred tax assets and deferred tax liabilities on tax law prior to revision without applying No. 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), in accordance with treatment under Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

(Impact of the COVID-19 Pandemic)

The spread of the novel coronavirus disease (COVID-19) is expected to continue affecting the economy for some time. The Group is working to understand the conditions of individual borrowers in a timely and appropriate manner and provide various types of support to help customers with cash flow and other aspects of business continuity. Based on such situations, calculations of allowance for doubtful accounts assumed that the impact on loans and other credit costs would be limited.

However, these assumptions include uncertainties. If the COVID-19 pandemic were to continue for a prolonged period of time or to grow more serious rather than subsiding, the operating environment could deteriorate further. As a result, allowance for doubtful accounts could be materially affected in upcoming fiscal years.

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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and due from banks	¥971,777	¥1,043,994	\$8,929,312
Time deposits in other banks	(15,873)	(16,602)	(145,851)
Other	(11,120)	(11,834)	(102,178)
Cash and cash equivalents	¥944,784	¥1,015,558	\$8,681,283

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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Decrease in capital surplus by exercise of share options to shares	¥—	¥(2,625)	\$—
Decrease in treasury shares by exercise of share options to shares	—	27,421	—
Decrease in bonds with subscription rights to shares by exercise of share options to shares	¥—	¥24,796	—

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, 2020, the market risk (estimated loss amount) of Yamaguchi Bank was ¥41,387 million (\$380 million), the market risk (estimated loss amount) of Momiji Bank was ¥14,658 million (\$135 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥17,198 million (\$158 million). Also, as of March 31, 2019, the market risk (estimated loss amount) of Yamaguchi Bank was ¥62,679 million, the market risk (estimated loss amount) of Momiji Bank was ¥15,373 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥21,883 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, 2020, 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		
	2020		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash and due from banks	¥ 971,777	¥ 971,777	¥ —
(ii) Call loans and bills purchased	1,088	1,088	—
(iii) Money held in trust	48,412	48,412	—
(iv) Securities			
Held-to-maturity debt securities	13,360	13,528	168
Available-for-sale securities	1,482,995	1,482,995	—
(v) Loans and bills discounted	7,652,626		
Allowance for loan losses (* 1)	(62,316)		
	7,590,310	7,705,683	115,373
Total assets	¥10,107,942	¥10,223,483	¥115,541
(i) Deposits	¥ 9,525,935	¥ 9,526,272	¥ 337
(ii) Payables under securities lending transactions	161,466	161,466	—
Total liabilities	¥ 9,687,401	¥ 9,687,738	¥ 337
Derivative transactions (* 2)			
Hedge accounting not applied	¥ (31)	¥ (31)	¥ —
Hedge accounting applied	(16,330)	(16,330)	—
Total derivative transactions	¥ (16,361)	¥ (16,361)	¥ —

	Millions of yen		
	2019		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash and due from banks	¥1,043,994	¥1,043,994	¥ —
(ii) Call loans and bills purchased	39,042	39,042	—
(iii) Money held in trust	30,565	30,565	—
(iv) Securities			
Held-to-maturity debt securities	8,273	8,438	165
Available-for-sale securities	1,374,849	1,374,849	—
(v) 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
(i) Deposits	¥9,230,773	¥9,231,171	¥ 398
(iii) 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)	¥ —

	Thousands of U.S. dollars		
	2020		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash and due from banks	\$ 8,929,312	\$ 8,929,312	\$ —
(ii) Call loans and bills purchased	9,997	9,997	—
(iii) Money held in trust	444,841	444,841	—
(iv) Securities			
Held-to-maturity debt securities	122,760	124,304	1,544
Available-for-sale securities	13,626,711	13,626,711	—
(v) Loans and bills discounted	70,317,247		
Allowance for loan losses (* 1)	(572,599)		
	69,744,648	70,804,769	1,060,121
Total assets	\$92,878,269	\$93,939,934	\$1,061,665
(i) Deposits	\$87,530,414	\$87,533,511	\$ 3,097
(ii) Payables under securities lending transactions	1,483,653	1,483,653	—
Total liabilities	\$89,014,067	\$89,017,164	\$ 3,097
Derivative transactions (* 2)			
Hedge accounting not applied	\$ (285)	\$ (285)	\$ —
Hedge accounting applied	(150,051)	(150,051)	—
Total derivative transactions	\$ (150,336)	\$ (150,336)	\$ —

(* 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, 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.

Additional information related to money held in trust by the purpose of holding are described in the note entitled "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) Payables under security lending transactions and (iii) 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
	2020	2019	2020
	Consolidated balance sheet amount		
(1) Unlisted equity securities (*1, *2)	¥ 6,933	¥ 6,918	\$ 63,705
(2) Investments in partnerships, etc. (*3)	9,459	7,974	86,925
Total	¥16,392	¥14,892	\$150,630

(*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, 2020 and 2019, impairment losses of ¥47 million (\$432 thousand) and ¥7 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	¥ 875,998	¥ —	¥ —	¥ —	¥ —
(2) Call loans and bills purchased	1,088	—	—	—	—
(3) Money held in trust	48,412	—	—	—	—
(4) Securities Held-to-maturity debt securities	65,968	161,330	166,133	174,273	627,818
Local government bond	700	1,763	5,751	1,749	3,400
Corporate bond	—	200	1,700	800	2,200
Available-for-sale securities with maturities	65,268	159,567	160,382	172,524	624,418
Japanese government bond	9,000	42,000	23,100	21,500	234,600
Local government bond	6,725	22,158	22,057	26,974	131,548
Corporate bond	35,385	73,290	59,273	86,136	80,112
Others	14,158	22,119	55,952	37,914	178,158
(5) Loans and bills discounted (*)	1,693,152	1,047,647	1,065,149	856,915	2,989,763
Total	¥2,684,618	¥1,208,977	¥1,231,282	¥1,031,188	¥3,617,581

	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

	Thousands of U.S. dollars				
	2020				
	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	\$ 8,049,233	\$ —	\$ —	\$ —	\$ —
(2) Call loans and bills purchased	9,997	—	—	—	—
(3) Money held in trust	444,841	—	—	—	—
(4) Securities Held-to-maturity debt securities	606,157	1,482,405	1,526,537	1,601,341	5,768,815
Local government bond	6,432	16,200	52,844	16,071	31,241
Corporate bond	—	1,838	15,621	7,351	20,215
Available-for-sale securities with maturities	6,432	14,362	37,223	8,720	11,026
Japanese government bond	599,725	1,466,205	1,473,693	1,585,270	5,737,574
Local government bond	82,698	385,923	212,258	197,556	2,155,656
Corporate bond	61,794	203,602	202,674	247,854	1,208,748
Others	325,140	673,436	544,638	791,473	736,121
(5) Loans and bills discounted (*)	130,093	203,244	514,123	348,387	1,637,049
Total	15,557,769	9,626,454	9,787,274	7,873,886	27,471,855
Total	<u>\$24,667,997</u>	<u>\$11,108,859</u>	<u>\$11,313,811</u>	<u>\$9,475,227</u>	<u>\$33,240,670</u>

(*) 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			
	2020			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	¥8,410,285	¥438,092	¥129,083	¥29,100
Negotiable certificates of deposit	510,864	8,481	30	—
Payables under securities lending transactions	161,466	—	—	—
Total	<u>¥9,082,615</u>	<u>¥446,573</u>	<u>¥129,113</u>	<u>¥29,100</u>

	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	<u>¥8,562,723</u>	<u>¥614,697</u>	<u>¥158,059</u>	<u>¥28,760</u>

	Thousands of U.S. dollars			
	2020			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	\$77,279,105	\$4,025,471	\$1,186,098	\$267,388
Negotiable certificates of deposit	4,694,147	77,929	276	—
Payables under securities lending transactions	1,483,653	—	—	—
Total	<u>\$83,456,905</u>	<u>\$4,103,400</u>	<u>\$1,186,374</u>	<u>\$267,388</u>

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

5. SECURITIES

Securities held at March 31, 2020 include shares of unconsolidated subsidiaries and affiliates amounting to ¥27 million (\$248 thousand) and investments of ¥1 million (\$9 thousand). Corresponding figures at March 31, 2019, 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 ¥11,376 million (\$105 million) and ¥8,751 million as of March 31, 2020 and March 31, 2019 respectively.

Bonds included in securities also include securities lent through unsecured loan agreements (bond lending transactions) of ¥5,010 million, at March 31, 2019.

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, 2020 and 2019:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statement of income — ¥(3) million (\$28 thousand) and ¥2 million as at March 31, 2020 and 2019, respectively.

(b) Held-to-maturity debt securities:

		Millions of yen		
		2020		
	Type	Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	¥ 2,900	¥ 2,947	¥ 47
	Corporate bonds	8,225	8,349	124
	Subtotal	11,125	11,296	171
Securities with fair value not exceeding book value	Local government bonds	2,000	1,997	(3)
	Corporate bonds	235	235	(0)
	Subtotal	2,235	2,232	(3)
Total		¥13,360	¥13,528	¥168

		Millions of yen		
		2019		
	Type	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

		Thousands of U.S. dollars		
		2020		
	Type	Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	\$ 26,647	\$ 27,079	\$ 432
	Corporate bonds	75,577	76,716	1,139
	Subtotal	102,224	103,795	1,571
Securities with fair value not exceeding book value	Local government bonds	18,377	18,350	(27)
	Corporate bonds	2,159	2,159	(0)
	Subtotal	20,536	20,509	(27)
Total		\$122,760	\$124,304	\$1,544

(c) Available-for-sale securities

		Millions of yen		
		2020		
	Type	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	Shares	¥ 75,378	¥ 34,954	¥ 40,424
	Japanese government bonds	43,457	43,031	426
	Local government bonds	94,338	94,077	261
	Corporate bonds	242,770	240,383	2,387
	Others	213,118	198,674	14,444
	Subtotal	669,061	611,119	57,942
Securities with book value not exceeding acquisition cost	Shares	11,832	15,250	(3,418)
	Japanese government bonds	293,589	300,872	(7,283)
	Local government bonds	115,538	116,161	(623)
	Corporate bonds	94,339	94,726	(387)
	Others	298,636	330,612	(31,976)
	Subtotal	813,934	857,621	(43,687)
Total		¥1,482,995	¥1,468,740	¥ 14,255

		Millions of yen		
		2019		
	Type	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

		Thousands of U.S. dollars		
		2020		
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	Shares	\$ 692,622	\$ 321,180	\$ 371,442
	Japanese government bonds	399,311	395,396	3,915
	Local government bonds	866,838	864,440	2,398
	Corporate bonds	2,230,727	2,208,794	21,933
	Others	1,958,256	1,825,554	132,702
	Subtotal	6,147,754	5,615,364	532,390
Securities with book value not exceeding acquisition cost	Shares	108,720	140,127	(31,407)
	Japanese government bonds	2,697,684	2,764,605	(66,921)
	Local government bonds	1,061,637	1,067,362	(5,725)
	Corporate bonds	866,847	870,403	(3,556)
	Others	2,744,050	3,037,876	(293,826)
	Subtotal	7,478,938	7,880,373	(401,435)
Total	\$13,626,692	\$13,495,737	\$ 130,955	

(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, 2020 and 2019.

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

		Millions of yen		
		2020		
	Sale amount	Total gain on sale	Total loss on sale	
Shares	¥ 14,689	¥10,229	¥ 64	
Japanese government bonds	1,253,003	6,494	1,453	
Local government bonds	6,840	59	—	
Corporate bonds	92,810	1,263	10	
Others	1,256,723	16,392	6,260	
Total	¥2,624,065	¥34,437	¥7,787	

		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	

		Thousands of U.S. dollars		
		2020		
	Sale amount	Total gain on sale	Total loss on sale	
Shares	\$ 134,972	\$ 93,991	\$ 588	
Japanese government bonds	11,513,397	59,671	13,351	
Local government bonds	62,850	542	—	
Corporate bonds	852,798	11,605	92	
Others	11,547,579	150,620	57,521	
Total	\$24,111,596	\$316,429	\$71,552	

(f) Securities for which purpose of holding changed
 There were no securities for which the purpose of holding changed at March 31, 2020 and 2019.

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, 2020, impairment losses were ¥771 million (\$7,084 thousand) on equity securities and during the fiscal year ended March 31, 2019, impairment losses totaled ¥27 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, 2020 and 2019 was as follows:

(a) Money held in trust classified as trading purposes

	Millions of yen	
	2020	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	¥4,714	¥—

	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	¥—

	Thousands of U.S. dollars	
	2020	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	\$43,315	\$—

(b) Money held in trust classified as held-to-maturity

There are no corresponding transactions as at March 31, 2020 and 2019.

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

	Millions of yen		
	2020		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥43,698	¥44,695	¥(997)

	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

	Thousands of U.S. dollars		
	2020		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	\$401,526	\$410,686	\$(9,160)

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
	2020	2019	2020
Net unrealized gains	¥13,501	¥65,286	\$124,056
Available-for-sale securities	14,498	65,271	133,217
Available-for-sale money held in trust	(997)	15	(9,161)
Deferred tax liabilities	3,821	19,576	35,110
Unrealized gains on available-for-sale securities before following adjustment	9,680	45,710	88,946
Equivalent to non-controlling interests	(9)	(0)	(83)
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	¥ 9,689	¥45,710	\$ 89,029

Valuation differences on investments in partnerships, etc., of ¥244 million (\$2,242 thousand) at March 31, 2020 and ¥44 million at March 31, 2019, 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, 2020 and 2019, to which hedge accounting is not applied

(a) Interest-rate-related:

	Millions of yen			
	2020			
Type	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥22,108	¥20,751	¥ 561	¥ 561
Receivable floating, payable fixed	22,109	20,752	(352)	(352)
Total	¥ —	¥ —	¥ 209	¥ 209

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	Thousands of U.S. dollars			
	2020			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	\$203,143	\$190,674	\$ 5,155	\$ 5,155
Receivable floating, payable fixed	203,152	190,683	(3,234)	(3,234)
Total	\$ —	\$ —	\$ 1,921	\$ 1,921

(b) Currency-related:

Type	Millions of yen			
	2020			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	¥282,308	¥103,826	¥(1,583)	¥ (393)
Foreign exchange forward contracts:				
Sold	128,295	39,158	(2,384)	(2,384)
Bought	136,993	36,153	3,714	3,714
Currency options				
Sold	133,467	98,561	(5,020)	606
Bought	133,467	98,561	5,034	744
Total	¥ —	¥ —	¥ (239)	¥ 2,287

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	Thousands of U.S. dollars			
	2020			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	\$2,594,027	\$954,020	\$(14,546)	\$ (3,611)
Foreign exchange forward contracts:				
Sold	1,178,857	359,809	(21,906)	(21,906)
Bought	1,258,780	332,197	34,127	34,127
Currency options				
Sold	1,226,381	905,642	(27,015)	5,568
Bought	1,226,381	905,642	27,134	6,836
Total	\$ —	\$ —	\$ (2,206)	\$ 21,014

(c) Stock-related:

There were no stock-related transactions as at March 31, 2020 and 2019.

(d) Bond-related:

There were no bond-related transactions as at March 31, 2020.

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)

(e) Commodity-related:

There were no commodity-related transactions as at March 31, 2020 and 2019.

(f) Credit-derivatives:

There were no credit related transactions as at March 31, 2020 and 2019.

(2) Derivative transactions as at March 31, 2020 and 2019, to which hedge accounting is applied

(a) Interest-rate-related:

Type	Millions of yen		
	2020		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥225,994	¥225,994	¥(14,933)
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	168	108	*
Total	¥ —	¥ —	¥(14,933)

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	Thousands of U.S. dollars		
	2020		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	\$2,076,578	\$2,076,578	\$(137,214)
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	1,544	992	*
Total	\$ —	\$ —	\$(137,214)

(*) 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		
	2020		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥133,852	¥22,602	¥(1,397)
Total	¥ —	¥ —	¥(1,397)

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	Thousands of U.S. dollars		
	2020		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	\$1,229,918	\$207,682	\$(12,837)
Total	\$ —	\$ —	\$(12,837)

(c) Stock-related:

There were no stock-related transactions at March 31, 2020 and 2019.

(d) Bond-related:

There were no bond-related transactions at March 31, 2020 and 2019.

7. LOANS AND BILLS DISCOUNTED

Loans at March 31, 2020 and 2019 include "Risk-Managed Loan Amounts" as follows:

- (1) Loans to borrowers in bankruptcy amounting to ¥16,372 million (\$150 million) and ¥14,168 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 ¥71,435 million (\$656 million) and ¥65,253 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 ¥767 million (\$7 million) and ¥1,192 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 ¥9,931 million (\$92 million) and ¥12,203 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 ¥98,505 million (\$905 million) and ¥92,816 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 ¥32,049 million (\$294 million) at March 31, 2020 and ¥41,462 million at March 31, 2019.

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 ¥2,694 million (\$25 million) at March 31, 2020 and ¥7,015 million at March 31, 2019.

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 ¥907,251 million (\$8,336 million) at March 31, 2020 and ¥920,674 million at March 31, 2019. Of this amount, ¥751,011 million (\$6,901 million) at March 31, 2020, and ¥776,530 million at March 31, 2019, 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, 2020 and 2019, the following assets were pledged as collateral for certain liabilities of the Banks.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and due from banks	¥ 14	¥ 14	\$ 129
Securities	373,158	272,155	3,428,816

The collateral was pledged to secure the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deposits	¥ 42,258	¥28,693	\$ 388,294
Call money	21,222	—	195,001
Payables under securities lending transactions	161,466	67,711	1,483,653

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 ¥6,223 million (\$57 million) at March 31, 2020 and securities amounted to ¥9,045 million at March 31, 2019.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deposits	¥ 2,552	¥ 2,858	\$ 23,449
Collateral pledged for transactions involving public funds	1,199	1,188	11,017
Collateral pledged for financial instruments	30,587	6,267	281,053
Collateral pledged for exchange settlements	75,600	70,000	694,661
Financial futures margin	10	10	92
Margin on bond futures transactions	1,000	—	9,189

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥78,245 million (\$719 million) at March 31, 2020, and ¥76,231 million at March 31, 2019.

11. ADVANCED DEPRECIATION AMOUNT OF TANGIBLE FIXED ASSETS

At March 31, 2020 and 2019, accumulated advanced depreciation amount of tangible fixed assets were ¥8,175 million (\$75 million) and ¥8,178 million. There were no such advance depreciation expenses in fiscal year ended March 31, 2020 and 2019.

12. IMPAIRMENT LOSSES

During the fiscal year ended March 31, 2020 and 2019, impairment losses were recorded on the following assets.

Location	Primary use	Type	Impairment loss		
			Millions of yen		Thousands of U.S. dollars
			2020	2019	2020
Within Yamaguchi Prefecture	Assets for lease	Land, buildings, movable property	¥ —	¥11	\$ —
Within Hiroshima Prefecture	Business-use assets	Movable property	¥ —	¥0	\$ —
Within Fukuoka Prefecture	Business-use assets	Buildings, movable property	¥ 12	¥2	\$ 110
Within Ehime Prefecture	Idle assets for sale	Land, buildings	¥ 93	¥—	\$ 864
Within Tokyo Metropolitan	Business-use assets	Buildings, movable property	¥ 28	¥—	\$ 257
Other	Business-use assets	Buildings, movable property	¥ 11	¥—	\$ 92
Total			¥144	¥14	\$1,323

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, 2020 and 2019, 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 ¥144 million (\$1,323 thousand) and ¥14 million as impairment losses. This amount includes land of ¥88 million (\$817 thousand), buildings of ¥46 million (\$414 thousand) and movable property of ¥10 million (\$92 thousand) in fiscal year ended March 31, 2020, and land of ¥6 million, buildings of ¥5 million and movable property of ¥3 million in fiscal year ended March 31, 2019.

The recoverable amount used to estimate the impairment loss for the fiscal year ended March 31, 2020 and 2019, 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, 2020 is as follows:

	Millions of yen	Thousands of U.S. dollars
2020	¥ 9,232	\$ 84,830
2021	5,917	54,369
2022	4,215	38,730
2023	2,890	26,555
2024	1,457	13,388
Thereafter	4,288	39,401
Total	¥27,999	\$257,273

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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligations at the beginning of the fiscal year	¥60,535	¥59,819	\$566,225
Service cost	1,784	1,728	16,393
Interest cost	99	152	910
Actuarial differences	2,257	1,895	20,739
Retirement benefit payments	(2,995)	(3,061)	(27,520)
Others	(4)	2	(28)
Retirement benefit obligations at the end of the fiscal year	¥61,676	¥60,535	\$566,719

(2) Reconciliation of plan asset balances at the beginning and the end of the fiscal year ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance of plan assets at the beginning of the fiscal year	¥96,302	¥102,726	\$884,894
Expected return on plan assets	2,137	2,033	19,636
Actuarial differences	(4,561)	(8,680)	(41,909)
Contribution from employer	759	2,125	6,974
Retirement benefit payments	(2,150)	(2,203)	(19,756)
Others	301	301	2,757
Balance of plan assets at the end of the fiscal year	¥92,788	¥ 96,302	\$852,596

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at the end of the fiscal year ended March 31, 2020 and 2019, and the carrying amounts of net defined benefit liability and net defined benefit asset

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligations of funded plans	¥ 61,588	¥ 60,449	\$ 565,910
Plan assets	(92,788)	(96,303)	(852,596)
	(31,200)	(35,854)	(286,686)
Retirement benefit obligations of unfunded plans	88	85	809
Net carrying amount of obligations and assets	¥(31,112)	¥(35,769)	\$(285,877)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net retirement benefit liability	¥ 3,930	¥ 2,906	\$ 36,111
Net retirement benefit asset	(35,042)	(38,675)	(321,988)
Net carrying amount of obligations and assets	¥(31,112)	¥(35,769)	\$(285,877)

(4) Retirement benefit costs and their breakdowns

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost*	¥ 1,784	¥ 1,728	\$ 16,393
Interest cost	99	152	910
Expected return on plan assets	(2,137)	(2,033)	(19,636)
Recognized actuarial loss	(418)	25	(3,841)
Others	71	80	643
Retirement benefit costs on defined benefit plans	¥ (601)	¥ (48)	\$ (5,531)

* 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
	2020	2019	2020
Actuarial gain (loss)	¥(7,235)	¥(10,550)	\$(26,721)
Total	¥(7,235)	¥(10,550)	\$(26,721)

(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
	2020	2019	2020
Unrecognized actuarial gain (loss)	¥2,908	¥(4,328)	\$(26,721)
Total	¥2,908	¥(4,328)	\$(26,721)

(7) Plan assets

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

	2020	2019
Bonds	30%	29%
Shares	47%	49%
Others	23%	22%
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, 2020, and 45% at March 31, 2019.

(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, 2020 and 2019

	2020	2019
Discount rate	0.00%—0.51%	0.00%—0.77%
Expected long-term rate of return on plan assets	1.50%—2.60%	1.20%—2.60%
Expected rate of salary increase	0.63%—3.84%	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, 2020 and 2019 were ¥279 million (\$3 million) and ¥282 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, 2020 and 2019 were ¥18,369 million (\$169 million) and ¥20,113 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 ¥13,840 million (\$127 million), income from investment partnership of ¥1,574 million (\$14 million) and gains on

investment in money held in trust of ¥984 million (\$9 million) for the fiscal year ended March 31, 2020 and the gains on sale of stock of ¥9,684 million, income from investment partnership of ¥922 million and gains on investment in money held in trust of ¥4 million for the fiscal year ended March 31, 2019.

18. GENERAL AND ADMINISTRATIVE EXPENSES

Items included operating expenses for the year ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Salary and allowance	¥31,328	¥31,302	\$287,862
Depreciation	¥ 6,142	¥ 6,472	\$ 56,437

19. OTHER EXPENSES

Items included other expenses for the year ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loss on sale of stock	¥4,408	¥2,408	\$40,504
Losses on devaluation of stocks and other securities	¥ 818	¥ 33	\$ 7,516
Loss on investment in money held in trust	¥ 16	¥ 821	\$ 147

20. LEASE TRANSACTIONS

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) Content of lease assets

Tangible fixed assets

Mainly vehicles and 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, 2020 and 2019 were as follows:

Borrower

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Within one year	¥123	¥111	\$1,130
More than one year	726	827	6,671
Total minimum lease payments	¥849	¥938	\$7,801

Lender

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Within one year	¥1	¥—	\$ 9
More than one year	7	—	64
Total minimum lease payments	¥8	¥—	\$73

21. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Allowance for loan losses	¥17,174	¥14,639	\$157,806
Deferred gains or losses on hedges	4,672	560	42,929
Net defined benefit liability	1,474	433	13,544
Provision for bonuses	867	844	7,967
Unrealized gains on available-for-sale securities	664	—	6,101
Depreciation	642	699	5,899
Net operating losses carryforwards	511	296	4,695
Losses on devaluation of securities	505	668	4,640
Other	2,376	2,306	21,832
Deferred tax assets	28,885	20,445	265,413
Valuation allowance	(1,501)	(1,479)	(13,792)
Total deferred tax assets	27,384	18,966	251,621
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(4,486)	(19,576)	(41,220)
Securities contributed to retirement benefit trusts	(3,045)	(3,067)	(1,185)
Net defined benefit asset	(129)	(766)	(27,979)
Other	(1,352)	(1,361)	(12,414)
Total deferred tax liabilities	(9,012)	(24,770)	(82,798)
Net deferred tax assets (liabilities)	¥18,372	¥ (5,804)	\$168,823

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, 2020 and 2019 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, 2020, the shareholders approved cash dividends amounting to ¥3,063 million (\$28 million). Such appropriations have not been accrued in the Consolidated Financial Statements

as of March 31, 2020 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders' meeting, held on June 25, 2019, the shareholders approved cash dividends amounting to ¥2,807 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.

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, 2019	Increase	Decrease	March 31, 2020
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock*1, *2, *3	10,749	445	635	10,559
Total	10,749	445	635	10,559

*1 The increase in the number of treasury stock is due to additional increase of Board Benefit Trust (BBT) of 443 thousand shares, and purchases of shares constituting less than one trading unit, totaling 1 thousand shares.

The decrease of treasury stock included the sale of 533 thousand shares from the ESOP Trust for Group employees to the YMFG stock ownership plan, the 85 thousand shares for the exercise of share options, 16 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT) 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, 2020 include 990 thousand shares and 456 thousand shares held by the ESOP Trust for employee shareholders.

*3 Treasury stock as of beginning and ending of fiscal year ended March 31, 2020 include 578 thousand shares and 1,005 thousand shares held by the Board Benefit Trust (BBT).

	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).

2. Stock options

Stock options at March 31, 2020 and 2019 were ¥127 million (\$1 million) and ¥209 million, respectively.

3. Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2020 and 2019.

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, 2019				
Common stock	¥2,807*1	¥11.00	Mar. 31, 2019	Jun. 26, 2019
Resolved at the board of directors meeting on November 7, 2019				
Common stock	¥3,063*2	¥12.00	Sep. 30, 2019	Dec. 10, 2019

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

*2 The total amount of dividend on common stock includes ¥15 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 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	¥11.00	Sep. 30, 2018	Dec. 10, 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 (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, 2019				
Common stock	\$25,792*1	\$0.10	Mar. 31, 2019	Jun. 26, 2019
Resolved at the board of directors meeting on November 7, 2019				
Common stock	\$28,145*2	\$0.11	Sep. 30, 2019	Dec. 10, 2019

*1 The total amount of dividend on common stock includes \$156 thousand in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

*2 The total amount of dividend on common stock includes \$138 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, 2020 and 2019 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
Common stock	¥3,063*	Retained earnings	¥12.00	Mar. 31, 2020	Jun. 26, 2020

* The total amount of dividend on common stock includes ¥18 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 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).

(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 15, 2020					
Common stock	\$28,145*	Retained earnings	\$0.11	Mar. 31, 2020	Jun. 26, 2020

* The total amount of dividend on common stock includes \$165 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, 2020 and 2019.

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	52,600	60,000	41,300	36,700	18,700
Rights determined	—	—	—	—	—
Rights exercised	17,600	20,700	19,400	16,500	10,900
Expiry	—	—	—	—	—
Amount unexercised	35,000	39,300	21,900	20,200	7,800

(b) Price information

	Yen				
	2016	2015	2014	2013	2012
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	759	759	759	759	759
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, 2020 and 2019 were as follows.

	Millions of Yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized gains (losses) on available- for-sale securities			
Amount generated during the year	¥(25,811)	¥ (3,090)	\$(237,168)
Reclassification adjustments	(25,959)	(17,133)	(238,528)
Before tax effect adjustment	(51,770)	(20,224)	(475,696)
Tax effect amount	15,739	5,992	144,629
Unrealized gains (losses) on available-for-sale securities	(36,031)	(14,232)	(331,067)
Deferred gains (losses) on hedges			
Amount generated during the year	(14,259)	(2,547)	(131,021)
Reclassification adjustments	760	963	6,983
Before tax effect adjustment	(13,499)	(1,584)	(124,038)
Tax effect amount	4,112	482	37,784
Deferred gains (losses) on hedges	(9,387)	(1,102)	(86,254)
Remeasurements of defined benefit plans			
Amount generated during the year	(6,818)	(10,575)	(62,648)
Reclassification adjustments	(418)	25	(3,841)
Before adjustment for tax effects	(7,236)	(10,550)	(66,489)
Tax effect amount	2,205	3,210	20,253
Remeasurements of defined benefit plans	(5,031)	(7,340)	(46,236)
Total other comprehensive income	¥(50,449)	¥(22,674)	\$(463,557)

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, consulting 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, 2020

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, 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 (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
	2020	2019	2020
Net assets per share	¥2,458.73	¥2,580.74	\$22.59
Net income per share	100.07	94.65	0.92
Net income per share (diluted)	¥ 93.86	¥ 83.27	\$ 0.86

Net assets per share are calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2020	2019	2020
Net assets	¥630,245	¥660,958	\$5,791,096
Amounts excluded from net assets	¥ 6,233	¥ 6,473	\$ 57,273
Stock options	127	209	1,167
Non-controlling interests	6,106	6,264	56,106
Net assets attributable to common stock at the fiscal year-end	624,012	654,485	5,733,823
Number of common stock at the fiscal year-end used for the calculation of net assets per share (in thousands)*	253,794	253,603	—

* 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 1,568 thousand as of March 31, 2019, and 1,461 thousand as of March 31, 2020.

Net income per share is calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2020	2019	2020
Net income attributable to owners of the parent	¥ 25,391	¥ 23,149	\$233,309
Amount not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent for common stock	25,391	23,149	233,309
Average shares of common stock during the year* (in thousands)	253,747	244,575	—

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

	Millions of yen except number of shares		Thousands of U.S. dollars
	2020	2019	2020
Net income adjustment attributable to owners of the parent	¥ 398	¥ 462	\$3,657
Interest expenses (excluding tax amount)	398	462	3,657
Increase of shares of common stock	21,003	38,980	—
Bonds with warrant	20,852	38,719	—
Warrant	150	260	—
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 1,487 thousand in the fiscal year ended March 31, 2020 and 1,734 thousand in the fiscal year ended March 31, 2019.

30. SUBSEQUENT EVENTS

For the year ended March 31, 2020

There were no significant subsequent events. Dividends were made in June 2020. Please refer to "22. NET ASSETS."

For the year ended March 31, 2019

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