

| Financial Section

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YMFG Business Situation

Summary of Business Results

■ The Regional Economy

Through the fiscal year ended March 31, 2022, the Japanese economy continued to face difficulty because of the prolonged novel coronavirus disease (COVID-19) pandemic. In the first half of the year, the economy showed signs of recovery due to the promotion of vaccinations, the effects of various governmental policies and improvement in overseas economies. In the second half of the year, however, the overall situation came to a standstill due to the emergence of new mutated variant and the effects of Russia's invasion to Ukraine on soaring raw material prices and fluctuations in the financial and capital markets.

The regional economy also continued to face difficulty because of the prolonged COVID-19 pandemic. However, production levels in the chemical industry remained high. The automobile industry showed signs of improvement in the second half of the year despite the impact of parts supply chain. Personal consumption also picked up, and the economy as a whole was on a recovery trend.

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

■ YMFG Performance

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

YMFG strived to realize the YMFG Medium-Term Management Plan 2019, which launched in the fiscal year ended March 31, 2020, as this is the final fiscal year of the plan. In December 2021, YMFG formulated "Mission and Reason for Existence (Purpose)," "Ideal Future (Vision)" and "Group Sustainability Policy," and identified "Materiality," aiming to enhance its corporate value by mobilizing all Group officers and employees and become a corporate group that contributes to further value enhancement of the region.

- "Mission and Reason for Existence (Purpose)"
 - Co-creation of the flourishing future of the region
- "Ideal Future (Vision)"
 - The corporate group that is chosen by the region, trusted by the region, and contributes to value enhancement of the region
- "Group Sustainability Policy"
 - To walk and grow together with local communities, YMFG will contribute to the realization of a sustainable society by working to solve diverse issues and enhance community value through various business activities.
- "Materiality"
 - YMFG has identified twelve "Materialities" to contribute to the realization of a sustainable

society.

Through the business activities based on "Mission and Reason for Existence (Purpose)," YMFG strives for regional development and future creation. In view of the medium-term management plan starting in the fiscal year ending March 31, 2023, losses were recorded mainly for "portfolio restructuring of securities" and "promotion of fundamental business revitalization for customers affected by the COVID-19 pandemic." Due to this, the consolidated statement of income for the current fiscal year reported net loss attributable to owners of the parent of ¥13,005 million.

- Portfolio restructuring of securities
 - In light of the recent rise in geopolitical risks and the accelerated normalization of monetary policy due to global inflation, YMFG is restructuring its securities portfolio by reducing mainly foreign bonds and equity investment trusts with unrealized losses in order to promote a shift to a stable profit structure in the management of securities.
- Promotion of fundamental business revitalization for customers affected by the COVID-19 pandemic
 - To vigorously promote smoother and faster fundamental business revitalization, YMFG in unison takes full advantage of the Group's strengths in having consulting and fund functions as well as servicing capabilities within the Group. YMFG will allocate additional reserves for customers who may be affected by excessive debt or soaring resource and energy prices, taking into account the impact on the regional economy. In addition, precautionary provisions are allocated for business sectors that are experiencing increased uncertainty due to the prolonged COVID-19 pandemic.
- Impairment losses on goodwill and others associated with Hoken Hiroba
 - In light of the current situation where future remains highly uncertain due to the prolonged COVID-19 pandemic, goodwill and others, calculated as excess earning power and recorded at the acquisition of Hoken Hiroba in the consolidated financial statements, have been fully amortized.

In the international business, the YMFG Overseas Buyers' Online Business Talks were held four times a year online to provide opportunities to expand overseas sales routes for the businesses that are considering overseas operations against the backdrop of a shrinking domestic market due to population decline and other factors, but are facing difficulties in traveling overseas or participating in business meetings under COVID-19 pandemic.

■ Financial Results

On a consolidated basis, total income decreased ¥29,213 million year on year, to ¥156,292 million, due to lower gains on the cancellation of investment trusts and the sale of stock. As a result, net income (loss) attributable to owners of the parent decreased ¥37,963 million, to ¥(13,005) million.

Comprehensive income decreased ¥92,869 million

year on year, to ¥(31,336) million. This decrease was due primarily to a decrease of ¥37,886 million in net income (loss), ¥25,026 million in remeasurements of defined benefit plans, and ¥21,089 million in unrealized gains (losses) on available-for-sales securities.

Deposits amounted to ¥10,334.6 billion, up ¥323.0 billion, due to efforts to enhance products and services to meet increasingly diverse customer needs, as well as to steady progress in developing sales rooted in the region.

Loans and bills discounted increased ¥249.9 billion, to ¥8,144.0 billion as of March 31, 2022, due to the Group's efforts to fulfill its role as a regional financial institution through its function as a financial intermediary and aggressive efforts to meet demand from business partners with whom the Group has developed trust-based relationships.

The Group's holdings of securities came to ¥1,354.0 billion at year-end, down ¥431.5 billion. This change is due to the portfolio restructuring to promote a shift to a stable profit structure in terms of the management of securities by reducing mainly foreign bonds and equity investment trusts with unrealized losses.

Total assets amounted to ¥12,182.7 billion at fiscal year-end, up ¥188.9 billion from one year earlier. This

increase was the result of smaller holdings of securities and growth in due from banks and loans, against a backdrop of higher deposits.

Net assets stood at ¥636.3 billion, down ¥44.8 billion from a year earlier. The decrease was due to a ¥16.8 billion decrease in retained earnings due to the recording of net loss attributable to owners of the parent, as well as to a ¥11.3 billion decrease in unrealized gains on available-for-sale securities and ¥10.5 billion decrease in remeasurements of defined benefit plans from the revision of retirement benefit plan.

Net cash used in operating activities was ¥77.1 billion, a ¥1,196.4 billion decrease from the previous year, mainly due to the decrease in borrowed money. Net cash provided by investing activities was ¥462.0 billion, a ¥754.7 billion increase from the previous year, mainly due to decrease in purchases of securities. Net cash used in financing activities was ¥13.2 billion, and a difference of ¥22.0 billion from the previous fiscal year is primarily because subordinated bonds were not issued. As a result of these cash flows, cash and cash equivalents at the end of the fiscal year came to ¥2,151.8 billion, up ¥371.6 billion.

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

	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars*1
	2022	2021	2020	2019	2022
Consolidated total income	156,292	185,505	175,423	162,593	1,276,992
Consolidated net income (loss) attributable to owners of the parent	(13,005)	24,958	25,391	23,149	(106,267)
Consolidated comprehensive income	(31,336)	61,533	(25,204)	652	(256,034)
Consolidated total net assets	636,345	681,139	630,245	660,958	5,199,322
Consolidated total assets	12,182,663	11,993,722	10,605,416	10,304,140	99,539,693
Net assets per share	2,652.26 yen	2,729.94 yen	2,458.73 yen	2,580.74 yen	21.67 U.S. dollars
Current term net income (loss) per share	(53.29) yen	99.63 yen	100.07 yen	94.65 yen	(0.44) U.S. dollars
Current term net income per share (diluted)*3	— yen	99.59 yen	93.86 yen	83.27 yen	— U.S. dollars
Capital ratio*2	12.65%	13.43%	12.62%	13.62%	—
Earnings on equity - increase	(1.99)%	3.84%	3.97%	3.53%	—
Group price earnings ratio*4	— times	7.38 times	6.11 times	9.91 times	—

*1 US dollar amounts have been translated, for convenience only, at the rate of ¥122.39 = US\$1.00 as of March 31, 2022.

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

*3 Net income per share (diluted) for the year ended March 31, 2022 is not described, because net loss per share is recorded although dilutive shares exist.

*4 Group price earnings ratio for the year ended March 31, 2022 is not described because net loss per share is recorded.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

March 31, 2022 and 2021

ASSETS		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
		2022	2021	2022
Assets	Cash and due from banks (Notes 3, 4 and 9)	¥2,175,914	¥1,807,659	\$17,778,528
	Call loans and bills purchased (Note 4)	31,713	9,189	259,114
	Monetary claims bought	5,443	4,556	44,473
	Trading assets (Notes 4 and 6)	3,101	1,981	25,337
	Money held in trust (Notes 4 and 6)	35,060	35,093	286,461
	Securities (Notes 4, 5, 6 and 9)	1,354,034	1,785,562	11,063,273
	Loans and bills discounted (Notes 4, 7 and 8)	8,143,997	7,894,126	66,541,360
	Foreign exchanges	30,041	22,408	245,453
	Lease receivables and investment assets	19,699	20,320	160,953
	Other assets (Notes 4, 6 and 9)	288,263	285,229	2,355,282
	Tangible fixed assets (Notes 10, 11, 15 and 20)	83,133	88,790	679,247
	Intangible fixed assets (Note 20)	6,991	9,797	57,121
	Net defined benefit asset (Note 14)	32,728	59,607	267,407
	Deferred tax assets (Note 21)	3,513	3,254	28,703
	Customers' liabilities for acceptances and guarantees (Note 16)	50,382	39,495	411,651
	Allowance for loan losses	(81,349)	(73,344)	(664,670)
Total assets	¥12,182,663	¥11,993,722	\$99,539,693	

LIABILITIES AND NET ASSETS

Liabilities	Deposits (Notes 4 and 9)	¥10,334,558	¥10,011,575	\$84,439,562
	Call money and bills sold (Notes 4 and 9)	78,078	167,152	637,944
	Payables under securities lending transactions (Notes 4 and 9)	314,959	326,415	2,573,405
	Trading liabilities (Notes 4 and 6)	1,380	749	11,275
	Borrowed money (Notes 4, 9 and 13)	626,546	638,353	5,119,258
	Foreign exchanges	172	194	1,405
	Corporate bonds	20,000	20,000	163,412
	Other liabilities (Notes 4 and 6)	102,982	89,658	841,427
	Provision for bonuses	2,878	2,852	23,515
	Net defined benefit liability (Note 14)	2,652	2,789	21,668
	Provision for directors' retirement benefits	287	294	2,345
	Provision for loss on interest repayments	19	43	155
	Provision for reimbursement of deposits	531	709	4,339
	Provision for customers point services	83	70	678
	Provision for directors' stock benefits	489	434	3,995
	Reserves under special laws	17	17	139
	Deferred tax liabilities (Note 21)	1,422	1,499	11,619
	Deferred tax liabilities for land revaluation (Notes 15 and 21)	8,883	10,285	72,579
	Acceptances and guarantees (Note 16)	50,382	39,495	411,651
	Total liabilities	11,546,318	11,312,583	94,340,371
Net Assets (Notes 22 and 23)	Capital stock	50,000	50,000	408,530
	Capital surplus	58,648	58,655	479,189
	Retained earnings	511,253	528,086	4,177,245
	Treasury stock	(25,045)	(18,649)	(204,632)
	Total shareholders' equity	594,856	618,092	4,860,332
	Unrealized gains on available-for-sale securities (Note 6)	8,172	19,477	66,770
	Deferred gains (losses) on hedges	4,749	1,480	38,802
	Revaluation reserve for land (Note 15)	20,001	23,192	163,420
	Remeasurements of defined benefit plans	2,102	12,553	17,175
	Total accumulated other comprehensive income	35,024	56,702	286,167
	Stock options (Note 24)	82	117	670
	Non-controlling interests	6,383	6,228	52,153
Total net assets	636,345	681,139	5,199,322	
Total liabilities and net assets	¥12,182,663	¥11,993,722	\$99,539,693	

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31, 2022 and 2021

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 1) 2022
Income (Note 26)			
Interest income:			
Interest on loans and discounts	¥67,497	¥69,188	\$551,491
Interest and dividends on securities	22,547	37,395	184,223
Other interest income	2,196	849	17,943
Trust fees	0	0	0
Fees and commissions	26,570	25,389	217,093
Trading income	1,752	1,925	14,315
Other operating income	20,108	27,095	164,294
Recoveries of written-off claims	10	9	82
Compensation for branch relocation	—	2	—
Other income (Note 17)	15,612	23,653	127,551
Total income	156,292	185,505	1,276,992
Expenses			
Interest expense:			
Interest on deposits	1,594	2,274	13,024
Interest on borrowings and rediscounts	747	945	6,103
Interest on bonds payable	158	81	1,291
Other interest expense	2,966	2,546	24,234
Fees and commissions	9,561	9,577	78,119
Other operating expenses	47,786	50,895	390,440
General and administrative expenses (Notes 18 and 24)	60,562	64,541	494,828
Impairment losses (Note 12)	5,631	381	46,009
Other expenses (Note 19)	32,790	17,470	267,915
Total expenses	161,795	148,710	1,321,963
Income (loss) before income taxes	(5,503)	36,795	(44,971)
Income taxes (Note 21):			
Current	941	11,655	7,689
Deferred	6,432	130	52,553
Net income (loss)	(12,876)	25,010	(105,213)
Net income attributable to non-controlling interests	129	52	1,054
Net income (loss) attributable to owners of the parent	¥(13,005)	¥24,958	\$(106,267)
	Yen	Yen	U.S. dollars (Note 1)
Amounts per share of common stock:	2022	2021	2022
Net income (loss) attributable to owners of the parent (Note 30)	¥(53.29)	¥99.63	\$(0.44)

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2022 and 2021

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 1) 2022
Net income (loss)	¥(12,876)	¥25,010	\$(105,213)
Other comprehensive income (Note 27)	(18,460)	36,523	(150,821)
Unrealized gains (losses) on available-for-sale securities	(11,278)	9,811	(92,140)
Deferred gains (losses) on hedges	3,269	12,137	26,710
Remeasurements of defined benefit plans	(10,451)	14,575	(85,391)
Comprehensive income (Note 27)	¥(31,336)	¥61,533	\$(256,034)
Comprehensive income attributable to owners of the parent	(31,493)	61,459	(257,317)
Comprehensive income attributable to non-controlling interests	157	74	1,283

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2022 and 2021

	Millions of yen												
	Shareholders' Equity					Accumulated other comprehensive income					Stock options	Non-controlling Interests	Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2020	¥50,000	¥58,656	¥508,212	¥(14,321)	¥602,547	¥9,689	¥(10,657)	¥24,455	¥(2,022)	¥21,465	¥127	¥6,106	¥630,245
Changes of items during the year													
Dividend paid			(6,347)		(6,347)								(6,347)
Net income attributable to owners of the parent			24,958		24,958								24,958
Purchase of treasury stock				(5,001)	(5,001)								(5,001)
Disposal of treasury stock		(1)		673	672								672
Reversal of revaluation reserve for land			1,263		1,263								1,263
Net changes of items other than shareholders' equity						9,788	12,137	(1,263)	14,575	35,237	(10)	122	35,349
Total changes of items during the year	—	(1)	19,874	(4,328)	15,545	9,788	12,137	(1,263)	14,575	35,237	(10)	122	50,894
Balance at March 31, 2021	¥50,000	¥58,655	¥528,086	¥(18,649)	¥618,092	¥19,477	¥1,480	¥23,192	¥12,553	¥56,702	¥117	¥6,228	¥681,139
Cumulative effects of changes in accounting policies			(320)		(320)								(320)
Restated balance	50,000	58,655	527,766	(18,649)	617,772	19,477	1,480	23,192	12,553	56,702	117	6,228	680,819
Changes of items during the year													
Dividend paid			(6,699)		(6,699)								(6,699)
Net loss attributable to owners of the parent			(13,005)		(13,005)								(13,005)
Purchase of treasury stock				(6,501)	(6,501)								(6,501)
Disposal of treasury stock		(7)		105	98								98
Reversal of revaluation reserve for land			3,191		3,191								3,191
Net changes of items other than shareholders' equity						(11,305)	3,269	(3,191)	(10,451)	(21,678)	(35)	155	(21,558)
Total changes of items during the year	—	(7)	(16,513)	(6,396)	(22,916)	(11,305)	3,269	(3,191)	(10,451)	(21,678)	(35)	155	(44,474)
Balance at March 31, 2022	¥50,000	¥58,648	¥511,253	¥(25,045)	¥594,856	¥8,172	¥4,749	¥20,001	¥2,102	¥35,024	¥82	¥6,383	¥636,345

	Thousands of U.S. dollars (Note 1)												
	Shareholders' Equity					Accumulated other comprehensive income					Stock options	Non-controlling Interests	Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2021	\$408,530	\$479,247	\$4,314,781	\$(152,374)	\$5,050,184	\$159,139	\$12,092	\$189,492	\$102,566	\$463,289	\$964	\$50,887	\$5,565,324
Cumulative effects of changes in accounting policies			(2,605)		(2,605)								(2,605)
Restated balance	408,530	479,247	4,312,176	(152,374)	5,047,579	159,139	12,092	189,492	102,566	463,289	964	50,887	5,562,719
Changes of items during the year													
Dividend paid			(54,737)		(54,737)								(54,737)
Net loss attributable to owners of the parent			(106,267)		(106,267)								(106,267)
Purchase of treasury stock				(53,116)	(53,116)								(53,116)
Disposal of treasury stock		(58)		858	800								800
Reversal of revaluation reserve for land			26,073		26,073								26,073
Net changes of items other than shareholders' equity						(92,369)	26,710	(26,072)	(85,391)	(177,122)	(294)	1,266	(176,150)
Total changes of items during the year	—	(58)	(134,931)	(52,258)	(187,247)	(92,369)	26,710	(26,072)	(85,391)	(177,122)	(294)	1,266	(363,397)
Balance at March 31, 2022	\$408,530	\$479,189	\$4,177,245	\$(204,632)	\$4,860,332	\$66,770	\$38,802	\$163,420	\$17,175	\$286,167	\$670	\$52,153	\$5,199,322

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2022 and 2021

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 1) 2022
Cash flows from operating activities:			
Income (loss) before income taxes	¥(5,503)	¥36,795	¥(44,971)
Depreciation	5,401	5,787	44,129
Impairment losses	5,631	381	46,009
Amortization of goodwill	400	378	3,268
Equity in earnings of affiliates	5	7	41
Net change in allowance for loan losses	8,005	7,542	65,406
Net change in provision for bonuses	26	87	212
Net change in defined benefit asset	26,879	(24,565)	219,618
Net change in defined benefit liability	(137)	(1,141)	(1,119)
Net change in provision for directors' retirement benefits	(7)	(0)	(57)
Net change in provision for directors' stock benefits	54	45	441
Net change in provision for loss on interest repayments	(24)	33	(196)
Net change in provision for reimbursement of deposits	(178)	(321)	(1,454)
Net change in provision for customers point services	13	0	106
Increase (decrease) in reserves under special laws	0	(11)	0
Interest income	(92,239)	(107,432)	(753,648)
Interest expenses	5,465	5,846	44,652
Net gains related to securities transactions	34,738	8,440	283,830
Net losses (gains) from money held in trust	(245)	3,680	(2,002)
Net exchange losses (gains)	(18,785)	(9,935)	(153,485)
Net losses (gains) from disposition of fixed assets	90	(733)	735
Net change in trading assets	(1,120)	(439)	(9,151)
Net change in trading liabilities	631	6	5,156
Net change in loans and bills discounted	(249,871)	(241,500)	(2,041,597)
Net change in deposits	323,940	600,731	2,646,785
Net change in negotiable certificates of deposits	(956)	(115,091)	(7,811)
Net change in borrowed money excluding subordinated loans	(11,806)	610,354	(96,462)
Net change in deposits with bank	3,392	(487)	27,715
Net change in call loans and bills purchased	(23,412)	(7,170)	(191,290)
Net change in call money and bills sold	(89,074)	75,160	(727,788)
Net change in payables under securities lending transactions	(11,456)	164,949	(93,602)
Net change in foreign exchanges (asset account)	(7,633)	(1,715)	(62,366)
Net change in foreign exchanges (liability account)	(22)	(3)	(180)
Net change in lease receivables and investment assets	622	(558)	5,082
Losses (gains) on cancellation of retirement benefit trusts (Note 14)	(9,094)	—	(74,303)
Loss (gain) on revision of retirement benefit plan	1,241	—	10,140
Interest received	81,234	82,401	663,731
Interest paid	(5,614)	(6,668)	(45,870)
Other, net	(40,474)	48,673	(330,672)
Subtotal	(69,883)	1,133,526	(570,968)
Income taxes paid	(9,095)	(14,227)	(74,312)
Income taxes refunds	1,846	2	15,083
Net cash provided by (used in) operating activities	(77,132)	1,119,301	(630,197)
Cash flows from investing activities:			
Purchases of securities	(2,107,076)	(2,623,555)	(17,216,080)
Proceeds from sales of securities	2,534,144	2,286,070	20,705,483
Proceeds from maturity of securities	35,224	60,669	287,801
Purchases of money held in trust	(8,510)	(49,940)	(69,532)
Proceeds from sales of money held in trust	8,970	37,131	73,291
Purchases of tangible fixed assets	(1,516)	(1,666)	(12,387)
Proceeds from sales of tangible fixed assets	2,740	754	22,388
Purchases of intangible fixed assets	(1,992)	(2,202)	(16,276)
Purchases of shares of affiliates accounted for by the equity method	(10)	—	(82)
Net cash provided by (used in) investing activities	461,974	(292,739)	3,774,606
Cash flows from financing activities:			
Issuance of subordinated bonds	—	19,885	—
Dividends paid	(6,699)	(6,347)	(54,735)
Dividends paid to non-controlling shareholders	(3)	(3)	(25)
Purchases of treasury stock	(6,501)	(5,001)	(53,116)
Proceeds from disposal of treasury stock	0	297	0
Net cash provided by (used in) financing activities	(13,203)	8,831	(107,876)
Effect of exchange rate changes on cash and cash equivalents	7	3	65
Net change in cash and cash equivalents	371,646	835,396	3,036,598
Cash and cash equivalents at the beginning of fiscal year	1,780,180	944,784	14,545,143
Cash and cash equivalents at the end of fiscal year (Note 3)	¥2,151,826	¥1,780,180	\$17,581,741

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2022 and 2021

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 Act 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 Act.

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, 2022, which was ¥122.39 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) Consolidated subsidiaries were 19 at March 31, 2022 and 2021.

The names of the main consolidated subsidiaries are listed on page 21.

The scope of consolidation includes Nishiseto Regional Co-creation Servicer Inc. and Inesus inc. due to their establishment in the year ended March 31, 2021.

(ii) No unconsolidated subsidiary at March 31, 2022 and 2021.

Maple Funding Corporation, an unconsolidated subsidiary not accounted for by the equity method in the year ended March 31, 2020, was liquidated in the year ended March 31, 2021.

(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, 2022 and 2021.

(ii) As at March 31, 2022 and 2021, three and two affiliates were accounted for by the equity method, respectively.

Affiliates as at March 31, 2022 were as follows:

YM Saison Co., Ltd.

Momiji Card Co., Ltd.

Nishiseto Marine Partners

The scope of application of equity method includes Nishiseto Marine Partners due to its establishment in the year ended March 31, 2022.

Affiliates as at March 31, 2021 were as follows:

YM Saison Co., Ltd.

Momiji Card Co., Ltd.

(iii) As at March 31, 2022 and 2021, no unconsolidated subsidiary was not accounted for by the equity method.

Maple Funding Corporation, an unconsolidated subsidiary not accounted for by the equity method in the year ended March 31, 2020, was liquidated in the year ended March 31, 2021.

(iv) There were no affiliates that were not accounted for by the equity method as at March 31, 2022 and 2021.

(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

Criteria for recording dividends payable on securities

Dividends distributed from other retained earnings (cash dividends only) are recorded in the year that includes the effective date of the dividend-related resolution by the issuing company's general meeting of shareholders, Board of Directors or other institution with decision-making authority.

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 statements of OPERATIONS.

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.

Available-for-sale securities are stated at fair value (cost of sale calculated primarily according to the moving-average method). Shares, etc. that do not have a market price are valued at cost using the moving-average method.

Unrealized gains (losses) on available-for-sale securities (excluding valuation differences due to foreign exchange fluctuations, which are included in foreign exchange trading gains or losses as other operating income or other operating expenses) are reported as a component of net assets.

Money in trust

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

Derivatives

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

Criteria for recording gains or losses on the cancellation of investment trusts

When handling the cancellation of investment trusts by consolidated subsidiaries engaged in the banking business, YMFG does not offset cancellation gains and losses occurring on each transaction. Rather, cancellation losses are recorded in "loss on redemption of government bonds, etc.," which is within "other operating expenses." Cancellation gains are recorded in "interest and dividends on securities."

Criteria for recording income and expenses related to lease transactions

Criteria for recording income and cost are recognized at the time lease fees are received. Income is recorded in "other operating income," and cost of sale is recorded in "other operating expenses."

Criteria for recording sales and cost of sales of installment sales transactions

Payment dates are used as the basis for installment agreements, with installment sales and installment costs recorded in accordance with the elapsed period. Installment sales are recorded in "other operating income," and installment costs are recorded in "other operating expenses." Unrealized profit on installment sales is recorded under "other liabilities," and unrealized installment profit is deferred for installment receivables that have not come due as of the end of the year.

Method for recording revenue

YMFG recognizes revenue when control of a promised goods or services is transferred to a customer in an amount that reflects the consideration to which YMFG expects to be entitled in exchange for those goods or services.

Method of hedge accounting

The subsidiaries that conduct banking business ("the Banks") apply deferred hedge accounting in accordance with the "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, March 17, 2022).

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 the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, October 8, 2020).

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.

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 period. For loans to normal borrowers, expected loss amounts are calculated by using average values for actual

rates of losses from bad debts during a specific period in the past, based on actual amounts of bad debt over a one-year period, and adjusted as necessary for future forecasts taking into account the expected deterioration of operating performance. For loans to borrowers requiring caution, expected loss amounts are calculated by using average values for actual rates of losses from bad debts or default probabilities during a specific period in the past, based on actual amounts of bad debt or bankruptcy over a three-year period, and adjusted as necessary for future forecasts taking into account the expected deterioration of operating performance.

For loans to a large borrower requiring caution who has formulated a management improvement plan and carries specifically large credit risk and whose loan amount, net of amounts expected to be collected through disposition of collaterals or execution of guarantees, exceeding a certain amount, difference between amount obtained by discounting cash flows at the initial contractual interest rate and the book value of loans is recorded as allowance for loan losses (discounted cash flow method; hereinafter, "DCF method"), if the cash flows related to the collection of principal and the receipt of interest can be reasonably estimated.

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 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. The following methods are used to expense prior service costs and actuarial gains or losses.

Prior service costs: Expensed as incurred using the straight-line method over a fixed period (two years) within the employee's average remaining service period
Actuarial gains or losses: Apportioned for each year as incurred using the straight-line method over a fixed period (10-11 years) and expensed in each of the following years

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 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, 2022.

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 the "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.

Major accounting estimates

Allowance for loan losses

The items below relate to all banks within YMFG.

1. Amounts in the consolidated financial statements for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total loan amount before intra-Group eliminations	¥8,223,908	¥7,963,538	\$67,194,281
Corresponding allowance for loan losses	78,068	69,505	637,863

Of this, the following amounts were to borrowers of management improvement support initiatives.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total loan amount before intra-Group eliminations	¥133,405	¥137,771	\$1,089,999
Corresponding allowance for loan losses	27,693	15,835	226,268

2. Details of major accounting estimates related to items identified separately

(1) Calculation method

At YMFG banks, branches and departments conducting self-assessments perform asset appraisals of all obligations, including loans, based on asset self-assessment criteria. Asset appraisals are conducted in accordance with borrowers' credit risk. In addition to financial details and other quantitative information, judgments incorporate factors related to the borrower, such as forecasts for the future. Appraisals also take into consideration the satisfaction of certain conditions, such as the formulation of management improvement plans determined to be rational and highly likely to be achieved. Borrower categories are determined on the basis of such considerations.

Information related to recording the allowance for loan losses is provided in "Allowance for loan losses" under (4) Accounting policies in "2. SIGNIFICANT ACCOUNTING POLICIES."

(2) Major assumptions

YMFG's main bases of operation are in Yamaguchi Prefecture, Hiroshima Prefecture and the city of Kitakyushu. In addition to a shrinking population, decreasing birthrate and aging population, and a shortage of business successors, recently the region has been affected by the prolonged COVID-19 pandemic, which has reduced corporate earnings, lowered personal consumption and led to uncertainty about the future.

As one aspect of its efforts to achieve regional revitalization and regional economic invigoration amid these circumstances, YMFG conducts business feasibility assessments. YMFG designates borrowers that it determines to require management improvement support as "borrowers of management improvement support initiatives" and concentrates on providing such support.

The determination of borrower categories as borrowers of management improvement support initiatives is based on YMFG's estimates of future forecasts, namely, the expectation that management improvement plans on which such support is based are rational and achievable.

Recently, the impact of the prolonged COVID-19 pandemic on loan credit expenses has been at a low level partly due to active financial support. However, for sectors with increasing uncertainties due to the prolonged

COVID-19 pandemic, additional allowance for loan losses is recorded using the expected loss rate adjusted based on the expected deterioration of operating performance.

(3) Impact on consolidated financial statements for the next year

Actual losses that exceed bad-debt expectations, an insufficient allowance for loan losses, deterioration of the overall economic environment, a decrease in the value of collateral or other unforeseen circumstances could require the Group to change the standards it has set or adjust expected losses. Furthermore, accumulations in the allowance for loan losses could have a significant effect on operating performance and the financial condition.

If the COVID-19 pandemic persists for a longer period of time or increases in severity, the operating environment could deteriorate further. This situation could have a material impact on the allowance for loan losses for the following year.

Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition and other standards

YMFG has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the year ended March 31, 2022. YMFG recognizes revenue when control of a promised goods or services is transferred to a customer in an amount that reflects the consideration to which YMFG expects to be entitled in exchange for those goods or services. YMFG applies the "Revenue Recognition Standard," etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior years is adjusted to retained earnings at the beginning of the year ended March 31, 2022, with the new accounting policies applied from the beginning balance. The impact of the application on the consolidated financial statements is immaterial.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the year ended March 31, 2021 are not presented.

Application of the Accounting Standard for Fair Value Measurement and other standards

YMFG has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the year ended March 31, 2022. In line with the application, YMFG reviewed fair value measurement for unlisted derivative transactions to reflect the credit risk of YMFG and counterparties on the fair values. In applying the new accounting policies, the cumulative impact to prior years is reflected on retained earnings at the beginning of the year ended March 31, 2022 in accordance with the transitional treatment provided in the additional clause in Paragraph 20 of the Fair Value Measurement Standard. The impact of this measure on the consolidated financial statements is immaterial.

Moreover, YMFG prospectively applied the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). Accordingly, YMFG changed the measurement criterion for the value of listed shares on the consolidated balance sheets as of the end of the year ended March 31, 2022 from the average of market prices for one month prior to the end of the year to the market price at the end of the year.

In addition, YMFG included notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the year ended March 31, 2021 are not presented.

Standards and guidance not yet adopted

The following guidance was issued but not yet adopted.

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The revision to the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) as of June 17, 2021 is to revise and publish "determination of the fair value of investment trusts" and notes on the fair value of "investments in partnerships, etc. for which equity interests are recorded on a net basis on the consolidated balance sheet." When the ASBJ published this guidance on July 4, 2019, it announced that these issues would be examined for approximately one year after the publication of the "Accounting Standard for Fair Value Measurement," because "determination of the fair value of investment trusts" requires certain examination in discussions with relevant parties, and notes on the fair value of "investments in partnerships, etc. for which equity interests are recorded on a net basis on the consolidated balance sheet" also require certain examination.

(2) Effective date

To be effective from the beginning of the year ending March 31, 2023.

(3) Effects of the application of the standards

The impact of applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" on the consolidated financial statements is currently being measured.

Changes in accounting estimates

Criteria for recording allowance for loan losses

Through business feasibility assessments, the banks within YMFG have supported the formulation and implementation of business plans and other plans leading to the medium- to long-term growth of borrowers. Meanwhile, for borrowers requiring caution who have

formulated a management improvement plan. Under difficult financial condition, the banks within YMFG deliberated methods and frameworks for estimating expected losses more precisely, since they confirmed that the portfolio of these borrowers has risk characteristics different from that of other borrowers requiring caution in terms of loss rates.

As a result, the banks within YMFG have successfully established a framework for estimating expected losses more precisely for the portfolio. Accordingly, since the year ended March 31, 2022, the DCF method has been applied to these large borrowers, of the aforementioned borrowers, whose loans have the amount of loans and the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, exceeding a certain amount.

As a result of this change, provision of allowance for loan losses and allowance for loan losses increased by ¥828 million (\$6,765 thousand), respectively, and ordinary loss and loss before income taxes accordingly increased by the same amount.

Additional information

(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 ¥743 million (\$6 million) and 849 thousand shares on March 31, 2022 and ¥805 million and 921 thousand shares on March 31, 2021.

(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

Paragraph 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).

From the beginning of the year ending March 31, 2023, YMFG and certain consolidated subsidiaries will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021) which stipulates the practical solution on the accounting and disclosure of corporate taxes, local corporate taxes and tax effect accounting under the group tax sharing system.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS AND CASH EQUIVALENTS

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, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥2,175,914	¥1,807,659	\$17,778,528
Time deposits in other banks	(12,421)	(15,172)	(101,487)
Other	(11,667)	(12,307)	(95,300)
Cash and cash equivalents	¥2,151,826	¥1,780,180	\$17,581,741

Significant transactions not requiring use of cash or cash equivalents were acquisition of securities due to partial cancellation of retirement benefit trusts of ¥25,026 million (\$204,477 thousand) for the year ended March 31, 2022.

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 is 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 & inspection 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 administration 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 is calculated according to value at risk (VaR). Furthermore, the covariance method is used to calculate VaR.

As of March 31, 2022, the market risk (estimated loss amount) of Yamaguchi Bank was ¥50,361 million (\$411 million), the market risk (estimated loss amount) of Momiji Bank was ¥20,507 million (\$168 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥21,609 million (\$177 million). Also, as of March 31, 2021, the market risk (estimated loss amount) of Yamaguchi Bank was ¥65,092 million, the market risk (estimated loss amount) of Momiji Bank was ¥19,718 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥20,587 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. Increasing price volatility in financial markets has led to cases in which the banks were unable to cover risks. As a result, VaR was corrected, using a multiple obtained from the number of conflicts resulting from back-testing from the year ended March 31, 2021.

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

As assumptions are used in the calculation of the fair values of financial instruments, 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 whose fair value is approximately the same as their book value due to their short settlement period, including cash and due from banks, call loans and bills purchased, call money and bills sold and payables under securities lending transactions, as well as line items with little significance to balance sheet amounts, have been omitted. Shares and investments in partnerships, etc. that do not have a market price are not included in the table below. (Refer to (Note 1).)

	Millions of yen		
	2022		
	Consolidated balance sheet amount	Fair value	Difference
(i) Money held in trust	¥35,060	¥35,060	¥—
(ii) Securities			
Held-to-maturity debt securities	38,613	38,892	279
Available-for-sale securities	1,286,606	1,286,606	—
(iii) Loans and bills discounted	8,143,997		
Allowance for loan losses (*1)	(78,208)		
	8,065,789	8,133,259	67,470
Total assets	¥9,426,068	¥9,493,817	¥67,749
(i) Deposits	¥10,334,558	¥10,334,732	¥174
(ii) Borrowed money	626,546	626,540	(6)
Total liabilities	¥10,961,104	¥10,961,272	¥168
Derivative transactions (*2)			
Hedge accounting not applied	¥(6,828)	¥(6,828)	¥—
Hedge accounting applied	¥(19,892)	¥(19,892)	¥—
Total derivative transactions	¥(26,720)	¥(26,720)	¥—

	Millions of yen		
	2021		
	Consolidated balance sheet amount	Fair value	Difference
(i) Money held in trust	¥35,093	¥35,093	¥—
(ii) Securities			
Held-to-maturity debt securities	31,621	31,992	371
Available-for-sale securities	1,731,871	1,731,871	—
(iii) Loans and bills discounted	7,894,126		
Allowance for loan losses (*1)	(69,721)		
	7,824,405	7,913,644	89,240
Total assets	¥9,622,990	¥9,712,600	¥89,611
(i) Deposits	¥10,011,575	¥10,011,851	¥276
(ii) Borrowed money	638,353	637,903	(450)
Total liabilities	¥10,649,928	¥10,649,754	¥(174)
Derivative transactions (*2)			
Hedge accounting not applied	¥(6,549)	¥(6,549)	¥—
Hedge accounting applied	¥(5,504)	¥(5,504)	¥—
Total derivative transactions	¥(12,053)	¥(12,053)	¥—

	Thousands of U.S. dollars		
	2022		
	Consolidated balance sheet amount	Fair value	Difference
(i) Money held in trust	\$286,461	\$286,461	\$—
(ii) Securities			
Held-to-maturity debt securities	315,491	317,771	2,280
Available-for-sale securities	10,512,346	10,512,346	—
(iii) Loans and bills discounted	66,541,360		
Allowance for loan losses (*1)	(639,006)		
	65,902,354	66,453,624	551,270
Total assets	\$77,016,652	\$77,570,202	\$553,550
(i) Deposits	\$84,439,562	\$84,440,983	\$1,421
(ii) Borrowed money	5,119,258	5,119,209	(49)
Total liabilities	\$89,558,820	\$89,560,192	\$1,372
Derivative transactions (*2)			
Hedge accounting not applied	\$(55,789)	\$(55,789)	\$—
Hedge accounting applied	\$(162,530)	\$(162,530)	\$—
Total derivative transactions	\$(218,319)	\$(218,319)	\$—

(*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) The consolidated balance sheet amounts of shares and investments in partnerships, etc. that do not have a market price
Shares and investments in partnerships, etc. that do not have a market price are not included in "available-for-sale securities."

Category	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	Consolidated balance sheet amount		
(1) Unlisted equity securities (*1, *2)	¥7,130	¥7,466	\$58,256
(2) Investments in partnerships, etc. (*3)	21,685	14,605	177,180
Total	¥28,815	¥22,071	\$235,436

(*1) Unlisted equity securities are not included in the scope of fair value disclosures based on Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) During the years ended March 31, 2022 and 2021, impairment losses of ¥5 million (\$41 thousand) and ¥55 million were recorded on unlisted equity securities.

(*3) Investments in partnerships, etc. are not included in the scope of fair value disclosure based on Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(Note 2) Expected maturity amount of monetary claims and securities with maturities after the consolidated balance sheet date

Millions of yen					
2022					
	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	¥2,067,610	¥—	¥—	¥—	¥—
(2) Call loans and bills purchased	31,713	—	—	—	—
(3) Money held in trust	35,060	—	—	—	—
(4) Securities	33,211	93,082	135,791	118,109	670,183
Held-to-maturity debt securities	2,790	10,067	14,641	7,897	3,220
Local government bond	100	1,700	2,200	1,100	3,020
Corporate bond	2,690	8,367	12,441	6,797	200
Available-for-sale securities with maturities	30,421	83,015	121,150	110,212	666,963
Japanese government bond	—	—	8,200	18,500	347,050
Local government bond	15,127	22,827	27,672	50,496	127,976
Corporate bond	8,152	32,152	53,190	13,224	24,531
Others	7,142	28,036	32,088	27,992	167,406
(5) Loans and bills discounted (*)	1,682,917	1,228,819	1,135,369	868,266	3,228,626
Total	¥3,850,511	¥1,321,901	¥1,271,160	¥986,375	¥3,898,809

Millions of yen					
2021					
	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	¥1,708,158	¥—	¥—	¥—	¥—
(2) Call loans and bills purchased	9,189	—	—	—	—
(3) Money held in trust	35,093	—	—	—	—
(4) Securities	80,433	120,923	241,993	192,571	802,099
Held-to-maturity debt securities	1,544	5,458	14,956	6,195	3,470
Local government bond	100	700	2,530	900	2,970
Corporate bond	1,444	4,758	12,426	5,295	500
Available-for-sale securities with maturities	78,889	115,465	227,037	186,376	798,629
Japanese government bond	—	—	24,600	—	420,800
Local government bond	8,601	28,538	25,572	46,433	159,412
Corporate bond	61,705	24,786	74,237	58,595	30,093
Others	8,583	62,141	102,628	81,348	188,324
(5) Loans and bills discounted (*)	1,638,436	1,109,516	1,133,446	958,395	3,054,333
Total	¥3,471,309	¥1,230,439	¥1,375,439	¥1,150,966	¥3,856,432

Thousands of U.S. dollars					
2022					
	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	\$16,893,619	\$—	\$—	\$—	\$—
(2) Call loans and bills purchased	259,114	—	—	—	—
(3) Money held in trust	286,461	—	—	—	—
(4) Securities	271,354	760,535	1,109,493	965,022	5,475,798
Held-to-maturity debt securities	22,796	82,253	119,625	64,524	26,309
Local government bond	817	13,890	17,975	8,988	24,675
Corporate bond	21,979	68,363	101,650	55,536	1,634
Available-for-sale securities with maturities	248,558	678,282	989,868	900,498	5,449,489
Japanese government bond	—	—	66,999	151,156	2,835,607
Local government bond	123,597	186,510	226,097	412,583	1,045,641
Corporate bond	66,607	262,701	434,594	108,048	200,433
Others	58,354	229,071	262,178	228,711	1,367,808
(5) Loans and bills discounted (*)	13,750,446	10,040,191	9,276,648	7,094,256	26,379,819
Total	\$31,460,994	\$10,800,726	\$10,386,141	\$8,059,278	\$31,855,617

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

(Note 3) 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				
2022				
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
(i) Deposits (*)	¥9,673,732	¥480,751	¥146,911	¥33,164
(ii) Call money and bills sold	78,078	—	—	—
(iii) Payables under securities lending transactions	314,959	—	—	—
(iv) Borrowed money	611,586	3,984	2,461	8,515
Total	¥10,678,355	¥484,735	¥149,372	¥41,679

Millions of yen				
2021				
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
(i) Deposits (*)	¥9,290,409	¥429,417	¥255,309	¥36,441
(ii) Call money and bills sold	167,152	—	—	—
(iii) Payables under securities lending transactions	326,415	—	—	—
(iv) Borrowed money	622,413	5,134	3,810	6,995
Total	¥10,406,389	¥434,551	¥259,119	¥43,436

Thousands of U.S. dollars				
2022				
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
(i) Deposits (*)	\$79,040,216	\$3,928,025	\$1,200,351	\$270,970
(ii) Call money and bills sold	637,944	—	—	—
(iii) Payables under securities lending transactions	2,573,405	—	—	—
(iv) Borrowed money	4,997,025	32,552	20,108	69,573
Total	\$87,248,590	\$3,960,577	\$1,220,459	\$340,543

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

Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. (unadjusted) quoted prices in active markets for identical assets or liabilities.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥5,849	¥29,211	¥—	¥35,060
Securities (*1)				
Available-for-sale securities				
Japanese government bond and local government bond	373,861	242,762	—	616,623
Corporate bond	—	117,351	13,886	131,237
Equity securities	111,699	136	—	111,835
Foreign bond	95,200	29,123	—	124,323
Derivative transactions (*2)				
Interest-rate-related	—	6,496	—	6,496
Currency-related	—	(33,216)	—	(33,216)
Total assets	¥586,609	¥391,863	¥13,886	¥992,358

Category	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$47,790	\$238,671	\$—	\$286,461
Securities (*1)				
Available-for-sale securities				
Japanese government bond and local government bond	3,054,669	1,983,512	—	5,038,181
Corporate bond	—	958,828	113,457	1,072,285
Equity securities	912,648	1,111	—	913,759
Foreign bond	777,841	237,952	—	1,015,793
Derivative transactions (*2)				
Interest-rate-related	—	53,076	—	53,076
Currency-related	—	(271,395)	—	(271,395)
Total assets	\$4,792,948	\$3,201,755	\$113,457	\$8,108,160

(*1) The above table does not include investment trusts and others to which the transitional treatment provided in Article 5-6 of the Supplementary Provisions of the "Cabinet Office Ordinance Partially Amending the Ordinance, etc. on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Cabinet Office Ordinance No. 9, March 6, 2020) is applied. The amount of the investment trusts and others on the consolidated balance sheets is ¥302,588 million (\$2,472,326 thousand).

(*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 receivables and payables under derivative transactions. Parentheses, (), indicate that the net amount is payable.

(2) Financial instruments other than those measured at fair value

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Local government bond	¥—	¥8,104	¥—	¥8,104
Corporate bond	—	3,418	27,370	30,788
Loans and bills discounted	—	—	8,133,259	8,133,259
Total assets	¥—	¥11,522	¥8,160,629	¥8,172,151
Deposits	—	10,334,732	—	10,334,732
Borrowed money	—	626,540	—	626,540
Total liabilities	¥—	¥10,961,272	¥—	¥10,961,272

Category	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Local government bond	\$—	\$66,215	\$—	\$66,215
Corporate bond	—	27,927	223,629	251,556
Loans and bills discounted	—	—	66,453,624	66,453,624
Total assets	\$—	\$94,142	\$66,677,253	\$66,771,395
Deposits	—	84,440,983	—	84,440,983
Borrowed money	—	5,119,209	—	5,119,209
Total liabilities	\$—	\$89,560,192	\$—	\$89,560,192

(Note 1) A description of the valuation technique(s) and inputs used in the fair value measurements

(1) Assets

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 brokers or information vendors is taken as fair value for the debt securities. The fair value is classified as Level 1 or Level 2.

Additional information related to money held in trust by the purpose of holding is described in the note entitled "Money held in trust."

Securities

The fair value of securities for which unadjusted quoted prices in active markets are available is classified as Level 1. These securities mainly include equity securities, Japanese government bonds and government bonds (foreign bonds) of major countries (G7). The fair value of securities for which quoted prices are used but the markets are not active is classified as Level 2. These securities mainly include local government bonds and corporate bonds (excluding private placement bonds guaranteed by Yamaguchi Bank, Momiji Bank and Kitakyusyu Bank).

The fair value of investment trusts is based on disclosed net asset value. It is not classified into any levels due to the application of the transitional treatment in accordance with Paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Since private placement bonds guaranteed by Yamaguchi Bank and Momiji Bank do not have a quoted price, their fair value is determined by discounting the total amount of interest, principal and guarantee commission to their present value, using the interest rate obtained by adding the credit cost for each internal rating category. The fair value is classified as Level 3 because the discount rate is unobservable.

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 type and period by discounting the total amount of interest and principal to their present value, using as the discount rate the market interest rate as of the valuation date for operating loans and bills discounted plus the credit cost for each internal rating category. For consumer loans and bills discounted and housing loans, 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. These fair values are classified as Level 3, because they are determined using a discount rate reflecting risk factors, such as credit risk, and the discount rate is unobservable.

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, etc. 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, it is classified as Level 3.

For loans that have no specific repayment period, as the fair value is assumed to be equivalent to the book value according to the expected payment dates and interest rates, book value is taken as the fair value. The fair value is classified as Level 3.

(2) Liabilities

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) and time deposits with variable interest rates, as their fair values and book values are approximately the same, their book value is taken as their fair value.

The fair value of deposits is classified as Level 2.

Borrowed money

Short-term market interest rates are used for borrowings having a short contract period (within one year) or variable interest rates. In addition, the market value is assumed to be similar to the book value, as the credit standing of YMFG and its consolidated subsidiaries is unchanged before and after taking out these borrowings. The current values of borrowings having a long contract period (more than one year) and borrowings with fixed interest rates are calculated by applying an assumed discount rate to the total principal amount borrowed, separating principal amounts according to their borrowing periods.

The fair value of borrowed money is classified as Level 2.

Derivative transactions

The fair value of derivative transactions for which unadjusted quoted prices in active markets are available is classified as Level 1. These derivative transactions mainly include bond futures transactions and stock futures transactions.

However, most of the derivative transactions are over-the-counter transactions and do not have a quoted price. Accordingly, the fair value of these derivative transactions is determined using valuation techniques, such as a present value technique and the Black-Scholes model, in accordance with the type of transactions and the period to maturity. The main inputs used in these valuation techniques include interest rates, exchange rates and volatility. Moreover, price adjustments are made based on the credit risk of counterparties as well as that of YMFG and its consolidated subsidiaries. The calculation of credit risk-related price adjustments takes into account probability of default and loss given default which are observed from credit default swaps, or those which are estimated from the country, sector and external ratings, etc. of counterparties. The fair value of over-the-counter transactions which use observable inputs or which use

unobservable inputs whose effect is immaterial is classified as Level 2. These transactions include plain vanilla interest rate swap transactions and foreign exchange forward contract transactions.

(Note 2) Information about Level 3 fair value of financial instruments measured at fair value

(1) Quantitative information on significant unobservable inputs

Category	2022			Weighted average of inputs
	Valuation techniques	Significant unobservable inputs	Scope of inputs	
Securities				
Corporate bond				
Private placement bond	Present value technique	Credit cost rate	0.016%-0.326%	0.044%

(2) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial assets and liabilities held at the end of the year included in profit (loss) for the year

	Millions of yen						Gains or losses on valuation of financial assets and liabilities held at the end of the year included in profit (loss) for the year (*1)
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Purchases, sales, issuances and settlements, net	Transfer into Level 3 (*3)	Transfer out of Level 3 (*4)	
Securities							
Available-for-sale securities							
Corporate bond	¥12,331	¥—	¥(33)	¥1,588	¥—	¥—	¥13,886

	Thousands of U.S. dollars						Gains or losses on valuation of financial assets and liabilities held at the end of the year included in profit (loss) for the year (*1)
	Beginning balance	Recorded in profit (loss) (*1)	Recorded in other comprehensive income (*2)	Purchases, sales, issuances and settlements, net	Transfer into Level 3 (*3)	Transfer out of Level 3 (*4)	
Securities							
Available-for-sale securities							
Corporate bond	\$100,752	\$—	\$(270)	\$12,975	\$—	\$—	\$113,457

(*1) There were no gains or losses on valuation of financial assets and liabilities held at the end of the year included in profit (loss) for the year.

(*2) Included in "unrealized gains (losses) on available-for-sale securities" under "other comprehensive income" in the consolidated statements of comprehensive income.

(*3) There was no transfer out of Level 2 fair value into Level 3 fair value.

(*4) There was no transfer out of Level 3 fair value into Level 2 fair value.

(3) A description of valuation processes used for fair value measurements

The risk administration divisions of the Group have established policies and procedures for measuring fair value, and each trading division measures fair value accordingly. Independent authentication departments verify whether the fair value obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, YMFG uses a valuation model that most appropriately reflects the nature, characteristics

and risks of each asset. In addition, when using quoted prices obtained from third parties, YMFG verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with similar financial instruments.

(4) A narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Credit cost rate

The credit cost rate is determined by adding brand-specific risk premiums according to credit risk to the base market interest rate, such as TIBOR and OIS. Generally, a significant increase (decrease) in the discount rate will result in a significantly lower (higher) fair value measurement.

5. SECURITIES

Securities held at March 31, 2022 include shares of unconsolidated subsidiaries and affiliates amounting to ¥37 million (\$302 thousand). The corresponding figure at March 31, 2021 was ¥27 million.

Bonds held at March 31, 2022 and 2021 of ¥20,000 million (\$163 million) comprise waivers in the event of substantial bankruptcy and subordinated bonds.

The amount of guarantee obligations for private placement bonds (Financial Instruments and Exchange Act, Article 2-3), out of bonds included in securities, amounted to ¥40,924 million (\$334 million) and ¥33,260 million as of March 31, 2022 and 2021, respectively.

6. FAIR VALUE INFORMATION

Securities

The following tables summarize book values, fair value and acquisition cost of securities with available fair values as of March 31, 2022 and 2021:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statements of OPERATIONS
— ¥(4) million (\$34 thousand) and ¥(0) million as at March 31, 2022 and 2021, respectively.

(b) Held-to-maturity debt securities

Millions of yen				
2022				
Type	Book value	Fair value	Difference	
Securities with fair value exceeding book value	¥2,900	¥2,922	¥22	
Local government bonds				
Corporate bonds	29,459	29,757	298	
Subtotal	32,359	32,679	320	
Securities with fair value not exceeding book value	5,220	5,181	(39)	
Local government bonds				
Corporate bonds	1,034	1,031	(3)	
Subtotal	6,254	6,212	(42)	
Total	¥38,613	¥38,891	¥278	

Millions of yen				
2021				
Type	Book value	Fair value	Difference	
Securities with fair value exceeding book value	¥3,930	¥3,970	¥40	
Local government bonds				
Corporate bonds	23,833	24,174	341	
Subtotal	27,763	28,144	381	
Securities with fair value not exceeding book value	3,270	3,263	(7)	
Local government bonds				
Corporate bonds	588	586	(3)	
Subtotal	3,858	3,849	(10)	
Total	¥31,621	¥31,993	¥371	

Thousands of U.S. dollars				
2022				
Type	Book value	Fair value	Difference	
Securities with fair value exceeding book value	\$23,695	\$23,874	\$179	
Local government bonds				
Corporate bonds	240,698	243,133	2,435	
Subtotal	264,393	267,007	2,614	
Securities with fair value not exceeding book value	42,651	42,332	(319)	
Local government bonds				
Corporate bonds	8,448	8,424	(24)	
Subtotal	51,099	50,756	(343)	
Total	\$315,492	\$317,763	\$2,271	

(c) Available-for-sale securities

Millions of yen				
2022				
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	¥95,975	¥44,523	¥51,452	
Shares				
Japanese government bonds	5,222	4,959	263	
Local government bonds	6,612	6,611	1	
Corporate bonds	37,744	37,624	120	
Others	49,126	47,010	2,116	
Subtotal	194,679	140,727	53,952	
Securities with book value not exceeding acquisition cost	15,860	20,723	(4,863)	
Shares				
Japanese government bonds	368,639	384,348	(15,709)	
Local government bonds	236,150	237,999	(1,849)	
Corporate bonds	93,492	94,293	(801)	
Others	377,785	398,725	(20,940)	
Subtotal	1,091,926	1,136,088	(44,162)	
Total	¥1,286,605	¥1,276,815	¥9,790	

Millions of yen				
2021				
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	¥93,820	¥31,882	¥61,939	
Shares				
Japanese government bonds	2,095	1,806	288	
Local government bonds	113,741	113,379	362	
Corporate bonds	157,781	157,241	540	
Others	83,750	83,007	743	
Subtotal	451,187	387,315	63,872	
Securities with book value not exceeding acquisition cost	12,182	14,012	(1,830)	
Shares				
Japanese government bonds	446,712	458,570	(11,857)	
Local government bonds	155,407	155,946	(539)	
Corporate bonds	92,592	93,038	(447)	
Others	573,792	595,195	(21,403)	
Subtotal	1,280,685	1,316,761	(36,076)	
Total	¥1,731,872	¥1,704,076	¥27,796	

Thousands of U.S. dollars				
2022				
	Type	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	Shares	\$784,174	\$363,780	\$420,394
	Japanese government bonds	42,667	40,518	2,149
	Local government bonds	54,024	54,016	8
	Corporate bonds	308,391	307,411	980
	Others	401,389	384,100	17,289
	Subtotal	1,590,645	1,149,825	440,820
Securities with book value not exceeding acquisition cost	Shares	129,586	169,319	(39,733)
	Japanese government bonds	3,012,003	3,140,355	(128,352)
	Local government bonds	1,929,488	1,944,595	(15,107)
	Corporate bonds	763,886	770,431	(6,545)
	Others	3,086,731	3,257,823	(171,092)
	Subtotal	8,921,694	9,282,523	(360,829)
	Total	\$10,512,339	\$10,432,348	\$79,991

(d) Held-to-maturity debt securities sold during the year
There were no held-to-maturity securities sold during the years ended March 31, 2022 and 2021.

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

Millions of yen			
2022			
	Sale amount	Total gain on sale	Total loss on sale
Shares	¥11,670	¥442	¥1,920
Japanese government bonds	605,664	969	4,666
Local government bonds	94,368	492	—
Corporate bonds	102,021	294	6
Others	806,809	6,241	22,099
Total	¥1,620,532	¥8,438	¥28,691

Millions of yen			
2021			
	Sale amount	Total gain on sale	Total loss on sale
Shares	¥15,294	¥11,515	¥16
Japanese government bonds	442,674	510	2,380
Local government bonds	3,114	49	—
Corporate bonds	89,621	1,174	—
Others	803,113	17,600	1,653
Total	¥1,353,816	¥30,848	¥4,049

Thousands of U.S. dollars			
2022			
	Sale amount	Total gain on sale	Total loss on sale
Shares	\$95,351	\$3,611	\$15,688
Japanese government bonds	4,948,640	7,917	38,124
Local government bonds	771,043	4,020	—
Corporate bonds	833,573	2,402	49
Others	6,592,115	50,993	180,562
Total	\$13,240,722	\$68,943	\$234,423

(f) Securities for which purpose of holding changed
There were no securities for which the purpose of holding changed at March 31, 2022 and 2021.

Impairment losses on securities

Regarding securities (excluding shares and investments in partnerships, etc. that do not have a market price) 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 year in which such difference is realized (hereinafter, "impairment losses").

During the year ended March 31, 2022, impairment losses were ¥380 million (\$3,105 thousand) on equity securities and during the year ended March 31, 2021, impairment losses totaled ¥457 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, 2022 and 2021 was as follows:

(a) Money held in trust classified as trading purposes

Millions of yen		
2022		
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the year
Money held in trust classified as trading purposes	¥4,894	¥—

Millions of yen		
2021		
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the year
Money held in trust classified as trading purposes	¥4,673	¥—

Thousands of U.S. dollars		
2022		
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the year
Money held in trust classified as trading purposes	\$39,987	\$—

(b) Money held in trust classified as held-to-maturity
There are no corresponding transactions as at March 31, 2022 and 2021.

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

Millions of yen			
2022			
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥30,166	¥30,489	¥(323)

Millions of yen			
2021			
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥30,420	¥30,932	¥(512)

Thousands of U.S. dollars			
2022			
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	\$246,474	\$249,113	\$(2,639)

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
	2022	2021	2022
Net unrealized gains	¥11,345	¥27,545	\$92,696
Available-for-sale securities	11,668	28,057	95,335
Available-for-sale money held in trust	(323)	(512)	(2,639)
Deferred tax liabilities	3,132	8,055	25,590
Unrealized gains on available-for-sale securities before following adjustment	8,213	19,490	67,106
Equivalent to non-controlling interests	41	13	327
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	¥8,172	¥19,477	\$66,779

Valuation differences on investments in partnerships, etc. that do not have a market price of ¥1,877 million (\$15,336 thousand) at March 31, 2022, and valuation differences on investments in partnerships, etc. for which market values are extremely difficult to determine of ¥263 million at March 31, 2021 are recorded in available-for-sale securities of net unrealized gains in the list above.

Derivatives

(1) Derivative transactions at March 31, 2022 and 2021, to which hedge accounting is not applied

(a) Interest-rate-related:

Type	Millions of yen			Unrealized gains (losses)
	2022			
	Contract amounts	Over one year	Fair value	
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥68,010	¥66,839	¥(1,112)	¥(1,112)
Receivable floating, payable fixed	68,011	66,840	1,825	1,825
Total	¥—	¥—	¥713	¥713

Type	Millions of yen			Unrealized gains (losses)
	2021			
	Contract amounts	Over one year	Fair value	
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥43,231	¥36,499	¥41	¥41
Receivable floating, payable fixed	43,232	36,500	438	438
Total	¥—	¥—	¥479	¥479

Type	Thousands of U.S. dollars			Unrealized gains (losses)
	2022			
	Contract amounts	Over one year	Fair value	
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	\$555,683	\$546,115	\$(9,086)	\$(9,086)
Receivable floating, payable fixed	555,691	546,123	14,911	14,911
Total	\$—	\$—	\$5,825	\$5,825

(b) Currency-related:

Type	Millions of yen			Unrealized gains (losses)
	2022			
	Contract amounts	Over one year	Fair value	
Over-the-counter:				
Currency swaps	¥138,528	¥72,929	¥(4,125)	¥(69)
Foreign exchange forward contracts:				
Sold	207,932	78,605	(9,111)	(9,111)
Bought	109,344	76,967	5,755	5,755
Currency options:				
Sold	212,131	168,844	(7,723)	267
Bought	212,131	168,844	7,662	1,493
Total	¥—	¥—	¥(7,542)	¥(1,665)

Type	Millions of yen			Unrealized gains (losses)
	2021			
	Contract amounts	Over one year	Fair value	
Over-the-counter:				
Currency swaps	¥289,392	¥64,017	¥(7,083)	¥(72)
Foreign exchange forward contracts:				
Sold	160,202	60,717	(2,625)	(2,625)
Bought	133,339	53,672	2,683	2,683
Currency options:				
Sold	166,746	121,677	(6,878)	1,120
Bought	166,746	121,677	6,876	452
Total	¥—	¥—	¥(7,027)	¥1,558

Type	Thousands of U.S. dollars			Unrealized gains (losses)
	2022			
	Contract amounts	Over one year	Fair value	
Over-the-counter:				
Currency swaps	\$1,131,857	\$595,874	\$(33,704)	\$(564)
Foreign exchange forward contracts:				
Sold	1,698,930	642,250	(74,442)	(74,442)
Bought	893,406	628,867	47,022	47,022
Currency options:				
Sold	1,733,238	1,379,557	(63,102)	2,182
Bought	1,733,238	1,379,557	62,603	12,199
Total	\$—	\$—	\$(61,623)	\$(13,603)

(c) Stock-related:

There were no stock-related transactions as at March 31, 2022 and 2021.

(d) Bond-related:

There were no bond-related transactions as at March 31, 2022 and 2021.

(e) Commodity-related:

There were no commodity-related transactions as at March 31, 2022 and 2021.

(f) Credit-derivatives:

There were no credit-related transactions as at March 31, 2022 and 2021.

(2) Derivative transactions as at March 31, 2022 and 2021, to which hedge accounting is applied

(a) Interest-rate-related:

Type	Millions of yen		
	2022		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥402,778	¥280,878	¥5,783
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	42	42	*
Total	¥—	¥—	¥5,783

Type	Millions of yen		
	2021		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥279,245	¥279,245	¥2,234
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	75	75	*
Total	¥—	¥—	¥2,234

Type	Thousands of U.S. dollars		
	2022		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	\$3,290,939	\$2,294,942	\$47,251
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	343	343	*
Total	\$—	\$—	\$47,251

(*) 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 "4. FINANCIAL INSTRUMENTS."

(b) Currency-related:

Type	Millions of yen		
	2022		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥324,749	¥112,040	¥(25,676)
Total	¥—	¥—	¥(25,676)

Type	Millions of yen		
	2021		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥176,233	¥75,844	¥(7,737)
Total	¥—	¥—	¥(7,737)

Type	Thousands of U.S. dollars		
	2022		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	\$2,653,395	\$915,434	\$(209,788)
Total	\$—	\$—	\$(209,788)

(c) Stock-related:

There were no stock-related transactions at March 31, 2022 and 2021.

(d) Bond-related:

There were no bond-related transactions at March 31, 2022 and 2021.

7. LOANS AND BILLS DISCOUNTED

Loans under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions at March 31, 2022 and 2021 are as follows. These loans consist of corporate bonds in "securities" (limited to those corporate bonds for which redemption of the principal and payment of interest are fully or partially guaranteed and which are issued through private placement of securities (Article 2-3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchanges, interest accrual and suspense payments in "other assets" and customers' liabilities for acceptances and guarantees in the consolidated balance sheets, as well as securities loaned under a loan-for-use or lease agreement.

- (1) Bankrupt/de facto bankrupt loans amounting to ¥33,432 million (\$273 million) and ¥45,099 million denote loans at March 31, 2022 and 2021, respectively, held against borrowers with failed business status due to commencement of bankruptcy proceedings, commencement of reorganization proceedings or commencement of rehabilitation proceedings, and any other type of loans equivalent thereto.
 - (2) Doubtful loans amounting to ¥89,439 million (\$731 million) and ¥45,267 million denote loans at March 31, 2022 and 2021, respectively, whose borrower is not yet in the status of failure in business although such borrower's financial status and operating performance are worsening, and for which it is highly probable that the principal will not be collected or interests will not be received in accordance with the contract, excluding bankrupt/de facto bankrupt loans.
 - (3) Loans past due for three months or more amounting to ¥364 million (\$3 million) and ¥445 million denote loans at March 31, 2022 and 2021, respectively, where payment of interest or principal has been delayed for three months or more, excluding bankrupt/de facto bankrupt loans and doubtful loans.
 - (4) Restructured loans amounting to ¥4,569 million (\$37 million) and ¥10,630 million denote loans at March 31, 2022 and 2021, respectively, 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 bankrupt/de facto bankrupt loans, doubtful loans and loans past due for three months or more.
- The total of bankrupt/de facto bankrupt loans, doubtful loans, loans past due for three months or more and restructured loans amounted to ¥127,804 million (\$1,044 million) and ¥101,441 million at March 31, 2022 and 2021, respectively.

The loan amounts disclosed above are amounts before deducting an allowance for loan losses.

(Changes in presentation method)

Applying the "Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act, etc."

(Cabinet Office Order No. 3, January 24, 2020) that came into effect on March 31, 2022, the classification of “risk management loans” under the Banking Act is presented in accordance with the classification of disclosed loans under the Act on Emergency Measures for the Revitalization of the Financial Functions.

Commercial bills

Bills discounted are accounted for as financing transactions in accordance with the Industry Audit Committee Report No. 24, March 17, 2022, 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 ¥20,760 million (\$170 million) at March 31, 2022 and ¥20,648 million at March 31, 2021.

Loan participation

Based on the “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 ¥2,783 million (\$23 million) and ¥2,783 million at March 31, 2022 and 2021, respectively.

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 ¥937,356 million (\$7,659 million) at March 31, 2022 and ¥949,071 million at March 31, 2021. Of this amount, ¥745,398 million (\$6,090 million) at March 31, 2022 and ¥774,026 million at March 31, 2021 relate 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, 2022 and 2021, the following assets were pledged as collateral for certain liabilities of the Banks.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥14	¥14	\$114
Securities	535,274	588,440	4,373,511
Loans and bills discounted	585,530	633,488	4,784,133

The collateral was pledged to secure the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deposits	¥48,378	¥39,569	\$395,277
Payables under securities lending transactions	314,959	326,414	2,573,405
Borrowings	605,400	613,500	4,946,483

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 ¥1,983 million (\$16 million) at March 31, 2022 and ¥23,225 million at March 31, 2021.

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
	2022	2021	2022
Deposits	¥1,864	¥2,220	\$15,230
Collateral pledged for transactions involving public funds	1,299	1,199	10,614
Collateral pledged for financial instruments	44,831	22,503	366,296
Collateral pledged for exchange settlements	84,000	76,400	686,331
Financial futures margin	10	10	82
Margin on bond futures transactions	1,000	1,000	8,171

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥80,477 million (\$658 million) at March 31, 2022, and ¥80,146 million at March 31, 2021.

11. ADVANCED DEPRECIATION AMOUNT OF TANGIBLE FIXED ASSETS

At March 31, 2022 and 2021, accumulated advanced depreciation amount of tangible fixed assets was ¥9,628 million (\$79 million) and ¥8,147 million. Advance depreciation expenses in the years ended March 31, 2022 and 2021 were ¥1,592 million (\$13 million) and none, respectively.

12. IMPAIRMENT LOSSES

During the years ended March 31, 2022 and 2021, impairment losses were recorded on the following assets.

Location	Primary use	Type	Impairment loss		Thousands of U.S. dollars 2022
			Millions of yen 2022	2021	
Within Yamaguchi Prefecture	Business-use assets, corporate assets, welfare facility	Land, buildings, other tangible fixed assets	¥1,941	¥—	\$15,859
Within Hiroshima Prefecture	Business-use assets, corporate assets, welfare facility	Land, buildings, other tangible fixed assets	1,501	—	12,264
Within Hyogo Prefecture	Business-use assets, welfare facility	Land, buildings, other tangible fixed assets	251	—	2,051
Within Tokyo Metropolitan	Welfare facility	Buildings	190	—	1,552
Within Aichi Prefecture	Welfare facility	Land, buildings	54	—	441
Within Shimane Prefecture	Welfare facility	Land, buildings	46	—	376
Within Fukuoka Prefecture	Business-use assets	Buildings, other tangible fixed assets	43	—	351
Within Osaka Prefecture	Business-use assets	Buildings, other tangible fixed assets	18	—	147
Within Oita Prefecture	Business-use assets	Buildings, other tangible fixed assets	13	—	106
Within Kumamoto Prefecture	Business-use assets	Buildings	12	—	98
Other	Business-use assets, welfare facility	Land, buildings	17	—	139
—	—	Other assets, goodwill	1,545	—	12,625
Within Hiroshima Prefecture	Business-use assets	Buildings, movable property	—	183	—
Within Yamaguchi Prefecture	Business-use assets	Land, buildings, movable property	—	155	—
Within Aichi Prefecture	Business-use assets	Buildings	—	37	—
Within Tokyo Metropolitan	Welfare facility for sale	Buildings	—	5	—
Within Fukuoka Prefecture	Business-use assets	Buildings, movable property	—	1	—
Total			¥5,631	¥381	\$46,009

(1) Land, buildings and other tangible fixed assets 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 (If multiple branches operate in a same building, these branches are grouped in one group). 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 year ended March 31, 2022, the book values of business-use assets which were determined not to create

sufficient operating cash flow and assets to be moved, discontinued in use or sold are reduced to their recoverable values, and the reduction of ¥4,086 million (\$33,384 thousand) was recognized as impairment losses. This amount includes land of ¥3,071 million (\$25,091 thousand), buildings (including exit and disposal costs) of ¥1,009 million (\$8,244 thousand) and movable property of ¥6 million (\$49 thousand).

In the year ended March 31, 2021, the book values of business-use assets which were determined not to create sufficient operating cash flow and assets to be moved, discontinued in use or sold are reduced to their recoverable values, and the reduction of ¥381 million was recognized as impairment losses. This amount includes buildings (including exit costs) of ¥248 million, land of ¥132 million and movable property of ¥1 million.

The recoverable amount used to estimate the impairment loss for the years ended March 31, 2022 and 2021 is the net selling price, which is calculated by deducting the expected disposal cost from the expected disposal value.

(2) Other assets

In the year ended March 31, 2022, the book values of other assets whose value has declined are reduced to their recoverable values, and the reduction of ¥18 million (\$147 thousand) was recognized as impairment losses.

(3) Goodwill

In the event of signs of impairment of fixed assets stated in the consolidated financial statements (including goodwill), if the total amount of undiscounted future cash flows from the target assets falls below the book value of fixed assets (including goodwill), book value is reduced to the recoverable value, and the reduction in book value is recognized as an impairment loss.

With respect to goodwill which YMFG recorded at the acquisition of Hoken Hiroba, a consolidated subsidiary, Hoken Hiroba experienced a substantial decline in the number of people visiting its branches amid the prolonged COVID-19 pandemic, during the year ended March 31, 2022, and income declined and operating performance deteriorated accordingly. As a result, YMFG determined signs of impairment in this business, including goodwill. In deliberating on whether to recognize impairment losses, YMFG determined that the amount of undiscounted future cash flows from the target fixed assets (including goodwill) fell below their book value, so recognized goodwill of ¥1,527 million (\$12,477 thousand) as impairment losses.

13. BORROWED MONEY

Payment schedule of borrowed money as of March 31, 2022 is as follows:

	Millions of yen	Thousands of U.S. dollars
2022	¥611,586	\$4,997,026
2023	3,984	32,552
2024	2,461	20,108
2025	1,690	13,808
2026	1,160	9,478
Thereafter	5,665	46,286
Total	¥626,546	\$5,119,258

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.

Moreover, in the year ended March 31, 2022, part of plan assets under defined benefit corporate pension plans was transferred to defined contribution pension plans.

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 years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligations at the beginning of the year	¥53,953	¥61,677	\$440,828
Service cost	1,396	1,853	11,406
Interest cost	116	110	948
Actuarial differences	(681)	(1,023)	(5,564)
Past service cost	—	(5,577)	—
Retirement benefit payments	(3,398)	(3,099)	(27,764)
Others	(5)	12	(41)
Retirement benefit obligations at the end of the year	¥51,381	¥53,953	\$419,813

(2) Reconciliation of plan asset balances at the beginning and the end of the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance of plan assets at the beginning of the year	¥110,770	¥92,788	\$905,058
Expected return on plan assets	1,846	2,060	15,083
Actuarial differences	(1,946)	17,167	(15,900)
Contribution from employer	456	623	3,726
Retirement benefit payments	(2,358)	(2,162)	(19,266)
Decrease resulting from transfer to defined contribution pension plans	(1,241)	—	(10,140)
Cancellation of retirement benefit trusts	(26,286)	—	(214,772)
Others	216	294	1,764
Balance of plan assets at the end of the year	¥81,457	¥110,770	\$665,553

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at March 31, 2022 and 2021, and the carrying amounts of net defined benefit liability and net defined benefit asset

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligations of funded plans	¥51,269	¥53,846	\$418,899
Plan assets	(81,457)	(110,770)	(665,553)
	(30,188)	(56,924)	(246,654)
Retirement benefit obligations of unfunded plans	112	107	915
Net carrying amount of Liabilities and assets	¥(30,076)	¥(56,817)	\$(245,739)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net retirement benefit liability	¥2,652	¥2,789	\$21,668
Net retirement benefit asset	(32,728)	(59,607)	(267,407)
Net carrying amount of Liabilities and assets	¥(30,076)	¥(56,818)	\$(245,739)

(4) Retirement benefit costs and their breakdowns

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost (*1)	¥1,396	¥1,853	\$11,406
Interest cost	116	110	948
Expected return on plan assets	(1,846)	(2,060)	(15,083)
Recognized actuarial loss	(621)	(20)	(5,074)
Recognized past service cost	(2,788)	(2,788)	(22,780)
Others	106	80	866
Retirement benefit costs on defined benefit plans	¥(3,637)	¥(2,825)	\$(29,717)
Gains on cancellation of retirement benefit trusts (*2)	¥9,094	¥—	\$74,303
Loss on revision of retirement benefit plan (*3)	1,241	—	10,140

(*1) Excludes employee contribution portion of defined benefit corporate pensions

(*2) "Gains on cancellation of retirement benefit trusts" are recorded in other income.

(*3) "Loss on revision of retirement benefit plan" is recorded in other expenses.

(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
	2022	2021	2022
Actuarial gain (loss)	¥(12,241)	¥18,171	\$(100,016)
Past service cost	(2,788)	2,788	(22,780)
Total	¥(15,029)	¥20,959	\$(122,796)

(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
	2022	2021	2022
Unrecognized actuarial gain (loss)	¥(3,022)	¥(15,263)	\$(24,692)
Unrecognized past service cost	—	(2,788)	—
Total	¥(3,022)	¥(18,051)	\$(24,692)

(7) Plan assets

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

	2022	2021
Bonds	36%	30%
Shares	36%	53%
Others	28%	17%
Total	100%	100%

(Note) Plan assets include 31% of corporate pension plans established as retirement benefit trusts at March 31, 2022, and 49% at March 31, 2021.

(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, 2022 and 2021

	2022	2021
Discount rate	0.00%—1.27%	0.00%—0.98%
Expected long-term rate of return on plan assets	1.00%—2.60%	1.60%—2.60%
Expected rate of salary increase	0.63%—3.84%	0.63%—3.84%

Defined contribution plans

The required contribution to the consolidated subsidiaries' defined contribution plans at March 31, 2022 and 2021 was ¥317 million (\$3 million) and ¥269 million, respectively.

Other items pertaining to retirement benefits

As a result of transferring part of plan assets from defined benefit corporate pension plans to defined contribution pension plans in the year ended March 31, 2022, "loss on revision of retirement benefit plan" of ¥1,241 million (\$10 million) is recorded in other expenses.

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

Article 3-3 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, 2022 and 2021 was ¥12,474 million (\$102 million) and ¥15,005 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 ¥3,725 million (\$30 million), dividends from creditor group insurance of ¥919 million (\$8 million) and income from investment partnership of ¥398 million (\$3 million) for the year ended March 31, 2022 and the gains on sale of stock of ¥19,295 million, dividends from creditor group insurance of ¥691 million and income from investment partnership of ¥343 million for the year ended March 31, 2021.

18. GENERAL AND ADMINISTRATIVE EXPENSES

Items included in operating expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Salary and allowance	¥28,729	¥30,214	\$234,733
Depreciation	5,401	5,787	44,129

19. OTHER EXPENSES

Items included in other expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loss on sale of stock	¥7,140	¥656	\$58,338
Losses on investment partnership	858	574	7,010
Loss on financial derivatives	424	198	3,464
Losses on devaluation of stocks and other securities	386	512	3,154
Loss on investment in money held in trust	0	3,680	0

In addition to the above, the ESOP Trust for employee shareholders was unable to pay off its debt obligations, so the Group recorded a loss on loan guarantees of ¥535 million for the redemption period ended March 31, 2021.

20. LEASE TRANSACTIONS

1. Finance lease transactions

Finance lease transactions that do not transfer ownership
Borrower

- (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 "Tangible fixed assets (excluding lease assets)" under (4) Accounting policies in "2. SIGNIFICANT ACCOUNTING POLICIES."

2. Operating leases

Future minimum lease payments at March 31, 2022 and 2021 were as follows:

Borrower

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Within one year	¥130	¥117	\$1,062
More than one year	522	575	4,265
Total minimum lease payments	¥652	¥692	\$5,327

Lender

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Within one year	¥44	¥4	\$360
More than one year	127	27	1,038
Total minimum lease payments	¥171	¥31	\$1,398

21. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for loan losses	¥22,692	¥18,519	\$185,407
Unrealized gains on available-for-sale securities	4,693	3,829	38,345
Net operating losses carryforwards	1,014	486	8,285
Provision for bonuses	881	901	7,198
Depreciation	637	584	5,205
Losses on devaluation of securities	611	581	4,992
Net defined benefit liability	324	143	2,647
Other	2,370	1,808	19,364
Deferred tax assets	33,222	26,851	271,443
Valuation allowance	(10,168)	(1,632)	(83,079)
Total deferred tax assets	23,054	25,219	188,364
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(7,826)	(11,884)	(63,943)
Net defined benefit asset	(2,906)	(6,421)	(23,744)
Securities contributed to retirement benefit trusts	(2,620)	(3,045)	(21,407)
Deferred gains or losses on hedges	(2,076)	(644)	(16,962)
Capital gain (loss) adjustment	(1,886)	(130)	(15,410)
Gains on cancellation of retirement benefit trusts	(1,793)	—	(14,650)
Reserve for advanced depreciation of non-current assets	(1,324)	(1,334)	(10,818)
Other	(533)	(5)	(4,355)
Total deferred tax liabilities	(20,964)	(23,464)	(171,289)
Net deferred tax assets (liabilities)	¥2,090	¥1,755	\$17,075

(Note) The main change in valuation allowance is an increase in valuation allowance related to allowance for loan losses.

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, 2021 were as follows:

	2022	2021
Effective statutory tax rate	—%	30.46%
(Adjustments)		
Changes in the valuation reserve	—%	0.44%
Items that are not permanently included in profits, such as dividends received	—%	(0.63)%
Non-deductible goodwill amortization	—%	0.28%
Items that are not permanently included in losses, such as entertainment expenses	—%	0.72%
Inhabitant tax on a per capita basis	—%	0.36%
Consolidation adjustments	—%	0.14%
Others	—%	0.26%
Tax burden after the application of tax-effect accounting	—%	32.03%

(Note) Information for the year ended March 31, 2022 is not described as loss before income taxes is recorded.

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 24, 2022, the shareholders approved cash dividends amounting to ¥3,337 million (\$27 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2022 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders' meeting, held on June 25, 2021, the shareholders approved cash dividends amounting to ¥3,225 million. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2021 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, 2021	Increase	Decrease	March 31, 2022
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock (*1, *2)	17,171	9,806	112	26,865
Total	17,171	9,806	112	26,865

(*1) The increase in the number of treasury stock is due to market purchases of 9,805 thousand shares, and purchases of shares constituting less than one trading unit, totaling 1 thousand shares. The decrease of treasury stock included 71 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT) and 41 thousand shares for the exercise of share options.

(*2) Treasury stock as of beginning and ending of year ended March 31, 2022 includes 921 thousand shares and 849 thousand shares held by the Board Benefit Trust (BBT).

	Number of shares (in thousand)			
	March 31, 2020	Increase	Decrease	March 31, 2021
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock (*1, *2, *3)	10,559	7,160	549	17,171
Total	10,559	7,160	549	17,171

(*1) The increase in the number of treasury stock is due to market purchases of 7,159 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 456 thousand shares from the ESOP Trust for Group employees to the YMFG stock ownership plan, 84 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT), 8 thousand shares for the exercise of share options 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 year ended March 31, 2021 includes 456 thousand shares held by the ESOP Trust for

employee shareholders. The trust has sold all of the Company's shares it held; as of March 31, 2021, the trust had no holdings of Company shares.

(*3) Treasury stock as of beginning and ending of year ended March 31, 2021 includes 1,005 thousand shares and 921 thousand shares held by the Board Benefit Trust (BBT).

2. Stock options

Stock options at March 31, 2022 and 2021 were ¥82 million (\$1 million) and ¥117 million, respectively.

3. Information on dividends is as follows:

(a) Dividends paid in the years ended March 31, 2022 and 2021.

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 14, 2021				
Common stock	¥3,225 (*1)	¥13.00	Mar. 31, 2021	Jun. 28, 2021
Resolved at the board of directors meeting on November 12, 2021				
Common stock	¥3,474 (*2)	¥14.00	Sep. 30, 2021	Dec. 10, 2021

(*1) The total amount of dividend on common stock includes ¥12 million in dividends to Board Benefit Trust (BBT).

(*2) The total amount of dividend on common stock includes ¥13 million in dividends to 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 15, 2020				
Common stock	¥3,063 (*1)	¥12.00	Mar. 31, 2020	Jun. 26, 2020
Resolved at the board of directors meeting on November 13, 2020				
Common stock	¥3,284 (*2)	¥13.00	Sep. 30, 2020	Dec. 10, 2020

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

(*2) The total amount of dividend on common stock includes ¥14 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 14, 2021				
Common stock	\$26,350 (*1)	\$0.12	Mar. 31, 2021	Jun. 28, 2021
Resolved at the board of directors meeting on November 12, 2021				
Common stock	\$28,385 (*2)	\$0.13	Sep. 30, 2021	Dec. 10, 2021

(*1) The total amount of dividend on common stock includes \$98 thousand in dividends to Board Benefit Trust (BBT).

(*2) The total amount of dividend on common stock includes \$106 thousand in dividends to Board Benefit Trust (BBT).

(b) Dividends to be paid in the years ending March 31, 2023 and 2022 are as follows:

(Millions of yen, except per share amount)					
Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 13, 2022					
Common stock	¥3,337*	Retained earnings	¥14.00	Mar. 31, 2022	Jun. 27, 2022

* The total amount of dividend on common stock includes ¥12 million in dividends to 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 14, 2021					
Common stock	¥3,225*	Retained earnings	¥13.00	Mar. 31, 2021	Jun. 28, 2021

* The total amount of dividend on common stock includes ¥12 million in dividends to 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 13, 2022					
Common stock	\$27,265*	Retained earnings	\$0.11	Mar. 31, 2022	Jun. 27, 2022

* The total amount of dividend on common stock includes \$98 thousand in dividends to 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 years ended March 31, 2022 and 2021.

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 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 year	—	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	—	—	—	—	—
Rights not yet determined	—	—	—	—	—
After vesting					
As of the end of the previous year	31,600	34,200	21,900	20,200	7,800
Rights determined	—	—	—	—	—
Rights exercised	4,900	7,300	9,100	11,900	7,800
Expiry	—	—	—	—	—
Amount unexercised	26,700	26,900	12,800	8,300	—

(b) Price information

	Yen				
	2016	2015	2014	2013	2012
Exercise price	¥1	¥1	¥1	¥1	¥1
Average share price at time of exercise	634	634	634	634	634
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. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

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 are limited.

Disaggregation of revenue from contracts with customers is as follows:

Category	Millions of yen	Thousands of U.S. dollars
	2022	2022
Fees and commissions	¥23,823	\$194,648
Deposit and loan and bill discounted business	5,095	41,629
Exchange business	4,911	40,126
Securities-related business	4,014	32,797
Agency business	248	2,026
Safe custody and safe deposit box business	209	1,708
Other businesses	9,346	76,362
Other income	603	4,927
Income from contracts with customers	24,426	199,575
Income from other sources	122,591	1,001,642
Income from external customers	¥147,017	\$1,201,217

2. Useful information in understanding revenue from contracts with customers

As described in "Method for recording revenue" under (4) Accounting policies in "2. SIGNIFICANT ACCOUNTING POLICIES."

3. Contract asset and contract liability balances and transaction price allocated to the remaining performance obligations

(1) Contract asset and contract liability balances
Contract assets and contract liabilities of YMFG and its subsidiaries are omitted, as their balances have little significance and have not changed significantly. Revenue recognized in the year ended March 31, 2022 from performance obligations satisfied in prior periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

As for the transaction price allocated to the remaining performance obligations, YMFG and its subsidiaries have no significant contracts whose term initially expected exceeds one year. Accordingly, consideration from contracts with customers contains no significant financing component included in the transaction price.

27. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts of reclassification adjustments and tax effect amounts related to other comprehensive income in the years ended March 31, 2022 and 2021 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrealized gains (losses) on available-for-sale securities			
Amount generated during the year	¥(38,468)	¥33,907	\$(314,307)
Reclassification adjustments	22,591	(19,864)	184,582
Before tax effect adjustment	(15,877)	14,043	(129,725)
Tax effect amount	4,599	(4,232)	37,577
Unrealized gains (losses) on available-for-sale securities	(11,278)	9,811	(92,140)
Deferred gains (losses) on hedges			
Amount generated during the year	3,544	17,106	28,957
Reclassification adjustments	1,156	348	9,445
Before tax effect adjustment	4,700	17,454	38,402
Tax effect amount	(1,431)	(5,317)	(11,692)
Deferred gains (losses) on hedges	3,269	12,137	26,710
Remeasurements of defined benefit plans			
Amount generated during the year	(1,265)	20,979	(10,336)
Reclassification adjustments	(13,764)	(20)	(112,468)
Before adjustment for tax effects	(15,029)	20,959	(122,804)
Tax effect amount	4,578	(6,384)	37,413
Remeasurements of defined benefit plans	(10,451)	14,575	(85,391)
Total other comprehensive income	¥(18,460)	¥36,523	\$(150,821)

28. 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 are 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.

29. 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, 2022

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, 2021

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.

Corporate pensions for employees, etc.

For the year ended March 31, 2022

Category:	Corporate pensions
Name:	Retirement benefit trusts
Relationship with related party:	Plan assets on retirement benefit accounting
Content of transaction:	Return of part of assets
Transaction amount:	¥25,026 million (\$204 million)

For the year ended March 31, 2021

There was no transaction related to corporate pensions for employees, etc.

30. PER SHARE DATA

	yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥2,652.26	¥2,729.94	\$21.67
Net income (loss) per share	(53.29)	99.63	(0.44)
Net income per share (diluted)	—	¥99.59	—

(Note) Net income per share (diluted) for the year ended March 31, 2022 is not described, because net loss per share is recorded although dilutive shares exist.

Net assets per share are calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2022	2021	2022
Net assets	¥636,344	¥681,139	\$5,199,314
Amounts excluded from net assets	6,465	6,345	52,823
Stock options	82	117	670
Non-controlling interests	6,383	6,228	52,153
Net assets attributable to common stock at the year-end	629,879	674,794	5,146,491
Number of common stock at the year-end used for the calculation of net assets per share (in thousands)*	237,488	247,182	—

* Shares of YMFG held by 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 year-end used for the calculation of net assets per share. This number of shares held by the Board Benefit Trust (BBT) was 849 thousand as of March 31, 2022, and 921 thousand as of March 31, 2021.

Net income (loss) per share is calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2022	2021	2022
Net income (loss) attributable to owners of the parent	¥(13,006)	¥24,958	\$(106,267)
Amount not attributable to common shareholders	—	—	—
Net income (loss) attributable to owners of the parent for common stock	(13,006)	24,958	(106,267)
Average shares of common stock during the year* (in thousands)	244,077	250,496	—

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

	Millions of yen except number of shares		Thousands of U.S. dollars
	2022	2021	2022
Net income adjustment attributable to owners of the parent	¥—	¥—	\$—
Increase of shares of common stock	—	118	—
Warrant	—	118	—
Dilutive shares not including calculation due to no dilutive effect	—	—	—

(*1) Diluted net income per share for the year ended March 31, 2022 is not described, because net loss per share is recorded although dilutive shares exist.

(*2) 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 899 thousand in the year ended March 31, 2022 and 1,103 thousand in the year ended March 31, 2021.

The ESOP Trust for employee shareholders was terminated in March 2021.

31. SUBSEQUENT EVENTS

For the year ended March 31, 2022

Dividends were made in June 2022. Please refer to “22. NET ASSETS.”

Acquisition of treasury stock

At a Board of Directors meeting on May 13, 2022, YMFG resolved to acquire common stock issued by YMFG as follows, based on Article 156 of the Companies Act as applied by replacing terms pursuant to provisions of Article 165-3 of the Act, in accordance with provisions of Article 7 of the Articles of Incorporation of YMFG pursuant to provisions of Article 165-2 of the Act for the purpose of enhancing shareholder returns and improving capital efficiency.

1. Resolution at a Board of Directors meeting on May 13, 2022

(1) Type of shares to be acquired

Common stock of YMFG

(2) Total number of shares to be acquired

20,000,000 shares (maximum)

(3) Total acquisition price of the shares

¥10,000,000,000 (maximum) (\$81,706 thousand)

(4) Acquisition period

May 16, 2022 to March 24, 2023

(5) Acquisition method

Market purchases on the Tokyo Stock Exchange

For the year ended March 31, 2021

There were no significant subsequent events. Dividends were made in June 2021. Please refer to “22. NET ASSETS.”

Issuance of unsecured subordinated bonds (with a non-viability write-off clause)

Based on the resolution at the board of directors meeting held on September 26, 2022 for issuance of unsecured bonds, YMFG determined the following conditions for the issuance on October 14, 2022. Issuance for the 8th and 9th series of unsecured callable bonds were completed on October 20, 2022 and October 31, 2022, respectively.

Name	8th series of unsecured subordinated callable bonds (with a non-viability write-off clause) (Green Bonds)	9th series of unsecured subordinated callable bonds (with a non-viability write-off clause) (Green Bonds)
Total amount of issue	¥2,400 million	¥20,000 million
Denomination of each bond	¥100 million	¥1 million
Coupon rate	1. First five years (until October 20, 2027): 1.10% per annum 2. After five years: Six-month Japanese yen TIBOR +0.68%	1. First five years (until October 31, 2027): 1.10% per annum 2. After five years: Mid-rate for five-year Japanese yen swap + 0.68%
Issue price	¥100 per face value	¥100 of each bond
Redemption price	¥100 per face value	¥100 of each bond
Maturity date	October 20, 2032	October 31, 2032
Use of proceeds	<p>The proceeds from the issuance of these bonds will be used by the Banks to finance new and existing loans that meet the following eligibility criteria.</p> <p>1. Renewable energy Financing for the following renewable energy power generation projects (both new/existing projects)</p> <ul style="list-style-type: none"> i. Solar power generation ii. Biomass power generation (limited to projects that use sustainable feedstock or waste materials) iii. Wind power generation iv. Hydro power generation (limited to projects with a capacity less than 25 MW) <p>2. Green buildings Financing for projects associated with (1) construction/purchase of new buildings or (2) renovation/rebuilding of existing buildings which have obtained, or are scheduled to obtain, the following certifications</p> <ul style="list-style-type: none"> i. LEED: Gold or higher ii. BREEAM: Excellent or higher iii. CASBEE: Rank A or higher iv. BELS: Four stars or higher v. DBJ Green Building: Four stars or higher 	
Collateral/guarantee	These bonds are not secured by collateral or guarantee and there are no assets pledged particularly for these bonds.	



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Yamaguchi Financial Group, Inc. and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Borrower Classification for Allowance for Loan Losses

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of Yamaguchi Financial Group, Inc., loans and bills discounted (hereinafter referred to as the "Loans") of ¥8,143,997 million were recognized, accounting for approximately 66.8%, which is a significant portion of the	The primary procedures we performed to assess the appropriateness of the borrower classification of the recipients of management improvement support initiatives taking into account qualitative factors at Group banks included the following: (1) Internal control testing

total consolidated assets. The corresponding allowance for loan losses was ¥78,208 million. These included the balances of Yamaguchi Bank, Ltd, Momiji Bank, Ltd and Kitakyushu Bank, Ltd (hereinafter referred to as the "Group banks"), all of which are consolidated subsidiaries. Loans of the Group banks, before eliminations of intercompany balances of consolidated subsidiaries, were ¥8,223,908 million and the corresponding allowance for loan losses was ¥78,068 million.

As described in Note 2, "SIGNIFICANT ACCOUNTING POLICIES, (4) Accounting Policies, Allowance for loan losses" to the consolidated financial statements, the Group banks assess their receivables, including the Loans, in accordance with the self-assessment criteria. Based on the results of the self-assessments, the Loans are classified into loans to normal borrowers, etc., and an allowance for loan losses is provided by each class, in accordance with the method specified in the write-off and provisioning standards, for the expected amount of losses based on the actual rate of losses from bad debts and the default probability, or the amount calculated by deducting the amount expected to be collected through disposition of collateral or execution of guarantees, etc.

As described in Note "Major accounting estimates, Allowance for loan losses" to the consolidated financial statements, in the self-assessment, the borrower classification is determined based on the status of the borrower's credit risk, taking into account qualitative factors including forward-looking information as well as quantitative factors including financial information. If certain conditions are met, such as the existence of a reasonable and highly feasible business improvement plan, the borrower classification is determined taking into account the details of the plan.

In Yamaguchi Prefecture, Hiroshima Prefecture and the city of Kitakyushu, the principal business areas of the Group banks,

We evaluated the design and operating effectiveness of certain internal controls over the process of determining the borrower classification, focusing on the following:

- ① Establishment of rules for self-assessment in compliance with the applicable accounting standards.
 - ② Controls to take into account qualitative factors in determining the borrower classification.
- (2) Evaluation of the appropriateness of the borrower classification

We mainly performed the following procedures for borrowers selected based on certain criteria. We considered not only quantitative factors but also qualitative factors, including the effects of the prolonged spread of COVID-19, in our selection.

- ① We inspected the financial analyses and other materials used as a basis for the borrower classification to determine whether the borrower classification was carried out in accordance with the Group bank's rules for self-assessment.
- ② If a business improvement plan has been created, we mainly performed the following procedures to assess the reasonableness and feasibility of the plan, taking into account the impact of the prolonged spread of COVID-19.
 - Inspection of the business improvement plans
 - Inquiry to the assessment departments about the basis for assumptions included in the business improvement plans
 - Comparison of financial position and operating results of borrowers with the forward-looking information, including planned figures
- ③ We inquired of the assessment departments about the basis for the borrower classification.

We assessed the appropriateness of the borrower classification by comprehensively taking into account the actual financial status of the borrower, the debt repayment capacity considering the latest operating results and cash flows, liquidity position, forward-looking information including the business improvement plans, and the effects of the prolonged spread of COVID-19.

there is uncertainty in the future business prospect, such as a decline in corporate profits and a decrease in personal consumption, due to the effects of the prolonged spread of COVID-19, in addition to a declining population, aging population with low birthrate and a shortage of business successors. In order to cope with these circumstances, the Group banks conduct business feasibility assessment activities as part of measures to develop and revitalize the regional economy. In particular, the Group banks designate borrowers who are deemed to require business improvement support as "recipients of management improvement support initiatives" and focus on supporting them. Loans to borrowers designated as "recipients of management improvement support initiatives" amounted to ¥133,405 million, and the corresponding allowance for loan losses was ¥27,692 million.

The determination of the borrower classification for those borrowers designated as recipients of management improvement support initiatives takes into account qualitative factors and depends significantly on the estimates based on forward-looking information, such as the reasonableness and feasibility of the business improvement plans prepared assuming such support. Such estimates involve significant uncertainty and require a high degree of management judgment.

We, therefore, determined that evaluation of the appropriateness of the allowance for loan losses of the Group banks for recipients of management improvement support initiatives, specifically the appropriateness of the borrower classification which takes into account qualitative factors, was the most significant in the audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.

Other Information

The other information comprises the information included in the Integrated Report but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for

the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the audit And Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan. The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Atsuji Maeno

Designated Engagement Partner

Certified Public Accountant

Yoshinao Abe

Designated Engagement Partner

Certified Public Accountant

Noriyuki Akiyama

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

November 18, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Yamaguchi Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2022 and 2021

ASSETS		Millions of yen	Millions of yen	Thousands of
		2022	2021	U.S. dollars
Assets	Cash and due from banks	¥1,201,587	¥967,224	\$9,817,689
	Call loans and bills purchased	50,806	24,356	415,116
	Monetary claims bought	5,443	4,556	44,473
	Trading assets	2,454	1,373	20,051
	Money held in trust	25,386	25,180	207,419
	Securities	861,952	1,174,387	7,042,667
	Loans and bills discounted	4,541,577	4,374,246	37,107,419
	Foreign exchanges	12,993	10,482	106,161
	Other assets	163,571	160,869	1,336,481
	Tangible fixed assets	36,265	41,888	296,307
	Intangible fixed assets	2,818	3,185	23,025
	Prepaid pension cost	19,261	21,146	157,374
	Deferred tax assets	—	—	—
	Customers' liabilities for acceptances and guarantees	29,901	21,470	244,309
	Allowance for loan losses	(28,923)	(32,975)	(236,318)
	Total assets	¥6,925,091	¥6,797,387	\$56,582,173

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥5,813,976	¥5,639,379	\$47,503,685
	Call money and bills sold	10,592	84,938	86,543
	Payables under securities lending transactions	266,663	259,166	2,178,797
	Trading liabilities	2,109	1,122	17,232
	Borrowed money	292,387	292,561	2,388,978
	Foreign exchanges	7,856	6,194	64,188
	Other liabilities	67,340	50,761	550,192
	Provision for bonuses	14	34	114
	Provision for retirement benefits	120	119	989
	Provision for directors' stock benefits	139	137	1,136
	Provision for reimbursement of deposits	327	439	2,672
	Provision for customers point services	52	44	433
	Deferred tax liabilities	4,083	634	33,361
	Deferred tax liabilities for land revaluation	5,436	6,826	44,415
	Acceptances and guarantees	29,901	21,470	244,309
	Total liabilities	6,500,995	6,363,824	53,117,044
Net assets:	Capital stock	10,006	10,006	81,755
	Capital surplus	380	380	3,105
	Retained earnings	390,334	394,051	3,189,264
	Total shareholders' equity	400,720	404,437	3,274,124
	Net unrealized gains on securities	7,653	13,225	62,530
	Deferred gains or losses on hedges	3,464	476	28,303
	Revaluation reserve for land	12,259	15,425	100,172
	Total valuation and translation adjustments	23,376	29,126	191,005
	Total net assets	424,096	433,563	3,465,129
	Total liabilities, and net assets	¥6,925,091	¥6,797,387	\$56,582,173

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2022 and 2021

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Income			
Interest income:			
Interest on loans and discounts	¥35,360	¥36,378	\$288,912
Interest and dividends on securities	15,396	27,928	125,795
Other interest income	1,325	657	10,826
Fees and commissions	10,871	10,877	88,823
Trading income	112	103	915
Other ordinary income	5,411	10,954	44,211
Other income	7,376	11,605	60,266
Total income	75,851	98,502	619,748

Expenses			
Interest expense:			
Interest on deposits	1,069	1,564	8,734
Interest on borrowings and rediscounts	537	729	4,388
Other interest expense	2,783	3,060	22,739
Fees and commissions payments	4,487	4,705	36,661
Other operating expenses	22,840	27,902	186,617
General and administrative expenses	22,254	24,658	181,829
Impairment losses	3,040	197	24,839
Other expenses	13,097	9,287	107,009
Total expenses	70,107	72,101	572,816
Income before income taxes and minority interests	5,744	26,401	46,932
Income taxes:			
Current	(323)	5,711	(2,639)
Deferred	3,298	851	26,947
Net income	¥2,769	¥19,839	\$22,624

	Yen 2022	Yen 2021	U.S. dollars 2022
Amounts per share of common stock:			
Net income	¥13.84	¥99.20	\$0.11
Cash dividends applicable to the year	47.62	36.23	0.39

Momiji Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2022 and 2021

ASSETS		Millions of yen	Millions of yen	Thousands of
		2022	2021	U.S. dollars
				2022
Assets	Cash and due from banks	¥829,668	¥734,062	\$6,778,887
	Call loans and bills purchased	734	—	5,997
	Trading assets	647	608	5,286
	Money held in trust	4,894	4,673	39,987
	Securities	431,831	557,057	3,528,319
	Loans and bills discounted	2,393,538	2,332,083	19,556,647
	Foreign exchanges	12,116	6,101	98,995
	Other assets	83,540	91,621	682,574
	Tangible fixed assets	32,696	34,677	267,146
	Intangible fixed assets	1,912	2,114	15,622
	Prepaid pension cost	8,346	18,291	68,192
	Deferred tax assets	9,231	11,492	75,423
	Customers' liabilities for acceptances and guarantees	8,883	8,017	72,579
	Allowance for loan losses	(35,883)	(27,213)	(293,186)
	Total assets	¥3,782,153	¥3,773,583	\$30,902,468

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥3,254,539	¥3,209,720	\$26,591,543
	Call money and bills sold	6,487	2,214	53,003
	Payables under securities lending transactions	48,296	67,249	394,607
	Borrowed money	289,806	296,739	2,367,890
	Foreign exchanges	26	28	212
	Other liabilities	16,010	18,249	130,813
	Provision for bonuses	—	7	—
	Provision for directors' stock benefits	112	92	915
	Provision for reimbursement of deposits	182	238	1,487
	Deferred tax liabilities for land revaluation	4,221	4,419	34,488
	Acceptances and guarantees	8,883	8,017	72,579
	Total liabilities	3,628,562	3,606,972	29,647,537
Net assets:	Capital stock	10,000	10,000	81,706
	Capital surplus	54,889	59,533	448,476
	Retained earnings	89,699	96,070	732,895
	Total shareholders' equity	154,588	165,603	1,263,077
	Net unrealized gains on securities	(10,442)	(8,394)	(85,317)
	Deferred gains or losses on hedges	1,277	996	10,434
	Revaluation reserve for land	8,168	8,405	66,737
	Total valuation and translation adjustments	(997)	1,007	(8,146)
	Total net assets	153,591	166,610	1,254,931
	Total liabilities, and net assets	¥3,782,153	¥3,773,583	\$30,902,468

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2022 and 2021

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Income			
Interest income:			
Interest on loans and discounts	¥21,459	¥22,334	\$175,333
Interest and dividends on securities	6,603	8,862	53,950
Other interest income	805	740	6,577
Fees and commissions	5,933	6,193	48,476
Other ordinary income	2,067	3,971	16,880
Other income	8,014	5,539	65,489
Total income	44,881	47,639	366,705

Expenses			
Interest expense:			
Interest on deposits	304	403	2,484
Interest on borrowings and rediscounts	160	148	1,307
Other interest expense	181	(0)	1,487
Fees and commissions payments	3,782	3,848	30,901
Other operating expenses	13,614	11,795	111,235
General and administrative expenses	16,008	17,042	130,795
Impairment losses	1,910	183	15,606
Other expenses	13,697	5,132	111,904
Total expenses	49,656	38,551	405,719
(Loss)Income before income taxes and minority interests	(4,775)	9,088	(39,014)
Income taxes:			
Current	(1,008)	2,801	(8,236)
Deferred	2,804	(1,027)	22,919
Net (loss) income	(¥6,571)	¥7,314	(\$53,697)

	Yen 2022	Yen 2021	U.S. dollars 2022
Amounts per share of common stock:			
Net (loss) income	(¥15.08)	¥16.79	(\$0.12)
Cash dividends applicable to the year	10.85	8.50	0.09

Kitakyushu Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2022 and 2021

ASSETS		Millions of yen	Millions of yen	Thousands of U.S. dollars
		2022	2021	2022
Assets	Cash and due from banks	¥143,882	¥106,607	\$1,175,603
	Call loans and bills purchased	—	—	—
	Securities	51,715	48,591	422,543
	Loans and bills discounted	1,288,793	1,257,209	10,530,215
	Foreign exchanges	12,692	11,856	103,701
	Other assets	24,322	9,962	198,733
	Tangible fixed assets	18,859	19,066	154,089
	Intangible fixed assets	869	928	7,100
	Prepaid pension cost	1,424	1,170	11,635
	Customers' liabilities for acceptances and guarantees	13,599	12,007	111,112
	Allowance for loan losses	(13,929)	(10,614)	(113,808)
	Total assets	¥1,542,226	¥1,456,782	\$12,600,923

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥1,293,736	¥1,189,817	\$10,570,602
	Call money and bills sold	80,827	95,167	660,405
	Borrowed money	36,633	35,609	299,314
	Foreign exchanges	49	2	400
	Other liabilities	6,452	5,798	52,725
	Provision for bonuses	—	7	—
	Provision for retirement benefits	1,239	1,213	10,123
	Provision for directors' stock benefits	109	89	891
	Provision for reimbursement of deposits	22	31	180
	Deferred tax liabilities	2,370	3,751	19,364
	Deferred tax liabilities for land revaluation	3,447	3,458	28,164
	Acceptances and guarantees	13,599	12,007	111,112
	Total liabilities	1,438,483	1,346,949	11,753,280
Net assets:	Capital stock	10,000	10,000	81,706
	Retained earnings	75,285	77,331	615,124
	Total shareholders' equity	85,285	87,331	696,830
	Net unrealized gains on securities	10,717	14,735	87,564
	Revaluation reserve for land	7,741	7,767	63,249
	Total valuation and translation adjustments	18,458	22,502	150,813
	Total net assets	103,743	109,833	847,643
	Total liabilities, and net assets	¥1,542,226	¥1,456,782	\$12,600,923

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2022 and 2021

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Income			
Interest income:			
Interest on loans and discounts	¥11,195	¥11,000	\$91,470
Interest and dividends on securities	524	574	4,281
Other interest income	134	52	1,095
Fees and commissions	1,893	1,722	15,467
Other ordinary income	662	382	5,409
Other income	585	3,766	4,780
Total income	14,993	17,496	122,502

Expenses			
Interest expense:			
Interest on deposits	221	307	1,806
Interest on borrowings and rediscounts	71	90	580
Other interest expense	14	3	114
Fees and commissions payments	1,293	1,295	10,565
General and administrative expenses	6,647	7,073	54,310
Other expenses	5,046	1,580	41,229
Total expenses	13,292	10,347	108,604
Income before income taxes and minority interests	1,701	7,149	13,898
Income taxes:			
Current	1,140	1,877	9,314
Deferred	320	(22)	2,615
Net income	¥241	¥5,294	\$1,969

	Yen 2022	Yen 2021	U.S. dollars 2022
Amounts per share of common stock:			
Net income	¥240,517.08	¥5,294,543.73	\$1,965.17
Cash dividends applicable to the year	2,325,482.97	1,713,650.74	19,000.60