

I Independent Auditor's Report

Financial Information

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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, 2023 and 2022, the consolidated statements of income and 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 and 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, 2023 and 2022, 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 Recipients of Management Improvement Support Initiatives by Group Banks

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 ¥8,347,832 million were recognized, accounting for approximately 68.4%, 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:

total consolidated assets. The corresponding allowance for loan losses was ¥69,160 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 ¥8,422,021 million and the corresponding allowance for loan losses was ¥68,931 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.

The Group banks' primary business areas in Yamaguchi Prefecture, Hiroshima Prefecture, and the city of Kitakyushu face

(1) Internal control testing

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 Verification and approval by the assessment departments 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 both quantitative and qualitative factors, 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,
 - 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
- ④ 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, and forward-looking information including the business improvement plans.

various challenges, including a declining population, a low birthrate and aging demographic, and a shortage of business successors. In addition, the recent impact of COVID-19 and inflation has made it crucial for the Group banks' corporate customers to boost their profitability. 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 ¥131,222 million, and the corresponding allowance for loan losses was ¥31,782 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 YMFG business Situation , but does not include the consolidated financial statements, the 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 is 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, 2023 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

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries 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 2, 2023

YMFG Business Situation

Summary of Business Results

■ The Regional Economy

Through the fiscal year ended March 31, 2023, the Japanese economy was on a moderate recovery path due to the normalization of economic activities and the effects of policies against commodity and energy prices hikes, despite the lingering impact of the novel coronavirus infection and the downward pressure on the economy from rising resource prices brought by Russia's invasion of Ukraine and price increase caused by a weakening yen. However, the outlook became increasingly uncertain affected by the global monetary tightening and other factors including downside risks in overseas economies, rising prices due to the weak yen, and financial instability in the U.S. and Europe triggered by the U.S. bank failures.

In the regional economy, production activity picked up overall as seen in the automobile industry, where major manufacturers normalized plant operations and showed a gradual recovery in production, despite the impact of rising prices and other factors. Personal consumption also showed a moderate recovery trend due to the easing of the impact of the novel coronavirus infection and boosted demand for travel due to governmental nationwide travel support.

Against this backdrop, regional financial institutions are strongly required to further facilitate the supply of funds and enhance their financial services, as well as to reinforce their financial strength and profitability. They are expected to fulfill their mission of contributing to regional economic development from the perspective of "regional revitalization."

■ YMFG Performance

Amid these financial and economic conditions, 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, with the support of its shareholders and business partners.

YMFG has started its mid-term management plan "YMFG Medium-Term Management Plan 2022 - Co-Creating a Bountiful Future for Our Region." With the cornerstone of management based on the Mission and Reason for Existence (Purpose) of the Group, YMFG has been working to realize the mid-term management plan by striving for community- and customer-oriented business activities to improve the sustainability of the community and YMFG.

■ Financial Results

On a consolidated basis, total income increased ¥2,816 million year on year, to ¥159,108 million, due primarily to increase in interest on loans and discounts and gains on sale of stock, despite decrease in interest and dividends on securities. As a result, net income attributable to owners of the parent increased ¥30,900 million year on year, to ¥17,895 million.

Comprehensive income increased ¥30,034 million year on year, to ¥(1,302) million. This increase was due primarily to an increase of ¥30,921 million in net income, an increase of ¥10,028 million in remeasurements of defined benefit plans and a decrease of ¥14,150 million in

unrealized gains (losses) on available-for-sales securities.

Deposits stood at ¥10,325.7 billion, down ¥8.8 billion from the previous fiscal year-end, due to the Group's initiatives 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 ¥203.8 billion, to ¥8,347.8 billion, due to the Group's efforts to fulfill its role as a regional financial institution through its financial intermediary function and to proactively meet capital needs of business partners in response to their trust in YMFG.

The Group's holdings of securities amounted to ¥1,534.1 billion, up ¥180.1 billion. This change is due to the portfolio restructuring to promote a shift to a stable profit structure in the management of securities.

Total assets amounted to ¥12,211.6 billion at fiscal year-end, up ¥29.0 billion from one year earlier. This increase was a result of increase in loans and bills discounted and holdings of securities, against a backdrop of increase in deposits and call money.

Net assets stood at ¥614.7 billion, down ¥21.7 billion from a year earlier. The decrease was due to a ¥11.6 billion increase in retained earnings attributable to accumulated profits, a ¥25.4 billion decrease in unrealized gains on available-for-sale securities and a ¥9.8 billion increase in treasury stock acquired.

Net cash used in operating activities was ¥143.3 billion, a ¥66.2 billion decrease from the previous fiscal year, mainly due to the decrease in borrowed money. Net cash used in investing activities was ¥155.6 billion, a ¥617.5 billion decrease from the previous year, mainly due to decrease in proceeds from sales of securities. Net cash provided by financing activities was ¥1.8 billion, a ¥15.0 billion increase from the previous fiscal year, primarily due to the issuance of subordinated bonds. As a result, cash and cash equivalents decreased ¥297.2 billion to ¥1,854.7 billion at the end of the fiscal year.

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

	Millions of yen 2023	Millions of yen 2022	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars* ¹ 2023
Consolidated total income	159,108	156,292	185,505	175,423	1,191,552
Consolidated net income (loss) attributable to owners of the parent	17,895	(13,005)	24,958	25,391	134,015
Consolidated comprehensive income	(1,302)	(31,336)	61,533	(25,204)	(9,750)
Consolidated total net assets	614,666	636,345	681,139	630,245	4,603,205
Consolidated total assets	12,211,646	12,182,663	11,993,722	10,605,416	91,452,453
Net assets per share	2,718.04 yen	2,652.26 yen	2,729.94 yen	2,458.73 yen	20.36 U.S. dollars
Current term net income (loss) per share	77.41 yen	(53.29) yen	99.63 yen	100.07 yen	0.58 U.S. dollars
Current term net income per share (diluted)* ³	77.39 yen	— yen	99.59 yen	93.86 yen	0.58 U.S. dollars
Capital ratio* ²	14.35%	12.65%	13.43%	12.62%	—
Earnings on equity – increase	2.88%	(1.99)%	3.84%	3.97%	—
Group price earnings ratio* ⁴	10.48 times	— times	7.38 times	6.11 times	—

*1 US dollar amounts have been translated, for convenience only, at the rate of ¥133.53 = US\$1.00 as of March 31, 2023.

*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, 2023 and 2022

		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
		2023	2022	2023
ASSETS				
Assets	Cash and due from banks (Notes 3, 4 and 9)	¥1,878,858	¥2,175,914	\$14,070,681
	Call loans and bills purchased (Note 4)	935	31,713	7,002
	Monetary claims bought	2,458	5,443	18,408
	Trading assets (Notes 4 and 6)	3,976	3,101	29,776
	Money held in trust (Notes 4 and 6)	17,405	35,060	130,345
	Securities (Notes 4, 5, 6 and 9)	1,534,139	1,354,034	11,489,096
	Loans and bills discounted (Notes 4, 7 and 8)	8,347,833	8,143,997	62,516,536
	Foreign exchanges	36,773	30,041	275,391
	Lease receivables and investment assets	19,805	19,699	148,319
	Other assets (Notes 4, 6 and 9)	250,908	288,263	1,879,039
	Tangible fixed assets (Notes 10, 11, 15 and 20)	81,122	83,133	607,519
	Intangible fixed assets (Note 20)	6,578	6,991	49,262
	Net defined benefit asset (Note 14)	34,335	32,728	257,133
	Deferred tax assets (Note 21)	9,964	3,513	74,620
	Customers' liabilities for acceptances and guarantees (Note 16)	58,967	50,382	441,601
	Allowance for loan losses	(72,410)	(81,349)	(542,275)
	Total assets	¥12,211,646	¥12,182,663	\$91,452,453

LIABILITIES AND NET ASSETS

Liabilities	Deposits (Notes 4 and 9)	¥10,325,720	¥10,334,558	\$77,328,840
	Call money and bills sold (Notes 4 and 9)	340,053	78,078	2,546,641
	Payables under securities lending transactions (Notes 4 and 9)	285,323	314,959	2,136,771
	Trading liabilities (Notes 4 and 6)	1,814	1,380	13,585
	Borrowed money (Notes 4, 9 and 13)	403,303	626,546	3,020,318
	Foreign exchanges	99	172	741
	Corporate bonds	42,400	20,000	317,532
	Other liabilities (Notes 4 and 6)	123,477	102,982	924,715
	Provision for bonuses	2,696	2,878	20,190
	Net defined benefit liability (Note 14)	2,589	2,652	19,389
	Provision for directors' retirement benefits	282	287	2,112
	Provision for loss on interest repayments	14	19	105
	Provision for reimbursement of deposits	360	531	2,696
	Provision for customers point services	125	83	936
	Provision for directors' stock benefits	428	489	3,205
	Reserves under special laws	17	17	127
	Deferred tax liabilities (Note 21)	684	1,422	5,122
	Deferred tax liabilities for land revaluation (Notes 15 and 21)	8,629	8,883	64,622
	Acceptances and guarantees (Note 16)	58,967	50,382	441,601
	Total liabilities	11,596,980	11,546,318	86,849,248
Net Assets (Notes 22 and 23)	Capital stock	50,000	50,000	374,448
	Capital surplus	58,639	58,648	439,145
	Retained earnings	522,894	511,253	3,915,929
	Treasury stock	(34,847)	(25,045)	(260,968)
	Total shareholders' equity	596,686	594,856	4,468,554
	Unrealized gains on available-for-sale securities (Note 6)	(17,237)	8,172	(129,087)
	Deferred gains (losses) on hedges	11,253	4,749	84,273
	Revaluation reserve for land (Note 15)	19,432	20,001	145,525
	Remeasurements of defined benefit plans	1,679	2,102	12,574
	Total accumulated other comprehensive income	15,127	35,024	113,285
	Stock options (Note 24)	43	82	322
	Non-controlling interests	2,810	6,383	21,044
	Total net assets	614,666	636,345	4,603,205
Total liabilities and net assets		¥12,211,646	¥12,182,663	\$91,452,453

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31, 2023 and 2022

	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Income (Note 26)			
Interest income:			
Interest on loans and discounts	¥85,781	¥67,497	\$642,410
Interest and dividends on securities	16,725	22,547	125,253
Other interest income	2,354	2,196	17,629
Trust fees	0	0	0
Fees and commissions	25,941	26,570	194,271
Trading income	1,094	1,752	8,193
Other operating income	13,011	20,108	97,439
Recoveries of written-off claims	9	10	67
Other income (Note 17)	14,193	15,612	106,290
Total income	159,108	156,292	1,191,552
Expenses			
Interest expense:			
Interest on deposits	3,593	1,594	26,908
Interest on borrowings and rediscounts	6,576	747	49,247
Interest on bonds payable	261	158	1,955
Other interest expense	6,759	2,966	50,618
Fees and commissions	9,156	9,561	68,569
Other operating expenses	32,217	47,786	241,272
General and administrative expenses (Notes 18 and 24)	61,155	60,562	457,987
Impairment losses (Note 12)	592	5,631	4,433
Other expenses (Note 19)	12,113	32,790	90,713
Total expenses	132,422	161,795	991,702
Income (loss) before income taxes	26,686	(5,503)	199,850
Income taxes (Note 21):			
Current	7,530	941	56,392
Deferred	1,111	6,432	8,320
Net income (loss)	18,045	(12,876)	135,138
Net income attributable to non-controlling interests	150	129	1,123
Net income (loss) attributable to owners of the parent	¥17,895	¥(13,005)	\$134,015
	Yen 2023	Yen 2022	U.S. dollars (Note 1) 2023
Amounts per share of common stock:			
Net income (loss) attributable to owners of the parent (Note 30)	¥77.41	¥(53.29)	\$0.58

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2023 and 2022

	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Net income (loss)	¥18,045	¥(12,876)	\$135,138
Other comprehensive income (Note 27)	(19,347)	(18,460)	(144,888)
Unrealized gains (losses) on available-for-sale securities	(25,428)	(11,278)	(190,428)
Deferred gains (losses) on hedges	6,504	3,269	48,708
Remeasurements of defined benefit plans	(423)	(10,451)	(3,168)
Comprehensive income (Note 27)	¥(1,302)	¥(31,336)	\$(9,750)
Comprehensive income attributable to owners of the parent	(1,434)	(31,493)	(10,739)
Comprehensive income attributable to non-controlling interests	132	157	989

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2023 and 2022

	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 April 1, 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
Purchase of shares of consolidated subsidiaries					—								—
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
Changes of items during the year													
Dividend paid			(6,823)		(6,823)								(6,823)
Net income attributable to owners of the parent			17,895		17,895								17,895
Purchase of treasury stock				(10,001)	(10,001)								(10,001)
Disposal of treasury stock		10		199	209								209
Purchase of shares of consolidated subsidiaries		(19)			(19)								(19)
Reversal of revaluation reserve for land			569		569								569
Net changes of items other than shareholders' equity						(25,409)	6,504	(569)	(423)	(19,897)	(39)	(3,573)	(23,509)
Total changes of items during the year	—	(9)	11,641	(9,802)	1,830	(25,409)	6,504	(569)	(423)	(19,897)	(39)	(3,573)	(21,679)
Balance at March 31, 2023	¥50,000	¥58,639	¥522,894	¥(34,847)	¥596,686	¥(17,237)	¥11,253	¥19,432	¥1,679	¥15,127	¥43	¥2,810	¥614,666

	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 April 1, 2022	\$374,448	\$439,212	\$3,828,758	\$(187,561)	\$4,454,857	\$61,200	\$35,565	\$149,786	\$15,742	\$262,293	\$614	\$47,802	\$4,765,566
Changes of items during the year													
Dividend paid			(51,097)		(51,097)								(51,097)
Net income attributable to owners of the parent			134,015		134,015								134,015
Purchase of treasury stock				(74,897)	(74,897)								(74,897)
Disposal of treasury stock		75		1,490	1,565								1,565
Purchase of shares of consolidated subsidiaries		(142)			(142)								(142)
Reversal of revaluation reserve for land			4,253		4,253								4,253
Net changes of items other than shareholders' equity						(190,287)	48,708	(4,261)	(3,168)	(149,008)	(292)	(26,758)	(176,058)
Total changes of items during the year	—	(67)	87,171	(73,407)	13,697	(190,287)	48,708	(4,261)	(3,168)	(149,008)	(292)	(26,758)	(162,361)
Balance at March 31, 2022	\$374,448	\$439,145	\$3,915,929	\$(260,968)	\$4,468,554	\$(129,087)	\$84,273	\$145,525	\$12,574	\$113,285	\$322	\$21,044	\$4,603,205

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2023 and 2022

	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Cash flows from operating activities:			
Income (loss) before income taxes	¥26,686	¥(5,503)	\$199,850
Depreciation	5,038	5,401	37,729
Impairment losses	592	5,631	4,433
Amortization of goodwill	68	400	509
Gain on bargain purchase (Note 3)	(908)	—	(6,800)
Loss (gain) on step acquisitions (Note 3)	(504)	—	(3,774)
Equity in earnings of affiliates (Note 3)	(17)	5	(127)
Net change in allowance for loan losses	(8,939)	8,005	(66,944)
Net change in provision for bonuses	(183)	26	(1,370)
Net change in defined benefit asset	(1,607)	26,879	(12,035)
Net change in defined benefit liability	(64)	(137)	(479)
Net change in provision for directors' retirement benefits	(5)	(7)	(37)
Net change in provision for directors' stock benefits	(61)	54	(457)
Net change in provision for loss on interest repayments	(5)	(24)	(37)
Net change in provision for reimbursement of deposits	(171)	(178)	(1,281)
Net change in provision for customers point services	42	13	315
Increase (decrease) in reserves under special laws	—	0	—
Interest income	(104,860)	(92,239)	(785,292)
Interest expenses	17,189	5,465	128,728
Net gains related to securities transactions	7,612	34,738	57,006
Net losses (gains) from money held in trust	1,289	(245)	9,653
Net exchange losses (gains)	(12,177)	(18,785)	(91,193)
Net losses (gains) from disposition of fixed assets	(168)	90	(1,258)
Net change in trading assets	(875)	(1,120)	(6,553)
Net change in trading liabilities	434	631	3,250
Net change in loans and bills discounted	(203,835)	(249,871)	(1,526,511)
Net change in deposits	22,778	323,940	170,583
Net change in negotiable certificates of deposits	(31,616)	(956)	(236,771)
Net change in borrowed money excluding subordinated loans	(223,243)	(11,806)	(1,671,857)
Net change in deposits with bank	(96)	3,392	(719)
Net change in call loans and bills purchased	33,764	(23,412)	252,857
Net change in call money and bills sold	261,974	(89,074)	1,961,911
Net change in payables under securities lending transactions	(29,636)	(11,456)	(221,943)
Net change in foreign exchanges (asset account)	(6,731)	(7,633)	(50,408)
Net change in foreign exchanges (liability account)	(73)	(22)	(547)
Net change in lease receivables and investment assets	(106)	622	(794)
Losses (gains) on cancellation of retirement benefit trusts (Note 3)	—	(9,094)	—
Loss (gain) on revision of retirement benefit plan	—	1,241	—
Interest received	98,841	81,234	740,216
Interest paid	(16,387)	(5,614)	(122,721)
Other, net	21,929	(40,474)	164,226
Subtotal	(144,031)	(69,883)	(1,078,642)
Income taxes paid	(6,336)	(9,095)	(47,450)
Income taxes refunds	7,019	1,846	52,565
Net cash provided by (used in) operating activities	(143,348)	(77,132)	(1,073,527)
Cash flows from investing activities:			
Purchases of securities	(820,504)	(2,107,076)	(6,144,717)
Proceeds from sales of securities	622,107	2,534,144	4,658,931
Proceeds from maturity of securities	30,141	35,224	225,725
Purchases of money held in trust	(4,960)	(8,510)	(37,145)
Proceeds from sales of money held in trust	21,126	8,970	158,212
Purchases of tangible fixed assets	(2,019)	(1,516)	(15,120)
Proceeds from sales of tangible fixed assets	1,362	2,740	10,200
Purchases of intangible fixed assets	(2,446)	(1,992)	(18,318)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(382)	—	(2,861)
Purchases of shares of affiliates accounted for by the equity method	—	(10)	—
Net cash provided by (used in) investing activities	(155,575)	461,974	(1,165,093)
Cash flows from financing activities:			
Issuance of subordinated bonds	22,270	—	166,779
Dividends paid	(6,823)	(6,699)	(51,097)
Dividends paid to non-controlling shareholders	(2)	(3)	(15)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,680)	—	(27,559)
Purchases of treasury stock	(10,001)	(6,501)	(74,897)
Proceeds from disposal of treasury stock	0	0	0
Net cash provided by (used in) financing activities	1,764	(13,203)	13,211
Effect of exchange rate changes on cash and cash equivalents	8	7	60
Net change in cash and cash equivalents	(297,151)	371,646	(2,225,349)
Cash and cash equivalents at the beginning of fiscal year	2,151,826	1,780,180	16,114,925
Cash and cash equivalents at the end of fiscal year (Note 3)	¥1,854,675	¥2,151,826	\$13,889,576

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2023 and 2022

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, 2023, which was ¥133.53 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 23 at March 31, 2023 and 19 at March 31, 2022.

The names of the main consolidated subsidiaries are listed on page 19 of "YMFG Integrated Report 2023".

The scope of consolidation includes Yamaguchi Capital Co., Ltd. as YMFG made the company a consolidated subsidiary through share acquisition in the year ended March 31, 2023. It also includes UNICORN Fund Investment Business Limited Liability Partnership and Regional Trading Company Yamaguchi Co., LTD. as they fall under the definition of consolidated subsidiaries since YMFG made Yamaguchi Capital a consolidated subsidiary.

In addition, the scope of consolidation includes

Momiji Card Co., Ltd., which was an affiliate accounted for by the equity method, as YMFG made the company a consolidated subsidiary through additional share acquisition in the year ended March 31, 2023. As a result, Momiji Card is excluded from the scope of application of equity method.

(ii) Unconsolidated subsidiaries were 11 at March 31, 2023 and 0 at March 31, 2022.

Name of major subsidiary:

KAICA Corporation

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

KAICA Corporation and other 10 companies fall under the definition of unconsolidated subsidiaries since YMFG made Yamaguchi Capital a consolidated subsidiary.

(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, 2023 and 2022.

(ii) As at March 31, 2023 and 2022, two and three affiliates were accounted for by the equity method, respectively.

Affiliates as at March 31, 2023 were as follows:

YM Saison Co., Ltd.

Nishiseto Marine Partners

Affiliates as at March 31, 2022 were as follows:

YM Saison Co., Ltd.

Momiji Card Co., Ltd.

Nishiseto Marine Partners

(iii) As at March 31, 2023 and 2022, 11 and 0 unconsolidated subsidiaries were not accounted for by the equity method.

Name of major subsidiary:

KAICA Corporation

The unconsolidated subsidiaries that are not accounted for by the equity method are also excluded from the scope of application of equity method because their net income (in proportion to ownership), retained earnings (in proportion to ownership) and accumulated other comprehensive income (in proportion to ownership) do not have a material impact on YMFG's consolidated financial statements when excluded from the scope of application of equity method.

KAICA Corporation and other 10 companies fall under the definition of unconsolidated subsidiaries that are not accounted for by the equity method since YMFG made Yamaguchi Capital a consolidated subsidiary.

- (iv) There were no affiliates that were not accounted for by the equity method as at March 31, 2023 and 2022.

(3) The balance sheet dates of consolidated subsidiaries

- (i) The balance sheet dates of consolidated subsidiaries are as follows:
December 31: One company
March 31: 22 companies
- (ii) Consolidated subsidiaries are consolidated based on their financial statements as of their balance sheet dates.
Necessary adjustments are made to material transactions which occurred between the consolidated balance sheet date and the aforementioned balance sheet dates.

(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 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 or liabilities.

Allowance for loan losses

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

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

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

Loans to normal borrowers and borrowers requiring caution are classified into certain groups, and expected losses are estimated for the upcoming one or three-year 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, exceeds 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 is 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 20 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 (five 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 to 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, the "Subject Directors, etc.") based on expected stock benefit obligations as of March 31, 2023.

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 the 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

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

Adoption of group tax sharing system

YMFG and certain of its consolidated subsidiaries adopted the group tax sharing system as provided under the "Act for Partial Amendment of the Income Tax Act, etc."

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total loan amount before intra-Group eliminations	¥8,422,021	¥8,223,908	\$63,072,126
Corresponding allowance for loan losses	68,932	78,068	516,229

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total loan amount before intra-Group eliminations	¥131,223	¥133,405	\$982,723
Corresponding allowance for loan losses	31,782	27,693	238,014

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 primary business areas in Yamaguchi Prefecture, Hiroshima Prefecture, and the city of Kitakyushu face various challenges, including a declining population, a low birthrate and aging demographic, and a shortage of business successors. In addition, the recent impact of COVID-19 and inflation has made it crucial for the Group banks' corporate customers to boost their profitability.

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.

For sectors strongly affected by COVID-19, 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

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.

Changes in accounting policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

YMFG has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter, the "ASBJ

Guidance No. 31") from the beginning of the year ended March 31, 2023. YMFG prospectively applies the new accounting policies stipulated by the ASBJ Guidance No. 31 in accordance with the transitional treatment provided in Paragraph 27-2 of the ASBJ Guidance No. 31. The application has no impacts on the consolidated financial statements.

Notes on investment trusts in fair value information by level within the fair value hierarchy in the notes on financial instruments pertaining to the year ended March 31, 2022 are not presented in accordance with Paragraph 27-3 of the ASBJ Guidance No. 31.

Standards and guidance not yet adopted

The following standards and guidance were issued but not yet adopted:

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, revised on October 28, 2022)

- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022)

(1) Overview

In February 2018, the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28), etc. (hereinafter, the "ASBJ Statement No. 28, etc.") were published, and the transfer of the practical guideline on tax effect accounting of the JICPA to the ASBJ was completed. In the process of the deliberation, it was decided that the following two issues would be reexamined after the publication of the ASBJ Statement No. 28, etc. On this occasion, they were deliberated and published.

- Classification of income tax expense (taxation on other comprehensive income)
- Tax effects relating to the sale of shares in subsidiaries, etc. (shares in subsidiaries or affiliates) in the case of applying the group taxation regime

(2) Effective date

To be effective from the beginning of the year ending March 31, 2025.

(3) Effects of the application of the standards

The impact of applying the "Accounting Standard for Current Income Taxes," etc. on the consolidated financial statements is currently being measured.

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 ¥573 million (\$4 million) and 654 thousand shares on March 31, 2023 and ¥743 million and 849 thousand shares on March 31, 2022.

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)
YMFG and certain consolidated subsidiaries have implemented the transition from the consolidated taxation system to the group tax sharing system from the beginning of the year ended March 31, 2023. In line with the transfer, the accounting and disclosure of corporate taxes, local corporate taxes and tax effect accounting are conducted in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter, the "PITF No. 42"). Moreover, based on Paragraph 32-(1) of the PITF No. 42, the changes in accounting policies in line with the application of the PITF No. 42 are deemed to have no impacts.

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, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and due from banks	¥1,878,858	¥2,175,914	\$14,070,681
Time deposits in other banks	(11,228)	(12,421)	(84,086)
Other	(12,955)	(11,667)	(97,019)
Cash and cash equivalents	¥1,854,675	¥2,151,826	\$13,889,576

As a result of the acquisition of shares of Momiji Card Co., Ltd. which was an affiliate accounted for by the equity method, during the year ended March 31, 2023, Momiji Card was included in the scope of consolidation. The breakdown of the assets and liabilities at the initial consolidation, the acquisition price of shares of Momiji Card and the purchase of shares of Momiji Card were as follows:

	Millions of yen	Thousands of U.S. dollars
	2023	2023
Assets	¥3,071	\$22,999
Current assets	2,497	18,700
Non-current assets	574	4,299
Liabilities	(2,698)	(20,205)
Current liabilities	(2,695)	(20,183)
Non-current liabilities	(3)	(22)
Unrealized gains at obtaining of control	831	6,223
Gain on bargain purchase	(885)	(6,628)
Acquisition price of the shares	319	2,389
Equity method valuation until obtaining of control	355	2,659
Gain on step acquisitions	(481)	(3,602)
Cash and cash equivalents of newly consolidated subsidiary	0	0
Difference: Purchase of the shares	¥193	\$1,446

The amounts of assets and liabilities of other companies which became newly consolidated subsidiaries through the acquisition of shares are omitted as they are immaterial.

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 for the year ended March 31, 2022, and none for the year ended March 31, 2023.

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, 2023, the market risk (estimated loss amount) of Yamaguchi Bank was ¥55,089 million (\$413 million), the market risk (estimated loss amount) of Momiji Bank was ¥25,994 million (\$195 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥25,057 million (\$188 million). Also, as of March 31, 2022, the market risk (estimated loss amount) of Yamaguchi Bank was ¥50,361 million, the market risk (estimated loss amount) of Momiji Bank was ¥20,507 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥21,609 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			
2023			
	Consolidated balance sheet amount	Fair value	Difference
(i) Money held in trust	¥17,405	¥17,405	¥—
(ii) Securities			
Held-to-maturity debt securities	50,919	51,213	294
Available-for-sale securities (*1)	1,450,773	1,450,773	—
(iii) Loans and bills discounted	8,347,833		
Allowance for loan losses (*2)	(69,160)		
	8,278,673	8,268,683	(9,990)
Total assets	¥9,797,770	¥9,788,074	¥(9,696)
(i) Deposits	¥10,325,720	¥10,325,867	¥147
(ii) Borrowed money	403,303	403,253	(50)
Total liabilities	¥10,729,023	¥10,729,120	¥97
Derivative transactions (*3)			
Hedge accounting not applied	¥(864)	¥(864)	¥—
Hedge accounting applied	¥(9,251)	¥(9,251)	¥—
Total derivative transactions	¥(10,115)	¥(10,115)	¥—

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)	1,286,606	1,286,606	—
(iii) Loans and bills discounted	8,143,997		
Allowance for loan losses (*2)	(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 (*3)			
Hedge accounting not applied	¥(6,828)	¥(6,828)	¥—
Hedge accounting applied	¥(19,892)	¥(19,892)	¥—
Total derivative transactions	¥(26,720)	¥(26,720)	¥—

Thousands of U.S. dollars			
2023			
	Consolidated balance sheet amount	Fair value	Difference
(i) Money held in trust	\$130,345	\$130,345	\$—
(ii) Securities			
Held-to-maturity debt securities	381,330	383,532	2,202
Available-for-sale securities (*1)	10,864,772	10,864,772	—
(iii) Loans and bills discounted	62,516,536		
Allowance for loan losses (*2)	(517,936)		
	61,998,600	61,923,785	(74,815)
Total assets	\$73,375,047	\$73,302,434	\$(72,613)
(i) Deposits	\$77,328,847	\$77,329,948	\$1,101
(ii) Borrowed money	3,020,318	3,019,943	(375)
Total liabilities	\$80,349,165	\$80,349,891	\$726
Derivative transactions (*3)			
Hedge accounting not applied	\$(6,470)	\$(6,470)	\$—
Hedge accounting applied	\$(69,280)	\$(69,280)	\$—
Total derivative transactions	\$(75,750)	\$(75,750)	\$—

(*1) Available-for-sale securities for the year ended March 31, 2023 include investment trusts to which the treatment of deeming net asset value as fair value as provided in Paragraph 24-3 and Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied. There are no investment trusts to which the treatment provided in Paragraph 24-3 is applied. The consolidated balance sheet amount of investment trusts to which the treatment provided in Paragraph 24-9 is applied is ¥3,004 million (\$22 million). Available-for-sale securities for the year ended March 31, 2022 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 consolidated balance sheet amount of the investment trusts and others is ¥302,588 million.

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

(*3) 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) 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
	2023	2022	2023
	Consolidated balance sheet amount		
(1) Unlisted equity securities (*1, *2)	¥9,575	¥7,130	\$71,707
(2) Investments in partnerships, etc. (*3)	22,872	21,685	171,287
Total	¥32,447	¥28,815	\$242,994

(*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, 2023 and 2022, impairment losses of ¥11 million (\$82 thousand) and ¥5 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 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

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

Millions of yen					
2023					
	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	¥1,776,910	¥—	¥—	¥—	¥—
(2) Call loans and bills purchased	935	—	—	—	—
(3) Money held in trust	17,405	—	—	—	—
(4) Securities	53,589	108,586	190,953	203,767	694,922
Held-to-maturity debt securities	4,807	20,111	12,836	4,582	8,570
Local government bond	600	2,530	1,840	1,600	2,470
Corporate bond	4,207	17,581	10,996	2,982	100
Available-for-sale securities with maturities	48,782	88,475	178,117	199,185	686,352
Japanese government bond	—	—	—	33,400	351,900
Local government bond	12,261	28,187	46,828	93,642	100,710
Corporate bond	12,749	41,141	70,212	14,885	21,667
Others	23,772	19,147	61,077	57,258	212,075
(5) Loans and bills discounted (*)	1,734,652	1,278,661	1,185,882	922,697	3,225,941
Total	¥3,583,491	¥1,387,247	¥1,376,835	¥1,126,464	¥3,920,863

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

Thousands of U.S. dollars					
2023					
	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	\$13,307,197	\$—	\$—	\$—	\$—
(2) Call loans and bills purchased	7,002	—	—	—	—
(3) Money held in trust	130,345	—	—	—	—
(4) Securities	401,325	813,196	1,430,046	1,525,995	5,204,239
Held-to-maturity debt securities	35,999	150,603	96,129	34,307	64,180
Local government bond	4,493	18,947	13,780	11,982	18,498
Corporate bond	31,506	131,656	82,349	22,325	749
Available-for-sale securities with maturities	365,326	662,593	1,333,917	1,491,688	5,140,059
Japanese government bond	—	—	—	250,131	2,635,363
Local government bond	91,822	211,091	350,693	701,281	754,213
Corporate bond	95,477	308,111	525,814	111,473	162,263
Others	178,027	143,391	457,410	428,803	1,588,220
(5) Loans and bills discounted (*)	12,990,729	9,575,833	8,881,016	6,910,035	24,158,923
Total	\$26,836,598	\$10,389,029	\$10,311,062	\$8,436,030	\$29,363,162

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

interest-bearing liabilities to be repaid after the consolidated balance sheet date

Millions of yen				
2023				
	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 (*)	¥9,772,673	¥389,582	¥131,171	¥32,294
(ii) Call money and bills sold	340,053	—	—	—
(iii) Payables under securities lending transactions	285,323	—	—	—
(iv) Borrowed money	219,216	32,709	2,359	149,019
Total	¥10,617,265	¥422,291	¥133,530	¥181,313

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

Thousands of U.S. dollars				
2023				
	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 (*)	\$73,187,111	\$2,917,554	\$982,334	\$241,841
(ii) Call money and bills sold	2,546,641	—	—	—
(iii) Payables under securities lending transactions	2,136,771	—	—	—
(iv) Borrowed money	1,641,698	244,958	17,666	1,115,996
Total	\$79,512,221	\$3,162,512	\$1,000,000	\$1,357,837

(*) 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.

(Note 3) Estimated repayment amounts of deposits, negotiable certificates of deposit and other

(1) Financial instruments measured at fair value

Category	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥5,640	¥11,765	¥—	¥17,405
Securities (*1)				
Available-for-sale securities				
Japanese government bond and local government bond	373,964	278,101	—	652,065
Corporate bond	—	145,549	14,389	159,938
Equity securities	99,523	107	—	99,630
Foreign bond	74,229	109,942	—	184,171
Investment trusts	65,242	286,723	—	351,965
Derivative transactions (*2)				
Interest-rate-related	—	14,526	—	14,526
Currency-related	—	(24,642)	—	(24,642)
Total assets	¥618,598	¥822,071	¥14,389	¥1,455,058

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			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$42,238	\$88,107	\$—	\$130,345
Securities (*1)				
Available-for-sale securities				
Japanese government bond and local government bond	2,800,599	2,082,686	—	4,883,285
Corporate bond	—	1,090,010	107,759	1,197,769
Equity securities	745,323	801	—	746,124
Foreign bond	555,898	823,351	—	1,379,249
Investment trusts	488,594	2,147,255	—	2,635,849
Derivative transactions (*2)				
Interest-rate-related	—	108,785	—	108,785
Currency-related	—	(184,543)	—	(184,543)
Total assets	\$4,632,652	\$6,156,452	\$107,759	\$10,896,863

(*1) Securities for the year ended March 31, 2023 do not include investment trusts to which the treatment of deeming net asset value as fair value as provided in Paragraph 24-3 and Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied. The above table for the year ended March 31, 2022 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.

(*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			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Japanese government bond and local government bond	¥6,226	¥8,972	¥—	¥15,198
Corporate bond	—	3,497	32,517	36,014
Loans and bills discounted	—	—	8,268,683	8,268,683
Total assets	¥6,226	¥12,469	¥8,301,200	¥8,319,895
Deposits	—	10,325,867	—	10,325,867
Borrowed money	—	403,253	—	403,253
Total liabilities	¥—	¥10,729,120	¥—	¥10,729,120

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			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Japanese government bond and local government bond	\$46,626	\$67,191	\$—	\$113,817
Corporate bond	—	26,189	243,518	269,707
Loans and bills discounted	—	—	61,923,785	61,923,785
Total assets	\$46,626	\$93,380	\$62,167,303	\$62,307,309
Deposits	—	77,329,940	—	77,329,940
Borrowed money	—	3,019,943	—	3,019,943
Total liabilities	\$—	\$80,349,883	\$—	\$80,349,883

(Note 1) 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 that do not have a transaction price in the market is their net asset value if there are no material restrictions which allow market participants to require consideration for risk in relation to cancellation or repurchasing claims. The fair value is classified as Level 2.

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	2023			
	Valuation techniques	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Securities				
Corporate bond				
Private placement bond	Present value technique	Credit cost rate	0.024%-7.309%	0.128%

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

(2) 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						
	2023						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	¥13,886	¥—	¥(83)	¥586	¥—	¥—	¥14,389

	Millions of yen						
	2022						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						
	2023						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	\$103,992	\$—	\$(622)	\$4,389	\$—	\$—	\$107,759

- (*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) 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) Narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Discount rate

The discount 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, 2023 include shares of unconsolidated subsidiaries and affiliates amounting to ¥97 million (\$726 thousand). The corresponding figure at March 31, 2022 was ¥37 million.

Bonds held at March 31, 2023 and 2022 of ¥42,400 million (\$318 million) and ¥20,000 million, respectively, comprise waivers in the event of substantial bankruptcy and subordinated bonds.

The amount of guarantee obligations for private placement bonds (Article 2-3 of the Financial Instruments and Exchange Act), out of bonds included in securities, amounted to ¥46,789 million (\$350 million) and ¥40,924 million as of March 31, 2023 and 2022, respectively.

6. FAIR VALUE INFORMATION

Securities

The following tables summarize book values, fair values and acquisition cost of securities with available fair values as of March 31, 2023 and 2022:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statements of operations — ¥(4) million (\$27 thousand) and ¥(4) million as at March 31, 2023 and 2022, respectively.

(b) Held-to-maturity debt securities

Millions of yen				
2023				
Type	Book value	Fair value	Difference	
Securities with fair value exceeding book value				
Japanese government bonds	¥6,016	¥6,226	¥210	
Local government bonds	2,400	2,412	12	
Corporate bonds	32,924	33,109	185	
Subtotal	41,340	41,747	407	
Securities with fair value not exceeding book value				
Japanese government bonds	—	—	—	
Local government bonds	6,640	6,560	(80)	
Corporate bonds	2,939	2,906	(33)	
Subtotal	9,579	9,466	(113)	
Total	¥50,919	¥51,213	¥294	

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

Thousands of U.S. dollars				
2023				
Type	Book value	Fair value	Difference	
Securities with fair value exceeding book value				
Japanese government bonds	\$45,054	\$46,627	\$1,573	
Local government bonds	17,973	18,063	90	
Corporate bonds	246,566	247,951	1,385	
Subtotal	309,593	312,641	3,048	
Securities with fair value not exceeding book value				
Local government bonds	49,727	49,128	(599)	
Corporate bonds	22,010	21,755	(255)	
Subtotal	71,737	70,883	(854)	
Total	\$381,330	\$383,524	\$2,194	

(c) Available-for-sale securities

Millions of yen				
2023				
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost				
Shares	¥86,246	¥36,214	¥50,032	
Japanese government bonds	33,874	32,699	1,175	
Local government bonds	17,586	17,502	84	
Corporate bonds	58,898	58,728	170	
Others	117,455	115,277	2,178	
Subtotal	314,059	260,420	53,639	
Securities with book value not exceeding acquisition cost				
Shares	13,385	16,553	(3,168)	
Japanese government bonds	340,090	364,277	(24,187)	
Local government bonds	260,515	264,513	(3,998)	
Corporate bonds	101,040	102,563	(1,523)	
Others	421,685	469,513	(47,828)	
Subtotal	1,136,715	1,217,419	(80,704)	
Total	¥1,450,774	¥1,477,839	¥(27,065)	

Millions of yen				
2022				
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost				
Shares	¥95,975	¥44,523	¥51,452	
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				
Shares	15,860	20,723	(4,863)	
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	

Thousands of U.S. dollars				
2023				
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost				
Shares	\$645,892	\$271,205	\$374,687	
Japanese government bonds	253,681	244,881	8,800	
Local government bonds	131,701	131,072	629	
Corporate bonds	441,084	439,811	1,273	
Others	879,615	863,304	16,311	
Subtotal	2,351,973	1,950,273	401,700	
Securities with book value not exceeding acquisition cost				
Shares	100,232	123,957	(23,725)	
Japanese government bonds	2,546,918	2,728,053	(181,135)	
Local government bonds	1,950,985	1,980,926	(29,941)	
Corporate bonds	756,684	768,090	(11,406)	
Others	3,157,979	3,516,161	(358,182)	
Subtotal	8,512,798	9,117,187	(604,389)	
Total	\$10,864,771	\$11,067,460	\$(202,689)	

(d) Held-to-maturity debt securities sold during the year
There were no held-to-maturity securities sold during the years ended March 31, 2023 and 2022.

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

Millions of yen				
2023				
	Sale amount	Total gain on sale	Total loss on sale	
Shares	¥18,807	¥6,997	¥1,440	
Japanese government bonds	144,457	774	2,996	
Local government bonds	1,015	—	0	
Corporate bonds	19,319	7	0	
Others	217,148	3,125	8,825	
Total	¥400,746	¥10,903	¥13,261	

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	

Thousands of U.S. dollars				
2023				
	Sale amount	Total gain on sale	Total loss on sale	
Shares	\$140,845	\$52,400	\$10,784	
Japanese government bonds	1,081,832	5,796	22,437	
Local government bonds	7,601	—	0	
Corporate bonds	144,679	52	0	
Others	1,626,211	23,403	66,090	
Total	\$3,001,168	\$81,651	\$99,311	

(f) Securities for which the purpose of holding changed
There were no securities for which the purpose of holding changed at March 31, 2023 and 2022.

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, 2023, impairment losses were ¥95 million (\$711 thousand) on equity securities and during the year ended March 31, 2022, impairment losses totaled ¥380 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, 2023 and 2022 was as follows:

(a) Money held in trust classified as trading purposes

	Millions of yen	
	2023	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the year
Money held in trust classified as trading purposes	¥4,822	¥—

	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	¥—

	Thousands of U.S. dollars	
	2023	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the year
Money held in trust classified as trading purposes	\$36,112	\$—

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

There are no corresponding transactions as at March 31, 2023 and 2022.

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

	Millions of yen		
	2023		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥12,583	¥13,103	¥(520)

	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)

	Thousands of U.S. dollars		
	2023		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	\$94,234	\$98,128	\$(3,894)

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
	2023	2022	2023
Net unrealized gains (losses)	¥(25,358)	¥11,345	\$(189,905)
Available-for-sale securities	(24,838)	11,668	(186,011)
Available-for-sale money held in trust	(520)	(323)	(3,894)
Deferred tax assets	8,068	3,132	60,421
Deferred tax liabilities			
Unrealized gains (losses) on available-for-sale securities before following adjustment	(17,290)	8,213	(129,484)
Equivalent to non-controlling interests	53	41	397
YMFG’s interest in net unrealized gains (losses) on valuation of available-for-sale securities held by affiliates accounted for by the equity method	—	—	—
Unrealized gains (losses) on available-for-sale securities	¥(17,237)	¥8,172	\$(129,087)

Valuation differences on investments in partnerships that do not have a market price of ¥2,229 million (\$16,693 thousand) at March 31, 2023 and valuation differences on investments in partnerships, etc. that do not have a market price of ¥1,877 million at March 31, 2022 are recorded in available-for-sale securities of net unrealized gains in the list above.

Derivatives

(1) Derivative transactions at March 31, 2023 and 2022, to which hedge accounting is not applied

(a) Interest-rate-related:

Type	Millions of yen			
	2023			
	Contract amounts	Over one year	Fair value	Unrealized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥65,167	¥56,365	¥(2,635)	¥(2,635)
Receivable floating, payable fixed	90,169	81,365	1,917	1,917
Total	¥—	¥—	¥(718)	¥(718)

Type	Millions of yen			
	2022			
	Contract amounts	Over one year	Fair value	Unrealized gains (losses)
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	Thousands of U.S. dollars			
	2023			
	Contract amounts	Over one year	Fair value	Unrealized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	\$488,033	\$422,115	\$(19,733)	\$(19,733)
Receivable floating, payable fixed	675,271	609,339	14,356	14,356
Total	\$—	\$—	\$(5,377)	\$(5,377)

(b) Currency-related:

Type	Millions of yen			
	2023			
	Contract amounts	Over one year	Fair value	Unrealized gains (losses)
Over-the-counter:				
Currency swaps	¥133,941	¥77,094	¥(2,648)	¥(485)
Foreign exchange forward contracts:				
Sold	269,528	104,438	(5,254)	(5,254)
Bought	246,358	102,661	7,842	7,842
Currency options:				
Sold	465,604	375,400	(12,044)	242
Bought	465,604	375,400	11,959	2,934
Total	¥—	¥—	¥(145)	¥5,279

Type	Millions of yen			
	2022			
	Contract amounts	Over one year	Fair value	Unrealized gains (losses)
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	Thousands of U.S. dollars			
	2023			
	Contract amounts	Over one year	Fair value	Unrealized gains (losses)
Over-the-counter:				
Currency swaps	\$1,003,078	\$577,353	\$(19,831)	\$(3,632)
Foreign exchange forward contracts:				
Sold	2,018,483	782,131	(39,347)	(39,347)
Bought	1,844,964	768,823	58,728	58,728
Currency options:				
Sold	3,486,887	2,811,353	(90,197)	1,812
Bought	3,486,887	2,811,353	89,560	21,973
Total	\$—	\$—	\$(1,087)	\$39,534

(c) Stock-related:

There were no stock-related transactions as at March 31, 2023 and 2022.

(d) Bond-related:

There were no bond-related transactions as at March 31, 2023 and 2022.

(e) Commodity-related:

There were no commodity-related transactions as at March 31, 2023 and 2022.

(f) Credit-derivatives:

There were no credit-related transactions as at March 31, 2023 and 2022.

(2) Derivative transactions as at March 31, 2023 and 2022, to which hedge accounting is applied

(a) Interest-rate-related:

Type	Millions of yen		
	2023		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receivable floating, payable fixed	¥408,217	¥408,217	¥15,244
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receivable floating, payable fixed	9	—	*
Total	¥—	¥—	¥15,244

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

Type	Thousands of U.S. dollars		
	2023		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receivable floating, payable fixed	\$3,057,118	\$3,057,118	\$114,162
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receivable floating, payable fixed	67	—	*
Total	\$—	\$—	\$114,162

(*) 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		
	2023		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥374,619	¥127,681	¥(24,496)
Total	¥—	¥—	¥(24,496)

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	Thousands of U.S. dollars		
	2023		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	\$2,805,504	\$956,197	\$(183,449)
Total	\$—	\$—	\$(183,449)

(c) Stock-related:

There were no stock-related transactions at March 31, 2023 and 2022.

(d) Bond-related:

There were no bond-related transactions at March 31, 2023 and 2022.

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, 2023 and 2022 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 ¥21,097 million (\$158 million) and ¥33,432 million denote loans at March 31, 2023 and 2022, 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 ¥101,104 million (\$757 million) and ¥89,439 million denote loans at March 31, 2023 and 2022, 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 interest 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 ¥152 million (\$1 million) and ¥364 million denote loans at March 31, 2023 and 2022, 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 ¥8,188 million (\$61 million) and ¥4,569 million denote loans at March 31, 2023 and 2022, 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 ¥130,541 million (\$977 million) and ¥127,804 million at March 31, 2023 and 2022, respectively.

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

Commercial bills

Bills discounted are accounted for as financing transactions in accordance with the Industry Audit Committee Report No. 24, 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 ¥19,445 million (\$146 million) at March 31, 2023 and ¥20,760 million at March 31, 2022.

Loan participation

Based on the “Accounting Treatment and Presentation of Loan Participation” (JICPA 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 ¥783 million (\$6 million) and ¥2,783 million at March 31, 2023 and 2022, 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 ¥947,581 million (\$7,096 million) at March 31, 2023 and ¥937,356 million at March 31, 2022. Of this amount, ¥814,119 million (\$6,097 million) at March 31, 2023 and ¥745,398 million at March 31, 2022 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, 2023 and 2022, the following assets were pledged as collateral for certain liabilities of the Banks.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and due from banks	¥14	¥14	\$105
Securities	480,685	535,274	3,599,828
Loans and bills discounted	597,147	585,530	4,472,006

The collateral was pledged to secure the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deposits	¥40,427	¥48,378	\$302,756
Payables under securities lending transactions	285,323	314,959	2,136,771
Borrowings	382,700	605,400	2,866,023

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 ¥1,964 million (\$15 million) at March 31, 2023 and ¥1,983 million at March 31, 2022.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deposits	¥1,700	¥1,864	\$12,731
Collateral pledged for transactions involving public funds	1,197	1,299	8,964
Collateral pledged for financial instruments	35,249	44,831	263,978
Collateral pledged for exchange settlements	71,000	84,000	531,716
Financial futures margin	10	10	75
Margin on bond futures transactions	1,000	1,000	7,489

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥81,143 million (\$608 million) at March 31, 2023 and ¥80,477 million at March 31, 2022.

11. ADVANCED DEPRECIATION AMOUNT OF TANGIBLE FIXED ASSETS

At March 31, 2023 and 2022, accumulated advanced depreciation amount of tangible fixed assets was ¥7,960 million (\$60 million) and ¥9,628 million, respectively. Advanced depreciation expenses in the years ended March 31, 2023 and 2022 were none and ¥1,592 million, respectively.

12. IMPAIRMENT LOSSES

During the years ended March 31, 2023 and 2022, impairment losses were recorded on the following assets.

Location	Primary use	Type	Impairment loss		Thousands of U.S. dollars
			Millions of yen		2023
			2023	2022	2023
Within Hiroshima Prefecture	Business-use assets	Land, buildings	¥202	¥—	\$1,513
Within Yamaguchi Prefecture	Business-use assets	Land, buildings, other tangible fixed assets	170	—	1,273
Within Fukuoka Prefecture	Business-use assets	Land, buildings	140	—	1,048
Within Oita Prefecture	Welfare facility	Land, buildings	54	—	404
Within Ehime Prefecture	Business-use assets	Buildings, other tangible fixed assets	2	—	15
Overseas	Business-use assets	Buildings	24	—	180
Within Yamaguchi Prefecture	Business-use assets, corporate assets, welfare facility	Land, buildings, other tangible fixed assets	—	1,941	—
Within Hiroshima Prefecture	Business-use assets, corporate assets, welfare facility	Land, buildings, other tangible fixed assets	—	1,501	—
Within Hyogo Prefecture	Business-use assets, welfare facility	Land, buildings, other tangible fixed assets	—	251	—
Within Tokyo Metropolitan	Welfare facility	Buildings	—	190	—
Within Aichi Prefecture	Welfare facility	Land, buildings	—	54	—
Within Shimane Prefecture	Welfare facility	Land, buildings	—	46	—
Within Fukuoka Prefecture	Business-use assets	Buildings, other tangible fixed assets	—	43	—
Within Osaka Prefecture	Business-use assets	Buildings, other tangible fixed assets	—	18	—
Within Oita Prefecture	Business-use assets	Buildings, other tangible fixed assets	—	13	—
Within Kumamoto Prefecture	Business-use assets	Buildings	—	12	—
Other	Business-use assets, welfare facility	Land, buildings	—	17	—
—	—	Other assets, goodwill	—	1,545	—
Total			¥592	¥5,631	\$4,433

(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 business.

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, 2023, 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 ¥592 million (\$4,433 thousand) was recognized as impairment losses. This amount includes land of ¥398 million (\$2,980 thousand) buildings (including disposal costs) of ¥194 million (\$1,453 thousand) and movable property of ¥0 million (\$0 thousand).

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 was recognized as impairment losses. This amount includes land of ¥3,071 million, buildings (including exit and disposal costs) of ¥1,009 million and movable property of ¥6 million.

The recoverable amount used to estimate the impairment loss for the years ended March 31, 2023 and 2022 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 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 as impairment losses.

13. BORROWED MONEY

Payment schedule of borrowed money as of March 31, 2023 is as follows:

	Millions of yen	Thousands of U.S. dollars
2023	¥219,216	\$1,641,698
2024	32,709	244,956
2025	2,359	17,666
2026	131,378	983,884
2027	11,611	86,954
Thereafter	6,029	45,151
Total	¥403,302	\$3,020,309

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, 2023 and 2022

	Millions of yen	Thousands of U.S. dollars
	2023	2022
Retirement benefit obligations at the beginning of the year	¥51,382	¥53,953
Service cost	1,317	1,396
Interest cost	159	116
Actuarial differences	(1,360)	(681)
Retirement benefit payments	(3,389)	(3,398)
Others	5	(5)
Retirement benefit obligations at the end of the year	¥48,114	¥51,381

(2) Reconciliation of plan asset balances at the beginning and the end of the years ended March 31, 2023 and 2022

	Millions of yen	Thousands of U.S. dollars
	2023	2022
Balance of plan assets at the beginning of the year	¥81,457	¥110,770
Expected return on plan assets	1,534	1,846
Actuarial differences	(1,340)	(1,946)
Contribution from employer	430	456
Retirement benefit payments	(2,423)	(2,358)
Decrease resulting from transfer to defined contribution pension plans	—	(1,241)
Cancellation of retirement benefit trusts	—	(26,286)
Others	204	216
Balance of plan assets at the end of the year	¥79,862	¥81,457

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at March 31, 2023 and 2022, and the carrying amounts of net defined benefit liability and net defined benefit asset

	Millions of yen	Thousands of U.S. dollars
	2023	2022
Retirement benefit obligations of funded plans	¥47,999	¥51,269
Plan assets	(79,861)	(81,457)
	(31,862)	(30,188)
Retirement benefit obligations of unfunded plans	116	112
Net carrying amount of liabilities and assets	¥(31,746)	¥(30,076)

	Millions of yen	Thousands of U.S. dollars
	2023	2022
Net defined benefit liability	¥2,589	¥2,652
Net defined benefit asset	(34,335)	(32,728)
Net carrying amount of liabilities and assets	¥(31,746)	¥(30,076)

(4) Retirement benefit costs and their breakdowns

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost (*1)	¥1,317	¥1,396	\$9,863
Interest cost	159	116	1,191
Expected return on plan assets	(1,534)	(1,846)	(11,488)
Recognized actuarial loss	(628)	(621)	(4,703)
Recognized past service cost	—	(2,788)	—
Others	96	106	719
Retirement benefit costs on defined benefit plans	¥(590)	¥(3,637)	\$ (4,418)
Gains on cancellation of retirement benefit trusts (*2)	¥—	¥9,094	\$—
Loss on revision of retirement benefit plan (*3)	—	1,241	—

(*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
	2023	2022	2023
Actuarial gain (loss)	¥(608)	¥(12,241)	\$ (4,553)
Past service cost	—	(2,788)	—
Total	¥(608)	¥(15,029)	\$ (4,553)

(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
	2023	2022	2023
Unrecognized actuarial gain (loss)	¥(2,414)	¥(3,022)	\$ (18,078)
Total	¥(2,414)	¥(3,022)	\$ (18,078)

(7) Plan assets

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

	2023	2022
Bonds	36%	36%
Shares	35%	36%
Others	29%	28%
Total	100%	100%

(Note) Plan assets include 33% of corporate pension plans established as retirement benefit trusts at March 31, 2023 and 31% at March 31, 2022.

(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, 2023 and 2022

	2023	2022
Discount rate	0.00%—1.98%	0.00%—1.27%
Expected long-term rate of return on plan assets	0.90%—2.28%	1.00%—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, 2023 and 2022 was ¥310 million (\$2 million) and ¥317 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 was recorded in other expenses.

15. REVALUATION RESERVE FOR LAND

Pursuant to the Law concerning Revaluation of Land (Law No. 34, promulgated on 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 on 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 the 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, 2023 and 2022 was ¥11,453 million (\$86 million) and ¥12,474 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

Items included in other income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Gains on sale of stock	¥9,669	¥3,725	\$72
Dividends from creditor group insurance	1,274	919	10
Income from investment partnership	260	398	2

18. GENERAL AND ADMINISTRATIVE EXPENSES

Items included in operating expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salary and allowance	¥27,866	¥28,729	\$208,687
Depreciation	5,038	5,401	37,729

19. OTHER EXPENSES

Items included in other expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Loss on sale of stock	¥2,811	¥7,140	\$21,051
Loss on investment in money held in trust	1,289	0	9,653
Losses on investment partnership	900	858	6,740
Loss on financial derivatives	118	424	884
Losses on devaluation of stocks and other securities	106	386	794

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, 2023 and 2022 were as follows:

Borrower

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Within one year	¥119	¥130	\$891
More than one year	421	522	3,153
Total minimum lease payments	¥540	¥652	\$4,044

Lender

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Within one year	¥64	¥44	\$479
More than one year	116	127	869
Total minimum lease payments	¥180	¥171	\$1,348

21. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for loan losses	¥20,534	¥22,692	\$153,778
Unrealized gains (losses) on available-for-sale securities	8,068	4,693	60,421
Net operating losses carryforwards	806	1,014	6,036
Provision for bonuses	795	881	5,954
Depreciation	632	637	4,733
Losses on devaluation of securities	487	611	3,647
Net defined benefit liability	433	324	3,243
Other	2,397	2,370	17,951
Deferred tax assets	34,152	33,222	255,763
Valuation allowance	(10,970)	(10,168)	(82,154)
Total deferred tax assets	23,182	23,054	173,609
Deferred tax liabilities:			
Deferred gains or losses on hedges	(4,924)	(2,076)	(36,876)
Net defined benefit asset	(2,903)	(2,906)	(21,740)
Securities contributed to retirement benefit trusts	(2,448)	(2,620)	(18,333)
Capital gain (loss) adjustment	(1,884)	(1,886)	(14,109)
Gains on cancellation of retirement benefit trusts	(896)	(1,793)	(6,710)
Reserve for advanced depreciation of non-current assets	(656)	(1,324)	(4,913)
Unrealized gains (losses) on available-for-sale securities	—	(7,826)	—
Other	(189)	(533)	(1,415)
Total deferred tax liabilities	(13,900)	(20,964)	(104,096)
Net deferred tax assets (liabilities)	¥9,282	¥2,090	\$69,513

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, 2023 were as follows:

	2023	2022
Effective statutory tax rate	30.46%	—%
(Adjustments)		
Changes in the valuation reserve	3.17%	—%
Items that are not permanently included in profits, such as dividends received	(1.07)%	—%
Items that are not permanently included in losses, such as entertainment expenses	0.57%	—%
Gain on bargain purchase	(1.03)%	—%
Gain on step acquisitions	(0.58)%	—%
Inhabitant tax on a per capita basis	0.49%	—%
Consolidation adjustments	(0.01)%	—%
Others	0.38%	—%
Tax burden after the application of tax-effect accounting	32.38%	—%

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

3. Accounting of corporate taxes and local corporate taxes or accounting of relevant tax effect accounting
YMFG and certain consolidated subsidiaries have applied the group tax sharing system from year ended March 31, 2023. Moreover, they conduct the accounting and disclosure of corporate taxes and local corporate taxes or relevant tax effect accounting in accordance with the PITF No. 42.

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 unconsolidated financial statements of YMFG in accordance with the Act.

At the annual shareholders' meeting held on June 28, 2023, the shareholders approved cash dividends amounting to ¥3,612 million (\$27 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2023 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders' meeting held on June 24, 2022, the shareholders approved cash dividends amounting to ¥3,337 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.

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, 2022	Increase	Decrease	March 31, 2023
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock (*1, *2)	26,865	12,621	227	39,260
Total	26,865	12,621	227	39,260

(*1) The increase in the number of treasury stock is due to market purchases of 12,621 thousand shares, and purchases of shares constituting less than one trading unit, totaling 0 thousand shares.

The decrease of treasury stock included 194 thousand shares due to the exercise of rights of the BBT, 32 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 the year ended March 31, 2023 includes 849 thousand shares and 654 thousand shares held by the BBT, respectively.

	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 BBT and 41 thousand shares for the exercise of share options.

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

2. Stock options

Stock options at March 31, 2023 and 2022 were ¥43 million (\$0 million) and ¥82 million, respectively.

3. Information on dividends is as follows:

(a) Dividends paid in the years ended March 31, 2023 and 2022

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 13, 2022				
Common stock	¥3,337 (*1)	¥14.00	Mar. 31, 2022	Jun. 27, 2022
Resolved at the board of directors meeting on November 11, 2022				
Common stock	¥3,486 (*2)	¥15.00	Sep. 30, 2022	Dec. 9, 2022

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

(*2) The total amount of dividends on common stock includes ¥10 million in dividends to the 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 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 dividends on common stock includes ¥12 million in dividends to the BBT.

(*2) The total amount of dividends on common stock includes ¥13 million in dividends to the 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 13, 2022				
Common stock	\$24,991 (*1)	\$0.11	Mar. 31, 2022	Jun. 27, 2022
Resolved at the board of directors meeting on November 11, 2022				
Common stock	\$26,106 (*2)	\$0.10	Sep. 30, 2022	Dec. 9, 2022

(*1) The total amount of dividends on common stock includes \$90 thousand in dividends to the BBT.

(*2) The total amount of dividends on common stock includes \$75 thousand in dividends to the BBT.

(b) Dividends to be paid in the years ending March 31, 2024 and 2023 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 12, 2023					
Common stock	¥3,612*	Retained earnings	¥16.00	Mar. 31, 2023	Jun. 28, 2023

* The total amount of dividends on common stock includes ¥10 million in dividends to the 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 13, 2022					
Common stock	¥3,337*	Retained earnings	¥14.00	Mar. 31, 2022	Jun. 27, 2022

* The total amount of dividends on common stock includes ¥12 million in dividends to the 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 12, 2023					
Common stock	\$27,050*	Retained earnings	\$0.12	Mar. 31, 2023	Jun. 28, 2023

* The total amount of dividends on common stock includes \$75 thousand in dividends to the 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 name of line items

There were no expenses in the years ended March 31, 2023 and 2022.

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

Note: Stated as the equivalent number of shares.

From the year ended March 31, 2016, the issuance of stock options to directors of YMFG's 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
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	26,700	26,900	12,800	8,300
Rights determined	—	—	—	—
Rights exercised	15,600	10,400	6,400	—
Expiry	—	—	—	—
Amount unexercised	11,100	16,500	6,400	8,300

(b) Price information

	Yen			
	2016	2015	2014	2013
Exercise price	¥1	¥1	¥1	¥1
Average share price at time of exercise	740	740	740	—
Fair value on date granted	1,377	1,015	973	619

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
	2023	2022	2023
Fees and commissions	¥23,664	¥23,823	\$177,227
Deposit and loan and bill discounted business	5,615	5,095	42,058
Exchange business	4,871	4,911	36,479
Securities-related business	3,734	4,014	27,964
Agency business	216	248	1,618
Safe custody and safe deposit box business	203	209	1,520
Other businesses	9,025	9,346	67,588
Other income	747	603	5,594
Income from contracts with customers	24,411	24,426	182,821
Income from other sources	132,913	122,591	995,371
Income from external customers	¥157,324	¥147,017	\$1,178,192

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, 2023 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized gains (losses) on available-for-sale securities			
Amount generated during the year	¥(39,883)	¥(38,468)	\$(298,677)
Reclassification adjustments	3,481	22,591	26,074
Before tax effect adjustment	(36,402)	(15,877)	(272,603)
Tax effect amount	10,973	4,599	82,176
Unrealized gains (losses) on available-for-sale securities	(25,429)	(11,278)	(190,427)
Deferred gains (losses) on hedges			
Amount generated during the year	8,351	3,544	62,540
Reclassification adjustments	1,001	1,156	7,496
Before tax effect adjustment	9,352	4,700	70,036
Tax effect amount	(2,848)	(1,431)	(21,329)
Deferred gains (losses) on hedges	6,504	3,269	48,707
Remeasurements of defined benefit plans			
Amount generated during the year	20	(1,265)	150
Reclassification adjustments	(628)	(13,764)	(4,703)
Before adjustment for tax effects	(608)	(15,029)	(4,553)
Tax effect amount	185	4,578	1,385
Remeasurements of defined benefit plans	(423)	(10,451)	(3,168)
Total other comprehensive income	¥(19,348)	¥(18,460)	\$(144,888)

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, 2023

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 method of deciding the transaction conditions were the same as general transactions.

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 (average balance)
Account name:	Loan
Year-end balance:	¥223 million

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

Corporate pensions for employees, etc.

For the year ended March 31, 2023

There was no transaction related to 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

30. PER SHARE DATA

	yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥2,718.04	¥2,652.26	\$20.36
Net income (loss) per share	77.41	(53.29)	0.58
Net income per share (diluted)	77.39	—	0.58

(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
	2023	2022	2023
Net assets	¥614,666	¥636,344	\$4,603,205
Amounts excluded from net assets	2,853	6,465	21,366
Stock options	43	82	322
Non-controlling interests	2,810	6,383	21,044
Net assets attributable to common stock at the year-end	611,813	629,879	4,581,839
Number of common stock at the year-end used for the calculation of net assets per share (in thousands)*	225,093	237,488	—

* Shares of YMFG held by the 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. The number of the shares held by the BBT was 654 thousand as of March 31, 2023 and 849 thousand as of March 31, 2022.

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

	Millions of yen except number of shares		Thousands of U.S. dollars
	2023	2022	2023
Net income (loss) attributable to owners of the parent	¥17,894	¥(13,006)	\$134,015
Amount not attributable to common shareholders	—	—	—
Net income (loss) attributable to owners of the parent for common stock	17,894	(13,006)	134,015
Average shares of common stock during the year (*1) (in thousands)	231,171	244,077	—

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

	Millions of yen except number of shares		Thousands of U.S. dollars
	2023	2022	2023
Net income adjustment attributable to owners of the parent	¥—	¥—	\$—
Increase of shares of common stock (in thousands)	52	118	—
Warrant	52	118	—
Dilutive shares not included in the calculation of diluted net income per share due to no dilutive effect	—	—	—

(*1) Shares of YMFG held by the 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 the shares was 706 thousand in the year ended March 31, 2023 and 899 thousand in the year ended March 31, 2022.

(*2) 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.

31. SUBSEQUENT EVENTS

For the year ended March 31, 2023

Dividends were made in June 2023. Please refer to "22. NET ASSETS."

Acquisition of treasury stock

At a Board of Directors meeting on May 12, 2023, YMFG resolved to acquire treasury stock, based on Article 156 of the Companies Act as applied by replacing terms pursuant to provisions of Article 165-3 of the Act, for the purpose of returning profits to shareholders through improving capital efficiency.

1. Type of shares to be acquired
Common stock of YMFG

2. Total number of shares to be acquired

20,000,000 shares (maximum)
(8.88% of the total number of shares issued (excluding treasury stock))

3. Total acquisition price of the shares
¥10.0 billion (\$74,890 thousand) (maximum)

4. Acquisition period
May 15, 2023 to March 22, 2024

5. Acquisition method
Market purchases on the Tokyo Stock Exchange

Cancellation of treasury stock

At a Board of Directors meeting on May 12, 2023, YMFG resolved to cancel treasury stock, based on provisions of Article 178 of the Companies Act.

1. Type of shares to be canceled
Common stock of YMFG

2. Total number of shares to be canceled
29,586,000 shares
(11.19% of the total number of shares issued (including treasury stock) prior to cancellation)

3. Scheduled cancellation date
June 30, 2023

Introduction of Employee Stock Ownership Plan (J-ESOP) and disposal of treasury stock through third party allotment

At a Board of Directors meeting on May 12, 2023, YMFG resolved to introduce an Employee Stock Ownership Plan (J-ESOP) (hereinafter referred to as the "Plan" ; and the trust established in relation to the Plan based on a trust agreement entered into with Mizuho Trust & Banking Co., Ltd. is referred to as the "Trust"), an incentive plan to provide employees with treasury stock for the purpose of bolstering employee morale and motivation towards improved share price and operating performance by enhancing the interrelationship among share price, operating performance and employee treatment and by sharing economic effects with shareholders. YMFG also resolved to dispose of treasury stock through third party allotment (hereinafter, the "Disposal of Treasury Stock") following the introduction of the Plan.

1. Overview of the Trust

(1) Name
Employee Stock Ownership Plan (J-ESOP)

(2) Trustor
YMFG

(3) Trustee
Mizuho Trust & Banking Co., Ltd.
(Re-trustee: Custody Bank of Japan, Ltd.)

(4) Beneficiaries
Employees who meet beneficiary requirements set forth in the stock benefit regulations

(5) Trust administrator
Selected from YMFG employees

(6) Type of trust
Money held in trust other than a money trust
(third-party-benefit trust)

(7) Purpose of trust
To provide YMFG shares, etc., which are the trust assets, to beneficiaries in accordance with the stock benefit regulations

(8) Contract date of the Trust
May 29, 2023

(9) Date of placing money in trust
May 29, 2023

(10) Trust period
May 29, 2023 to the termination of the trust
(No specific termination date will be determined; the trust will continue as long as the Plan continues.)

2. Overview of the Disposal of Treasury Stock

(1) Disposal date
May 29, 2023

(2) Type and number of shares to be disposed of
910,000 shares of common stock

(3) Disposal price
¥830 (\$6.22) per share

(4) Total disposal value
¥755,300,000 (\$5,654 thousand)

(5) Planned allottee
Custody Bank of Japan, Ltd. (Trust Account E)

(6) Other
The Disposal of Treasury Stock is subject to the effectiveness of securities registration statements filed under the Financial Instruments and Exchange Act.

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)

(4) Acquisition period
May 16, 2022 to March 24, 2023

(5) Acquisition method
Market purchases on the Tokyo Stock Exchange

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

Based on the resolution at a 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	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: 1. Renewable energy Financing for the following renewable energy power generation projects (both new/existing projects): 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) 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: 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.	

32. BUSINESS COMBINATIONS

For the year ended March 31, 2023

1. Business combination due to acquisition
Acquisition of additional shares in an affiliate accounted for by the equity method by YMFG

(1) Overview of the transaction

(i) Name and business of the acquired company

Name	Business
Momiji Card Co., Ltd.	Credit card business

(ii) Principal reason for conducting the business combination

YMFG made Momiji Card a wholly-owned subsidiary through acquiring shares held by non-controlling shareholders for the purpose of leveraging the Group synergies and enhancing the Group's consolidated revenue.

(iii) Date of the business combination

March 31, 2023

(iv) Legal form of the business combination

Conversion to a subsidiary through the acquisition of shares

(v) Name of the company following the combination
Unchanged

(vi) Percentage of voting rights acquired

Percentage of voting rights held immediately prior to the business combination 39.9%

Percentage of additional voting rights acquired on the date of the business combination 60.1%

Total percentage of voting rights following the acquisition 100.0%

(vii) Main reasons for deciding to acquire the company
YMFG acquired shares for cash consideration.

(2) Period of the financial results of the acquired company included in the consolidated financial statements

As the acquisition date is deemed to have been March 31, 2023, income of the acquired company for the period from April 1, 2022 through March 31, 2023 is recorded as equity in earnings of affiliates.

(3) Acquisition cost of the acquired company and breakdown of consideration

Fair value of common stock owned immediately prior to the business combination as of the date of the business combination

¥127 million (\$951 thousand)

Consideration for additional common stock acquired

¥191 million (\$1,430 thousand)

Acquisition cost

¥318 million (\$2,381 thousand)

(4) Content and amounts of principal acquisition-related expenses

Not applicable

(5) Difference between the acquisition cost of the acquired company and total acquisition cost for individual transactions leading up to the acquisition

Gain on step acquisitions ¥481 million (\$3,602 thousand)

(6) Amount of and reasons for goodwill and method and period of amortization

Not applicable

(7) Amount of and reasons for gain on bargain purchase

(i) Amount of gain on bargain purchase

¥885 million (\$6,628 thousand)

(ii) Reasons for gain on bargain purchase

The amounts of assets and liabilities of the acquired company obtained at fair value as of the date of the business combination exceeded the acquisition cost.

(8) Amounts of assets accepted and liabilities assumed on the date of the business combination and breakdown thereof

Current assets	¥2,497 million (\$18,700 thousand)
Non-current assets	¥574 million (\$4,299 thousand)
Total assets	¥3,071 million (\$22,999 thousand)
Current liabilities	¥2,695 million (\$20,183 thousand)
Non-current liabilities	¥3 million (\$22 thousand)
Total liabilities	¥2,698 million (\$20,205 thousand)

(9) Impact on the consolidated statements of operations for the year ended March 31, 2023 based on the assumption that the business combination was completed at the beginning of the year has been omitted, as it is immaterial.

2. Transaction under common control

Acquisition of additional shares in consolidated subsidiaries by YMFG

(1) Overview of the transaction

(i) Names and businesses of the combined companies

Name	Business
YM Lease Co., Ltd.	Leasing
Yamagin Card Co., Ltd.	Credit card business

(ii) Date of the business combination

December 29, 2022

(iii) Legal form of the business combination

Acquisition of shares from non-controlling shareholders

(iv) Names of the companies following the combination

Unchanged

(v) Other matters related to the overview of the transaction

YMFG increased the Group's equity ratio to 100% through acquiring shares held by non-controlling shareholders for the purpose of leveraging the Group synergies and enhancing the Group's consolidated revenue.

(2) Overview of accounting standards employed

The transaction was handled as a transaction with non-controlling shareholders among transactions under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" (ASBJ Guidance No. 10, January 16, 2019).

(3) Matters related to the acquisition of additional shares in subsidiaries

Acquisition cost and breakdown of consideration

Consideration for the acquisition	Cash and due from banks	¥3,629 million (\$27,177 thousand)
Acquisition cost		¥3,629 million (\$27,177 thousand)

(4) Changes in YMFG's equity related to the transaction with non-controlling shareholders

(i) Principal reason for changes in capital surplus

Acquisition of additional shares in subsidiaries

(ii) Amount of decrease in capital surplus due to the transaction with non-controlling shareholders

¥285 million (\$2,134 thousand)

Acquisition of shares in a subsidiary through dividends in kind

(1) Overview of the transaction

(i) Name and business of the combined company

Name	Business
YM Lease Co., Ltd.	Leasing

(ii) Date of the business combination

March 31, 2023

(iii) Legal form of the business combination

Dividends in kind from the consolidated subsidiary

(iv) Name of the company following the combination

Unchanged

(v) Other matters related to the overview of the transaction

YMFG acquired shares held by the consolidated subsidiary for the purpose of promptly reflecting YMFG's management strategies and sales measures according to regional characteristics in business activities.

(2) Overview of accounting standards employed

The transaction was handled as a transaction under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" (ASBJ Guidance No. 10, January 16, 2019).

For the year ended March 31, 2022

There were no business combinations.