Co-Creating a Bountiful Future for Our Region

YMFG
Yamaguchi Financial Group

ANNUAL REPORT 2021

For the year ended March 31, 2021

For and on behalf of
THE YAMAGUCHI BANK, LTD.
HONG KONG REPRESENTATIVE OFFICE

M. Yamane
Authorized Signature

YMFG Profile (As of July 31, 2021)

Group Companies

YMFG
Yamaguchi Financial Group

Yamaguchi Financial Group
Holding Company

山口銀行

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

YM Securities
Securities business

YM Asset Management
Investment management business

YM Consulting
Consulting business

Data Qvic
Data consulting and media businesses

YM Guarantee
Credit guarantee business

Momiji Estate
Real estate leasing business

Nishiseto Marine Partners
Advanced ship finance promoting business

もみじ銀行

Momiji Bank
Banking business
Networks in Japan:
105 (98 head office and branch offices, 7 sub-branch offices)

HOKEN HIROBA
Insurance and banking agency businesses

Yamagin Card
Credit-card business

YMFG Zone Planning
Research study of the region/ Consulting business

INESUS
Benefits package service business

YM Lease
Leasing business

YM Saison
Credit-card and other product planning and developing business

北九州銀行

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

YM Life Planning
Insurance and banking agency businesses

Izutsuya Withcard
Credit-card business

YM Career
Job placement business

Nishiseto Regional Co-creation Servicer
Specified monetary claims servicing and turnaround initiative business

Sanyu
Real estate leasing business

Momiji Card
Credit-card business

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YMFG Financial Highlights (For the fiscal year ended March 31, 2021)

¥12.0 trillion

Total Assets
(Consolidated)

Total assets on a consolidated Group basis amounted to ¥12.0 trillion.

¥25.0 billion

Net Income
(Consolidated)

Net income decreased ¥0.4 billion year on year, to ¥25.0 billion.

¥10.0 trillion

Deposit Balance
(Three Banks)

Liquid deposits and time and savings deposits were robust.

¥8.0 trillion

Balance of Loans
(Three Banks)

Principal contributors to the increase were rises in loans to small and medium-sized enterprises.

13.43%

Capital Ratio
(Basel 3)
(Consolidated)

This represented a year-on-year increase of 0.81 percentage point.

12.75%

Tier 1 Ratio
(Basel 3)
(Consolidated)

This ratio was up 0.31 percentage point.

1.26%

Non-Performing Loan Ratio
(Consolidated)

Our non-performing loan ratio down 0.02 percentage point.

A (Stable) R & I

Credit Rating
(YMFG)

Date of rating announcement: October 23, 2020

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

Message from the President

Co-Creating a Bountiful Future for Our Region



Keisuke Mukunashi
President and
Group CEO

Thank you for your continued support of the Yamaguchi Financial group ("YMFG").

The region is affected by declining childbirth and aging populations, the outflow of people into urban areas, a shortage of workers to shoulder operations and rapid digital transformation, as well as the growing novel coronavirus disease (COVID-19) pandemic. Amid these circumstances, expectations are mounting and regional financial groups are being called upon to play an even greater role in regional economic development by helping to invigorate local companies and industries, ensure employment and bolster the sustainability of the regional economy.

Furthermore, the environment in which we operate as a regional financial group is calling for increased accountability, as well as growing social demands to conduct business operations in a customer-oriented spirit (fiduciary duty). At the same time, we are exposed to risks in a host of areas that go beyond industry boundaries. These include the emergence of fintech, further advances in AI and other new technologies, and an ongoing move away from the use of cash.

In this operating environment, we formulated the YMFG Medium-Term Management Plan 2019. Under the plan's mission of "Working with intention to co-create a bountiful future for our region," we aim to go beyond the boundaries of finance to address the social issues facing our region, maintaining an awareness closely attuned to businesses. We strive to be a company that adds value to the region.

Going forward, we will continue to concentrate on dialogue with our many stakeholders, including people in our region. We will strive to provide optimal, value-added services and enhance our corporate value by fostering development of the region. We will create a stable and highly effective corporate governance structure for the Group and augment the transparency of Group management to ensure accountability to our stakeholders. We remain unyielding in our aim to be a company that truly benefits and adds value to the region. We look forward to your continued patronage and support.

August 2021

YMFG Medium-Term Management Plan 2019

Social trends	*Regional environment*	*YMFG's strengths*	*External environment*
▸▸ ESG ▸▸ SDGs/Society 5.0	▸▸ Declining population and other social issues	▸▸ Trust and trustworthiness ▸▸ Networks ▸▸ Specialization	▸▸ Alternative methods for financial functions (Fintech, etc.)

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

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

Goals

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

Mission

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

Basic Goals

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

Basic Goal 1
Establish a regional co-creation model

- ▸▸ We will produce a regional ecosystem for addressing regional social issues, steadily generating solutions.
- ▸▸ We will configure an ecosystem platform to create new value by realizing numerous ecosystems.

Basic Goal 2
Achieve "shinka" of the financial model

- ▸▸ From the perspectives of acting on behalf of our customers and achieving customer optimization, we will develop the business model on two fronts: deepening the model and extending it.
  (Both are pronounced "shinka" in Japanese.)
- ▸▸ Meanwhile, to extend the model we will pursue thorough digitization, and expand and increase our sales area and scale of operation. As a result, we will make our existing functions more productive.

Basic Goal 3
Combine banking culture and an entrepreneurial spirit

- ▸▸ To create value—both economic and social—we must achieve fundamental changes in the way our employees think and act.
- ▸▸ We will retain the best aspects of the banking culture and combine that with an entrepreneurial spirit, establishing a regional co-creation model and a financial model.

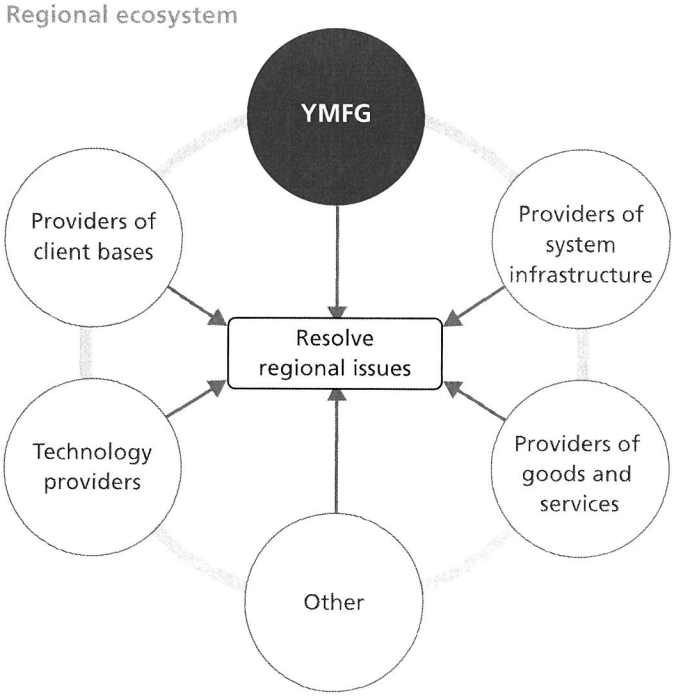
Business Model of the Medium-Term Management Plan

▸▸ Establish an original management model for creating shared value (CSV*) [the "YM-CSV Model"], and work to simultaneously enhance regional social value and YMFG's economic value.

YM-CSV Model

Basic objective 1 **Establishment of a Regional Co-Creation Model**

Regional ecosystem



▸▸ We will take the lead in arranging a "regional ecosystem" to resolve social problems the community faces and steadily yield solutions.

▸▸ By implementing numerous ecosystems, we will create new regional value, converting regional weaknesses into strengths.

Organically

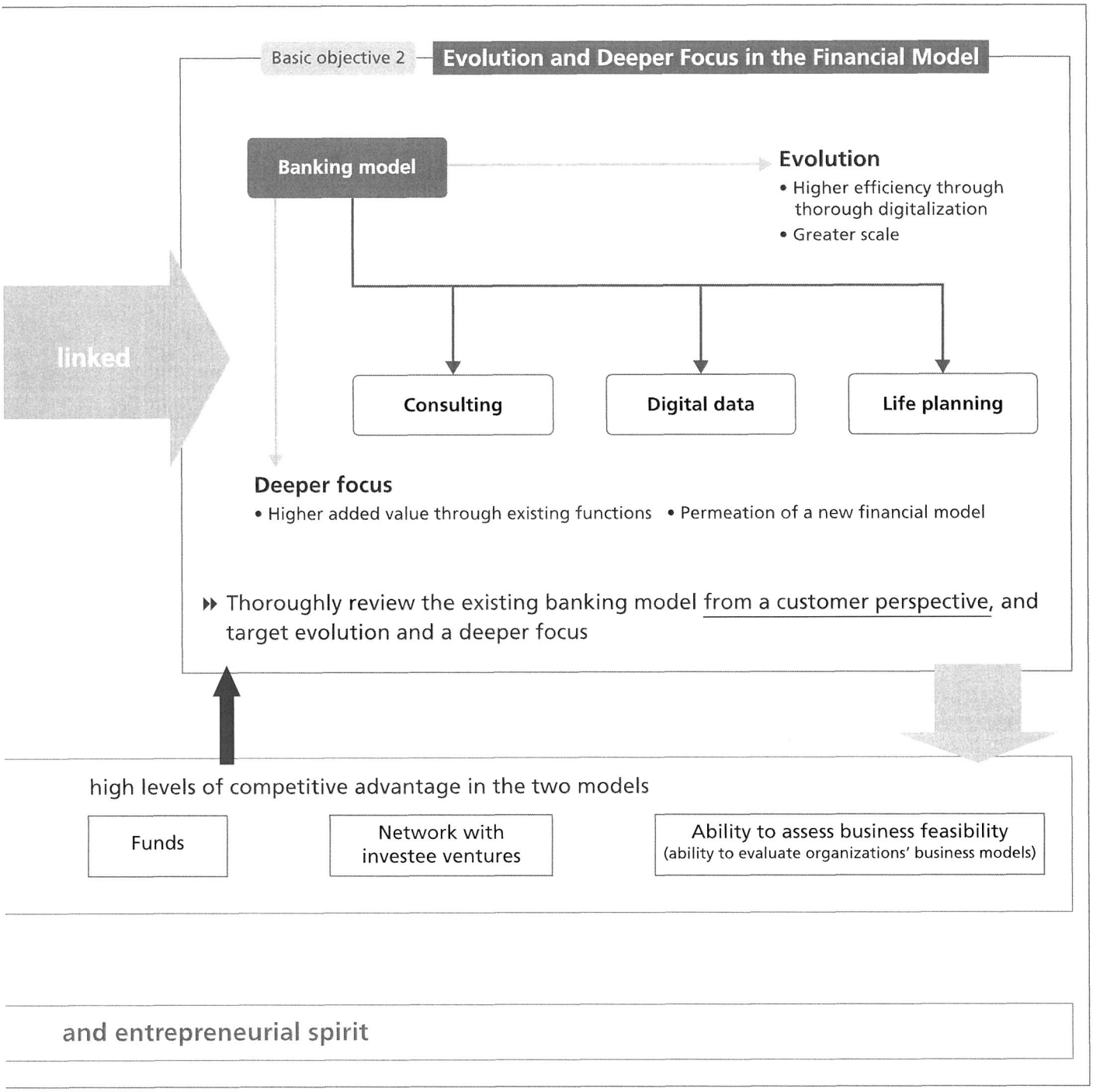
▸▸ Leverage management resources in individual domains to generate

Relations with the region	Regional network	Human resource network	DX	Regional data (integrated database)

Support

Basic objective 3 **Combination of banking culture**

*Creating shared value: A management strategy framework. By creating shared value, targets both the economic profit-seeking activities of corporations and the generation of social value.


Basic objective 2
Evolution and Deeper Focus in the Financial Model
Banking model
Evolution
• Higher efficiency through thorough digitalization
• Greater scale
linked
Consulting
Digital data
Life planning
Deeper focus
• Higher added value through existing functions • Permeation of a new financial model
Thoroughly review the existing banking model from a customer perspective, and target evolution and a deeper focus
high levels of competitive advantage in the two models
Funds
Network with investee ventures
Ability to assess business feasibility
(ability to evaluate organizations' business models)
and entrepreneurial spirit

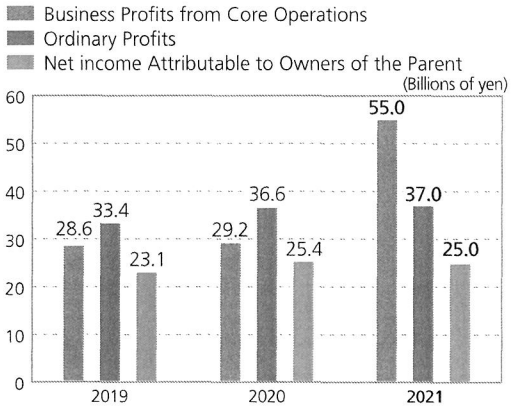
Performance Highlights (YMFG)

Performance during the fiscal year ended March 31, 2021

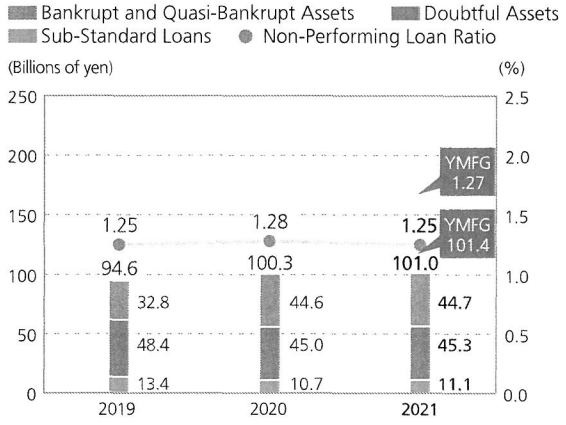
Business Profits from Core Operations/ Ordinary Profits/Net Income Attributable to Owners of the Parent

Business profits from core operations increased ¥25.8 billion year on year, to ¥55.0 billion.

Ordinary profits increased ¥0.4 billion, to ¥37.0 billion, and net income attributable to owners of the parent amounted to ¥25.0 billion.

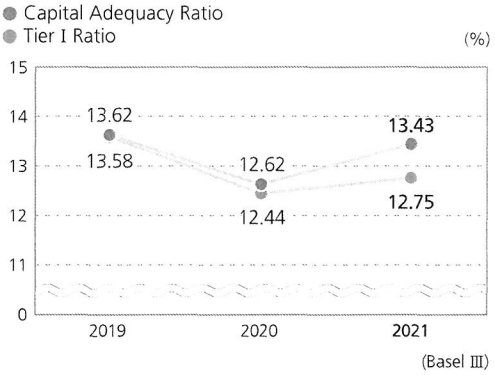


Non-Performing Assets Based on the Financial Revitalization Law (Consolidated)



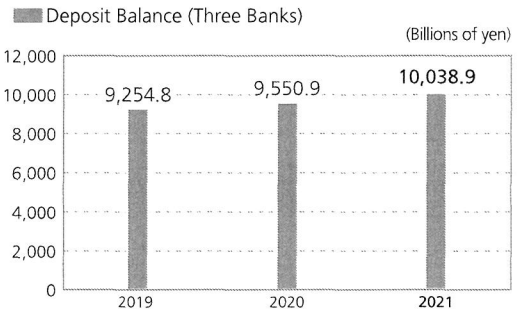
Capital Adequacy Ratio (YMFG)

YMFG's consolidated capital adequacy ratio (uniform international standard) under Basel Ⅲ was 13.43%. The total Tier 1 capital adequacy ratio was 12.75%, and consolidated common equity Tier I capital adequacy ratio were 12.72%.



Deposit Balance (Three Banks)

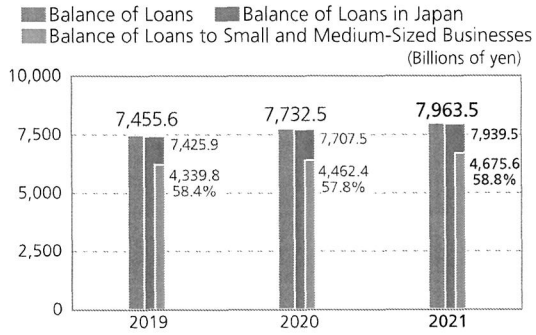
The total deposit balance at term-end was ¥9,629.3 billion, or ¥10,038.9 billion including Negotiable Certificates of Deposit (NCDs). This came about because of the expansion of products and services and steady marketing efforts based on solid community relationships.

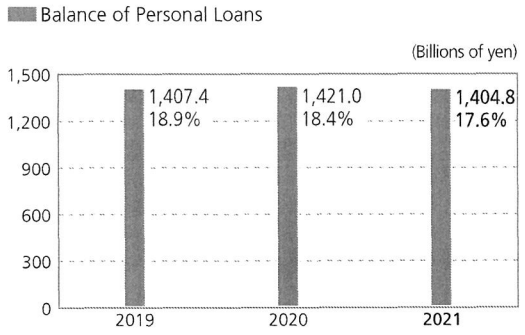


Note: The deposit balance includes the NCD balance.

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

The balance of loans at term-end was ¥7,963.5 billion, as a result of active efforts to live up to the trust placed in us by our customers by meeting healthy demand for funds.

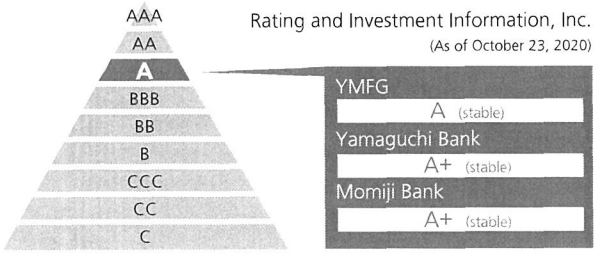




Note: The percentages of loans to small and medium-sized businesses and personal loans are calculated on the basis of the balance of loans in Japan.

Ratings for YMFG, Yamaguchi Bank and Momiji Bank

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



Dividend Policy (YMFG)

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

In the year ended March 31, 2021, the dividend per share at term-end was ¥13. Combined with the interim dividend of ¥13 per share, the full-year dividend amounted to ¥26 per share.

(Yen)

	2019	2020	2021	2022 (Forecast)
Annual dividend per share (Interim dividend)	22.0 (11.0)	24.0 (12.0)	26.0 (13.0)	28.0 (14.0)

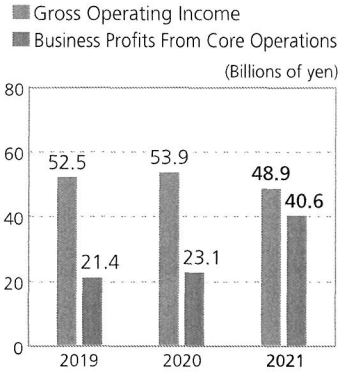
Expected Performance for the Fiscal Year Ending March 31, 2022 (YMFG)

YMFG aims to achieve its consolidated ordinary profits of ¥38.0 billion and net income attributable to owners of the parent of ¥26.0 billion.

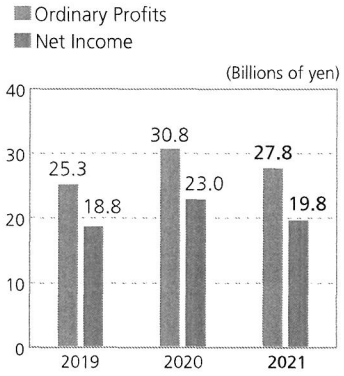
Performance Highlights (Three Banks)

Yamaguchi Bank (Non-consolidated)

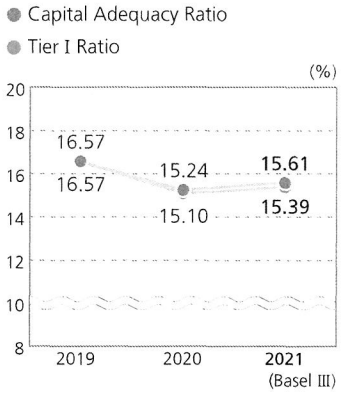
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income

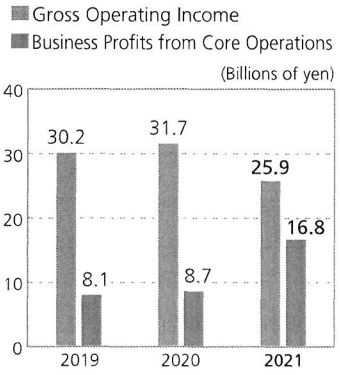


Capital Adequacy Ratio

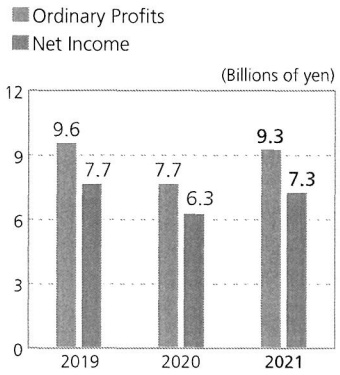


Momiji Bank (Non-Consolidated)

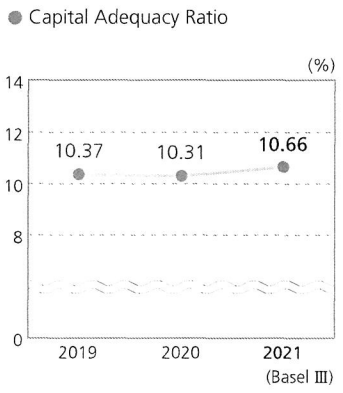
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income

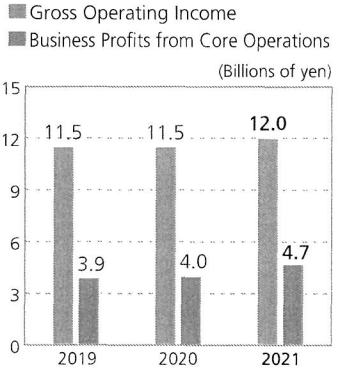


Capital Adequacy Ratio

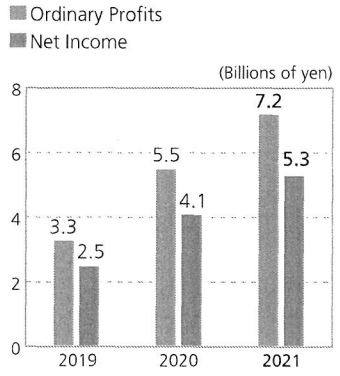


Kitakyushu Bank (Non-Consolidated)

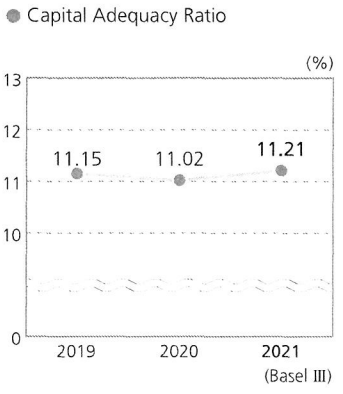
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income



Capital Adequacy Ratio



YMFG Forecast for the Fiscal Year Ending March 31, 2022

As the Japanese economy remain on its path gradual recovery, we expect profit categories to increase during the fiscal year ending March 31, 2022.
In the third year of our Medium-Term Management Plan 2019, we expect consolidated ordinary profits for the YMFG Group to amount to ¥38.0 billion, up 2.8% year on year. We also anticipate net income attributable to owners of the parent of ¥26.0 billion, up 4.2%.

(Billions of yen)

YMFG (Consolidated)	Fiscal Year Ending March 31, 2022	Year-on-Year Change
Ordinary profits	38.0	1.0
Net income attributable to owners of the parent	26.0	1.0

Yamaguchi Bank (Non-Consolidated)	Fiscal Year Ending March 31, 2022	Year-on-Year Change
Ordinary profits	30.0	2.2
Net income attributable to owners of the parent	22.5	2.7

Momiji Bank (Non-Consolidated)	Fiscal Year Ending March 31, 2022	Year-on-Year Change
Ordinary profits	7.8	(1.5)
Net income attributable to owners of the parent	6.5	(0.8)

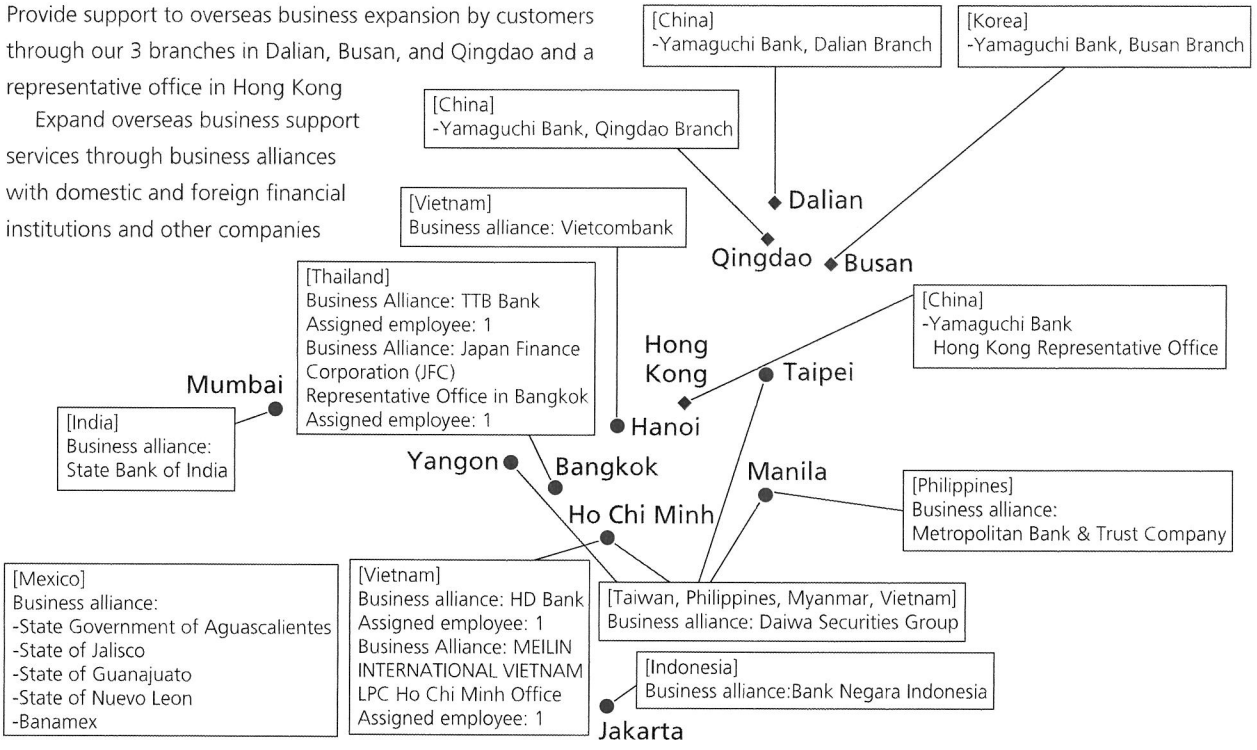
Kitakyushu Bank (Non-Consolidated)	Fiscal Year Ending March 31, 2022	Year-on-Year Change
Ordinary profits	4.8	(2.4)
Net income attributable to owners of the parent	3.5	(1.8)

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

Overseas Networks (As of July 1, 2021)

Provide support to overseas business expansion by customers through our 3 branches in Dalian, Busan, and Qingdao and a representative office in Hong Kong

Expand overseas business support services through business alliances with domestic and foreign financial institutions and other companies



International Department

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

Overseas Offices

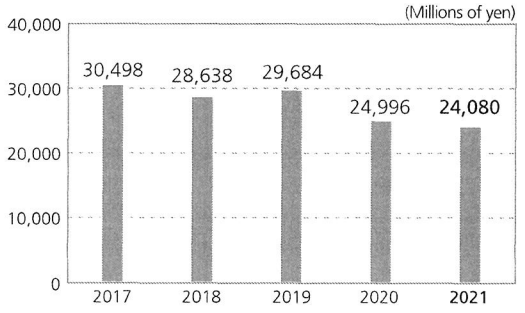
BUSAN BRANCH
4F, Postal Insurance Busan Bldg., Jungang-Dong 3-Ga, 63, Jungang-Daero, Jung-Gu, Busan, Republic of Korea
SWIFT Address: YMBKKR2P

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

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

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

Loans of overseas branches (As of March 31)



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

Corporate Governance

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

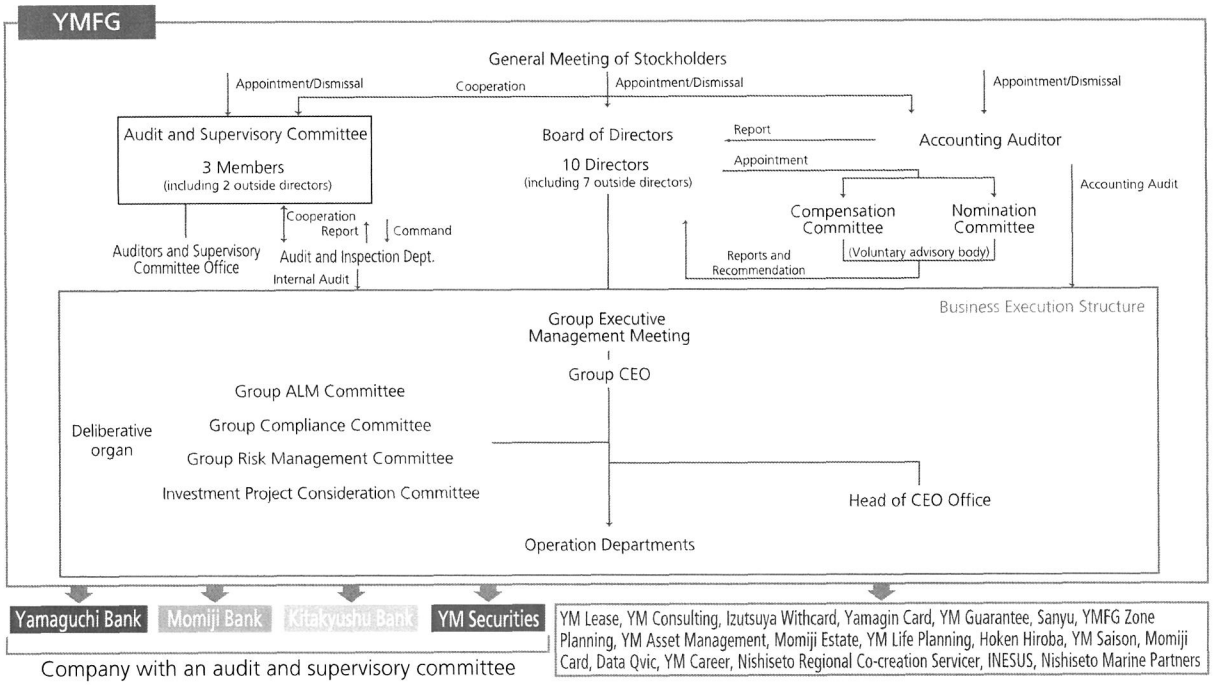
i. We strive to ensure the rights of shareholders and create an environment that facilitates the appropriate exercise of shareholders' rights and substantive shareholder equality.
ii. We cooperate closely with our principal stakeholders, including customers, the local community, shareholders and employees.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

The Board of Directors, consisting of 10 directors (including seven outside directors), makes decisions about important matters related to the Group's management and supervises the directors. Furthermore, we have adopted the chief officer (CXO) system and the executive officer system to fortify the Board of Directors' supervisory function and enhance the business execution function. The Nomination Committee discusses matters related to the appointment and dismissal of directors, and the Compensation Committee discusses matters related to the compensation of the directors. Both guarantee the objectivity and transparency of decision-making processes.

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

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

YMFG Corporate Governance Structure (As of July 12, 2021)



YMFG Board of Directors and Corporate Auditors (As of July 1, 2021)

President and Group CEO
Keisuke Mukunashi

Director
Takeshi Yoshimura

Director
Yuzuru Yamamoto*

Director
Yumiko Nagasawa*

Director
Noriyuki Yanagawa*

Director
Minako Suematsu*

Director
Tomoko Mikami*

Director
Audit and Supervisory Committee Member
Susumu Fukuda

Director
Audit and Supervisory Committee Member
Kazuo Tsukuda*

Director
Audit and Supervisory Committee Member
Michiaki Kunimasa*

* Yuzuru Yamamoto, Yumiko Nagasawa, Noriyuki Yanagawa, Minako Suematsu, Tomoko Mikami, Kazuo Tsukuda and Michiaki Kunimasa are outside directors under Article 15 of Section 2 of the Companies Act.

Internal Audits and Compliance System

Internal Audits

Principles of Internal Audits

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

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

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

Implementation of Internal Audits

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

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

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

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

Compliance System

YMFG's Attitude toward Compliance

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

Compliance System

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

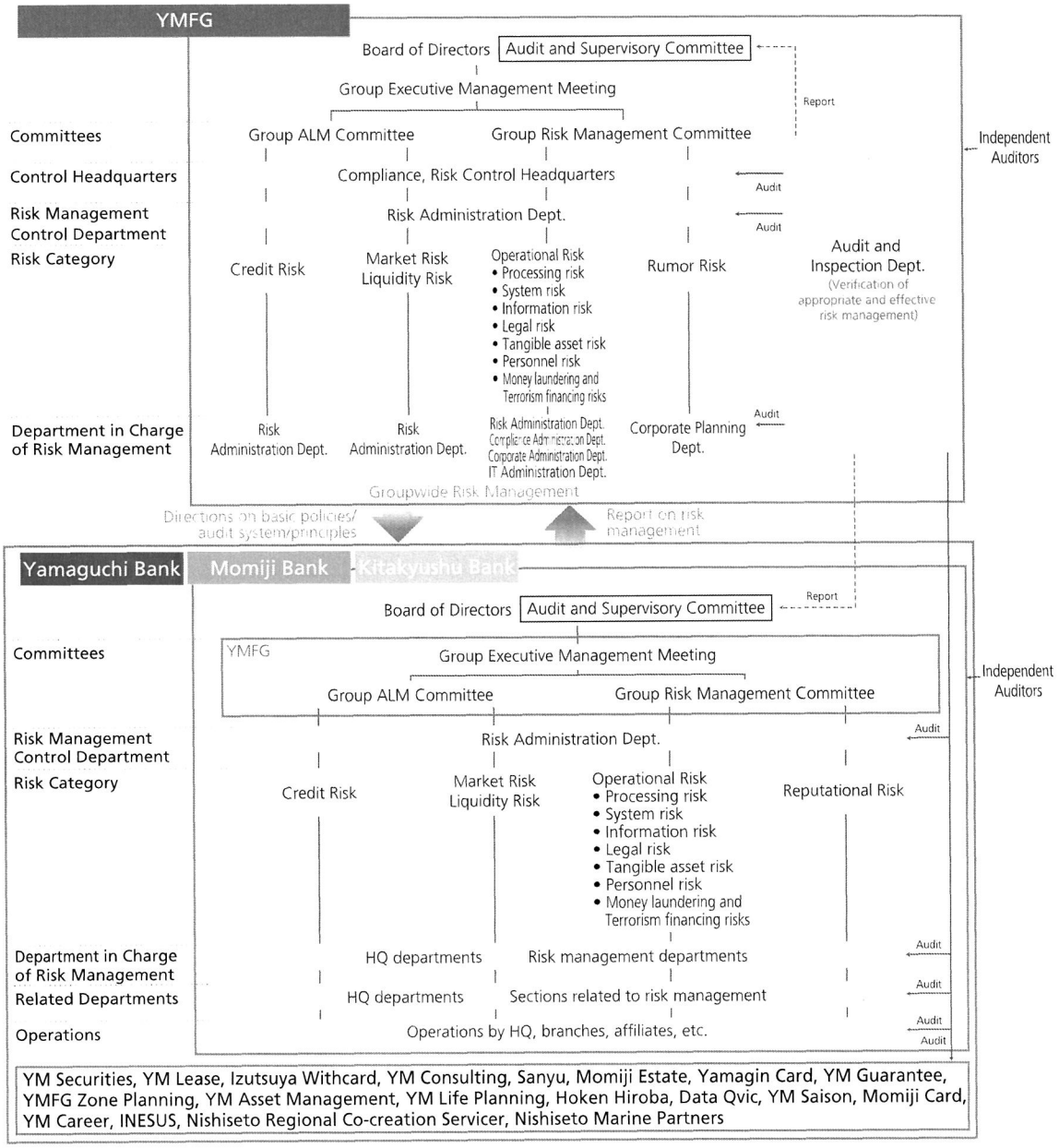
The Group Compliance Committee acts as a deliberative body of YMFG. We also formulate compliance programs for each fiscal year, which equate to specific execution plans, and monitor the status of program implementation.

Efforts to Prevent Money Laundering

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

Risk Management System

YMFG Risk Management System (AS of July 12, 2021)



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

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

The Group has organized risk management sections, risk management departments, Group Risk Management Committee and Group Executive Management Meeting to cope with risks. Risk amounts are measured by a uniform method, capital is allocated on the basis of these methods, and risks are collectively managed.

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

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

Business and Other Risks

Of the matters related to business and economic conditions outlined in the annual securities report, below are the major risks management recognizes as having the potential to materially affect the financial condition, operating performance and cash flows status of YMFG (the Bank and its consolidated subsidiaries). Recognizing this potential, YMFG strives to prevent such risk from manifesting and to respond appropriately in the event they do occur.

The forward-looking items described below are those of which YMFG is aware as of the end of the fiscal year under review.

1. Credit Risk

(1) Non-Performing Loans

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

To date, YMFG has worked diligently to move non-performing loans off the balance sheet, to write off non-performing loans appropriately, and to post sufficient allowances for doubtful accounts. However, the Group could face larger-than-expected losses when disposing of non-performing loans or incur higher-than-expected amortization. Such factors could have a negative effect on operating performance and the financial condition.

(2) Allowance for Doubtful Accounts

In accordance with predetermined standards, primarily, estimated loss amounts for the next one year and next three years are calculated for assets corresponding to normal assets and assets requiring caution. For assets classed as potentially bankrupt assets, loss amounts are stated by subtracting from lending amounts the amount of recoverable collateral or the expected amount recoverable from guarantees. However, actual losses may differ from the amounts expected when the allowance for doubtful accounts is posted. As a result, actual losses could significantly exceed expected losses, resulting in an insufficient allowance for doubtful accounts.

Furthermore, worsening overall economic conditions, declines in collateral values and other unexpected factors may require the Group to revise its set standards and expected losses, resulting in the need to increase the allowance for doubtful accounts. This could have a negative effect on operating performance and the financial condition.

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

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

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

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

(4) Response to Borrowers

In some cases, YMFG may not exercise its legal rights even when a borrower defaults on their financial obligations, after taking into account the efficient and effective recovery of loans, among other factors. Furthermore, YMFG may support or cooperate with such borrowers in their efforts to secure additional loans. YMFG's credit costs could rise as the result of a deterioration of the creditworthiness of such borrowers and its support, having a negative impact on YMFG's operating performance and financial condition.

(5) Impact of COVID-19

To prevent the spread of the novel coronavirus disease (COVID-19), companies are being asked to suspend operations, and people are being asked to refrain from going outdoors. This situation is affecting our region to an unprecedented degree. Given these circumstances, YMFG is working to understand the conditions of individual borrowers in a timely and appropriate manner and provide various types of support to help customers with cash flow and other aspects of business continuity, including through the application various types of support measures. However, if the operating environment were to deteriorate, credit costs could rise, having a negative impact on YMFG's operating performance and financial condition.

2. Risks Related to the Capital Adequacy Ratio

(1) Capital Adequacy Ratio

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

Accordingly, the consolidated capital adequacy ratio must be maintained at 8% or higher, the Tier 1 ratio at 6% or higher and the Tier 1 ratio on common shares at 4.5% or higher. YMFG's capital adequacy ratio currently exceeds these levels. However, changes in amounts of capital stock, retained earnings and valuation differences on available-for-sales securities, as well as fluctuations in risk assets, could affect the capital adequacy ratio.

Uniform international standards call for the setting of a capital conservation buffer (2.5% above individual minimums). Currently, YMFG exceeds these buffer levels. However, if it were to fall below these levels, YMFG might limit dividends and other outflows, having a negative impact on YMFG's operating performance and financial condition.

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

(2) Deferred Tax Assets

As of the end of the consolidated fiscal year under review, Japanese

accounting standards allow companies to record deferred tax assets as expected tax benefits to be realized in the future.

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

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

3. Market Risks

(1) Interest Rate Risk

YMFG, which engages mainly in banking operations, is affected by fluctuations in market interest rates through interest on loans—an asset investment method, yields on bond and other investments, and interest rates on deposits—a funding method. Mismatches between the amount and timing of asset investments and funding, as well as unforeseen interest rate fluctuations, may have a negative effect on YMFG's operating performance and financial condition.

(2) Risk of Price Fluctuations on Holdings of Available-for-Sale Securities

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

(3) Exchange transactions

YMFG's operations are affected by exchange rate fluctuations. Ongoing yen appreciation reduces the value of foreign currency transactions when converted to yen. Also, certain assets and liabilities are presented in foreign currencies. If it is not possible to offset assets and liabilities denominated in foreign currencies by the same amount or hedge such differences effectively, YMFG's operating performance and the financial condition may be negatively affected.

(4) Impact of COVID-19

YMFG has in place a system to appropriately manage its holdings of available-for-sale securities. However, if financial markets deteriorate, the value of these holdings of available-for-sale securities could decrease, having a negative impact on YMFG's operating performance and financial condition.

4. Liquidity Risks

(1) Cash Flow Risk

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

(2) Market Liquidity Risk

Market confusion may make it impossible for YMFG to buy and sell available-for-sale securities or it may have no alternative but to conduct such transactions at prices less favorable than usual, thereby generating losses.

(3) Risk Related to Liquidity Regulations

Uniform international standards require the liquidity coverage ratio to be maintained at 100% or higher. YMFG's liquidity coverage ratio currently exceeds this level. However, YMFG's ratio could fall below this level due to changes in the amount of eligible liquid assets or cash outflows, having a negative impact on YMFG's operating performance and financial condition.

5. Operational Risks

(1) Administrative Risk

Although its operations center on banking, YMFG also conducts comprehensive, regionally focused financial services including securities and credit card operations. If executives or employees were to perform operations inaccurately or if accidents or instances of fraud were to occur, in addition to direct losses YMFG could suffer a loss among customers of the trust it has cultivated over many years, consequently having a negative impact on YMFG's operating performance and financial condition.

(2) Risk of Information Leaks

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

(3) System Risk

YMFG has measures in place to address system risk, such as computer systems going down or malfunctioning, as well as against fraudulent use and external cyberattacks. YMFG also has thorough security measures in place and manages information stringently in line with its security policy. However, the manifestation of system risk due to a disaster, the failure of equipment or telecommunication circuits or program failure could result damage or outflows of information. This situation could cause the suspension of payment functions and service operations, as well as a loss in the trust of society, negatively affecting YMFG's operating performance and financial condition.

(4) Legal Risk

YMFG strives to ensure thorough compliance and is reinforcing its systems to prevent legal violations. Nevertheless, YMFG could conduct legal violations within its various business operations, resulting in lawsuits and negatively affecting YMFG's operating performance and financial condition.

(5) Human Risk

YMFG endeavors to recruit and train competent human resources.

However, the failure to recruit or train sufficient human resources could result in a decrease in competitiveness and efficiency, negatively affecting YMFG's operating performance and financial condition.

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

6. Business-Related Risk
(1) Risk of Competition
The competitive environment within the financial sector has changed substantially in recent years, due to extensive deregulation of financial systems, the restructuring of regional financial institutions and entry into the financial sector of companies from other industries. YMFG's sales base could lose its competitive advantage against other financial institutions as a result, negatively affecting YMFG's operating performance and financial condition.

(2) Risk of Unsuccessful Business Strategies
Although its operations center on banking, YMFG also conducts comprehensive, regionally focused financial services including securities and credit card operations and enacts business strategies aimed to enhance corporate value. However, greater-than-expected changes in the operating environment could prevent YMFG from generating the level of earnings it anticipates, or costs could be higher than anticipated, negatively affecting YMFG's operating performance and financial condition.

Furthermore, YMFG could fall short of its expected results if it is unsuccessful in enacting management strategies for development outlined in the YMFG Medium-Term Plan 2019, which commenced in the fiscal year ended March 31, 2020.

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

(4) Risk of an Expanding Scale of Operations
In line with legislative changes and deregulation, YMFG has expanded its scope of operations to take advantage of new earning opportunities. This greater scale of operations exposes YMFG to new risks. Also, these businesses may not progress as expected. As a result, YMFG's operating performance and financial condition could be negatively affected.

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

(2) Risk Related to Impairment of Fixed Assets
YMFG applies the "Accounting Standard for Impairment of Fixed Assets" to the fixed assets it owns. Changes in the purpose of use of these fixed assets, or decreases in profitability or asset values could lead to valuation losses, having a negative impact on YMFG's operating performance and financial condition.

(3) Risk of Financial Crimes
In the face of rampant crimes targeting financial institutions, such as the forgery or theft of cash cards and remittance fraud, YMFG is strengthening its security measures to prevent damages due to financial crimes. However, the advent of sophisticated financial crimes could render YMFG unable to stop illegal or inappropriate transactions, leading to unexpected losses and credit losses, having a negative impact on YMFG's operating performance and financial condition.

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

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

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

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

In addition, to help prevent the recent COVID-19 pandemic from spreading, YMFG has decentralized operations at headquarters and sales branches, introduced teleworking, and adopted a time-shifted working schedule as part of its health maintenance and disease-prevention efforts. However, if the pandemic fails to subside, continues for a protracted period or increases in intensity, or if YMFG employees were to become infected, ensuring business continuity could become problematic. As a result, YMFG's operations and financial condition could be negatively affected.

Financial Section

Financial Section

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YMFG
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YMFG Business Situation

Summary of Business Results

■ The Regional Economy

At the beginning of the fiscal year ended March 31, 2021, the Japanese economy deteriorated rapidly because of the novel coronavirus disease (COVID-19) pandemic. The economy entered a recovery phase after that point, even though the situation remained difficult. Exports and production fell substantially, reflecting the global pandemic, but then recovered and entered a growth phase as overseas economies rebounded. Personal consumption also plunged, particularly in the restaurant and lodging sectors. Despite a gradual recovery over the course of the year, personal consumption remained weak at fiscal year-end.

Although conditions remained difficult, overall the regional economy continued to recover. Production activity showed signs of resurgence in some areas, as overseas demand prompted a rise in automobile production, and chemical production levels remained high. Personal consumption benefited from robust sales of passenger vehicles and firm sales at supermarkets, DIY stores and drugstores. Meanwhile, lackluster conditions persisted in the restaurant, travel and tourism sectors.

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

■ YMFG Performance

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

The YMFG Medium-Term Management Plan 2019, which launched in the fiscal year ended March 31, 2020, sets a goal, namely: "We aim to go beyond the boundaries of finance to address the social issues facing our region, maintaining an awareness closely attuned to business. We strive to be a company that adds value to the region," and by "establishing a regional co-creation model" and "achieving 'shinka' of the financial model" we will strive to realize the plan's objectives.

To support customers' efforts to advance their businesses overseas, we held seminars (the YMFG Overseas Digital Seminar and the YMFG Overseas Buyers' Online Business Talks) with the three Group banks. Through these seminars, we augmented efforts by regional manufacturers and producers to expand their overseas sales routes.

■ Financial Results

On a consolidated basis, total income rose ¥10,082 million year on year, to ¥185,505 million, due to higher gains on the sale of stock. Total expenses expanded ¥9,645 million, to ¥148,710 million, mainly because of increased losses on the redemption of Japanese government bonds. As a result, net income attributable to owners of the parent fell ¥433 million, to ¥24,958 million.

Comprehensive income expanded ¥86,737 million year on year, to ¥61,533 million. This rise was due primarily to higher unrealized gains (losses) on available-for-sales securities and an increase in deferred gains (losses) on hedges.

Deposits amounted to ¥10,011.6 billion, up ¥485.6 billion, due to efforts to enhance products and services to meet increasingly diverse customer needs, as well as to steady progress in developing sales rooted in the region.

Loans and bills discounted increased ¥241.5 billion, to ¥7,894.1 billion as of March 31, 2021, due to the Group's efforts to fulfill its role as a regional financial institution through its function as a financial intermediary and aggressive efforts to meet demand from business partners with whom the Group has developed trust-based relationships.

The Group's holdings of securities came to ¥1,785.6 billion at year-end, up ¥272.8 billion, due to increases in Japanese national and regional government bonds. This change reflected investment decisions based on a polity of

enhancing profitability for each fiscal year and across the overall portfolio.

Total assets amounted to ¥11,993.7 billion at fiscal year-end, up ¥1,388.3 billion from one year earlier. This increase was the result of greater holdings of securities and growth in loans, against a backdrop of higher deposits and borrowing.

Net assets came to ¥681.1 billion, up ¥50.9 billion from a year earlier. The expansion was due to a ¥19.9 billion rise in retained earnings due to the accumulation of income, as well as to a ¥9.8 billion rise in unrealized gains on available-for-sale securities and ¥12.1 billion higher deferred gains (losses) on hedges.

Net cash provided by operating activities was ¥1,119.3 billion, a ¥985.3 billion increase from the previous year, mainly due to the rise in deposits and borrowed money. Net cash used in investing activities was ¥292.7 billion, a ¥127.0 billion increased from the previous year. Net cash provided by financing activities was ¥8.8 billion, a difference of ¥47.9 billion from the net cash used by these activities in the previous fiscal year, due to the issuance of subordinated bonds. As a result of these cash flows, cash and cash equivalents at the end of the fiscal year came to ¥1,780.2 billion, up ¥835.4 billion.

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

	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars*1
	2021	2020	2019	2018	2021
Consolidated total income	185,505	175,423	162,593	162,072	1,675,594
Consolidated net income attributable to owners of the parent	24,958	25,391	23,149	32,917	225,435
Consolidated comprehensive income	61,533	(25,204)	652	47,269	555,803
Consolidated total net assets	681,139	630,245	660,958	660,451	6,152,461
Consolidated total assets	11,993,722	10,605,416	10,304,140	10,366,548	108,334,585
Net assets per share	2,729.94 yen	2,458.73 yen	2,580.74 yen	2,653.60 yen	24.66 U.S. dollars
Current term net income per share	99.63 yen	100.07 yen	94.65 yen	133.65 yen	0.90 U.S. dollars
Current term net income per share (diluted)	99.59 yen	93.86 yen	83.27 yen	111.22 yen	0.90 U.S. dollars
Capital ratio*2	13.43%	12.62%	13.62%	13.29%	—
Earnings on equity - increase	3.84%	3.97%	3.53%	5.20%	—
Group price earnings ratio	7.38 times	6.11 times	9.91 times	9.63 times	—

*1 US dollar amounts have been translated, for convenience only, at the rate of ¥110.71 = US$1.00 as of March 31, 2021.
*2 YMFG calculated its capital ratio according to the uniform international standard (Basel 3).

YMFG
Yamaguchi Financial Group

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

March 31, 2021 and 2020

ASSETS		Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Assets	Cash and due from banks (Notes 3, 4 and 9)	¥ 1,807,659	¥ 971,777	$ 16,327,875
	Call loans and bills purchased (Note 4)	9,189	1,088	83,001
	Monetary claims bought	4,556	5,487	41,153
	Trading assets (Notes 4 and 6)	1,981	1,542	17,894
	Money held in trust (Notes 4 and 6)	35,093	48,412	316,981
	Securities (Notes 4, 5, 6 and 9)	1,785,562	1,512,748	16,128,281
	Loans and bills discounted (Notes 4, 7 and 8)	7,894,126	7,652,626	71,304,543
	Foreign exchanges	22,408	20,693	202,403
	Lease receivables and investment assets	20,320	19,763	183,543
	Other assets (Notes 4, 6 and 9)	285,229	234,539	2,576,360
	Tangible fixed assets (Notes 10, 11, 15 and 20)	88,790	92,300	802,005
	Intangible fixed assets (Note 20)	9,797	10,679	88,492
	Net defined benefit asset (Note 14)	59,607	35,042	538,407
	Deferred tax assets (Note 21)	3,254	18,425	29,392
	Customers' liabilities for acceptances and guarantees (Note 16)	39,495	46,098	356,743
	Allowance for loan losses	(73,344)	(65,803)	(662,488)
	Total assets	**¥ 11,993,722**	**¥ 10,605,416**	**$ 108,334,585**

LIABILITIES AND NET ASSETS

Liabilities	Deposits (Notes 4 and 9)	¥ 10,011,575	¥ 9,525,935	$ 90,430,630
	Call money and bills sold (Note 9)	167,152	91,992	1,509,818
	Payables under securities lending transactions (Note 9)	326,415	161,466	2,948,379
	Trading liabilities (Notes 4 and 6)	749	742	6,765
	Borrowed money (Notes 9 and 13)	638,353	27,999	5,765,992
	Foreign exchanges	194	197	1,752
	Corporate bonds	20,000	—	180,652
	Other liabilities (Notes 4 and 6)	89,658	101,336	809,846
	Provision for bonuses	2,852	2,765	25,761
	Net defined benefit liability (Note 14)	2,789	3,930	25,192
	Provision for directors' retirement benefits	294	294	2,656
	Provision for loss on interest repayments	43	10	388
	Provision for reimbursement of deposits	709	1,029	6,404
	Provision for customers point services	70	70	632
	Provision for directors' stock benefits	434	389	3,920
	Reserves under special laws	17	28	154
	Deferred tax liabilities (Note 21)	1,499	53	13,540
	Deferred tax liabilities for land revaluation (Notes 15 and 21)	10,285	10,838	92,900
	Acceptances and guarantees (Note 16)	39,495	46,098	356,743
	Total liabilities	**11,312,583**	**9,975,171**	**102,182,124**
Net Assets (Notes 22 and 23)	Capital stock	50,000	50,000	451,630
	Capital surplus	58,655	58,656	529,808
	Retained earnings	528,086	508,212	4,769,994
	Treasury stock	(18,649)	(14,321)	(168,449)
	Total shareholders' equity	**618,092**	**602,547**	**5,582,983**
	Unrealized gains on available-for-sale securities (Note 6)	19,477	9,689	175,928
	Deferred losses on hedges	1,480	(10,657)	13,368
	Revaluation reserve for land (Note 15)	23,192	24,455	209,484
	Remeasurements of defined benefit plans	12,553	(2,022)	113,386
	Total accumulated other comprehensive income	**56,702**	**21,465**	**512,166**
	Stock options (Note 24)	117	127	1,057
	Non-controlling interests	6,228	6,106	56,255
	Total net assets	**681,139**	**630,245**	**6,152,461**
Total liabilities and net assets		**¥ 11,993,722**	**¥ 10,605,416**	**$ 108,334,585**

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2021 and 2020

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Income			
Interest income:			
Interest on loans and discounts	¥ 69,188	¥ 75,941	$ 624,948
Interest and dividends on securities	37,395	21,527	337,774
Other interest income	849	899	7,669
Trust fees	0	1	0
Fees and commissions	25,389	23,029	229,329
Trading income	1,925	1,304	17,388
Other operating income	27,095	34,146	244,739
Recoveries of written-off claims	9	15	81
Compensation for branch relocation	2	4	18
Other income (Note 17)	23,653	18,557	213,648
Total income	**185,505**	**175,423**	**1,675,594**
Expenses			
Interest expense:			
Interest on deposits	2,274	5,110	20,540
Interest on borrowings and rediscounts	945	3,042	8,536
Interest on bonds payable	81	572	732
Other interest expense	2,546	1,487	22,997
Fees and commissions	9,577	9,282	86,505
Other operating expenses	50,895	31,639	459,715
General and administrative expenses (Notes 18 and 24)	64,541	69,272	582,974
Impairment losses (Note 12)	381	144	3,441
Other expenses (Note 19)	17,470	18,517	157,800
Total expenses	**148,710**	**139,065**	**1,343,240**
Income before income taxes	**36,795**	**36,358**	**332,354**
Income taxes (Note 21):			
Current	11,655	13,250	105,275
Deferred	130	(2,137)	1,174
Net income	**25,010**	**25,245**	**225,905**
Net income attributable to non-controlling interests	**52**	**(146)**	**470**
Net income attributable to owners of the parent	**¥ 24,958**	**¥ 25,391**	**$ 225,435**

Amounts per share of common stock:	Yen 2021	Yen 2020	U.S. dollars (Note 1) 2021
Net income attributable to owners of the parent (Note 29)	¥ 99.63	¥ 100.07	$ 0.90

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2021 and 2020

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Net income	**¥ 25,010**	**¥ 25,245**	**$ 225,905**
Other comprehensive income (Note 26)	**36,523**	**(50,449)**	**329,898**
Unrealized gains (losses) on available-for-sale securities	9,811	(36,031)	88,619
Deferred gains (losses) on hedges	12,137	(9,387)	109,629
Remeasurements of defined benefit plans	14,575	(5,031)	131,650
Comprehensive income (Note 26)	**¥ 61,533**	**¥ (25,204)**	**$ 555,803**
Comprehensive income attributable to owners of the parent	61,459	(25,049)	555,135
Comprehensive income attributable to non-controlling interests	74	(155)	668

See accompanying notes.

YMFG
Yamaguchi Financial Group

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2021 and 2020

	Millions of yen												
	Shareholders' Equity					Accumulated other comprehensive income							
	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	Stock options	Non-controlling Interests	Total Net Assets
Balance at March 31, 2019	¥50,000	¥58,685	¥488,620	¥(14,795)	¥582,510	¥ 45,710	¥ (1,270)	¥24,526	¥ 3,009	¥ 71,975	¥209	¥6,264	¥660,958
Changes of items during the year													
Dividend paid			(5,870)		(5,870)								(5,870)
Net income attributable to owners of the parent			25,391		25,391								25,391
Purchase of treasury stock				(339)	(339)								(339)
Disposal of treasury stock		(29)		813	784								784
Reversal of revaluation reserve for land			71		71								71
Net changes of items other than shareholders' equity						(36,021)	(9,387)	(71)	(5,031)	(50,510)	(82)	(158)	(50,750)
Total changes of items during the year	—	(29)	19,592	474	20,037	(36,021)	(9,387)	(71)	(5,031)	(50,510)	(82)	(158)	(30,713)
Balance at March 31, 2020	¥50,000	¥58,656	¥508,212	¥(14,321)	¥602,547	¥ 9,689	¥(10,657)	¥24,455	¥ (2,022)	¥ 21,465	¥127	¥6,106	¥630,245
Changes of items during the year													
Dividend paid			(6,347)		(6,347)								(6,347)
Net income attributable to owners of the parent			24,958		24,958								24,958
Purchase of treasury stock				(5,001)	(5,001)								(5,001)
Disposal of treasury stock		(1)		673	672								672
Reversal of revaluation reserve for land			1,263		1,263								1,263
Net changes of items other than shareholders' equity						9,788	12,137	(1,263)	14,575	35,237	(10)	122	35,349
Total changes of items during the year	—	(1)	19,874	(4,328)	15,545	9,788	12,137	(1,263)	14,575	35,237	(10)	122	50,894
Balance at March 31, 2021	¥50,000	¥58,655	¥528,086	¥(18,649)	¥618,092	¥ 19,477	¥ 1,480	¥23,192	¥12,553	¥ 56,702	¥117	¥6,228	¥681,139

	Thousands of U.S. dollars (Note 1)												
	Shareholders' Equity					Accumulated other comprehensive income							
	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	Stock options	Non-controlling Interests	Total Net Assets
Balance at March 31, 2020	$451,630	$529,817	$4,590,480	$(129,356)	$5,442,571	$ 87,518	$ (96,261)	$220,893	$ (18,264)	$193,886	$1,147	$55,153	$5,692,756
Changes of items during the year													
Dividend paid			(57,330)		(57,330)								(57,330)
Net income attributable to owners of the parent			225,435		225,435								225,435
Purchase of treasury stock				(45,172)	(45,172)								(45,172)
Disposal of treasury stock		(9)		6,079	6,070								6,070
Reversal of revaluation reserve for land			11,409		11,409								11,409
Net changes of items other than shareholders' equity						88,410	109,629	(11,409)	131,650	318,280	(90)	1,102	319,293
Total changes of items during the year		(9)	179,514	(39,093)	140,412	88,410	109,629	(11,409)	131,650	318,280	(90)	1,102	459,705
Balance at March 31, 2021	$451,630	$529,808	$4,769,994	$(168,449)	$5,582,983	$175,928	$ 13,368	$209,484	$113,386	$512,166	$1,057	$56,255	$6,152,461

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2021 and 2020

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Cash flows from operating activities:			
Income before income taxes	¥ 36,795	¥ 36,358	$ 332,355
Depreciation	5,787	6,142	52,272
Impairment losses	381	144	3,441
Amortization of goodwill	378	355	3,414
Equity in earnings of affiliates	7	(3)	63
Net change in allowance for loan losses	7,542	8,754	68,124
Net change in provision for bonuses	87	175	786
Net change in defined benefit asset	(24,565)	3,633	(221,886)
Net change in defined benefit liability	(1,141)	1,024	(10,306)
Net change in provision for directors' retirement benefits	(0)	1	0
Net change in provision for directors' stock benefits	45	89	406
Net change in provision for loss on interest repayments	33	(5)	298
Net change in provision for reimbursement of deposits	(321)	(252)	(2,899)
Net change in provision for customers point services	0	(1)	0
Increase (decrease) in reserves under special laws	(11)	—	(99)
Interest income	(107,432)	(98,367)	(970,391)
Interest expenses	5,846	10,211	52,805
Net gains related to securities transactions	8,440	(15,667)	76,235
Net losses (gains) from money held in trust	3,680	(969)	33,240
Net exchange losses (gains)	(9,935)	5,869	(89,739)
Net losses (gains) from disposition of fixed assets	(733)	105	(6,621)
Net change in trading assets	(439)	(77)	(3,965)
Net change in trading liabilities	6	174	54
Net change in loans and bills discounted	(241,500)	(244,239)	(2,181,375)
Net change in deposits	600,731	128,682	5,426,167
Net change in negotiable certificates of deposits	(115,091)	166,480	(1,039,572)
Net change in borrowed money excluding subordinated loans	610,354	(1,554)	5,513,088
Net change in deposits with bank	(487)	1,444	(4,399)
Net change in call loans and bills purchased	(7,170)	39,522	(64,764)
Net change in call money and bills sold	75,160	(41,474)	678,891
Net change in payables under securities lending transactions	164,949	93,755	1,489,920
Net change in foreign exchanges (asset account)	(1,715)	(2,143)	(15,491)
Net change in foreign exchanges (liability account)	(3)	(98)	(27)
Net change in lease receivables and investment assets	(558)	(1,654)	(5,040)
Interest received	82,401	92,591	744,296
Interest paid	(6,668)	(10,785)	(60,229)
Other, net	48,673	(35,671)	439,644
Subtotal	**1,133,526**	**142,549**	**10,238,696**
Income taxes paid	(14,227)	(9,857)	(128,507)
Income taxes refunds	2	1,359	18
Net cash provided by (used in) operating activities	**1,119,301**	**134,051**	**10,110,207**
Cash flows from investing activities:			
Purchases of securities	(2,623,555)	(3,489,606)	(23,697,543)
Proceeds from sales of securities	2,286,070	3,221,245	20,649,174
Proceeds from maturity of securities	60,669	126,090	547,999
Purchases of money held in trust	(49,940)	(64,810)	(451,088)
Proceeds from sales of money held in trust	37,131	46,914	335,390
Purchases of tangible fixed assets	(1,666)	(2,899)	(15,048)
Proceeds from sales of tangible fixed assets	754	28	6,811
Purchases of intangible fixed assets	(2,202)	(2,720)	(19,890)
Net cash provided by (used in) investing activities	**(292,739)**	**(165,758)**	**(2,644,195)**
Cash flows from financing activities:			
Payments for redemption of bonds with subscription rights to shares	—	(33,246)	—
Issuance of subordinated bonds	19,885	—	179,613
Dividends paid	(6,347)	(5,870)	(57,330)
Dividends paid to non-controlling shareholders	(3)	(3)	(27)
Purchases of treasury stock	(5,001)	(339)	(45,172)
Proceeds from disposal of treasury stock	297	393	2,683
Net cash provided by (used in) financing activities	**8,831**	**(39,065)**	**79,767**
Effect of exchange rate changes on cash and cash equivalents	**3**	**(2)**	**27**
Net change in cash and cash equivalents	835,396	(70,774)	7,545,806
Cash and cash equivalents at the beginning of fiscal year	944,784	1,015,558	8,533,863
Cash and cash equivalents at the end of fiscal year (Note 3)	**¥ 1,780,180**	**¥ 944,784**	**$ 16,079,669**

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2021 and 2020

1. BASIS OF PRESENTATION

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

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

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

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

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S.$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation and equity method

(1) Scope of consolidation

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

(i) Consolidated subsidiaries were 19 and 17 at March 31, 2021 and 2020, respectively.

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

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

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

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

(ii) No unconsolidated subsidiary at March 31, 2021 and one unconsolidated subsidiary at March 31, 2020.

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

The unconsolidated subsidiary was excluded from the scope of consolidation at March 31, 2020 because its total assets, ordinary income, net income (in proportion to ownership), retained earnings (in proportion to ownership) and accumulated other comprehensive income were so immaterial that they do not hinder a rational

judgment of YMFG's consolidated financial position and results of operations when excluded from the scope of consolidation.

(2) Application of the equity method

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

(i) No unconsolidated subsidiary was accounted for by the equity method at March 31, 2021 and 2020.

(ii) As at March 31, 2021 and 2020, two affiliates were accounted for by the equity method. Affiliates as at March 31, 2021 and 2020 were as follows:

YM Saison Co., Ltd.

Momiji Card Co., Ltd.

(iii) As at March 31, 2021, no unconsolidated subsidiary was not accounted for by the equity method and one as at March 31, 2020.

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

The unconsolidated subsidiary was also excluded from the scope of application of equity method at March 31, 2020 because its net income (in proportion to ownership), retained earnings (in proportion to ownership) and accumulated other comprehensive income (in proportion to ownership) were so immaterial that they do not hinder a rational judgment of YMFG's consolidated financial position and results of operations when excluded from the scope of equity method.

(iv) There were no affiliates that were not accounted for by the equity method as at March 31, 2021 and 2020.

(3) The balance sheet dates of consolidated subsidiaries

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

(4) Accounting Policies

Criteria for recording dividends payable on securities

Dividends distributed from other retained earnings (cash dividends only) are recorded in the fiscal 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 statement of income.

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

Securities

With regard to the valuation of securities, held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method. Available-for-sale securities are in general stated at fair value (cost of sale calculated primarily according to the moving-average method) indicated according to market price at the

consolidated balance sheet date (for equity securities, the average market price during the one-month period ending on the consolidated balance sheet date). Available-for-sale securities having no readily available market value are valued at cost using the moving-average method.

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

(Additional information)

YMFG applied the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) to consolidated financial statements financial statements for the year ended March 31, 2021. This standard provides new disclosure on the basis for accounting treatment and procedures to be employed when the stipulations of related accounting standards are unclear.

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 recoded 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 fiscal year.

Method of hedge accounting

The subsidiaries that conduct banking business ("the Banks") apply deferred hedge accounting in accordance with "Treatments of Accounting and Audit on Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24, February 13, 2002). As for the hedge to offset market fluctuation, the Banks assess the effectiveness of the hedge by grouping the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity.

Also, the Banks apply deferred hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, 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 periods. Expected loss amounts are calculated by using average values for actual rates of losses from bad debts and default probabilities during a specific period in the past, based on actual amounts of bad debt or bankruptcy over a one or three-year period, and adjusted as necessary for future forecasts.

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

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

Tangible fixed assets (excluding lease assets)

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

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

Buildings: 7 to 50 years

Others: 2 to 15 years

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

Intangible fixed assets (excluding lease assets)

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

Lease assets

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

Income taxes

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

Foreign currency translation

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

Provision for bonuses

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

Method of accounting for retirement benefits

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to the year-end. 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 (two years)
Actuarial gains or losses: Apportioned for each fiscal year as incurred using the straight-line method over a fixed period (10–11 years) and expensed in each of the following fiscal 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 fiscal year.

Provision for directors' stock benefits

The provision for directors' stock benefits is determined according to the directors' stock benefit regulations for YMFG and its subsidiaries (banks within YMFG (Yamaguchi Bank, Momiji Bank and Kitakyushu Bank) and YM Securities; the same shall apply hereafter) in preparation for the payment of stock benefits to directors (excluding directors who are members of the Audit and Supervisory Committee, part-time directors and outside directors) and executive officers (hereinafter, "Subject Directors, etc.") based on expected stock benefit obligations as of March 31, 2021.

Provision for loss on interest repayment

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

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

Provision for reimbursement of deposits

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

Provision for customer point services

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

Reserves under special laws

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

Amounts per share of common stock

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

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

Amortization of goodwill

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

Consumption taxes

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

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

Adoption of consolidated tax payment system

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

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 fiscal year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Total loan amount before intra-Group eliminations	¥7,963,538	$71,931,515
Corresponding allowance for loan losses	69,505	627,811

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

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Total loan amount before intra-Group eliminations	¥137,771	$1,244,431
Corresponding allowance for loan losses	15,835	143,031

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 "Criteria for recording allowance for loan losses" within "Items related to accounting policies."

(2) Major assumptions

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

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

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

The economic impact of the COVID-19 pandemic is expected to persist for some time. YMFG strives to ascertain the status of individual borrowers through their timely disclosure information. Including efforts under different support systems, the Group provides various types of support to ensure cash flow and other aspects of customer business continuity. YMFG calculates the allowance for loan losses based on the assumption that the impact on loan credit expenses will be limited.

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

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

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

Goodwill valuation

1. Amounts in the consolidated financial statements for the fiscal year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Goodwill	¥2,340	$21,136

Impairment losses on goodwill are not stated in the consolidated statements of income.

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

(1) Calculation method

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.

YMFG recorded major goodwill at the acquisition of Hoken Hiroba, a consolidated subsidiary. Hoken Hiroba is an independent insurance agent with branches centered in western Japan. During the fiscal year ended March 31, 2021, Hoken Hiroba experienced a substantial decline in the number of people visiting its branches amid the COVID-19 pandemic, and income declined 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) exceeded their book value, so did not recognize impairment losses.

(2) Major assumptions

Estimates of undiscounted future cash flows are based on profit plans formulated by Hoken Hiroba's management. These profit plans are based on past performance and reflect management's assessments of future forecasts. The plans incorporate major assumptions, such as that sales will increase as the number of customers visiting branches rises.

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

The above-mentioned measures reflect highly uncertain assumptions about future increases in customer visits and a corresponding rise in sales. If actual performance falls substantially below expectations in the following fiscal year, expectations of future cash flows could be significantly affected, prompting YMFG to record impairment losses.

Standards and guidance not yet adopted

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

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

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

Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5; Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

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

(3) Effects of the application of the standards

The application of the "Accounting Standard for Revenue Recognition" has an immaterial impact on the consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Management of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

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

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

(2) Effective date
Fair Value Accounting Standards and guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2022.

(3) Effects of the application of the standards
The application of the "Accounting Standard for Fair Value Measurement" has an immaterial impact on the consolidated financial statements.

Changes in Presentation Method

Application of the "Accounting Standard for Disclosure of Accounting Estimates"
YMFG applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) for consolidated financial statements beginning with the fiscal year ended March 31, 2021, as described in the note to the consolidated financial statements related to major accounting estimates.

The note does not describe information for the fiscal year ended March 31, 2020, in accordance with the transitional handling set forth in the paragraph 11 of that accounting standard.

Additional Information

(ESOP Trust)
To enhance its welfare benefits, YMFG has introduced the ESOP Trust for Group employees (hereinafter, "Employees"), which ended in March 2021.
1. ESOP Trust for Employees introduced in March 2017
(1) Overview of Transactions
Of those Employees enrolled in YMFG's ESOP, YMFG has established the trust for those beneficiaries satisfying certain conditions. This trust acquired as a lump sum certain number of shares of YMFG corresponding to the number expected to be acquired by YMFG's ESOP over the five-year period beginning in March 2017. Thereafter, the trust sold YMFG's shares to YMFG's ESOP each month on a specific date. As a result, the trust sold all its shares in YMFG, and the trust was concluded in March 2021.
(2) Company Shares Residing in the Trust
YMFG's shares residing in the trust are recorded in treasury stock in the net assets section based on the book value of the trust (excluding ancillary expenses).

The book value and the number of shares of this treasury stock amounted to ¥588 million and 456 thousand shares on March 31, 2020. The trust no longer holds any shares in YMFG, having sold all of its shares as of March 31, 2021.
(3) Book Value of Borrowings Recorded by Applying the Gross Price Method
The book value of borrowings recorded by applying the gross price method was ¥929 million on March 31, 2020. As of March 31, 2021, the book value of borrowings recorded by applying the gross price method was zero, as the trust sold all its shares in YMFG in December 2021 and concluded in March 2021.

(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 ¥805 million ($7 million) and 921 thousand shares on March 31, 2021 and ¥878 million and 1,005 thousand shares on March 31, 2020.

(Treatment Related to the Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

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

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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥1,807,659	¥971,777	$16,327,875
Time deposits in other banks	(15,172)	(15,873)	(137,043)
Other	(12,307)	(11,120)	(111,172)
Cash and cash equivalents	¥1,780,180	¥944,784	$16,079,660

4. FINANCIAL INSTRUMENTS

Items pertaining to the status of financial instruments

(1) Policies on financial instruments

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

(2) Content and risks of financial instruments

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

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

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

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

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

(3) Risk management structure related to financial instruments

(i) Management of credit risk

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

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

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

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

(ii) Management of market risk

Qualitative information on the management of market risk

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

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

Quantitative information on the management of market risk

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

As of March 31, 2021, the market risk (estimated loss amount) of Yamaguchi Bank was ¥65,092 million ($588 million), the market risk (estimated loss amount) of Momiji

Bank was ¥19,718 million ($178 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥20,587 million ($186 million). Also, as of March 31, 2020, the market risk (estimated loss amount) of Yamaguchi Bank was ¥41,387 million, the market risk (estimated loss amount) of Momiji Bank was ¥14,658 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥17,198 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 fiscal 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

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

Items pertaining to the fair value of financial instruments

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

	Millions of yen		
	2021		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash and due from banks	¥ 1,807,659	¥ 1,807,659	¥ —
(ii) Call loans and bills purchased	9,189	9,189	—
(iii) Money held in trust	35,093	35,093	—
(iv) Securities			
Held-to-maturity debt securities	31,621	31,992	371
Available-for-sale securities	1,731,871	1,731,871	—
(v) Loans and bills discounted	7,894,126		
Allowance for loan losses (*1)	(69,721)		
	7,824,405	7,913,644	89,240
Total assets	¥11,439,838	¥11,529,448	¥89,611
(i) Deposits	¥10,011,575	¥10,011,851	¥ 276
(ii) Call money and bills sold	167,152	167,152	—
(iii) Payables under securities lending transactions	326,415	326,415	—
(iv) Borrowed money	638,353	637,903	(450)
Total liabilities	¥11,143,495	¥11,143,321	¥ (174)
Derivative transactions (*2)			
Hedge accounting not applied	¥ (6,549)	¥ (6,549)	¥ —
Hedge accounting applied	¥ (5,504)	¥ (5,504)	¥ —
Total derivative transactions	¥ (12,053)	¥ (12,053)	¥ —

	Millions of yen		
	2020		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash and due from banks	¥ 971,777	¥ 971,777	¥ —
(ii) Call loans and bills purchased	1,088	1,088	—
(iii) Money held in trust	48,412	48,412	—
(iv) Securities			
Held-to-maturity debt securities	13,360	13,528	168
Available-for-sale securities	1,482,995	1,482,995	—
(v) Loans and bills discounted	7,652,626		
Allowance for loan losses (*1)	(62,316)		
	7,590,310	7,705,683	115,373
Total assets	¥10,107,942	¥10,223,483	¥115,541
(i) Deposits	¥ 9,525,935	¥ 9,526,272	¥ 337
(ii) Call money and bills sold	91,992	91,992	—
(iii) Payables under securities lending transactions	161,466	161,466	—
(iv) Borrowed money	27,999	28,339	341
Total liabilities	¥ 9,807,392	¥ 9,808,069	¥ 678
Derivative transactions (*2)			
Hedge accounting not applied	¥ (31)	¥ (31)	¥ —
Hedge accounting applied	¥ (16,330)	¥ (16,330)	¥ —
Total derivative transactions	¥ (16,361)	¥ (16,361)	¥ —

	Thousands of U.S. dollars		
	2021		
	Consolidated balance sheet amount	Fair value	Difference
(i) Cash and due from banks	$ 16,327,875	$ 16,327,875	$ —
(ii) Call loans and bills purchased	83,001	83,001	—
(iii) Money held in trust	316,981	316,981	—
(iv) Securities			
Held-to-maturity debt securities	285,620	288,971	3,351
Available-for-sale securities	15,643,311	15,643,311	—
(v) Loans and bills discounted	71,304,543	71,968,783	
Allowance for loan losses (*1)	(629,762)	(487,932)	
	70,674,781	71,480,842	806,061
Total assets	$103,331,569	$104,140,981	$809,412
(i) Deposits	$ 90,430,630	$ 90,433,123	$ 2,493
(ii) Call money and bills sold	1,509,818	1,509,818	—
(iii) Payables under securities lending transactions	2,948,379	2,948,379	—
(iv) Borrowed money	5,765,992	5,761,928	(4,064)
Total liabilities	$100,654,819	$100,653,248	$ (1,571)
Derivative transactions (*2)			
Hedge accounting not applied	$ (59,155)	$ (59,155)	$ —
Hedge accounting applied	$ (49,715)	$ (49,715)	$ —
Total derivative transactions	$ (108,870)	$ (108,870)	$ —

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

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

(1) Assets

(i) Cash and due from banks

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

(ii) Call loans and bills purchased

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

(iii) Money held in trust

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

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

(iv) Securities

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

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

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

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

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

For loans that have no specific repayment period, as the fair value is assumed to be equivalent with the book value according to the expected payment dates and interest rates, book value is taken as the fair value.
(2) Liabilities
(i) Deposits
The fair value of demand deposits is determined as the payment amount if payment were required on the consolidated balance sheet date (book value). The fair value of time deposits is determined by discounting future cash flows to their present value by certain time periods. The discount rate employed is the interest rate required for newly accepted deposits. For deposits having a short period (within one year), as their fair values and book values are approximately the same, their book value is taken as their fair value.

(ii) Call money and bills sold and (iii) Payables under security lending transactions
As the contract period is short (within one year) and the market value is similar to the book value, the book value is taken as the market value.
(iv) 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.
(3) Derivative transactions
The fair value of derivative transactions, comprising interest-rate-related transactions (such as interest rate futures, interest rate options and interest rate swaps) currency-related transactions (such as currency futures, currency options and currency swaps), bond-related transactions (such as bond futures and bond options) is taken as their value on exchanges, discounted present value or price as calculated using option pricing models.

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Category	Consolidated balance sheet amount		
(1) Unlisted equity securities (*1, *2)	¥ 7,466	¥ 6,933	$ 67,437
(2) Investments in partnerships, etc. (*3)	14,605	9,459	131,921
Total	¥22,071	¥16,392	$199,358

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

(*2) During the fiscal year ended March 31, 2021 and 2020, impairment losses of ¥55 million ($497 thousand) and ¥47 million were recorded on unlisted equity securities.

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

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

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

	Millions of yen				
	2020				
	Within one year	More than one year and within three years	More than three years and within five years	More than five years and within seven years	More than seven years
(1) Due from banks	¥ 875,998	¥ —	¥ —	¥ —	¥ —
(2) Call loans and bills purchased	1,088	—	—	—	—
(3) Money held in trust	48,412	—	—	—	—
(4) Securities	65,968	161,330	166,133	174,273	627,818
Held-to-maturity debt securities	700	1,763	5,751	1,749	3,400
Local government bond	—	200	1,700	800	2,200
Corporate bond	700	1,563	4,051	949	1,200
Available-for-sale securities with maturities	65,268	159,567	160,382	172,524	624,418
Japanese government bond	9,000	42,000	23,100	21,500	234,600
Local government bond	6,725	22,158	22,057	26,974	131,548
Corporate bond	35,385	73,290	59,273	86,136	80,112
Others	14,158	22,119	55,952	37,914	178,158
(5) Loans and bills discounted (*)	1,693,152	1,047,647	1,065,149	856,915	2,989,763
Total	¥2,684,618	¥1,208,977	¥1,231,282	¥1,031,188	¥3,617,581

	Thousands of U.S. dollars				
	2021				
	Within one year	More than one year and within three years	More than three years and within five years	More than five years and within seven years	More than seven years
(1) Due from banks	$15,429,121	$ —	$ —	$ —	$ —
(2) Call loans and bills purchased	83,001	—	—	—	—
(3) Money held in trust	316,981	—	—	—	—
(4) Securities	726,519	1,092,250	2,185,827	1,739,418	7,245,045
Held-to-maturity debt securities	13,946	49,300	135,091	55,957	31,343
Local government bond	903	6,323	22,852	8,129	26,827
Corporate bond	13,043	42,977	112,239	47,828	4,516
Available-for-sale securities with maturities	712,573	1,042,950	2,050,736	1,683,462	7,213,702
Japanese government bond	—	—	222,202	—	3,800,921
Local government bond	77,689	257,773	230,982	419,411	1,439,906
Corporate bond	557,357	223,882	670,554	529,266	271,818
Others	77,527	561,295	926,998	734,785	1,701,057
(5) Loans and bills discounted (*)	14,799,350	10,021,823	10,237,973	8,656,806	27,588,592
Total	$31,354,972	$11,114,073	$12,423,800	$10,396,224	$34,833,637

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

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

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

	Millions of yen			
	2020			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
(i) Deposits (*)	¥8,921,149	¥446,573	¥129,113	¥29,099
(ii) Call money and bills sold	91,992	—	—	—
(iii) Payables under securities lending transactions	161,466	—	—	—
(iv) Borrowed money	9,232	5,917	4,215	8,635
Total	¥9,183,840	¥452,491	¥133,327	¥37,734

	Thousands of U.S. dollars			
	2021			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
(i) Deposits (*)	$83,916,620	$3,878,755	$2,306,106	$329,157
(ii) Call money and bills sold	1,509,818	—	—	—
(iii) Payables under securities lending transactions	2,948,379	—	—	—
(iv) Borrowed money	5,622,012	46,373	34,414	63,183
Total	$93,996,829	$3,925,128	$2,340,520	$392,340

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

5. SECURITIES

Securities held at March 31, 2021 include shares of unconsolidated subsidiaries and affiliates amounting to ¥27 million ($244 thousand) and no investments. Corresponding figures at March 31, 2020, were ¥27 million and ¥1 million.

Of bonds held at March 31, 2021, the total amount comprises waivers in the event of substantial bankruptcy and subordinated bonds.

The amount of guarantee obligations for private placement bonds (Financial Instruments and Exchange Law, Article 2, Item 3), out of bonds included in securities, amounted to ¥33,260 million ($300 million) and ¥11,376 million as of March 31, 2021 and March 31, 2020 respectively.

6. FAIR VALUE INFORMATION

Securities

The following tables summarize book values, fair value and acquisition cost of securities with available fair values as of March 31, 2021 and 2020:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statement of income — ¥(0) million ($(2) thousand) and ¥(3) million as at March 31, 2021 and 2020, respectively.

(b) Held-to-maturity debt securities:

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

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

		Thousands of U.S. dollars		
		2021		
	Type	Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	$ 35,498	$ 35,859	$ 361
	Corporate bonds	215,274	218,354	3,080
	Subtotal	250,772	254,213	3,441
Securities with fair value not exceeding book value	Local government bonds	29,537	29,473	(63)
	Corporate bonds	5,311	5,293	(27)
	Subtotal	34,848	34,766	(90)
	Total	$285,620	$288,971	$3,351

(c) Available-for-sale securities

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

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

	Type	Thousands of U.S. dollars 2021 Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	Shares	$ 847,439	$ 287,978	$ 559,471
	Japanese government bonds	18,923	16,313	2,601
	Local government bonds	1,027,378	1,024,108	3,270
	Corporate bonds	1,425,174	1,420,296	4,878
	Others	756,481	749,770	6,711
	Subtotal	4,075,395	3,498,465	576,931
Securities with book value not exceeding acquisition cost	Shares	110,035	126,565	(16,530)
	Japanese government bonds	4,034,974	4,142,083	(107,100)
	Local government bonds	1,403,730	1,408,599	(4,869)
	Corporate bonds	836,347	840,376	(4,038)
	Others	5,182,838	5,376,163	(193,325)
	Subtotal	11,567,924	11,893,786	(325,862)
	Total	$15,643,319	$15,392,251	$ 251,069

(d) Held-to-maturity debt securities sold during the fiscal year

There were no held-to-maturity securities sold during the fiscal year ended March 31, 2021 and 2020.

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

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

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

	Thousands of U.S. dollars 2021 Sale amount	Total gain on sale	Total loss on sale
Shares	$ 138,145	$104,010	$ 145
Japanese government bonds	3,998,501	4,607	21,498
Local government bonds	28,128	443	—
Corporate bonds	809,511	10,604	—
Others	7,254,205	158,974	14,931
Total	$12,228,490	$278,638	$36,574

(f) Securities for which purpose of holding changed

There were no securities for which the purpose of holding changed at March 31, 2021 and 2020.

Impairment losses on securities

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

During the fiscal year ended March 31, 2021, impairment losses were ¥457 million ($4,128 thousand) on equity securities and during the fiscal year ended March 31, 2020, impairment losses totaled ¥771 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, 2021 and 2020 was as follows:

(a) Money held in trust classified as trading purposes

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

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

	Thousands of U.S. dollars	
	2021	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	$42,209	$—

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

There are no corresponding transactions as at March 31, 2021 and 2020.

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

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

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

	Thousands of U.S. dollars		
	2021		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	$274,772	$279,397	$(4,625)

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
	2021	2020	2021
Net unrealized gains	¥27,545	¥13,501	$248,803
Available-for-sale securities	28,057	14,498	253,428
Available-for-sale money held in trust	(512)	(997)	(4,625)
Deferred tax liabilities	8,055	3,821	72,758
Unrealized gains on available-for-sale securities before following adjustment	19,490	9,680	176,045
Equivalent to non-controlling interests	13	(9)	117
YMFG's interest in net unrealized gains on valuation of available-for-sale securities held by affiliates accounted for by the equity method	—	—	—
Unrealized gains on available-for-sale securities	¥19,477	¥ 9,689	$175,928

Valuation differences on investments in partnerships, etc., of ¥263 million ($2,376 thousand) at March 31, 2021 and ¥244 million at March 31, 2020, for which market values are extremely difficult to determine, are recorded in available-for-sale securities of net unrealized gains in the list above.

Derivatives

(1) Derivative transactions at March 31, 2021 and 2020, to which hedge accounting is not applied

(a) Interest-rate-related:

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

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

	Thousands of U.S. dollars			
	2021			
Type	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	$390,489	$329,681	$ 370	$ 370
Receivable floating, payable fixed	390,498	329,690	3,956	3,956
Total	$ —	$ —	$4,326	$4,326

(b) Currency-related:

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

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

	Thousands of U.S. dollars			
	2021			
Type	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	$2,613,964	$ 578,240	$(63,978)	$ (650)
Foreign exchange forward contracts:				
Sold	1,447,042	548,433	(23,711)	(23,711)
Bought	1,204,399	484,798	24,234	24,234
Currency options				
Sold	1,506,151	1,099,061	(62,126)	10,117
Bought	1,506,151	1,099,061	62,108	4,083
Total	$ —	$ —	$(63,473)	$ 14,073

(c) Stock-related:

There were no stock-related transactions as at March 31, 2021 and 2020.

(d) Bond-related:

There were no bond-related transactions as at March 31, 2021 and 2020.

(e) Commodity-related:
There were no commodity-related transactions as at March 31, 2021 and 2020.

(f) Credit-derivatives:
There were no credit related transactions as at March 31, 2021 and 2020.

(2) Derivative transactions as at March 31, 2021 and 2020, to which hedge accounting is applied

(a) Interest-rate-related:

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

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

	Thousands of U.S. dollars		
	2021		
Type	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	$2,522,311	$2,522,311	$20,179
Interest rate swaps employing exceptional accounting treatment:			
Interest rate swaps			
Receive floating, payable fixed	677	677	*
Total	$ —	$ —	$20,179

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

(b) Currency-related:

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

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

	Thousands of U.S. dollars		
	2021		
Type	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	$1,591,844	$685,069	$(69,885)
Total	$ —	$ —	$(69,885)

(c) Stock-related:
There were no stock-related transactions at March 31, 2021 and 2020.

(d) Bond-related:
There were no bond-related transactions at March 31, 2021 and 2020.

7. LOANS AND BILLS DISCOUNTED

Loans at March 31, 2021 and 2020 include "Risk-Managed Loan Amounts" as follows:

(1) Loans to borrowers in bankruptcy amounting to ¥22,494 million ($203 million) and ¥16,372 million denote loans subject to Article 96-1-3 and 96-1-4 of "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 of 1965) on which interest accrual has stopped as there is doubt about the collectability of either principal or interest because they have been contractually past due for a considerable period of time or for other reasons.

(2) Other delinquent loans amounting to ¥66,572 million ($601 million) and ¥71,435 million denote loans on which the Banks have stopped accruing interest excluding loans to borrowers in bankruptcy and loans on which interest payments are deferred in order to promote recovery of borrowers in economic difficulty.

(3) Loans past due for three months or more amounting to ¥445 million ($4 million) and ¥767 million denote loans where payment of interest or principal has been delayed for three months or more excluding loans to borrowers in bankruptcy and other delinquent loans.
(4) Restructured loans amounting to ¥10,630 million ($97 million) and ¥9,931 million denote loans to borrowers for which the repayment terms have been modified to more favorable terms including reduction of interest rate, deferral of interest payments, extension of principal payments and debt forgiveness with the objective of promoting recovery of borrowers in economic difficulty excluding loans to borrowers in bankruptcy, other delinquent loans, and past-due loans.
(5) The total of loans to borrowers in bankruptcy, other delinquent loans, past-due loans, and restructured loans amounted to ¥100,141 million ($905 million) and ¥98,505 million.

The loan amounts disclosed from (1) to (4) 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, October 8, 2020, of the JICPA, although the Banks have the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥20,648 million ($187 million) at March 31, 2021 and ¥32,049 million at March 31, 2020.

Loan Participation

Based on "Accounting Treatment and Presentation of Loan Participation," (Japanese Institute of Certified Public Accountants Accounting System Committee Report No. 3, November 28, 2014), the consolidated balance sheet amount of loan participation agreements in which the Banks have acquired the economic benefits and risks of the underlying loans from the original lender was ¥2,783 million ($25 million) at March 31, 2021 and ¥2,694 million at March 31, 2020.

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 ¥949,071 million ($8,573 million) at March 31, 2021 and ¥907,251 million at March 31, 2020. Of this amount, ¥774,026 million ($6,991million) at March 31, 2021 and ¥751,011 million at March 31, 2020, relates to loans for which the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

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

9. PLEDGED ASSETS

At March 31, 2021 and 2020, the following assets were pledged as collateral for certain liabilities of the Banks.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and due from banks	¥ 14	¥ 14	$ 126
Securities	588,440	373,158	5,315,148
Loans and bills discounted	633,488	—	5,722,049

The collateral was pledged to secure the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deposits	¥ 39,569	¥ 42,258	$ 357,411
Call money	—	21,222	—
Payables under securities lending transactions	326,414	161,466	2,948,370
Borrowings	613,500	—	5,541,505

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 ¥23,225 million ($210 million) at March 31, 2021 and securities amounted to ¥6,223 million at March 31, 2020.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deposits	¥ 2,220	¥ 2,552	$ 20,052
Collateral pledged for transactions involving public funds	1,199	1,199	10,830
Collateral pledged for financial instruments	22,503	30,587	203,261
Collateral pledged for exchange settlements	76,400	75,600	690,091
Financial futures margin	10	10	90
Margin on bond futures transactions	1,000	1,000	9,033

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥80,146 million ($724 million) at March 31, 2021, and ¥78,245 million at March 31, 2020.

11. ADVANCED DEPRECIATION AMOUNT OF TANGIBLE FIXED ASSETS

At March 31, 2021 and 2020, accumulated advanced depreciation amount of tangible fixed assets were ¥8,147 million ($74 million) and ¥8,175 million. There were no such advance depreciation expenses in fiscal year ended March 31, 2021 and 2020.

12. IMPAIRMENT LOSSES

During the fiscal year ended March 31, 2021 and 2020, impairment losses were recorded on the following assets.

Location	Primary use	Type	Impairment loss		
			Millions of yen		Thousands of U.S. dollars
			2021	2020	2021
Within Hiroshima Prefecture	Business-use assets	Buildings, movable property	¥183	¥ —	$1,653
Within Yamaguchi Prefecture	Business-use assets	Land, buildings, movable property	¥155	¥ —	$1,400
Within Aichi Prefecture	Business-use assets	Buildings	¥ 37	¥ —	$ 334
Within Tokyo Metropolitan	Welfare facility for sale	Buildings	¥ 5	¥ —	$ 45
Within Fukuoka Prefecture	Business-use assets	Buildings, movable property	¥ 1	¥ 12	$ 9
Within Ehime Prefecture	Idle assets for sale	Land, buildings	¥ —	¥ 93	$ —
Within Tokyo Metropolitan	Business-use assets	Buildings, movable property	¥ —	¥ 28	$ —
Other	Business-use assets	Buildings, movable property	¥ —	¥ 11	$ —
Total			¥381	¥144	$3,441

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

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

In the fiscal year ended March 31, 2021, the book values of business-use assets, which were determined not to create sufficient operating cash flow and assets to be moved, discontinued in use or sold are reduced to their recoverable values, and recognized the reduction of ¥381 million ($3,441 thousand) as impairment losses. This amount includes buildings (including exit costs) of ¥248 million ($2,240 thousand) and land of ¥132 million ($1,192 thousand), movable property of ¥1 million ($9 thousand).

The recoverable amount used to estimate the impairment loss for the fiscal year ended March 31, 2021, is the net selling price, which is calculated by deducting the expected disposal cost from the expected disposal value. In the fiscal year ended March 31, 2020, the book values of assets for which the use had been changed from business use are reduced to their recoverable values, and recognized the reduction of ¥144 million as impairment losses. This amount includes land of ¥88 million, buildings of ¥46 million and movable property of ¥10 million in fiscal year ended March 31, 2020.

The recoverable amount used to estimate the impairment loss for the fiscal year ended March 31, 2020, is the net selling price, which is calculated by using assessed value based on roadside land prices or by deducting the expected disposal cost from the expected disposal value.

13. BORROWED MONEY

Payment schedule of borrowed money as of March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars
2021	¥622,413	$5,622,012
2022	5,134	46,373
2023	3,810	34,414
2024	2,246	20,287
2025	1,078	9,737
Thereafter	3,671	33,159
Total	¥638,352	$5,765,982

14. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

Overview of severance payments and pension plans

YMFG and some consolidated subsidiaries employ funded and unfunded defined benefit and defined contribution plans as employee retirement benefits.

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

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

Defined benefit plans

(1) Reconciliation of retirement benefit obligation balances at the beginning and the end of the fiscal year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations at the beginning of the fiscal year	¥61,677	¥60,535	$557,104
Service cost	1,853	1,784	16,737
Interest cost	110	99	994
Actuarial differences	(1,023)	2,257	(9,240)
Past service cost	(5,577)	—	(50,375)
Retirement benefit payments	(3,099)	(2,995)	(27,992)
Others	12	(4)	108
Retirement benefit obligations at the end of the fiscal year	¥53,953	¥61,676	$487,336

(2) Reconciliation of plan asset balances at the beginning and the end of the fiscal year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance of plan assets at the beginning of the fiscal year	¥ 92,788	¥96,302	$ 838,118
Expected return on plan assets	2,060	2,137	18,607
Actuarial differences	17,167	(4,561)	155,063
Contribution from employer	623	759	5,627
Retirement benefit payments	(2,162)	(2,150)	(19,528)
Others	294	301	2,655
Balance of plan assets at the end of the fiscal year	¥110,770	¥92,788	$1,000,542

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at the end of the fiscal year ended March 31, 2021 and 2020, and the carrying amounts of net defined benefit liability and net defined benefit asset

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations of funded plans	¥ 53,846	¥ 61,588	$ 486,370
Plan assets	(110,770)	(92,788)	$(1,000,542)
	(56,924)	(31,200)	(514,172)
Retirement benefit obligations of unfunded plans	107	88	966
Net carrying amount of obligations and assets	¥ (56,817)	¥(31,112)	$ (513,206)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net retirement benefit liability	¥ 2,789	¥ 3,930	$ 25,192
Net retirement benefit asset	(59,607)	(35,042)	(538,407)
Net carrying amount of obligations and assets	¥(56,818)	¥(31,112)	$(513,215)

(4) Retirement benefit costs and their breakdowns

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost*	¥ 1,853	¥ 1,784	$ 16,737
Interest cost	110	99	994
Expected return on plan assets	(2,060)	(2,137)	(18,607)
Recognized actuarial loss	(20)	(418)	(181)
Recognized past service cost	(2,788)	—	(25,183)
Others	80	71	723
Retirement benefit costs on defined benefit plans	¥(2,825)	¥ (601)	$(25,517)

* Excludes employee contribution portion of defined benefit corporate pensions

(5) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial gain (loss)	¥18,171	¥(7,235)	$164,132
Past service cost	2,788	—	25,183
Total	¥20,959	¥(7,235)	$189,315

(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
	2021	2020	2021
Unrecognized actuarial gain (loss)	¥(15,263)	¥2,908	$(137,865)
Unrecognized past service cost	(2,788)	—	(25,183)
Total	¥(18,051)	¥2,908	$(163,048)

(7) Plan assets

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

	2021	2020
Bonds	30%	30%
Shares	53%	47%
Others	17%	23%
Total	100%	100%

(Note) Plan assets include 49% of corporate pension plans established as retirement benefit trusts at the end of the fiscal year ended March 31, 2021, and 45% at March 31, 2020.

(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, 2021 and 2020

	2021	2020
Discount rate	0.00%—0.98%	0.00%—0.51%
Expected long-term rate of return on plan assets	1.60%—2.60%	1.50%—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 the end of the fiscal year ended March 31, 2021 and 2020 were ¥269 million ($2 million) and ¥279 million, respectively.

15. REVALUATION RESERVE FOR LAND

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

Revaluation date: March 31, 1998

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

Total difference between market value of land for business use revalued in accordance with Article 10 of the Law and the total post-revaluation book value of land at March 31, 2021 and 2020 were ¥15,005 million ($136 million) and ¥18,369 million, respectively.

16. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

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

17. OTHER INCOME

Other income included the gains on sale of stock of ¥19,295 million ($174 million), income from investment partnership of ¥343 million ($3 million) for the fiscal year ended March 31, 2021 and the gains on sale of stock of ¥13,840 million, income from investment partnership of ¥1,574 million and gains on investment in money held in trust of ¥984 million for the fiscal year ended March 31, 2020.

18. GENERAL AND ADMINISTRATIVE EXPENSES

Items included operating expenses for the year ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Salary and allowance	¥30,214	¥31,328	$272,911
Depreciation	¥ 5,787	¥ 6,142	$ 52,272

19. OTHER EXPENSES

Items included other expenses for the year ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loss on investment in money held in trust	¥3,680	¥ 16	$33,240
Loss on sale of stock	¥ 656	¥4,408	$ 5,925
Losses on investment partnership	¥ 574	¥ 360	$ 5,185
Losses on devaluation of stocks and other securities	¥ 512	¥ 818	$ 4,625

In addition to the above, the ESOP Trust for employee shareholders was unable to pay off its debt obligations, so the Group recorded a loss on loan guarantees of ¥535 million ($5 million) for the redemption period ended March 31,2021.

20. LEASE TRANSACTIONS

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

Borrower

(i) Content of lease assets

Tangible fixed assets

Mainly vehicles and office equipment

Intangible fixed assets

Software

(ii) Depreciation method for lease assets

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

2. Operating leases

Future minimum lease payments at March 31, 2021 and 2020 were as follows:

Borrower

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Within one year	¥117	¥123	$1,057
More than one year	575	726	5,194
Total minimum lease payments	¥692	¥849	$6,251

Lender

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Within one year	¥ 4	¥1	$ 36
More than one year	27	7	244
Total minimum lease payments	¥31	¥8	$280

21. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for loan losses	¥ 18,519	¥17,174	$ 167,275
Unrealized gains on available-for-sale securities	3,829	664	34,586
Provision for bonuses	901	867	8,138
Depreciation	584	642	5,275
Losses on devaluation of securities	581	505	5,248
Net operating losses carryforwards	486	511	4,390
Net defined benefit liability	143	1,474	1,292
Deferred gains or losses on hedges	—	4,672	—
Other	1,808	2,376	16,331
Deferred tax assets	26,851	28,885	242,535
Valuation allowance	(1,632)	(1,501)	(14,741)
Total deferred tax assets	25,219	27,384	227,794
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(11,884)	(4,486)	(107,344)
Net defined benefit asset	(6,421)	(129)	(57,998)
Securities contributed to retirement benefit trusts	(3,045)	(3,045)	(27,504)
Reserve for advanced depreciation of non-current assets	(1,334)	(664)	(12,049)
Deferred gains or losses on hedges	(644)	—	(5,817)
Other	(136)	(687)	(1,228)
Total deferred tax liabilities	(23,464)	(9,012)	(211,940)
Net deferred tax assets (liabilities)	¥ 1,755	¥18,372	$ 15,854

2. Significant differences between the statutory effective tax rate and the actual income tax rate after application of deferred income tax accounting for the year ended March 31, 2021 were as follows:

	2021	2020
Effective statutory tax rate	30.46%	—%
(Adjustments)		
Changes in the valuation reserve	0.44%	—
Items that are not permanently included in profits, such as dividends received	(0.63)%	—
Non-deductible goodwill amortization	0.28%	—
Items that are not permanently included in losses, such as entertainment expenses	0.72%	—
Inhabitant tax on a per capita basis	0.36%	—
Consolidation adjustments	0.14%	—
Others	0.26%	—
Tax burden after the application of tax-effect accounting	32.03%	—%

(Note) Significant differences between the statutory effective tax rate and the actual income tax rate after application of deferred income tax accounting for the year ended March 31, 2020 were omitted, as the difference between the effective statutory tax rate and the actual tax rate after application of deferred income tax accounting were 5% or less of the effective statutory tax rate.

22. NET ASSETS

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

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

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

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

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

At the annual shareholders' meeting, held on June 25, 2021, the shareholders approved cash dividends amounting to ¥3,225 million ($29 million). Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2021 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders' meeting, held on June 25, 2020, the shareholders approved cash dividends amounting to ¥3,063 million. Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2020 and to be recognized in the period in which they are approved by the shareholders.

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, 2020	Increase	Decrease	March 31, 2021
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock*1, *2, *3	10,559	7,160	549	17,171
Total	10,559	7,160	549	17,171

*1 The increase in the number of treasury stock is due to market purchases of 7,159 thousand shares, and purchases of shares constituting less than one trading unit, totaling 1 thousand shares.
The decrease of treasury stock included the sale of 456 thousand shares from the ESOP Trust for Group employees to the YMFG stock ownership plan, 84 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT), the 8 thousand shares for the exercise of share options and purchases of shares constituting less than one trading unit, which amounted to 0 thousand shares.
*2 Treasury stock as of beginning and ending of fiscal year ended March 31, 2021 include 456 thousand shares held by the ESOP Trust for employee shareholders. The trust has sold all of the Company's shares it held; as of March 31, 2021, the trust had no holdings of Company shares.
*3 Treasury stock as of beginning and ending of fiscal year ended March 31, 2021 include 1,005 thousand shares and 921 thousand shares held by the Board Benefit Trust (BBT).

	Number of shares (in thousand)			
	March 31, 2019	Increase	Decrease	March 31, 2020
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock*1, *2, *3	10,749	445	635	10,559
Total	10,749	445	635	10,559

*1 The increase in the number of treasury stock is due to additional increase of Board Benefit Trust (BBT) of 443 thousand shares, and purchases of shares constituting less than one trading unit, totaling 1 thousand shares.
The decrease of treasury stock included the sale of 533 thousand shares from the ESOP Trust for Group employees to the YMFG stock ownership plan, the 85 thousand shares for the exercise of share options, 16 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT) and purchases of shares constituting less than one trading unit, which amounted to 0 thousand shares.
*2 Treasury stock as of beginning and ending of fiscal year ended March 31, 2020 include 990 thousand shares and 456 thousand shares held by the ESOP Trust for employee shareholders.
*3 Treasury stock as of beginning and ending of fiscal year ended March 31, 2020 include 578 thousand shares and 1,005 thousand shares held by the Board Benefit Trust (BBT).

2. Stock options

Stock options at March 31, 2021 and 2020 were ¥117 million ($1 million) and ¥127 million, respectively.

3. Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2021 and 2020.

Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 15, 2020				
Common stock	¥3,063*1	¥12.00	Mar. 31, 2020	Jun. 26, 2020
Resolved at the board of directors meeting on November 13, 2020				
Common stock	¥3,284*2	¥13.00	Sep. 30, 2020	Dec. 10, 2020

*1 The total amount of dividend on common stock includes ¥18 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).
*2 The total amount of dividend on common stock includes ¥14 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 10, 2019				
Common stock	¥2,807*1	¥11.00	Mar. 31, 2019	Jun. 26, 2019
Resolved at the board of directors meeting on November 7, 2019				
Common stock	¥3,063*2	¥12.00	Sep. 30, 2019	Dec. 10, 2019

*1 The total amount of dividend on common stock includes ¥17 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).
*2 The total amount of dividend on common stock includes ¥15 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

Type of shares	Aggregate amount of dividends (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 15, 2020				
Common stock	$27,667*1	$0.11	Mar. 31, 2020	Jun. 26, 2020
Resolved at the board of directors meeting on November 13, 2020				
Common stock	$29,663*2	$0.12	Sep. 30, 2020	Dec. 10, 2020

*1 The total amount of dividend on common stock includes $163 thousand in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).
*2 The total amount of dividend on common stock includes $126 thousand in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

(b) Dividends to be paid in the fiscal year ending March 31, 2021 and 2020 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 14, 2021					
Common stock	¥3,225*	Retained earnings	¥13.00	Mar. 31, 2021	Jun. 28, 2021

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

(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 15, 2020					
Common stock	¥3,063*	Retained earnings	¥12.00	Mar. 31, 2020	Jun. 26, 2020

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

(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 14, 2021					
Common stock	$29,130 *	Retained earnings	$0.12	Mar. 31, 2021	Jun. 28, 2021

* The total amount of dividend on common stock includes $108 thousand in dividends to Board Benefit Trust (BBT).

24. STOCK OPTIONS

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

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

There were no expenses in the fiscal year ended March 31, 2021 and 2020.

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

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

	2015
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	182,900 shares of YMFG's common stock
Grant date	July 29, 2014
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	July 30, 2014—July 29, 2044

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

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

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

Note: Stated as the equivalent number of shares.

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

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

(a) Number of stock options

	2016	2015	2014	2013	2012
Prior to vesting					
As of the end of the previous consolidated fiscal year	—	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	—	—	—	—	—
Rights not yet determined	—	—	—	—	—
After vesting					
As of the end of the previous consolidated fiscal year	35,000	39,300	21,900	20,200	7,800
Rights determined	—	—	—	—	—
Rights exercised	3,400	5,100	—	—	—
Expiry	—	—	—	—	—
Amount unexercised	31,600	34,200	21,900	20,200	7,800

(b) Price information

	Yen				
	2016	2015	2014	2013	2012
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	646	646	—	—	—
Fair value on date granted	1,377	1,015	973	619	660

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

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

25. INVESTMENT AND RENTAL PROPERTY

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

26. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts of reclassification adjustments and tax effect amounts related to other comprehensive income in the consolidated fiscal year ended March 31, 2021 and 2020 were as follows.

	Millions of Yen		Thousands of U.S. dollars
	2021	2020	2021
Unrealized gains (losses) on available-for-sale securities			
Amount generated during the year	¥ 33,907	¥(25,811)	$ 306,269
Reclassification adjustments	(19,864)	(25,959)	(179,424)
Before tax effect adjustment	14,043	(51,770)	126,845
Tax effect amount	(4,232)	15,739	(38,226)
Unrealized gains (losses) on available-for-sale securities	9,811	(36,031)	88,619
Deferred gains (losses) on hedges			
Amount generated during the year	17,106	(14,259)	154,512
Reclassification adjustments	348	760	3,143
Before tax effect adjustment	17,454	(13,499)	157,655
Tax effect amount	(5,317)	4,112	(48,026)
Deferred gains (losses) on hedges	12,137	(9,387)	109,629
Remeasurements of defined benefit plans			
Amount generated during the year	20,979	(6,818)	189,495
Reclassification adjustments	(20)	(418)	(181)
Before adjustment for tax effects	20,959	(7,236)	189,314
Tax effect amount	(6,384)	2,205	(57,664)
Remeasurements of defined benefit plans	14,575	(5,031)	131,650
Total other comprehensive income	¥ 36,523	¥ (50,449)	$ 329,898

27. SEGMENT INFORMATION

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

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

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

28. RELATED PARTY TRANSACTIONS

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

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

For the year ended March 31, 2021

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

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

For the year ended March 31, 2020

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

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

29. PER SHARE DATA

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥2,729.94	¥2,458.73	$24.66
Net income per share	99.63	100.07	0.90
Net income per share (diluted)	¥ 99.59	¥ 93.86	$ 0.90

Net assets per share are calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2021	2020	2021
Net assets	¥681,139	¥630,245	$6,152,461
Amounts excluded from net assets	¥ 6,345	¥ 6,233	$ 57,312
Stock options	117	127	1,057
Non-controling interests	6,228	6,106	56,255
Net assets attributable to common stock at the fiscal year-end	674,794	624,012	6,095,149
Number of common stock at the fiscal year-end used for the calculation of net assets per share (in thousands)*	247,182	253,794	—

* Shares of YMFG held by the ESOP trust and the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above number of common stock at the fiscal year-end used for the calculation of net assets per share. This number of shares held by the ESOP and the Board Benefit Trust (BBT) was 1,461 thousand as of March 31, 2020, and 921 thousand as of March 31, 2021.
The ESOP Trust for employee shareholders sold all its holdings of Company shares in December 2020; the trust held none of the Company's shares as of March 31, 2021.

Net income per share is calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2021	2020	2021
Net income attributable to owners of the parent	¥ 24,958	¥ 25,391	$225,435
Amount not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent for common stock	24,958	25,391	225,435
Average shares of common stock during the year* (in thousands)	250,496	253,747	—

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

	Millions of yen except number of shares		Thousands of U.S. dollars
	2021	2020	2021
Net income adjustment attributable to owners of the parent	¥ —	¥ 398	$—
Interest expenses (excluding tax amount)	—	398	—
Increase of shares of common stock	118	21,003	—
Bonds with warrant	—	20,852	—
Warrant	118	150	—
Dilutive shares not including calculation due to no dilutive effect	—	—	—

* Shares of YMFG held by the ESOP trust and the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above average shares of common stock during the year. The average number of shares was 1,103 thousand in the fiscal year ended March 31, 2021 and 1,487 thousand in the fiscal year ended March 31, 2020.
The ESOP Trust for employee shareholders sold all its holdings of Company shares in December 2020; the trust held none of the Company's shares as of March 31, 2021.

30. SUBSEQUENT EVENTS

For the year ended March 31, 2021
There were no significant subsequent events. Dividends were made in June 2021. Please refer to "22. NET ASSETS."

For the year ended March 31, 2020
There were no significant subsequent events. Dividends were made in June 2020. Please refer to "22. NET ASSETS."

KPMG

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, 2021 and 2020, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended , and notes, comprising a summary of significant accounting policies, other explanatory information.In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Borrower Classification for Allowance for Loan Losses

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of Yamaguchi Financial Group, Inc., loans and bills discounted (hereinafter referred to as the "Loans") of ¥7,894,126 million were recognized, accounting for approximately 65.8%, which is a significant portion of the total consolidated assets. The corresponding	The primary procedures we performed to assess the appropriateness of the borrower classification of the borrowers of management improvement support initiatives taking into account qualitative factors at Group banks included the following: (1) Internal control testing

allowance for loan losses was ¥69,721 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 ¥7,963,538 million and the corresponding allowance for loan losses was ¥69,505 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-offs and provisioning standards, including an amount 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 will be determined taking into account the details of the plan.

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

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

① Establishment of rules for self-assessment in compliance with the applicable accounting standards.

② Controls to take into account qualitative factors in determining the borrower classification.

(2) Evaluation of the appropriateness of the borrower classification

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

① We inspected the financial analyses and other materials used as a basis for the borrower classification to determine whether the borrower classification is carried out in accordance with the Group bank's rules for self-assessment.

② If a business improvement plan has been created, we mainly performed the following procedures to assess the reasonableness and feasibility of the plan, taking into account the impact of the spread of COVID-19.

- Inspection of the business improvement plans
- Inquiry to the assessment departments about the basis for assumptions included in the business improvement plans
- Comparison of financial position and operating results of borrowers with the forward-looking information, including planned figures

③ We inquired with the departments involved with the assessment 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, forward-looking information including the business

there is uncertainty in the future prospect, such as a decline in corporate profits and a decrease in personal consumption, due to the prolonged effects of the spread of COVID-19, in addition to a declining population, aging population with low birthrate and a shortage of business successors. The Group banks conduct business feasibility assessment activities as a part of measures to address these conditions and develop and revitalize the regional economy. In particular, the Group banks designate borrowers who are deemed to require business improvement support as " borrowers of management improvement support initiatives" and focus on supporting them. Loans to borrowers designated as "borrowers of management improvement support initiatives" amounted to ¥137,771 million, and the corresponding allowance for loan losses was ¥15,835 million.

The determination of the borrower classification for designated as borrowers 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 that is the underlying for such support. Such estimates involve significant uncertainty and are complex and require a high degree of management judgment.

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

improvement plans, and the effects of the spread of COVID-19.

Appropriateness of the Determination as to Whether an Impairment Loss Should be Recognized on Goodwill Arising from an Acquisition of Hoken Hiroba Limited

The key audit matter	How the matter was addressed in our audit
Goodwill of ¥2,339 million was recorded in the consolidated balance sheet of Yamaguchi Financial Group, Inc. (hereinafter referred to as the "Company"). This arose mainly from the acquisition of Hoken Hiroba, Limited, a consolidated subsidiary. As described in Note 2. "SIGNIFICANT ACCOUNTING POLICIES, (4) Accounting Policies, Amortization of goodwill" in the consolidated financial statements, goodwill is amortized using the straight-line method. As described in Note "Major accounting estimates, Goodwill valuation" in the consolidated financial statements, if there is any impairment indicators of goodwill, it is necessary to determine whether an impairment loss should be recognized by comparing the book value with the total undiscounted future cash flows from the business to which the goodwill is allocated. As a result, if the recognition of an impairment loss is deemed necessary, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is measured as the amount of the reduction. In the current fiscal year, in regards to the business that includes goodwill arising from the acquisition of Hoken Hiroba Limited (hereinafter referred to as the "Business"), the number of customers visiting stores decreased significantly due to the spread of COVID-19. As a result, sales declined and an impairment indicator was triggered, leading to the necessity to determine whether an impairment loss should be recognized or not. Management of the Company calculated the undiscounted future cash flows using the plan formulated by the management of Hoken Hiroba Limited (hereinafter referred to as "the Plan"). As a result, the Company determined that it is was not necessary to recognize an impairment loss because the total amount of such undiscounted future cash flows exceeded the book value of fixed	The primary procedures we performed to assess the appropriateness of the determination of whether an impairment loss should be recognized on goodwill arising from the acquisition of Hoken Hiroba, Limited based on the undiscounted future cash flows estimated by management included the following: (1) Internal control testing We evaluated the design and operating effectiveness of certain internal controls related to the goodwill impairment assessment process, focusing on the following: ① Establishment of the rules for assessing impairment of asset groups including goodwill. ② Estimation of undiscounted future cash flows based on the assessment of the actual performance conducted throughout the goodwill impairment assessment process, from the identification of impairment indicators to the recognition of impairment. (2) Evaluation of the appropriateness of determining whether an impairment loss should be recognized ① We assessed the consistency of the undiscounted future cash flows with the profit plan of Hoken Hiroba Limited. ② We evaluated the reasonableness of the assumptions and inputs used to estimate the undiscounted future cash flows, especially those related to future increases in the number of customers visiting stores, taking into account the impact of the spread of COVID-19, by performing the following procedures: ・Inquiry to management and multiple personnel in charge of the Company concerning the basis for the underlying assumptions and inputs ・Assessment of the reliability of the inputs ・Comparison of the assumptions with the prior year actual figures ③ We compared the total amount of undiscounted future cash flows with the book value of fixed assets, including goodwill, related to the Business.

assets including goodwill related to the Business. The Plan reflects management's evaluation of the future prospects based on the past performance, and it is expected that the number of customers visiting stores will increase in the future through various measures and that sales will increase accordingly. For this reason, in the evaluation of goodwill arising from the acquisition of Hoken Hiroba Limited, the estimation of the undiscounted future cash flows involves significant uncertainty and are complex and require a high degree of management judgment. We, therefore, determined that the appropriateness of the determination of whether an impairment loss should be recognized on goodwill arising from the acquisition of Hoken Hiroba Limited based on the undiscounted future cash flows estimated by management was one of the most significant in the audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	

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 withthe 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, 2021 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 1to the consolidated financial statements.

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

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

Atsuji Maeno

Designated Engagement Partner

Certified Public Accountant

Yoshinao Abe

Designated Engagement Partner

Certified Public Accountant

Noriyuki Akiyama

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 13, 2021

Notes to the Reader of Independent Auditor's Report:

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

Yamaguchi Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2021 and 2020

ASSETS		Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Assets	Cash and due from banks	¥ 967,224	¥ 616,575	$ 8,736,555
	Call loans and bills purchased	24,356	33,168	219,998
	Monetary claims bought	4,556	5,487	41,153
	Trading assets	1,373	990	12,402
	Money held in trust	25,180	40,738	227,441
	Securities	1,174,387	945,873	10,607,777
	Loans and bills discounted	4,374,246	4,234,787	39,510,848
	Foreign exchanges	10,482	10,367	94,680
	Other assets	160,869	118,689	1,453,065
	Tangible fixed assets	41,888	44,273	378,358
	Intangible fixed assets	3,185	3,570	28,769
	Prepaid pension cost	21,146	19,038	191,004
	Deferred tax assets	—	6,917	—
	Customers' liabilities for acceptances and guarantees	21,470	25,438	193,930
	Allowance for loan losses	(32,975)	(30,420)	(297,850)
	Total assets	**¥ 6,797,387**	**¥ 6,075,490**	**$ 61,398,130**

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 5,639,379	¥ 5,358,972	$ 50,938,298
	Call money and bills sold	84,938	85,701	767,212
	Payables under securities lending transactions	259,166	115,421	2,340,945
	Trading liabilities	1,122	742	10,135
	Borrowed money	292,561	4,844	2,642,589
	Foreign exchanges	6,194	4,082	55,948
	Other liabilities	50,761	65,437	458,504
	Provision for bonuses	34	41	307
	Provision for retirement benefits	119	106	1,075
	Provision for directors' stock benefits	137	137	1,237
	Provision for reimbursement of deposits	439	622	3,965
	Provision for customers point services	44	43	397
	Deferred tax liabilities	634	—	5,727
	Deferred tax liabilities for land revaluation	6,826	7,380	61,657
	Acceptances and guarantees	21,470	25,438	193,930
	Total liabilities	**6,363,824**	**5,668,966**	**57,481,926**
Net assets:	Capital stock	10,006	10,006	90,380
	Capital surplus	380	380	3,432
	Retained earnings	394,051	379,841	3,559,308
	Total shareholders' equity	**404,437**	**390,227**	**3,653,120**
	Net unrealized gains on securities	13,225	8,891	119,456
	Deferred gains or losses on hedges	476	(9,283)	4,300
	Revaluation reserve for land	15,425	16,689	139,328
	Total valuation and translation adjustments	**29,126**	**16,297**	**263,084**
	Total net assets	**433,563**	**406,524**	**3,916,204**
	Total liabilities, and net assets	**¥ 6,797,387**	**¥ 6,075,490**	**$ 61,398,130**

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2021 and 2020

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Income			
Interest income:			
Interest on loans and discounts	¥ 36,378	¥ 42,199	$ 328,588
Interest and dividends on securities	27,928	15,704	252,263
Other interest income	657	1,039	5,934
Fees and commissions	10,877	9,889	98,248
Trading income	103	63	930
Other ordinary income	10,954	15,955	98,943
Other income	11,605	13,026	104,823
Total income	**98,502**	**97,875**	**889,729**
Expenses			
Interest expense:			
Interest on deposits	1,564	4,006	14,127
Interest on borrowings and rediscounts	729	2,596	6,585
Other interest expense	3,060	1,008	27,640
Fees and commissions payments	4,705	4,815	42,498
Other operating expenses	27,902	18,579	252,028
General and administrative expenses	24,658	26,952	222,726
Impairment losses	197	121	1,779
Other expenses	9,287	9,231	83,886
Total expenses	**72,101**	**67,308**	**651,260**
Income before income taxes and minority interests	**26,401**	**30,567**	**238,469**
Income taxes:			
Current	5,711	8,154	51,585
Deferred	851	(588)	7,687
Net income	**¥ 19,839**	**¥ 23,001**	**$ 179,197**

Amounts per share of common stock:	Yen 2021	Yen 2020	U.S. dollars 2021
Net income	¥ 99.20	¥ 115.01	$ 0.90
Cash dividends applicable to the year	36.23	43.14	0.33

Momiji Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2021 and 2020

ASSETS		Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Assets	Cash and due from banks	¥ 734,062	¥ 273,147	$ 6,630,494
	Call loans and bills purchased	—	1,088	—
	Trading assets	608	590	5,492
	Money held in trust	4,673	4,714	42,209
	Securities	557,057	527,742	5,031,677
	Loans and bills discounted	2,332,083	2,316,966	21,064,791
	Foreign exchanges	6,101	7,983	55,108
	Other assets	91,621	87,927	827,577
	Tangible fixed assets	34,677	35,174	313,224
	Intangible fixed assets	2,114	2,258	19,095
	Prepaid pension cost	18,291	15,949	165,215
	Deferred tax assets	11,492	11,191	103,803
	Customers' liabilities for acceptances and guarantees	8,017	7,515	72,414
	Allowance for loan losses	(27,213)	(23,688)	(245,804)
	Total assets	**¥ 3,773,583**	**¥ 3,268,556**	**$ 34,085,295**

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 3,209,720	¥ 3,010,767	$ 28,992,142
	Call money and bills sold	2,214	6,530	19,998
	Payables under securities lending transactions	67,249	46,045	607,434
	Borrowed money	296,739	7,624	2,680,327
	Foreign exchanges	28	31	253
	Other liabilities	18,249	23,796	164,846
	Provision for bonuses	7	7	63
	Provision for directors' stock benefits	92	80	831
	Provision for reimbursement of deposits	238	352	2,150
	Deferred tax liabilities for land revaluation	4,419	4,419	39,915
	Acceptances and guarantees	8,017	7,515	72,414
	Total liabilities	**3,606,972**	**3,107,166**	**32,580,373**
Net assets:	Capital stock	10,000	10,000	90,326
	Capital surplus	59,533	59,533	537,738
	Retained earnings	96,070	92,317	867,763
	Total shareholders' equity	**165,603**	**161,850**	**1,495,827**
	Net unrealized gains on securities	(8,394)	(7,481)	(75,820)
	Deferred gains or losses on hedges	996	(1,384)	8,996
	Revaluation reserve for land	8,405	8,405	75,919
	Total valuation and translation adjustments	**1,007**	**(460)**	**9,095**
	Total net assets	**166,610**	**161,390**	**1,504,922**
	Total liabilities, and net assets	**¥ 3,773,583**	**¥ 3,268,556**	**$ 34,085,295**

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2021 and 2020

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Income			
Interest income:			
Interest on loans and discounts	¥ 22,334	¥ 22,862	$ 201,734
Interest and dividends on securities	8,862	5,167	80,047
Other interest income	740	177	6,684
Fees and commissions	6,193	5,697	55,939
Other ordinary income	3,971	6,391	35,868
Other income	5,539	3,378	50,032
Total income	**47,639**	**43,672**	**430,304**
Expenses			
Interest expense:			
Interest on deposits	403	651	3,640
Interest on borrowings and rediscounts	148	338	1,337
Other interest expense	(0)	478	(2)
Fees and commissions payments	3,848	3,918	34,757
Other operating expenses	11,795	3,231	106,540
General and administrative expenses	17,042	19,287	153,934
Impairment losses	183	—	1,653
Other expenses	5,132	8,135	46,355
Total expenses	**38,551**	**36,038**	**348,216**
Income before income taxes and minority interests	**9,088**	**7,634**	**82,088**
Income taxes:			
Current	2,801	2,632	25,300
Deferred	(1,027)	(1,285)	(9,276)
Net income	**¥ 7,314**	**¥ 6,287**	**$ 66,064**

Amounts per share of common stock:	Yen 2021	Yen 2020	U.S. dollars 2021
Net income	¥ 16.79	¥ 14.43	$ 0.15
Cash dividends applicable to the year	8.50	9.83	0.08

Kitakyushu Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2021 and 2020

ASSETS		Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Assets	Cash and due from banks	¥ 106,607	¥ 81,689	$ 962,939
	Call loans and bills purchased	—	238	—
	Securities	48,591	36,484	438,903
	Loans and bills discounted	1,257,209	1,180,763	11,355,876
	Foreign exchanges	11,856	6,310	107,091
	Other assets	9,962	8,576	89,982
	Tangible fixed assets	19,066	19,355	172,216
	Intangible fixed assets	928	960	8,382
	Prepaid pension cost	1,170	847	10,568
	Customers' liabilities for acceptances and guarantees	12,007	13,145	108,455
	Allowance for loan losses	(10,614)	(9,437)	(95,872)
	Total assets	**¥ 1,456,782**	**¥ 1,338,930**	**$ 13,158,540**

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 1,189,817	¥ 1,181,146	$ 10,747,150
	Call money and bills sold	95,167	33,168	859,606
	Borrowed money	35,609	700	321,642
	Foreign exchanges	2	50	18
	Other liabilities	5,798	4,897	52,371
	Provision for bonuses	7	15	63
	Provision for retirement benefits	1,213	1,199	10,957
	Provision for directors' stock benefits	89	95	804
	Provision for reimbursement of deposits	31	56	280
	Deferred tax liabilities	3,751	1,071	33,881
	Deferred tax liabilities for land revaluation	3,458	3,458	31,235
	Acceptances and guarantees	12,007	13,145	108,455
	Total liabilities	**1,346,949**	**1,239,000**	**12,166,462**
Net assets:	Capital stock	10,000	10,000	90,326
	Retained earnings	77,331	73,675	698,501
	Total shareholders' equity	**87,331**	**83,675**	**788,827**
	Net unrealized gains on securities	14,735	8,488	133,095
	Revaluation reserve for land	7,767	7,767	70,156
	Total valuation and translation adjustments	**22,502**	**16,255**	**203,251**
	Total net assets	**109,833**	**99,930**	**992,078**
	Total liabilities, and net assets	**¥ 1,456,782**	**¥ 1,338,930**	**$ 13,158,540**

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2021 and 2020

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Income			
Interest income:			
Interest on loans and discounts	¥ 11,000	¥ 11,228	$ 99,359
Interest and dividends on securities	574	627	5,185
Other interest income	52	46	470
Fees and commissions	1,722	1,535	15,554
Other ordinary income	382	171	3,450
Other income	3,766	2,123	34,017
Total income	**17,496**	**15,730**	**158,035**
Expenses			
Interest expense:			
Interest on deposits	307	456	2,773
Interest on borrowings and rediscounts	90	365	813
Other interest expense	3	6	27
Fees and commissions payments	1,295	1,247	11,697
General and administrative expenses	7,073	7,591	63,888
Other expenses	1,580	608	14,272
Total expenses	**10,347**	**10,273**	**93,460**
Income before income taxes and minority interests	**7,149**	**5,457**	**64,575**
Income taxes:			
Current	1,877	1,423	16,954
Deferred	(22)	(77)	(199)
Net income	**¥ 5,294**	**¥ 4,111**	**$ 47,820**

Amounts per share of common stock:	Yen 2021	Yen 2020	U.S. dollars 2021
Net income	¥ 5,294,543.73	¥ 4,110,771.21	$ 47,823.54
Cash dividends applicable to the year	1,713,650.74	2,148,141.73	15,478.73



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