

Co-Creating a Bountiful Future for Our Region

YMFG Integrated Report 2022

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

M. Yamane
.....
Authorized Signature



Yamaguchi Financial Group, Inc.

Purpose and vision

Basic approach to working on business activities with a focus on purpose

The Group's mission and the meaning of its existence (Purpose)

Co-creating a bountiful future for our region

Emphasized concepts

What the Group should become in the future (Vision)

A regional value-up corporate group that is chosen by our region and responds to the trust of our region



Management policy

“A sound and proactive enterprising spirit”

The thoughts that we cherish

Yamaguchi Financial Group, Inc., has formulated the “Mission and the meaning of its existence (Purpose)” and “What the Group should become in the future (Vision)” in order to combine the abilities of the Group’s executives and employees, and to increase corporate value.

We have incorporated the concepts of the conventional group vision and the thoughts that we cherish through our business activities, etc.

Future-oriented

We exist to create a future, for the future

Coexistence-oriented

We cannot survive alone, we must always co-exist and work together with our stakeholders

Region-oriented

We always exist for our region

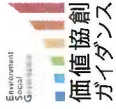
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Editorial Policy

Yamaguchi Financial Group, Inc., has created the “YMFG Integrated Report 2022” in order to help our stakeholders gain an understanding of our efforts towards sustainable value creation. In the compilation of this report, we have referred to the “International Integrated Reporting Framework” advocated by the International Integrated Reporting Council (IIRC), the “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” published by the Ministry of Economy, Trade and Industry, etc.

It should be noted that although this report does contain statements concerning future performance, these descriptions do not represent guarantees for future performance, and actual performance may be different to these statements due to changes in the business environment, etc.



History of YMFG

We are striving every day for the region and for the creation of a future, based on "a sound and proactive enterprising spirit" that has been passed down over the course of our long history of over 140 years.

We are supporting the development of the region from a variety of perspectives by connecting Yamaguchi, Hiroshima and Northern Kyushu with the wide area network and using the Group's comprehensive strengths, and we are jointly creating a sustainable future for our customers and region.



Realizing management integration ahead of industry

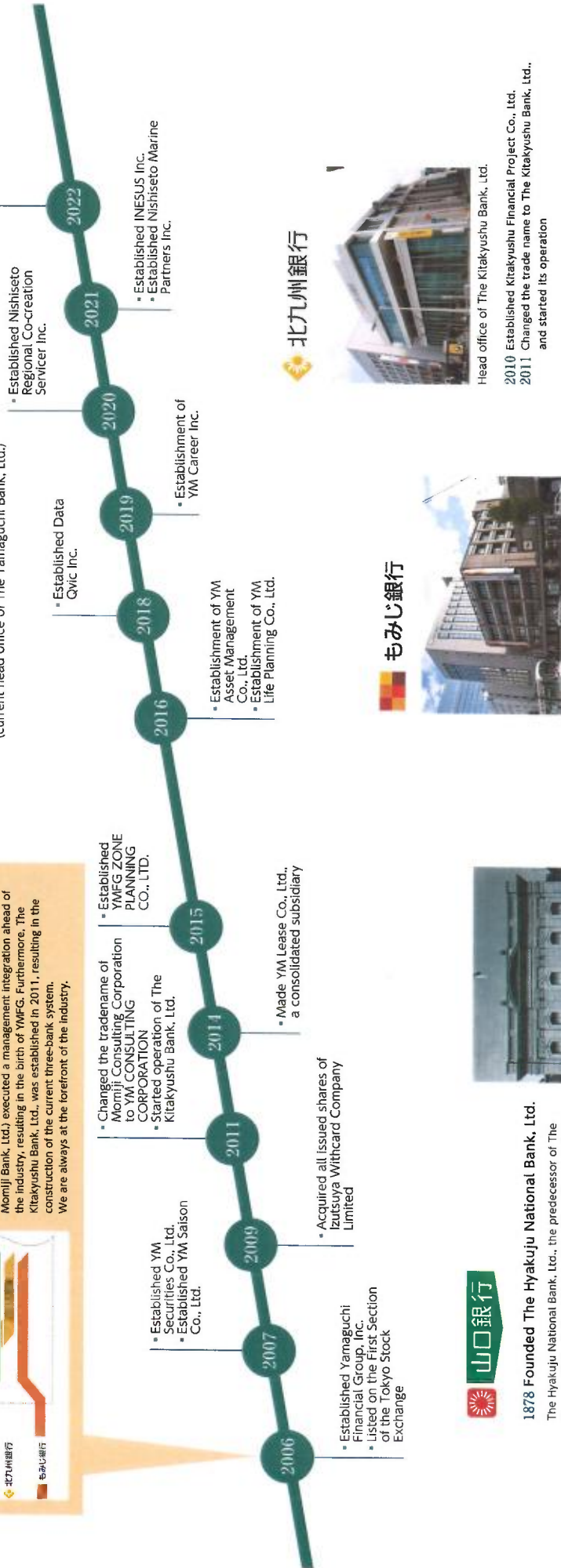
In recent years, there have been a large number of management integrations at regional banks, however in 2006, The Yamaguchi Bank, Ltd. and Momiji Holdings, Inc. (the holding company of Momiji Bank, Ltd.) executed a management integration ahead of the industry, resulting in the birth of YMFG. Furthermore, The Kitakyushu Bank, Ltd., was established in 2011, resulting in the construction of the current three-bank system. We are always at the forefront of the industry.



Yamaguchi Financial Group, Inc.
(current head office of The Yamaguchi Bank, Ltd.)

YMFG Medium-Term Management Plan 2022
Aiming to "improve the sustainability of our region" and to "build a sustainable business model for YMFG"

- Made YAMAGUCHI CAPITAL Co., Ltd., Regional Trading Company Yamaguchi Co., LTD., KAIKA Corporation and Bankers Farm Inc. subsidiaries



Head office of The Kitakyushu Bank, Ltd.

2010 Established Kitakyushu Financial Project Co., Ltd.
2011 Changed the trade name to The Kitakyushu Bank, Ltd., and started its operation



Head office of Momiji Bank, Ltd.

1923 Established Hiroshima Mujin, Ltd.
1951 Converted to a soego bank, and changed the trade name to Hiroshima Sogo Bank, Limited.
1989 Converted to a commercial bank, and changed the trade name to Hiroshima-Sogo Bank, Ltd.
2001 Established a holding company, Momiji Holdings, Inc., through stock transfer
2004 Merged with Setouchi Bank Ltd., and changed the trade name to Momiji Bank, Ltd.



Former head office of The Yamaguchi Bank, Ltd.

1878 Founded The Hyakuju National Bank, Ltd.
The Hyakuju National Bank, Ltd., the predecessor of The Yamaguchi Bank, Ltd. which is the origin of Yamaguchi Financial Group, Inc., was founded in 1878.

1944 Founded The Yamaguchi Bank, Ltd.
(The merger of five banks: The Hyakuju Bank, Ltd., Kaho Bank, Ltd., Senjo Bank, Ltd., Oshima Bank, Ltd., and Ube Bank, Ltd.; capital of ¥13.45 million)



Message from the President

Co-Creating a Bountiful Future for Our Region

Yamaguchi Financial Group, Inc.
President,
Representative Director and CEO

Keisuke
Mukunashi



Together with the region, we will continue to battle through these changing times towards the future.

To evolving YMGF

Formulation of purpose
YMGF, in order to contribute to our customers and region more than ever before, and to raise corporate value, formulated the "YMGF Medium-Term Management Plan 2022" to cover the three years from the fiscal year ending March 31, 2023, and has made this the starting point for the new YMGF. While maintaining our conventional direction of aiming to improve regional value, we listen carefully to the opinions of our customers and region, devise strategies that meet the front-line situation, and steadily implement them.

While the rapid progression of technology and globalization, and impact of COVID-19 and international affairs, etc., make it difficult to forecast the future, in a society in which the behavioral patterns and values of people are undergoing major changes, YMGF must return to the reason for its existence, and work together as an organization to make the right changes for the future. What should we fulfill as a regional financial group, and what is the purpose of our being? Because it is the era of VUCA*, we reconfirm the axis of our management, and strongly feel that all YMGF employees hold the same basic concepts and move in the same direction. Therefore, we have formulated the purpose (mission and reason for existence) as a guideline. The purpose is the banner that unites YMGF as one, and is a pledge that we have made to our stakeholders.

* VUCA, an acronym of Volatility, Uncertainty, Complexity, and Ambiguity

The thoughts that we cherish (Future-oriented, coexistence-oriented and region-oriented)

Our purpose, which we formulated upon reviewing our own orientation and meaning of existence, is "co-creating a bountiful future for our region." At the root of this purpose there are three thoughts that we cherish. The first is "future-oriented": We exist to create a future, for the future. The second is "coexistence-oriented": We cannot survive alone,

we must always co-exist and work together with our stakeholders. The third is "region-oriented": We always exist for our region. These three thoughts have been passed down throughout our history.

A stance passed down throughout our long history (sound and proactive enterprising spirit)

The Yamaguchi Bank, Ltd. has a history of over 140 years, courting back from its predecessor, The Hyakujū National Bank, Ltd., which was founded in 1878. We have overcome numerous financial crises together with the region since our founding. In addition, Momiji Bank, Ltd. has a long history of over 80 years with its parent banks, Hiroshima-Sogo Bank, Ltd. and Setouchi Bank Ltd. Momiji Bank, Ltd. also has the background of having been a *sogo bank* in the past, and has continued to operate closely with regional small and medium-sized enterprises and individual customers. The Kitakyushu Bank, Ltd. was established in 2011 as the only regional bank with a head office in Kitakyushu-shi, in response to strong demand from local residents.

YMGF s made up of these three banks at its core. We are now the largest financial group in the Chugoku and Shikoku regions, with 23 group companies in addition to the three banks in the Group. The presidents of our group companies include people in their 30s and early 40s, and who are still active. We are a group that is continuing to take on various challenges in accordance with the needs of the region.

In this way, we have inherited the values that have been passed down through our long history, and we have continued to tackle various challenges in order to create a future for the region, always in partnership with our stakeholders, and have treated our region and customers with sincerity. The basic approach that we have adhered to in order to put this into practice is "sound and proactive enterprising spirit," which has been our management policy since our foundation.

"Sound and proactive enterprising spirit" means "a sound attitude is one in which you tackle everything proactively, boldly, and with an

Message from the President

enterprising spirit. In addition, sound management content.

management system and management attitude will naturally result in a constitution and strength that allows for the aggressive and resolute taking of risks. In other words, soundness and proactive action are not mutually exclusive concepts, but rather are a harmonious and integrated idea. YMFG has maintained a sincere attitude towards the development of the local community based on "sound and proactive enterprising spirit," as well as management based on the principles of sound management, to earn the trust of our customers and the local community. Moving forward as well, for "co-creating a bountiful future for our region," we will continue to inherit and put into practice a stance of "sound and proactive enterprising spirit."

I think that "region" meaning staying in a "region" is a discussion of the past. In the modern day era, which is based on digital nature, going beyond "region," "Japan," and then the "world" are our stakeholders. Having each and every YMFG employee hold such a perspective and realize the purpose will result in the creation of a new era for YMFG and the region.

About the new medium-term management plan

New medium-term management plan formulation process

The new medium-term management plan is firstly characterized by its formulation process. The previous medium-term management plan was formulated through the use of a top-down approach, and gave us points to reflect upon, such as a lack of progress in strategy planning based on regional characteristics and strategy correction in response to environmental changes, as well as some mismatches with customer needs. Based on these points of reflection, we started considering plans through the use of a bottom-up approach in October 2021 for the new medium-term management plan.

On this occasion, I have also included my wish for YMFG employees to be more actively involved in the formulation of the plan. In particular, we

established a project team that included full-time members selected from the three banks in the Group, which account for the majority of the Group's revenue, in order to sufficiently reflect the opinions of each bank and to consider the various characteristics and positions, etc., of the region. First of all, we prescribed a purpose to serve as the basis for management, and then proceeded with the formulation of a plan towards the realization of "a regional value-up corporate group that is chosen by our region and responds to the trust of our region," which is our vision (what the Group should become in the future).

Furthermore, through the advance recording of expenses for the purposes of "restructuring our securities portfolio" and "promoting drastic business revitalization for customers," as well as the execution of organizational restructuring such as the appointment of the residents of the three banks as Directors of the Company, we have established a system that will enable the steady implementation of the new medium-term management plan.

In the fiscal year ending March 31, 2025, which is the final fiscal year of the plan, we forecast a net income of ¥33.0 billion, which will be our highest ever, as well as a ROE of 5%. We believe that the new medium-term management plan has a high probability of being achieved as we have adopted a formulation method that allows for all YMFG employees to work towards it with a shared awareness and initiative, and because we have established a solid foundation for its realization.

Towards the realization of a sustainable society

We have positioned the new medium-term management plan as a "three year period to push forward with regional and customer-oriented business activities" as "Team YMFG," towards the improved sustainability of our region and YMFG. In addition, as we work towards improving the sustainability of the region and building a sustainable business model for YMFG, we have prescribed the five priority items of the "promotion of regional co-creation sustainability management," "promotion of the active participation of the Group's human assets," "pursuit for the maximization of value provided to the region and customers," "challenging to expand business areas

<Formulation process for the new medium-term management plan>



and strengthen profitability," as well as the "strengthening of the governance and internal control system," as the areas that are particularly important to promote.

The momentum for efforts towards a sustainable society has been increasing year after year, and a response to this has been strongly sought from a large number of companies. In order

to put into practice management that improves regional sustainability, towards a better future for the region, we have set the target, in the form of the Group Sustainability Policy, of "in order to progress and grow together with everyone in the region, we will contribute to the realization of a sustainable society by working on the resolution of various issues and improving the value of the region, through our various business activities." In addition, in regard to the ESG issue of "materiality," which is something that we should particularly focus on, we have prescribed four themes for initiatives, namely the "revitalization of local community and economies," "environmental conservation," "job satisfaction for all executives and employees," and "building a solid management foundation." By working to resolve the issues facing society through business, we aim to be a group that contributes to the improved sustainability of the region, while at the same time repeating a virtuous cycle that leads to expanded business opportunities for YMFG, as well as growth together with the region.

It should be noted that in the period of the medium-term management plan as well, we are constantly monitoring the progress of the plan, regularly reviewing the plan and adding new measures in response to changes in the

<Target management indicators of the new medium-term management plan>

Final fiscal year (fiscal year ending March 31, 2025)

| | |
|-----------------------|---------------|
| Ordinary profits | ¥47.5 billion |
| Net income | ¥33.0 billion |
| ROE | Around 5% |
| Dividend payout ratio | Around 40% |

Message from the President

immediately. As of the end of June 2022, we had already implemented improvement measures for 30 items of all 35 items, and we are currently making preparations for the implementation of measures for the remaining five items, and have been making steady progress.

Main examples of the measures we have put in place include the reviewing of the Nomination Committee's system, reviewing the Group's internal control system, and promoting dialog within the Group. Things do not end with the performance of these measures, rather we will promote the making of further improvements based on an ongoing PDCA cycle.

In addition, on July 1, 2022, we established the Risk Committee with the objective of strengthening our management system for market risk. This, in regard to the "restructuring our securities portfolio" mentioned as a key measure in the new medium-term management plan, based on the accelerated normalization of monetary policy through increasing geopolitical risk and global inflation, is a part of our efforts to prepare a system that reduces the focus on foreign bonds and stock investment trusts in securities investment, which have unrealized losses, and to shift towards a stable earnings structure. By incorporating the knowledge of outside Directors and external specialists, we will reflect objective opinion in our market risk management.

Strategic capital policy and shareholder returns

As an internationally active bank, YMF&G is required to maintain a capital adequacy ratio of 10.5%. However, during the previous medium-term management plan, YMF&G's consolidated capital adequacy ratio remained in the range of the high 12% and low 13%, a relatively high level, and we believe that we need to make more effective use of this relatively large amount of capital in the new medium-term management plan. Specifically, we will reduce the Tier 1 ratio, which is currently at around 12%, to around 10%, and will allocate the ¥100.0 billion that will be generated through this as strategic capital to investment towards expanding business areas and the strengthening of shareholder returns, etc. By covering the reduced Tier 1 capital

with Tier 2 capital, which has low procurement costs, we will achieve both improve capital efficiency and sound capital adequacy.

In addition, we will accelerate the reduction of cross-shareholdings. Up until now we have promoted the reduction of cross-shareholdings, however, as it cannot be denied that the decision making criteria for this contained some ambiguities and unfortunately there have been cases we have not been able to sell at the best possible timing, we have reviewed our cross-shareholding investment criteria. We have established the "Meeting for the Reduction of Cross-Shareholdings" to discuss policies for responding to cross-shareholdings. This committee consists of the Presidents of the three banks in the Group and myself. Through this, by promptly considering the sale in the case of conflict with our investment criteria, we will accelerate reduction, which will also lead to improved capital efficiency. In addition, we would like for the implementation of these capital policies to result in enhanced shareholder return, and although in the past we aimed for a dividend payout ratio of around 30%, for the period of the new medium-term management plan, we are aiming for a dividend payout ratio of around 40%.

Our stock price is inferior to the stock price performance of the leading regional banks, and we have a very strong sense of crisis. Through the steady execution of the new medium-term management plan, we will build a sustainable and stable earnings structure, and through strategic investment involving the use of capital with an awareness of capital costs, reviewing business areas without any exception, and providing steady return to shareholders, we aim to improve ROE and also raise PBR to the level of the top regional banks.

Towards the improvement of corporate value

"Dialog" with our stakeholders

In order for YMF&G to focus on improving corporate value across the Group, I place the greatest emphasis on "dialog" in terms of organizational management. We will provide appropriate and fair information disclosure concerning YMF&G's current status, efforts and objectives, will increase



opportunities for constructive dialog with our stakeholders, including shareholders, the local community, business partners, and employees, etc., will promptly reflect the opinions and evaluations, etc., obtained through such dialog in the Group's strategy, and in addition, will execute these steadily.

Embodiment of the purpose

Things do not end with the formulation of the purpose. The most important thing is for the purpose of "co-creating a bountiful future for our region" to permeate among every single YMF&G employee, and for them to make it their own so that they can speak it in their own words, and to put this into practice. If we build relationships of trust with customers based on the concepts of

mutual prosperity and mutual interest, and push forward on a day to day basis while asking ourselves whether the business we conduct, our response to customers, and our interactions with the region are "whether keeping with our purpose," I believe that the purpose will be embodied as a matter of course, and that the future of our customers and region, and naturally YMF&G, will expand without limitation.

We will place our utmost efforts towards improving our corporate value so that we can meet the expectations of all stakeholders, including YMF&G employees.

Round-table Discussion with Outside Directors

From left to right: Kazuo Tsukuda, Tomoko Mikami, Yumiko Nagasawa, Keisuke Mukunashi, Yuzuru Yamamoto, Minako Suematsu and Michiaki Kunimasa



Initiatives to strengthen the management foundation in order to realize our purpose and vision

The Company is continuously working towards the strengthening of corporate governance in order to create a corporate group that is trusted and for which expectations are held by all stakeholders, including shareholders. On this occasion, we would like to provide a brief summary of the round-table discussion that was held between outside Directors and the President, Representative Director and CEO of the Company under the topic of "Initiatives to strengthen the management foundation in order to realize our purpose and vision."

Participants

President, Representative Director and CEO

Keisuke Mukunashi

Joined The Yamaguchi Bank, Ltd. in 1995, appointed as President, Representative Director, and COO of the Company in 2020, and as Director and CEO of the Company in 2021.

Outside Director

Kazuo Tsukuda

Honorary Advisor of Mitsubishi Heavy Industries, Ltd., Director of Mitsubishi Research Institute, Inc. (outside director), Director of F&A-JECCO, Director of Internet Initiative Japan Inc. (outside director), appointed as Audit and Supervisory Board Member of the Company in 2013, and as Director who is not an Executive Director of the Company in 2021.

Outside Director

Tomoko Mikami

Managing Executive Officer, Corporate Solution Business Group Lead, and Digital Sales Business Group Lead of F&A-JECCO, Softbank Group (outside director), appointed as Director of the Company in 2021.

Outside Director

Yumiko Nagasawa

Facilitator of Foster Forum (Forum for Fostering High-quality Financial Instruments), Director of Takut Horuha GI Sciences Inc. (Audit and Supervisory Committee Member) (outside director), appointed as Director of The Yamaguchi Bank, Ltd. in 2019 (renewed in 2020), and as Director of the Company in 2020.

Outside Director

Yuzuru Yamamoto

Chairman of the Board of Directors & Director of IBE Corporation, appointed as Director of The Yamaguchi Bank, Ltd. in 2020 (renewed in 2021), and as Director of the Company in 2021.

Outside Director

Minako Suematsu

Representative Director, Chairman, and President of The Japan Times, Ltd., Representative Director of News2U Holdings Corporation, appointed as Audit and Supervisory Committee Member of the Company in 2020.

Outside Director

Michiaki Kunimasa

Lawyer at Kunimasa Law Office, appointed as Audit and Supervisory Board Member of the Company in 2019, and as Audit and Supervisory Committee Member of the Company in 2015.

Concepts and initiatives towards the strengthening of governance

Mukunashi First of all, I would like to talk about our basic concepts towards the strengthening of corporate governance.

As a prerequisite for gaining the unwavering trust of our stakeholders, YMFG has prescribed "strict compliance with all laws, ordinances and rules, the performance of honest and fair corporate activities, and a permanent awareness of the fulfillment of our public mission as a financial group" in its "Code of Conduct."

In this way, as a regional financial group, YMFG must ensure that all of our executives and employees are aware that even more effective governance is required in the course of their day to day business.

methods for improving the effectiveness of the Board of Directors as well as the committee system, including the Nomination Committee.

Furthermore, in order to improve effectiveness, we are actively engaging in dialog with our shareholders and institutional investors. We have held 27 meetings since December 2021, have provided feedback on the opinions received at meetings of the Board of Directors, have reflected them in management improvements and strategies, and have also used them for information disclosures.

Regarding recommendations, evaluations and issues for improving the effectiveness of corporate governance at the Board of Directors

Kunimasa I am in my eighth year and fourth term of office as an Audit and Supervisory Committee Member. Speaking frankly, the current quality of discussions at the Board of Directors is different and much better than what it used to be. In the past, there was only a small number of outside Directors, it was rare to receive prior explanations, and it was difficult to voice opinions on proposals. Recently, prior explanations for meetings of the Board of Directors have been improved, making it possible for outside Directors to understand the content of proposals beforehand, resulting in a better functioning organization. In addition, as the Board of Directors now comprises of five internal Directors and six outside Directors, it is a stable composition that focuses on cooperation between the three banks. At the same time, the Nomination Committee and Compensation Committee are functioning effectively, and going forward, I believe that the newly established Risk Committee will contribute to the further strengthening of the governance of YMFG.



Recognize the weight of YMFG's public mission, and improve corporate value through the strengthening of governance

In terms of our efforts to strengthen governance, with the objectives of the sound operation of business and improved corporate value, last fiscal year the Group formulated improvement measures for all 35 items, centered on "governance," "internal control" and "corporate culture," which are the foundation for management.

In order to rebuild the management system, we have made the Presidents of the three banks in the Group YMFG Directors, and through this we have strengthened monitoring system for our business execution status, and have also reviewed evaluation

I Round-table Discussion with Outside Directors



A balanced group of members of the Board of Directors, with a stable composition that emphasizes cooperation between the three banks

Mikami It has been one year since I was appointed as outside Director, and I am currently in my second term. Since I have worked at an American company for around 20 years, I started from a point where I felt a gap in terms of how I saw Japanese companies were managed. I have been thinking about how to improve governance even by a little through the use of the power of digital and the power of technology.

At our Board of Directors, which is comprised with personnel possessing a wealth of experience in diverse areas, we hold open discussions with respect for all opinions, regardless of age and gender, with the objective of making YMF&G even better. Our Board of Directors, led by President Mukunashi, is a foundation for the appropriate sharing of internal issues, and I think that in the past year we have been able to deepen substantive discussions on how to accept current issues and how to respond to them.

In regard to the medium-term management plan, I believe that President Mukunashi and other executives have been able to work together in order to set appropriate goals. I believe that producing results one after another will lead to us earning the trust of our shareholders and stakeholders.



Make recommendations with an awareness of whether or not we meet the expectations of customers, as well as what kind of added value can be provided by YMF&G

Nagasawa After having worked in the financial industry, I have been involved for quite some time in consumer activities in the financial sector, and had been also involved in the formulation of principles for the customer-oriented business activities of the Financial Services Agency as a member of the Financial System Council.

During the discussions at the Board of Directors, I have endeavored to ask questions and voice opinions from the perspective of whether or not we are meeting the expectations of customers, and what kind of added value we are able to provide. In addition, shareholders are also important stakeholders. I would like for us to place importance on how to reflect management decision-making from the perspective of shareholders. I believe that the disclosure of information is of particular importance.

Risk-taking is vital for business, however, I believe that the deepening of discussions on whether or not the taking of a risk is rational, and how we can try to control such risk, is an issue for the Board of Directors. We have a diverse group of members, and so I have great expectations for this. Suematsu Since I operate a media company, I try to make recommendations as an outside Director that show consciousness of wanting horizons to be broadened a little, without being constrained by conventional wisdom, as we are in an era of great change.

Up until now, I believe that things were stuck with the conventional wisdom of the industry. We were looking at financial institutions of other regions in the same industry, or were thinking based only on our own group, but now the world is in a dynamic era with an abundance of change. I feel that discussions over the past year have become a lot more active with the outside Directors, who have extensive knowledge.



With the times changing, broaden our horizons without being bound by conventional wisdom

Tsukuda I am now in my eighth year as an outside Director, and in recent times I think that outside Directors of diverse backgrounds have voiced their own opinions and deepened discussions, resulting in the Board of Directors moving in a better direction.

Yamamoto One year has now passed since I assumed the office of outside Director for the first time at last year's General Meeting of Shareholders. Thinking about governance, an investigation report was published by the Investigation Group, etc., in October 2021, in which recommendations were proposed. These consisted of an incredibly wide range of proposals, extending from governance, including internal control, through to organizational culture and climate. In response to these recommendations, the Board of Directors passed resolutions on improvement measures and published these at the end of November.

I think that the mission of the Board of Directors is to treat this investigation report with sincerity, to properly execute the improvement measures for

this, as well to follow up on them. I believe that doing this will strengthen governance.

The improvement measures are very broad, however, I highly regard the fast progression of the improvements and reforms, which have been aided by the efforts of President Mukunashi and other executives.

A challenge for the future will be to make ongoing improvements with substantive content, as there is a risk that creating mechanisms and rules for improvement measures alone will become just a formality. There have been major reforms to organizational culture, etc., as well, and these have been discussed at the Board of Directors alongside the regular receiving of reports. I think that this is incredibly important. In addition, in the medium to long term, we will always return here and watch for to what extent governance has been improved. This is the supervisory function of the Board of Directors, and I think that the higher the level of supervision, the greater the effectiveness.



Governance will be strengthened by accepting the investigation report with sincerity, and steadily executing the improvement measures

I highly regard the diversity of our outside Directors. I think that how to make best use of such assets is really a matter of skill. I have great expectations for the effective use of this to improve governance, which will certainly lead to an increase in corporate value, and I believe that this is also the mission of each individual Director.

Mukunashi As has been mentioned, things do not end with the formulation of improvement measures,

I Round-table Discussion with Outside Directors

rather it is of great importance that the Board of Directors and also the executives work sincerely towards the proper implementation of the PDCA cycle, the improvement of governance, and the improvement of corporate value.

Regarding the role as outside Director

Tsukuda First of all, the primary role of an outside Director is to properly make recommendations that would be difficult for an internal Director to voice. The secondary role is to make recommendations on the current business from a new perspective, based on the accumulation of experiences that have not been experienced by anyone in the Company whatsoever. I think that these are the two roles.

The low interest rate policy has been established over the past five years or so, and the business environment for regional banks and the financial industry has changed significantly.

Considering the state of the domestic economy, it is impossible to raise interest rates. Therefore, I believe that there is no choice but to change our business model.

In order to achieve this, we should appoint external human resources, recruit employees, and review employee education. Have diverse people actively speak out. I think that this is incredibly important in the sense of developing new businesses by riding on changes in our business portfolio in the future.

Kunitama I think that the positioning of YMFG and the three banks has been ambiguous in the past few years. The concentration of authority among specific people and specific departments was also a big issue. This has been improved, and I believe that my role is to engage in appropriate monitoring so as to ensure that everyone holds discussions and moves forward with new policies while looking in the same direction.

Mikami There was a big gap between what I saw from the outside and what I saw from the inside.

The things that have been learned from this experience, the relationship of trust at the Board of Directors and the addition of voices from the front lines thanks to the appointment of the Presidents of

the three banks have made the Board of Directors even more powerful. I am also excited about this. Looking at things from a global perspective, Japan is seeing a decline in value, as can be seen from the recent depreciation of the yen.

Furthermore, having been involved in the world of IT, I have developed a sense of crisis about the growing gap between Tokyo and rural areas. Under such circumstances, I believe that YMFG has a great mission to fulfill in the creation of a future in which the people of Japan, especially those in rural areas, can live happily, joyously and brilliantly. I believe that YMFG has a role to play in spreading a culture towards the taking on of challenges and the creation of a framework for the growth of the entire region, and for this, I would like to be of use by actively promoting the hiring of human resources, the utilization of digital, and the incorporation of a completely different type of knowledge.



Disseminate a culture of the active promotion of the use of digital as well as the ongoing taking on of challenges

Suematsu I myself am from Hiroshima Prefecture, and have a strong sense of regional revitalization. The perspectives of not only Tokyo, but also the regions, I am always aware of my wish to speak out from both of these perspectives.

In addition, at the beginning I felt that there was an issue with communication with our shareholders. Recently, President Mukunashi has taken the time to provide information and to realize communication reliably. Furthermore, I would like to give advice so that our presence and achievements are properly



recognized, through the positive spread of information and active communication.

Yamamoto In regard to the improvement of governance, YMFG is a company with an audit and supervisory committee, which is designed to focus on the supervisory function of the Board of Directors. I think that what has been revealed through the various issues of the past is that communication between the executive side and the supervisory side has not functioned well. If there is a discrepancy in this, the Board of Directors will not be able to fulfill its supervisory function.

In that sense, I believe that appointing the Presidents of the three core banks as YMFG Directors was an incredibly good decision in terms of facilitating smooth communication between execution and supervision. While receiving reports on the execution status of the growth strategy or the creation of regional value considered by the executive side, the Board of Directors discusses how to achieve the targets, and I believe that my role is to discuss what should be done next, and how to improve corporate value.

Nagasawa I recognize the key role of outside Directors is to monitor management. Although there

is an awareness of this, it is not easy for an outside director to find out how a company is managed. I believe that one of the results of the reforms has been becoming able to directly hear the voices of the Presidents of the three banks, who are directly involved in execution, thanks to the review of the composition of the Board of Directors. In order to make the Board of Directors even more effective, it will be necessary to also reform the operation of the Board of Directors, and I would like to make recommendations to that end.

I myself was born in this region, and served as an outside Director at The Yamaguchi Bank, Ltd. for two years. My role is to listen to the voices of the region in which YMFG is located, and to promote some communication between the outside Directors of the three banks.

Mukunashi We have outside Directors from an incredibly diverse range of backgrounds. In terms of the executive side, we will continue to strive towards providing explanations as carefully as possible in regard to the prior sharing of proposals, conveying what is happening on the executive side in a real manner, and maintaining close communication so that the Board of Directors can

I Round-table Discussion with Outside Directors

be a place of lively discussion. I would also like for the Board of Directors to work together in order to improve corporate value.

About the expectations for Yamaguchi Financial Group, Inc.

Mukunashi First of all, as a regional financial group, I believe that our corporate value will not increase unless the regional economy improves. In order to achieve this, I believe it will be necessary to consider both financial and non-financial aspects in terms of the kinds of issues facing our customers, who support the regional economy, and the kind of solutions we need to provide in order to solve these issues.

In order to do this, we will instill the purpose in every single employee, and will work together as the Group in order to realize the vision.

We will promote the active participation of human resources, increase employee engagement value employees who are devoted to their duties on the front lines, and will provide the Board of Directors with real information on how we are facing customers. In such a manner, I would like to establish a group that is useful to customers and which solves problems.

Kunitama On this occasion, a new medium-term management plan has been prescribed. With the objective of the faithful execution of the medium-term management plan, which has been decided upon sufficient deliberation at the Board of Directors, we will work not only on the YMFG executive side, but also on mutual relationships with shareholders, employees, customers and all stakeholders. This is what things all come down to. **Mikami** We also agreed on the major vision of "a regional value-up corporate group," which has been approved by the Board of Directors. We would like to provide firm support for the steady execution of the plan.

The co-creation of regional value and the passing of this on to the future are both incredibly important. I do not think that there are any shortcuts to achieving this. With a focus on our core financial business, I believe it is important to firstly begin with changing the employee culture so that

they all work actively and with vitality, and to then move forward with our customers one step or two steps at a time. I think that it is important to strike a balance between moving forward with a certain sense of speed, and progressing towards what we should become.

Tsukuda I have great expectations for the future. I would like for us to steadily move forward with this medium-term management plan. In this plan, it has been made incredibly important to reform the employee culture, and we will have to retrain our employees. Therefore, investment in human resources will be needed. We must change to a more innovative stance, including in relation to recurrent training and the addition of external human resources. This is the biggest challenge, and is where I have expectations.



Develop new business by a diverse group of people by recruiting external human resources and retraining employees

Yamamoto Sustainable management and purpose have been attracting a great deal of attention in recent years. YMFG has unified the language, and the significance of the company's existence and the key issues that it faces have been discussed at the Board of Directors.

As we are a group that is centered around regional financial institutions, I believe that how we can provide high quality to our stakeholders, that is the members of the region, and the people responsible for the economy of the region, is an incredibly important matter.

I think that YMFG has such potential, and

therefore, I would like for the Board of Directors to follow up on the production of results in accordance with the plan that has been established.

Other incredibly important stakeholders are our employees. How should we make use of human resources and how should we develop them? Naturally, this will be a long term effort that also involves diversity and inclusion, etc. I would also like to follow up on this area as well.

The achievement of the medium-term management plan will serve as a response to the region, employees and stakeholders, and I think it will also win the trust of our shareholders. I believe that the achievement of the performance targets of the medium-term management plan will be proof that we have made improvements to our past governance-related issues.

Nagasawa I think that YMFG can be expected to change the region into one that is developing and growing through both its financial and non-financial activities. I think that our stakeholders will choose to invest in, work for, or become customers of YMFG based on such expectations. I believe that what is expected of YMFG is that it will become a corporate group that is able to think about how it can support the economic growth of the region, and that can then execute and achieve this.

Suematsu Under the framework of President Mukunashi, it has become possible to execute one's role in a speedy manner, and I am also proud of us that as outside Directors we have been able to provide firm support in steering the company through these challenging times.

I think that other members of the Company also strongly feel this situation. There have been great changes to the style of communication. President Mukunashi dedicates a lot of time to communicating with employees, and therefore I expect that the motivation of our employees will increase.

Mukunashi We regularly receive opinions from our outside Directors, and the meetings of the Board of Directors are incredibly important and meaningful.

Towards the reforming of our organizational culture, we will continue to develop a culture of taking on challenges in new fields. Although this may cause something of a detour, I think that rather than working alone, it is important to listen to the

opinions of all those with knowledge, to stop for a moment, and to think carefully before proceeding with the next step.

We have adopted such a bottom-down approach in the formulation process for this medium-term management plan. In addition, the purpose, which is the meaning of the existence of YMFG, was discussed with everyone prior to formulation. We will work together with all stakeholder to build a culture that resolves issues, and while gaining various forms of knowledge in an open environment, we will proceed towards the improvement of the value of the region as well as the improvement of the corporate value of YMFG.

YMFG Overview

YMFG has established a system for responding to the broad needs of the region and customers through the unification of various group companies, including the three core banks.



Yamaguchi Financial Group, Inc.
 Head Office Address 2-36, 4-chome Takezaki-cho, Shimomoseki
 Date of Establishment October 2, 2006
 Capital ¥50.0 billion



Source of Competitive Advantage

Strengths of YMFG

1 Comprehensive strength of the Group

YMFG has over 20 subsidiaries and associates, and has put in place a management system that can respond to the broad needs of the region and customers as an overall Group that transcends the financial framework.



2 Solid customer base

Our main bank share among the companies of Yamaguchi Prefecture are at the top of regional banks, second regional banks, city banks and shinkin banks in the prefecture, and we are also positioned as second in Hiroshima Prefecture, where we have built a high sales base and a solid customer base.

(March 2022)

| | Loan share | Deposit share |
|----------------------|------------|---------------|
| Yamaguchi Prefecture | 43% | 46% |
| Hiroshima Prefecture | 22% | 22% |
| Kitakyushu-shi | 14% | 11% |

(Created based on clearinghouse exchange figures)

3 Sufficient equity capital and sound assets

YMFG has a top class level of assets among regional banks, and as regional financial infrastructure, aims to actively respond to the financial needs of its customers, and to grow together with the region.

Total equity ratio
12.65%

Total assets
¥12,182.6 billion

Non-performing loan ratio
1.55%

4 Network

The main sales areas of YMFG are Yamaguchi Prefecture, Hiroshima Prefecture and Northern Kyushu, and in addition, it has branch offices in Ehime Prefecture, Tokyo, Osaka, etc., overseas branches in China and South Korea, as well as a representative office in Hong Kong.

We have established a system that is able to support the sales channels and business expansion needs of customers, including business matching across prefectures.

Japan
 The Yamaguchi Bank, Ltd. 131 branch offices
 Momiji Bank, Ltd. 104 branch offices
 The Kitakyushu Bank, Ltd. 37 branch offices
 Overseas
 The Yamaguchi Bank, Ltd. 3 branch offices,
 1 representative office

Characteristics of the sales area - Yamaguchi, Hiroshima, and Northern Kyushu -

YMFG's sales areas of Yamaguchi Prefecture, Hiroshima Prefecture and Northern Kyushu have a developed industrial infrastructure and are blessed with an abundance of tourism resources. Geographically, we are located close to China and Korea, and the region has potential to become an industrial zone that has an eye towards the future.

On the other hand, the Chugoku region has a population that is aging in excess of the national average, and we contribute to the sustainable development of the region by earnestly facing these regional issues and aiming to resolve them.

- Yamaguchi Prefecture**
 - **Abundant industrial zone shipment value** (2020)
(According to the "Informational Brochure on Corporate Locations" by Yamaguchi Prefecture)
 - **Stable supply of industrial water**
No. 1 in Japan in water supply capacity (2021)
(according to the "Informational Brochure on Corporate Locations" by Yamaguchi Prefecture)
 - **Corporate successor absentee rate**
71.0% / 5th in Japan (2021)
(Teikoku Databank)
 - **Suitable area for risk diversification**
No. 3 in Japan in lowest number of earthquakes (2021)
(according to the "Informational Brochure on Corporate Locations" by Yamaguchi Prefecture)

Northern Kyushu (Kitakyushu-shi)

- **Child-raising friendly towns**
(Cities designated by ordinance)
- **No. 1 for 11 consecutive years**
(according to the survey conducted by NPO Egalite Otemae)
- **Became the only city in Asia to be designated a "global model city for promoting SDGs" in 2018**
- **Abundance land, sea and air transportation infrastructure**

Hiroshima Prefecture

- **Shipping value of manufactured goods** (2019)
3.0% share in Japan (11th in Japan)
(according to "Census of Manufacture" by the Ministry of Economy, Trade and Industry)
- **Number of offices**
120,000 (11th in Japan)
(according to "2021 Economic Census for Business Activity" by the Ministry of Internal Affairs and Communications)
- **Tourism resources: two World Cultural Heritage Sites - Itsukushima Shrine and the Atomic Bomb Dome**
- **No. 1 in Japan for oyster production** (2021)
(according to "Hiroshima Lab" by Hiroshima Prefecture)

Population and economic characteristics

| | Population | Gross prefectural domestic product | Prefectural Income |
|----------------------|---------------------|------------------------------------|--------------------|
| Yamaguchi Prefecture | 1.34 million people | ¥6,374.6 billion | ¥4,383.4 billion |
| Hiroshima Prefecture | 2.8 million people | ¥11,713.7 billion | ¥8,758.9 billion |
| Fukuoka Prefecture | 5.14 million people | ¥19,808.0 billion | ¥14,735.9 billion |

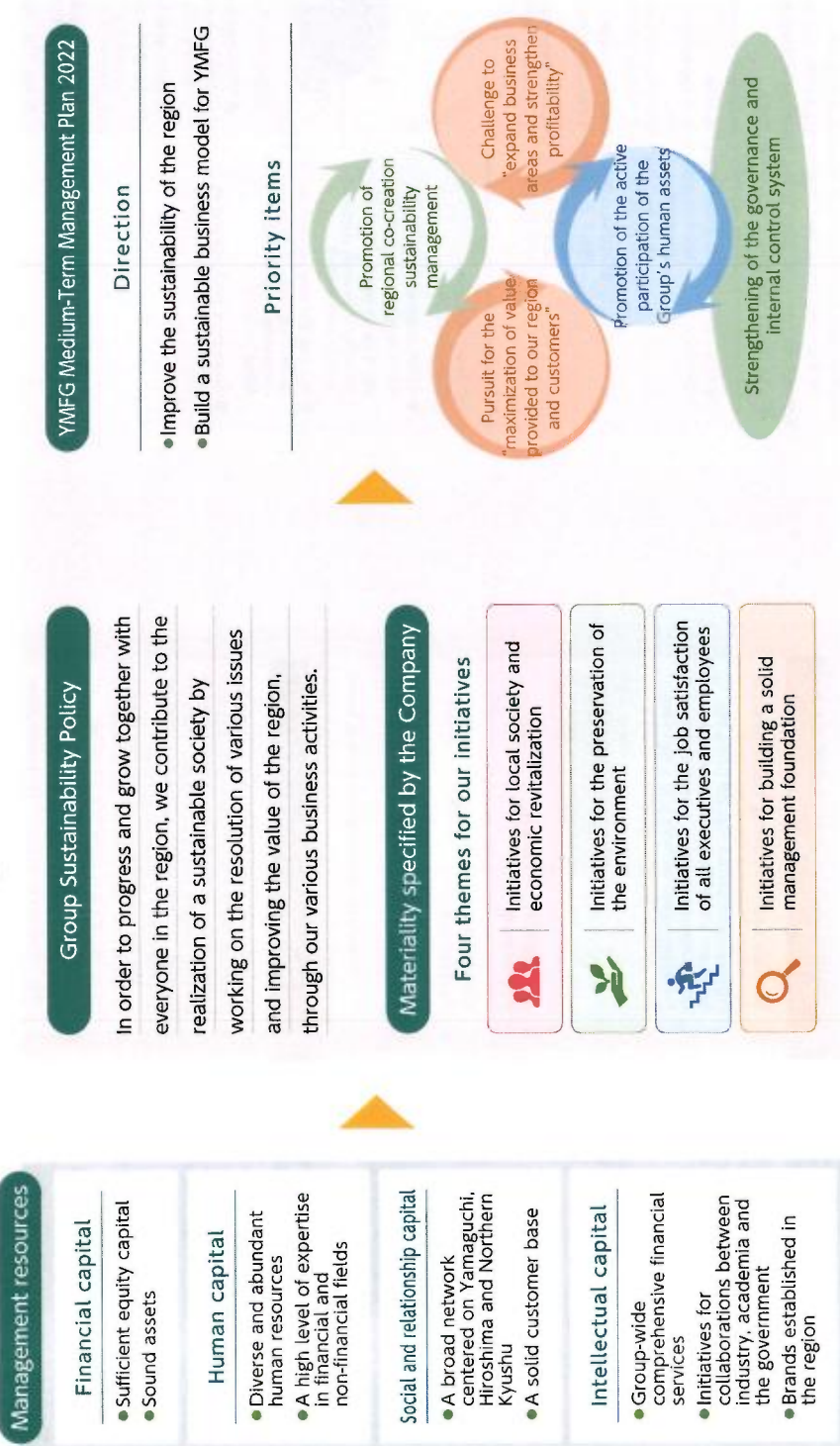
(*2020 Population Census" by the Ministry of Internal Affairs and Communications)
 (according to "Prefectural Accounts 2018" by the Cabinet Office -at current prices)

Value Creation Process

YMF's mission and meaning of existence (Purpose)

“Co-creating a bountiful future for our region”

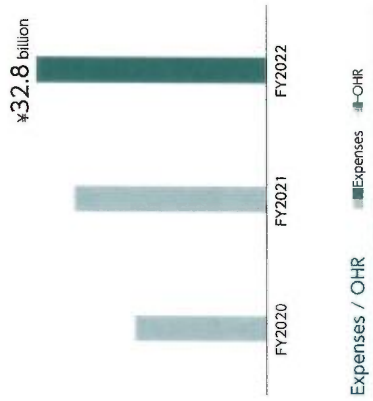
What the Group should become in the future (Vision)
 A regional value-up corporate group that is chosen by our region and responds to the trust of our region



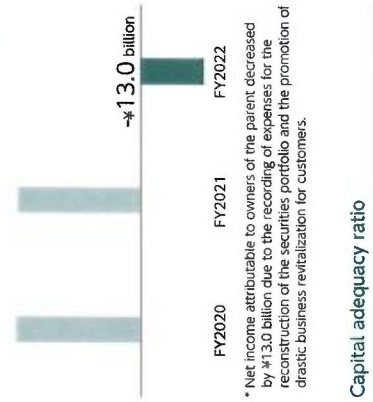
Social Issues
 Declining population Declining birthrate and aging population Corporate growth Business succession Industry creation Digitalization
 External environment
 Diversification of lifestyles (responding to diverse values) COVID-19 Climate change International affairs

Financial Highlights

Business profit from core operations (excluding gain on cancellation of investment trusts)



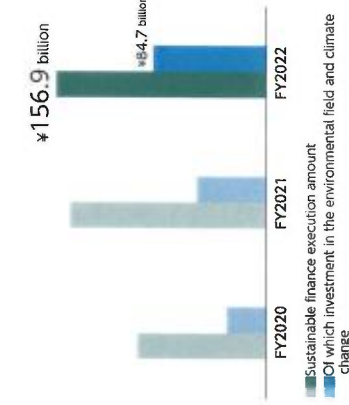
Net income attributable to owners of the parent



* Net income attributable to owners of the parent decreased by ¥13.0 billion due to the recording of expenses for the reconstruction of the securities portfolio and the promotion of drastic business revitalization for customers.

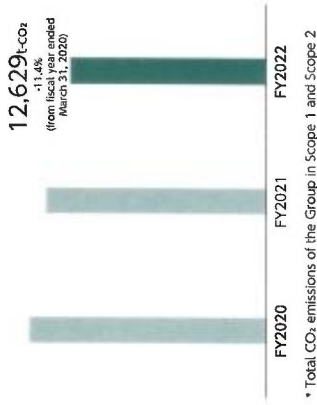
Non-financial Highlights

Sustainable finance execution amount



■ Sustainable finance execution amount
■ OI which investment in the environmental field and climate change

CO₂ Emissions



* Total CO₂ emissions of the Group in Scope 1 and Scope 2

Financial literacy (seminars)

39 times / 3,827 people
(for the fiscal year ended March 31, 2022)

Promotion of the active participation of diverse human resources * As of July 1, 2022

Ratio of management positions of diverse backgrounds **5.9%**

Ratio of females in management positions **3.0%**

Ratio of independent outside directors



Ratio of female directors



Participation in external assessments and initiatives

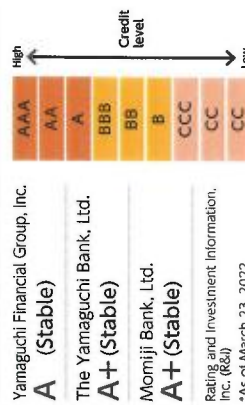
2022 Certified Health & Productivity Management Outstanding Organization



Endorsement of TCFD



Rating information



Rating and Investment Information, Inc. (R&I)

*As of March 23, 2022

Performance Status

Results for the fiscal year ended March 31, 2022 (consolidated)

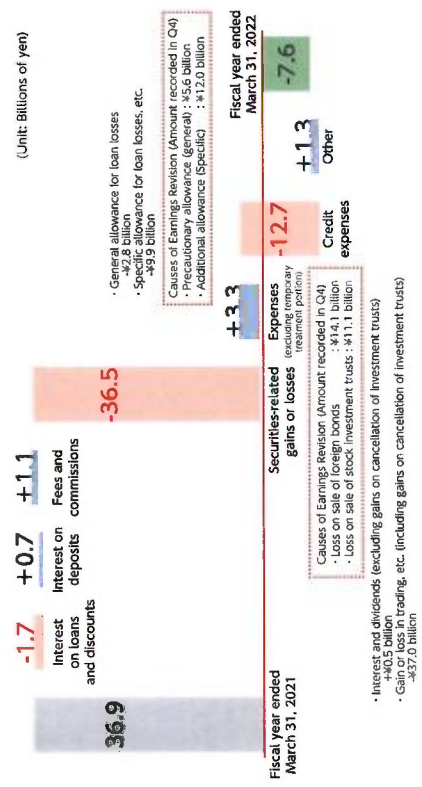
Ordinary profits decreased ¥44.6 billion year on year to a loss of ¥7.6 billion due to a decrease in securities-related income of ¥36.5 billion and an increase in credit-related expenses of ¥12.7 billion by recording of expenses with the objective of the "reconstruction of the securities portfolio" and the "promotion of drastic business revitalization for customers."

Net income attributable to owners of the parent decreased ¥37.9 billion year on year to a loss of ¥13.0 billion.

| (Billions of yen) | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | Year-on-year |
|--------------------------------------------------------|----------------------------------|----------------------------------|--------------|
| Core gross business profits | 122.0 | 108.7 | (13.2) |
| Net interest income | 101.5 | 86.7 | (14.8) |
| Of which interest on deposits, and loans and discounts | 66.9 | 65.9 | (1.0) |
| Of which interest and dividends on securities | 37.3 | 22.5 | (14.8) |
| Of which gain on cancellation of investment trusts | 27.4 | 12.1 | (15.2) |
| Net fees and commissions | 15.8 | 17.0 | 1.1 |
| Expenses (excluding temporary treatment portion) | 67.0 | 63.7 | (3.3) |
| Business profit from core operations | 55.0 | 45.0 | (9.9) |
| Excluding gain on cancellation of investment trusts | 27.5 | 32.8 | 5.3 |
| Ordinary profits | 36.9 | (7.6) | (44.6) |
| Extraordinary income or loss | (0.1) | 2.1 | 2.3 |
| Net income attributable to owners of the parent | 24.9 | (13.0) | (37.9) |

| | | | |
|--------------------------------------------------|-------|--------|--------|
| Credit-related expenses | 9.4 | 22.1 | 12.7 |
| Expenses (including temporary treatment portion) | 64.5 | 60.5 | (3.9) |
| Securities-related income | 23.0 | (13.4) | (36.5) |
| Total equity ratio (%) | 13.43 | 12.65 | (0.78) |

Causes of changes in ordinary profits



Performance forecast for the fiscal year ending March 31, 2023 (consolidated)

Performance for the fiscal year ending March 31, 2023 is planned as follows.

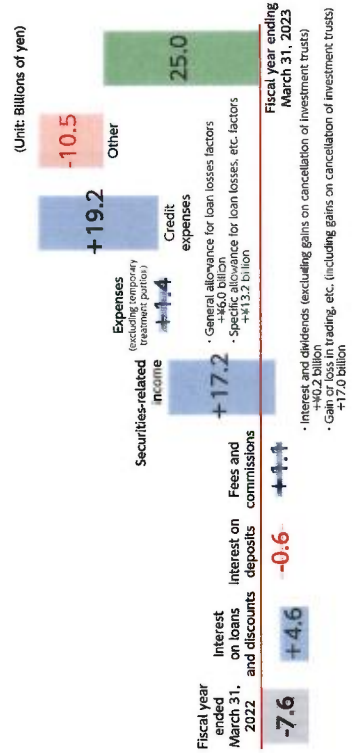
It is planned that ordinary profits will increase ¥32.6 billion year-on-year to ¥25.0 billion due to an increase in service income, cost reductions, a shift to a stable earnings structure that emphasizes income through the reconstruction of the securities portfolio, and a decrease in credit expenses.

It is planned that net income attributable to owners of the parent will increase ¥30.0 billion year-on-year to ¥17.0 billion.

| (Billions of yen) | 2022 Forecast | Year-on-year |
|--------------------------------------------------------|---------------|--------------|
| Core gross business profits | 95.4 | (13.3) |
| Net interest income | 74.4 | (12.3) |
| Of which interest on deposits, and loans and discounts | 69.9 | 4.0 |
| Of which interest and dividends on securities | 10.5 | (12.0) |
| Of which gain on cancellation of investment trusts | 0 | (12.1) |
| Net fees and commissions | 16.1 | 1.1 |
| Expenses (excluding temporary treatment portion) | 67.3 | (1.4) |
| Business profit from core operations | 33.1 | (11.9) |
| Excluding gain on cancellation of investment trusts | 33.1 | 0.2 |
| Ordinary profits | 25.0 | 32.6 |
| Net income attributable to owners of the parent | 17.0 | 30.0 |

| | | |
|--------------------------------------------------|------|--------|
| Credit-related expenses | 2.9 | (19.2) |
| Expenses (including temporary treatment portion) | 62.1 | 1.6 |
| Securities-related income | 3.8 | 17.2 |

Causes of changes in ordinary profits



Overview of the YMF&G Medium-Term Management Plan 2022

| | |
|--------------------|-------------------------------------------------------------------------------------------------|
| Title | YMF&G Medium-Term Management Plan 2022 - Co-Creating a Bountiful Future for Our Region |
| Plan period | Three years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025 |

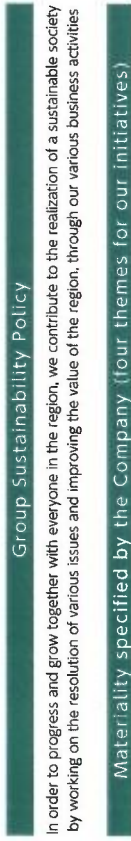
Medium-term management plan policy

In the "YMF&G Medium-Term Management Plan 2022 - Co-Creating a Bountiful Future for Our Region," with the cornerstone of management being based on the mission and meaning of existence (Purpose) of the Group, "Co-Creating a Bountiful Future for Our Region," we have positioned the plan period (from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025) as a "three year period" to push forward with regional and customer-oriented business activities* as "Team YMF&G," towards the improved sustainability of our region and YMF&G.

Based on the Purpose, we will implement the five priority items, promote "improving the sustainability of the region" and "building a sustainable business model for YMF&G," hold the objective of realizing "a regional value-up corporate group that is chosen by our region and responds to the trust of our region," which is what the Group should become in the future (Vision), and will meet the expectations of our stakeholders.

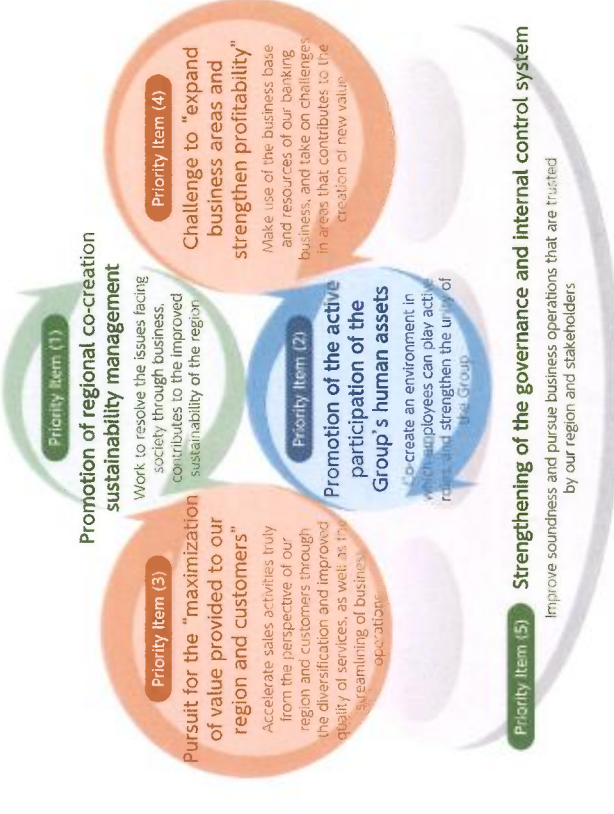
Positioning of the medium-term management plan

Towards the realization of "a regional value-up corporate group that is chosen by our region and responds to the trust of our region"



Five priority measures

Based on the trust of our stakeholders, we will think and act from the perspective of our region and customers as the driving force and spur for growth through the regional co-creation sustainability management and the active participation of the Group's human assets.



Target management indicators

* In the final fiscal year of the medium-term management plan (the fiscal year ending March 31, 2025), we are aiming for an ROE of around 5.0% and net income of ¥33.0 billion, which will be our highest eve.

| | Fiscal year ended March 31, 2022 (actual results) | Fiscal year ending March 31, 2023 | Fiscal year ending March 31, 2024 | Fiscal year ending March 31, 2025 |
|-------------------------------------------------------------------|---------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Ordinary profits | ¥(7.6) billion | ¥25.0 billion | ¥35.0 billion | ¥47.5 billion |
| Net income | ¥(13.0) billion | ¥17.0 billion | ¥24.0 billion | ¥33.0 billion |
| ROE | — | 2.7% | 3.7% | Around 5% |
| Revised OHR (excluding gain on cancellation of investment trusts) | 66% | 65% | 62% | Around 60% |
| Total equity ratio | 12.65% | Around 12% | | Around 40% |
| Dividend payout ratio | — | Around 12% | | Around 40% |

Priority Item (1)
Promotion of Regional Co-creation Sustainability Management

Group Sustainability Policy

YMFG has formulated the "Group Sustainability Policy," with the objective of being a corporate group that contributes to the "improved value of the region," and as a policy that allows for intent to be shared across the whole group.

We will endeavor to develop the region and to create a future through the conducting of business activities based on this policy.

In addition, by promoting sustainability management, we will improve the link between the sustainable growth of the Group and the improvement of the value of the region, and furthermore, by enhancing the disclosure of information, we will build a long term relationship of trust with stakeholders.

Group Sustainability Policy

In order to progress and grow together with everyone in the region, we contribute to the realization of a sustainable society by working on the resolution of various issues and improving the value of the region, through our various business activities

Sustainability promotion system



- Objective**
 By contributing to the improved sustainability of the environment and society, which is the foundation for the business, we will accelerate the promotion of sustainability management which aims for the sustainable growth of the Group's businesses.
- Overview**
 The Committee examines the annual plan and measures, etc., with the objective of promoting sustainability management, conducts monitoring in order to comprehensively ascertain the sustainability management promotion activities, and also builds a system for supervision at the Board of Directors.

Materiality identification process

YMFG has identified the ESG issues, "materiality," as issues that should be particularly focused on, in order to contribute to the realization of a sustainable society. Through our business activities, we will actively work on the resolution of the following 12 items of materiality.



Materiality

Through our business activities, we actively work on the resolution of the following 12 items of materiality.

--- Materiality related to businesses ---

Initiatives for revitalization of local community and economies

- Respond to the declining population, declining birthrate, and aging population
- Create innovation in the region and support the growth of local industries
- Strengthen cooperation with the local community
- Improve the safety and quality of products and services

Initiatives for the preservation of the environment

- Respond to the conservation of resources, and energy saving and creation
- Respond to air pollution and climate change
- Develop environmentally friendly products and services

Promotion of Regional Co-creation Sustainability Management ▶ P33
 Pursuit for the "Maximization of Value Provided to Our Region and Customers" ▶ P49
 Challenge to "Expand Business Areas and Strengthen Profitability" ▶ P53

Initiatives for the job satisfaction of all executives and employees

- Cultivate human resources and create training opportunities
- Create a safe and secure work environment
- Active participation of human resources (diversity and inclusion)

Promotion of the Active Participation of the Group's Human Assets ▶ P45

Initiatives for building a solid management foundation

- Strengthen governance system and internal control
- Improve transparency and accountability of management

Strengthening of the Governance and Internal Control System ▶ P57

Metrics and targets

GHG emissions

The trends in GHG emissions of the Group from the fiscal year ended March 2020 to the fiscal year ended March 2022 are as shown below.



Sustainable finance

The Group has set as long term goals for investment and loan that will contribute to the response to climate change: from FY2023 to FY2032 (ten years), targets for execution amount have been set for (1) sustainable finance as defined by the Group (*), and (2) of which, sustainable finance contributes to the environmental sector or the response to climate change.

* The Group has defined investment and loan that will contribute to the resolution of environmental issues and social issues, and investment and loan that will support efforts towards improved sustainability of customers, and the target of these are as shown below.
 Industry : medical care, nursing care and welfare, education related
 Use of funds : start-up related, business succession, renewable energy, introduction funds, etc.
 Products : private placement bond (donation type, with BCF formulation support service, etc.), sustainability-linked loan, green loan, social loan, etc.

Yamaguchi Financial Group, Inc.

Sustainable finance target (cumulative execution amount)

| | | | |
|---------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------|----------------|
| Sustainable finance as defined by the Group | FY2032 | Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2032 |
| | ¥1.5 trillion | | ¥500.0 billion |

Sustainable finance results (execution amount)

| | | | | |
|---------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Sustainable finance as defined by the Group | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥147.1 billion | ¥114.0 billion | ¥100.4 billion | ¥139.3 billion |
| Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥41.3 billion | ¥35.7 billion | ¥32.9 billion | ¥44.6 billion |
| | | | | ¥84.7 billion |

The Yamaguchi Bank, Ltd.

Sustainable finance target (cumulative execution amount)

| | | | |
|---------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------|----------------|
| Sustainable finance as defined by the Group | FY2032 | Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2032 |
| | ¥670.0 billion | | ¥245.0 billion |

Sustainable finance results (execution amount)

| | | | | | |
|---------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sustainable finance as defined by the Group | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥56.2 billion | ¥39.4 billion | ¥44.5 billion | ¥59.2 billion | ¥99.8 billion |
| Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥26.2 billion | ¥16.8 billion | ¥20.4 billion | ¥24.7 billion | ¥66.8 billion |

Momiji Bank, Ltd.

Sustainable finance target (cumulative execution amount)

| | | | |
|---------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------|----------------|
| Sustainable finance as defined by the Group | FY2032 | Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2032 |
| | ¥580.0 billion | | ¥205.0 billion |

Sustainable finance results (execution amount)

| | | | | | |
|---------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sustainable finance as defined by the Group | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥57.7 billion | ¥51.0 billion | ¥38.0 billion | ¥49.9 billion | ¥42.8 billion |
| Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥10.8 billion | ¥12.0 billion | ¥9.5 billion | ¥13.1 billion | ¥14.8 billion |

The Kitakyushu Bank, Ltd.

Sustainable finance target (cumulative execution amount)

| | | | |
|---------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------|---------------|
| Sustainable finance as defined by the Group | FY2032 | Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2032 |
| | ¥250.0 billion | | ¥50.0 billion |

Sustainable finance results (execution amount)

| | | | | | |
|---------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sustainable finance as defined by the Group | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥33.1 billion | ¥23.4 billion | ¥17.9 billion | ¥30.1 billion | ¥14.1 billion |
| Of which, sustainable finance contributes to the environmental sector or the response to climate change | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| | ¥4.2 billion | ¥6.8 billion | ¥3.0 billion | ¥6.6 billion | ¥30.1 billion |

Sustainability initiatives

Promotion of initiatives towards the realization of carbon neutrality

YMFZ ZONE PLANNING CO., LTD. is further strengthening efforts towards the realization of carbon neutrality in 2050, while working together with various private sector partners.

The Company provide further support for the efforts towards decarbonization that are being conducted by the local governments, and develop effective activities through collaborations with partners who agree with our efforts, so as to meet the wide-ranging needs and expectations of everyone in the region.

Going forward, we will promote a virtuous cycle for the regional environment, economy and society, by promoting structural reforms and innovation for economic growth, through initiatives that will contribute to carbon neutrality.

In the YMFZ area, we work with partners such as the local government, financial institutions and core companies to promote a virtuous cycle for the regional environment, economy and society towards carbon neutrality.

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <p>Electricity, gas and oil business operators</p> <ul style="list-style-type: none"> Secure energy infrastructure Use sales networks and know-how <p>Public facilities, schools and hospitals</p> <ul style="list-style-type: none"> Solar power for self-consumption, construction of ZEB and conversion to wooden construction <p>Retail stores</p> <ul style="list-style-type: none"> Granting points for CO₂ reduction Reduction of food waste and collection of old clothes <p>Building contractors and construction services shops</p> <ul style="list-style-type: none"> ZEB and ZEB, insulation repair Rooftop solar power | <p>Chamber of commerce and industry, and small and medium-sized enterprises</p> <ul style="list-style-type: none"> Invest in energy conservation and renewable energy Respond to supply chains <p>Transport facilities, transportation and tourism business operators</p> <ul style="list-style-type: none"> Electric vehicle sharing and charging infrastructure Sustainable tourism <p>Agriculture, forestry and fisheries operators, and agricultural corporations</p> <ul style="list-style-type: none"> Farming solar power generation and smart agriculture Forest maintenance | <p>Active participation by regional revitalization companies, regional financial institutions, local governments, core companies, etc.</p> | <p>Support Centers for global warming, energy conservation centers, universities, and research institutions, etc.</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|

Yamaguchi area, Hiroshima area and Northern Kyushu area

* Prepared by YMFZ ZONE PLANNING CO., LTD. based on the Roadmap for Local Decarbonization (Draft) (Summary) at the meeting of the Council for National and Local Decarbonization held in June 9, 2021
 Website of the Cabinet Secretary: <http://www.cas.go.jp/jr/sesaku/dacuranso/index.html> (available in Japanese only)

Main initiatives

1 Ministry of the Environment's Project for the Platform for the Creation of a Circular and Ecological Economy (June 2021)

<Platform formation and operation support>
 Regional platforms are being formed with the Company, Jinsekikogen Town, and three local companies acting as the platform operating body.



▶ Image of a "regional platform" constructed through environmental improvements

2 Ministry of the Environment x RENOFZA YAMAGUCHI x YMFZ (June 2021)

<Collaboration with various partners>
 Based on the cooperation agreement that has been entered into between the Ministry of the Environment and a J-League club and a financial institution, we are working on the development of initiatives towards the creation of state of the art examples ahead of the rest of the country in regard to carbon neutrality, circular economies, the promotion of transition to a decentralized society, etc., starting with the promotion of Local SDGs in Yamaguchi Prefecture.



3 Participation in the Osakikamijima Town Zero Carbon Promotion Plan Meeting (November 2021)

<Support for plan formulation>

In order to promote the regional renewable energy businesses that are rooted in the region, we are working together with the local governments and regional parties to examine sustainable initiatives, including plans for the introduction of

renewable energy facilities that are suitable for the region, the formation of a consensus with regional residents, etc.

Source: website of Osakikamijima Town

5 Participation in the Green Society Promotion Study Group of Yamaguchi University (November 2021)

<Participation in study group>

We contribute to the realization of carbon neutrality in the region by forming networks for companies, local governments, industry support organizations, universities, etc., exchanging information, and promoting new research and development, etc., between companies or through collaboration with business, academia and the public sector. This study group has

seven subgroups which aim to create a new green local community system.

Source: website of Yamaguchi University

4 Participation in the Tokuyama-Kudamatsu Port Carbon Neutral Port Study Group (September 2021)

<Participation in the study group>

We examine next generation energy demand and utilization policies towards making Tokuyama-Kudamatsu Port a carbon neutral port.

(Contents of activities)

- Examination of the ideal form for Tokuyama-Kudamatsu Port as a new energy supply base port, and the related issues
- Examination of potential demand for hydrogen and ammonia
- Examination of work with other ports, etc.

6 Commission of basic research towards the realization of a decarbonized society in the region (November 2021)

<Survey and examination work>

We provide support for the formulation of plans towards the realization of a decarbonized society, engage in new initiatives towards the promotion of the creation and formation of projects, and aim to improve the know-how of the public and private sectors, and to create new businesses related to decarbonization.

(Contracted in 2021: Kure City)

Selected for the Ministry of the Environment's "Project for the Platform for the Creation of a Circular and Ecological Economy," and engagement in initiatives in Suo-oshima Town

YMFZ ZONE PLANNING CO., LTD. was selected as the "Organization Engaged in Initiatives to Create a Circular and Ecological Economy for the Construction of the Platform for the Creation of a Circular and Ecological Economy" sought from the public by the Ministry of the Environment.

The initiatives of this project involve a partnership with Yamaguchi Prefectural Suo-oshima Senior High School for building an ESD* learning model that cultivates the next generation of players who will contribute to the resolution of regional issues, and for promoting ecotourism in cooperation with local organizations through the use of natural resources.

* ESD: Education for Sustainable Development

Background of the initiatives

The Ministry of the Environment is promoting the formation of the Circular and Ecological Economy (Local SDGs) as an effort for the creation of the sustainable region, and is supporting the construction of platforms in each region. In response to this selection, the contents that we have developed are being used to promote the construction of an educational model that will link to the resolution of regional issues and the cultivation of the next generation of players.

Promotion of ecotourism

In partnership with organizations that are working to preserve our rich natural resources, such as Aiveopora Japonica that grows in colonies in the waters of Suo-oshima, we support the promotion of ecotourism that makes use of the natural resources in Suo-oshima Town by building a mechanism of a cycle of creating a chain of various initiatives such as the cultivation of the next generation of players and the cooperation with companies from outside of the town, preserving regional nature and using resources effectively, and developing players through our activities.

* Through this selection, YMFZ ZONE PLANNING CO., LTD. will be registered as the Ministry of the Environment's Organization with Circular and Ecological Economies.



Execution of a comprehensive industry-government-academia partnership agreement between Shimonoseki City, Karato Shotenkai Cooperative Association, Coco Harete Co., Ltd. and Keio University Graduate School of Media Design

YMFZ ZONE PLANNING CO., LTD. has entered into a comprehensive industry-government-academia partnership agreement with five parties, namely Shimonoseki City, Karato Shotenkai Cooperative Association, Coco Harete Co., Ltd. and Keio University Graduate School of Media Design, with the objective of the promotion of commerce and industry and the revitalization of the region. We will promote the improved attractiveness of regional resources, the creation of new value, and the realization of a rich lifestyle in the region, as well as the cultivation of an enterprising spirit, and urban development that facilitates the taking on of challenges. In order to revitalize the Karato area of Shimonoseki City, we plan to conduct social demonstrations through industry-government-academia partnerships through the use of the Karato shopping district as the demonstration venue.

- (1) Matters relating to the revitalization of Shimonoseki City
- (2) Matters relating to support for the start-up businesses, the creation of new businesses and the continuation of businesses
- (3) Matters relating to the cultivation and education of human resources that will be active in the region
- (4) Matters relating to the promotion of regional production for regional consumption, the promotion, expanded sale routes and promotion of the sale of goods produced in the region
- (5) Matters relating to the promotion of tourism
- (6) Matters relating to the creation of regional brands
- (7) Other matters deemed necessary for the achievement of the objectives of the agreement



Establishment of a space for start-up communities on the campus of Yamaguchi University

YMFZ ZONE PLANNING CO., LTD. and YAMAGUCHI CAPITAL Co., Ltd. have opened on the university's campus the start-up community space "Fun Fun Salon" as an initiative for the development business for start-up human resources who will resolve issues of the region and companies in partnership with Yamaguchi University.

Until now, we have worked together on initiatives that support the launch and growth of regional start-ups, including the establishment of the investment fund, "Fun Fun Drive Limited Liability Partnership," which mainly invests in current students, faculty members and graduates of Yamaguchi University, and the establishment of a "Venture Business Support Office" for the provision of various forms of support, consultation on intellectual property, the dissemination of information, etc., concerning start-ups within Yamaguchi University.

"Fun Fun Salon" is a venue that provides the opportunity to learn about businesses and regional companies through lectures on basic knowledge and methods for the construction of business and the provision of business idea creation projects, and which cultivates the creativity, problem solving skills and ability to take action of students.

<<Overview of Fun Fun Salon>>

Open : the third Wednesday of every month from 10:00 to 17:00 (excludes during long breaks)

Staff : employees of YMFZ ZONE PLANNING CO., LTD. and Yamaguchi Capital Co., Ltd.

Venue : Yoshida Campus (the student lounge facing the first floor of the Common Education Lecture Building)
Tokiwaka Campus (the lounge on the first floor of the Welfare Building)



Tanga Market Restoration Project From Fire

In the early hours of April 19, 2022, the Tanga Market in Kokurakita-ku, Kitakyushu City, which is familiar to the citizens as a kitchen and has a history of over 100 years, was hit by a large fire that destroyed more than 40 stores. With the objective of recovering from this fire, KAIKA Corporation, a crowdfunding company of YMFZ, launched the "Tanga Market Restoration Project From Fire," organized by the "Kokura Central Commercial Federation," and the project was supported by many people and received approximately ¥55 million, an amount that greatly exceeded the goal.

All of the proceeds are being used to support recovery (removal of debris, etc.) in Tanga District (Tanga Market Shopping Street, Shintanga Neighborhood Association and Uomachi Green Road Cooperative Association).



Tanga Market Restoration Project From Fire

↓ Kitakyushu City, Fukuoka Prefecture

In addition, The Kitakyushu Bank, Ltd. assisted with the launch of this project, and donated ¥5 million to help with the restoration.

We would like to extend our deepest sympathies to all those who have been affected by the fire in the "Tanga District," and hope that the disaster will be recovered from as soon as possible.

Provision of "Local SDGs" educational contents to the Ministry of Economy, Trade and Industry's "STEAM Library," and promotion of ESD that utilizes the contents

YMFZ ZONE PLANNING CO., LTD. develops and provides for the Ministry of Economy, Trade and Industry's "STEAM Library" educational contents with the objective of the development of regional human resources who will take on the challenge of the construction of a "Circular and Ecological Economy (Local SDGs)."

Development of the contents is being performed as part of the 2021 "Future Classrooms" project of the Ministry of Economy, Trade and Industry, and YMFZ ZONE PLANNING CO., LTD. is the only financial institution to have been selected as a content producer. The produced contents will be used to promote ESD (Education for Sustainable Development).

Contents

In addition to learning about how to build a "Circular and Ecological Economy" that aims to implement the SDGs in the region, it is the contents that considers what should be done in order to overcome the tradeoffs and to solve various environmental, societal, and economic issues at the same time.

Use of the Contents

In the demonstration project of the Ministry of Economy, Trade and Industry's 2020 "Future Classrooms," the Company participated in inquiry and project-based learning through the creation of a curriculum that incorporates an economic perspective for the

resolution of regional issues, and the use of the "Comprehensive Inquiry Time" class at Hiroshima

Prefectural Hatsuoka High School. The efforts of said school were awarded the "7th Hiroshima Prefecture UNESCO ESD x SDGs Grand Prize. Hiroshima University Faculty of Education Dean's Award."

These developed contents are on the topic of the creation of a circular and ecological economy, and their actual use in educational settings, in partnership with the local governments and educational institutions such as high schools, are being promoted as an initiative that will contribute to ESD.



Initiatives to improve regional value through investment in start-up companies

YMGFG mainly invests in start-ups that are working to resolve issues of society as a whole, and has the objective of creating new industries, solving regional issues, and growing the regional economy by growing together with these start-ups.

Cumulative performance 51 cases / ¥3.4 billion

Investment performance for FY2022 19 cases / ¥1.1 billion

• SmartScan, inc.

The company has a vision of creating a disease-free world, and aims to spread preventive medicine through the use of technology.

By partnering with the company to spread in the region its low-cost self-diagnostic brain checkup service that can be easily used by anyone, we will support healthy community development and lifestyles.



• vivid garden Inc.

The company provides the farm to direct mail order site "TABE CHOKU," on which fresh ingredients can be purchased directly from producers across the country.

Through the provision of this service, it is aimed to realize a society in which the commitment of producers is properly rewarded and where even small scale producers can make profit, and YMGFG is working to spread this service in partnership with the company.



Introduction of environmentally friendly electric vehicles

As the movement towards decarbonization accelerates both in Japan and overseas, The Yamaguchi Bank, Ltd. started to introduce next generation electric vehicles, which have a lower environmental impact, in July 2022, and is engaged in efforts to reduce CO₂ emissions.

| | |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vehicle | 10 ultra-compact electric vehicles (Toyota C+Pod) CO ₂ reduction effect: annual emissions reduced by about 65% (reduced by approximately 6,819 kg) |
| Introduction location | Head office of The Yamaguchi Bank, Ltd. |
| Future plans | Upon the establishment of infrastructure for power supply equipment in store parking lots, we plan to replace all company vehicles with environmentally friendly electric vehicles by 2030, which is around the time at which the currently used vehicles are scheduled to be replaced. |



(Toyota C+Pod)

The Yamaguchi Bank, Ltd. women's handball team, "YMGUTS"

In April 2018, YMGUTS was formed with the wish to revitalize the region through sports while working in the region, making use of the regional characteristics of eastern Yamaguchi Prefecture, where handball has traditionally been popular. Most of the team members are employees of The Yamaguchi Bank, Ltd., work fulltime, and train hard after work. Through the activities of athletes who achieve a balance between work and sports, we are aiming to be a good model for the promotion of sports in the region and the ways in which women work.

- Establish a team that is loved by the local community, and serve as a good model for achieving a balance between sports and work and the ways in which women work.
- Build a local community through handball, and develop the multi-generational interactions and the younger generation
- Contribute to improved competitiveness in handball and the promotion of regional sports, and to the establishment of healthy lifestyles with "YMGUTSxα."

Aim of YMGUTS

Main initiatives

- Contribute to the promotion of sports through the management of a team
- Develop a wide range of activities in order to improve competitiveness and to form a variety of communities, through the provision of support for the operation of tournaments in various categories and the holding of handball classes
- Develop activities that will convey to children and students awareness of working hard towards their dreams, while having a professional awareness of handball and work
- Business trip GUTS (visits to local elementary and junior high schools)
- Participate in regional events and develop activities that bring prosperity together with the region
- Engaged in joint research with YAMAGUCHI DENTAL ASSOCIATION regarding the effects of wearing mouth guards and gum shields on sports performance.
- Appointed as tourism ambassador for Yuno-onsen (Shunan City) and engaged in initiatives in partnership with regional business operators in order to conduct PR for the onsen
- Introduced various contents in partnership with Shimono-seki City to promote outdoor activities in the city

YMGUTS performance

- Won the 73rd Japan Handball Championship, Chugoku Region Preliminary Round in November 2021
- Best 16 in the 73rd Japan Handball Championship in January 2022
- 8th Place in the Takamatsumiomiya Trophy 10th All Japan Amateur Championship in June 2022



All Japan Amateur Championship (June 2022)



Handball instruction (March 2022)



Business trip GUTS (July 2021)



Tourism ambassador for Yuno-onsen inauguration ceremony (June 2021)

Priority Item (2) Promotion of the Active Participation of the Group's Human Assets

The Group is working together to create an environment and opportunities that will allow for each employee to play an active role, and by transforming the organizational culture (behavioral patterns) by having each individual employee grow in a manner that gives him/her satisfaction, we are working as a group to "maximization of value provided to our region and customers" and "create new value."

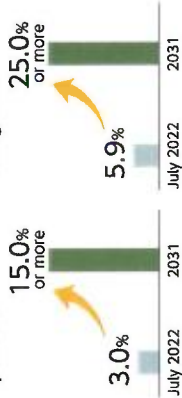
Initiatives towards the promotion of diversity and inclusion

Towards the securing of diverse human resources

With the objective of becoming an organization at which business can always be created with a sense of speed, we are actively and continually recruiting and appointing diverse human resources, including women, foreigners, mid-career hires, alumni and people with experience of external secondments. We are promoting initiatives such as the creation of a work environment that maximizes the characteristics and abilities of these people, and the training of the management level.

• Ratio of females in management positions 15.0% or more

• Ratio of management positions of diverse backgrounds 25.0% or more



Initiatives to encourage the active participation of women

• Female Corporate Sales Job Trial

Since February 2022, we have been implementing the "Female Corporate Sales Job Trial" to support the career development of female employees and to have them play an active role in corporate sales. We seek female employees who would like to work in corporate sales, and while they actually work for customers, they obtain knowledge on business feasibility evaluations, credit ratings, finance, etc., and are given on-site OJT guidance.

• Pre-promotion training for female managers

Since March 2022, we have provided pre-promotion training for female employees who are being promoted to the management positions, with the aim of encouraging them to take a step up in their careers.

Towards the realization of diverse career paths and working methods for employees

We are engaged in a range of initiatives in order to ensure that our employees are highly motivated and to realize diverse career paths and work styles.

Examples of initiatives for the realization of diverse working styles for employees

- Side job system
- Childcare and nursing care leave system
- Return to work system
- Flextime system
- Short-time work system
- Opening of on-site childcare center
- Implementation of teleworking



• Expansion of the number of staff with side jobs

After ending the ban on side jobs in April 2019, for the further development of employee careers, the improvement of skills and the return of skills to the region, we relaxed the rules on side jobs in January 2021, and we now have 23 employees who are engaged in side jobs.

Summary of the relaxation

1. End the prohibition of side jobs outside of regular working hours (including holidays)
2. End the prohibition of side jobs for department heads
3. End location restrictions for side jobs

• Partner system / flexitime system / telework system

Partner system

Designation of work location as spouse's work location

Flexitime system

Work hours being determined by employees themselves

Telework system

Preparation of work styles that are not bound by location and a work environment that allows for diverse employees to play an active role

Cumulative number of users

83 people

* As of the end of May 2022

Usage rate

52%

* As of the end of May 2022

Potential users

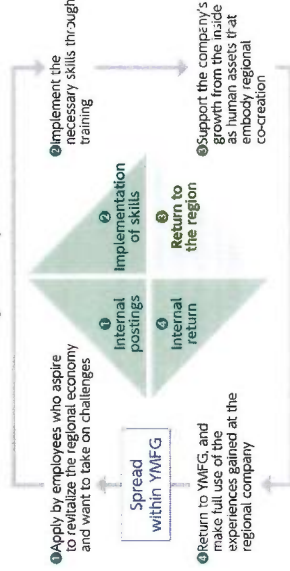
All employees other than counter and back office workers

Promotion of the activities of human assets who embody regional co-creation

Through the return of human assets to regional companies, we are aiming to build new relationships between companies suffering from a lack of business creation awareness and knowledge and YMF-G's employees who would like to take on new challenges and places of work, and are aiming to revitalize the regional economy.

Regional human assets platform

Revitalization of the regional economy by returning YMF-G's employees to regional companies



Elimination of the shortage of core human assets at regional companies

Sending YMF-G's employees to regional companies, that are dealing with a shortage of core human assets, and supporting their growth

Expand the fields of activity of YMF-G's employees
We provide training to employees who aspire to revitalize the regional economy that will give them the skills required of core human assets, and support them as human assets who embody regional co-creation

Development of human resources

When promoting DX, we focus on the development of DX human resources by providing opportunities to learn digital skills through the development of new skills for many employees, not just the members of the information systems department.

Development target (by the end of fiscal year ending March 31, 2026)

DX core human resources : 5% of all employees

* Human resources who have expertise in the transformation of business models, the creation of new products and services, and the digitalization of internal work, and who are able to independently proceed with work relating to digital DX

DX basic human resources : 90% of all employees

* Human resources that utilize IT / digital tools, while understanding their impact, etc., on the company, based on the importance of the customer experience and the trends in digital technology, and who have an interest in digital and a sound sense of crisis

DX human resource development cycle: repeating the cycle annually

STEP 0: Definition of DX human resource skills
Set the definition for the expected roles and skills levels by layer.

| | | | | |
|------|---|---|---|---|
| Lv.4 | 0 | 0 | 1 | 2 |
| Lv.3 | 0 | 1 | 0 | 2 |
| Lv.2 | 4 | 3 | 6 | 8 |
| Lv.1 | 6 | 1 | 2 | 1 |

A Dept. B Dept. C Dept. D Dept.

STEP 1: DX assessment
By implementing DX skill assessments, we ascertain the current status of the digital skills of all employees, and plan measures for the development of digital human resources that are suitable for each level and issue.

Individual reports ▶ Organizational reports

STEP 2: DX human resource development plan
We review whether or not the contents of the training are in line with the respective skills levels and the issues facing the Company.

STEP 3: Implementation of DX human resource development
The performance of training and measures at each level and the strengthening of basic skills leads to the enhanced profitability of core business.



Development of human assets for maximization of value provided to our region and customers

Realization of an organization that places value in dialog - one-on-one meetings

Towards the realization of "the creation of an organization that values opportunities for the growth and self-realization of all employees" as well as an "organization that values dialog," in December 2021, we started to hold "one-on-one" across the Group.



Creation of opportunities for human resource development and training - doubling the investment in human resources development

From the fiscal year ending March 31, 2023, we have decided to double the investment in human assets development, including training in line with the strategies described in the Medium-Term Management Plan 2022, compared to the fiscal year ended March 31, 2022, in order to contribute to the "development of human resources and the creation of training opportunities," which is one of our identified materiality. In addition, by designing a new curriculum for roughly 50% of the entire training curriculum for the fiscal year ending March 31, 2023, we will ascertain the internal and external environment, and promote the career development of our diversifying employees.

Development of next generation leaders

From the fiscal year ended March 31, 2020, we have conducted the "Junior Board Program" with the objective of "the development of young human resources who may become candidates for executive positions in the future." Discussions, etc., are held regarding matters that require managerial decision making between the 10 selected employees, who are trained to think from a management perspective, and at the same time, such discussions, etc. are used at management meetings, etc. as their diverse opinions.

Ratio of males and females selected to participate in the training program for next generation leaders

Female 23%
Male 77%

Cumulative number of participants: 30

* The number of employees who participated in the program and have been promoted to officer positions within the Group as of the end of March 2022

4 people (13%)

Development of highly creative employees and fostering an organizational culture oriented towards value creation - in-house new business proposal system

From the fiscal year ended March 31, 2022, we have implemented the "YMFG Growth," internal new business proposal system, with the objective of the "development of highly creative employees" and "fostering an organizational culture oriented towards creation of new value." We have built a support system that is not bound by employee background through having external experts provide accompanying support (mentoring) from the project formulation stage towards the creation of new business.



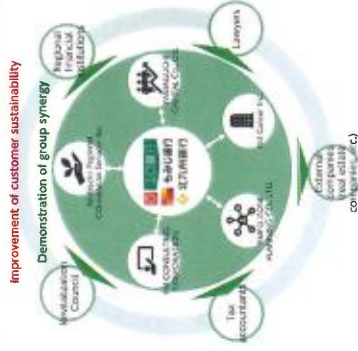
Priority Item (3) Pursuit for the "Maximization of Value Provided to Our Region and Customers"

Corporate strategy

We contribute to the development of regional companies and the improved sustainability of the regional economy through the provision of solutions based on business feasibility assessments that make use of the comprehensive strengths of the Group in response to various issues and needs at regional companies.

Support for the dramatic business revitalization and regrowth of business operators

The Group supports initiatives towards the revitalization and further growth of our customers.
We have built a business support system in which a diverse range of group companies, which is one of the strengths of YMF, work together to thoroughly discuss business revitalization and regrowth for customers that in urgent need of business improvement, determine the direction, and pursue synergy as Team YMF.



**Improved credit rating^{*1}
Cumulative total of 150
or more customers^{*2}**

^{*1} Improved rank target: revitalization support recipients and additional recipients
^{*2} Plan for the period from April 2022 to March 2025

Nationwide development of "Search Fund" model

"YMF Search Fund" has the objectives of inviting searchers (talented young managers) to the region, solving business succession issues for regional companies, as well as diverse social issues, including the depopulation of the region and the lack of young human resources, and realizing corporate growth and transformation. Since the establishment of the fund in 2019, investment has been made in eight searchers, and five business successions have been realized.

In response to these successful cases, we have established the "Regional Future co-creation Search Fund," comprising of subsidiaries of the Group and four other regional banks. Going forward, we will expand this scheme nationwide, connect companies that are struggling with a lack of successors to searchers with high motivation towards management, and provide our full support.



Introduction of new products to respond to SDGs and ESG

Initiatives for sustainable loans

We handle sustainable loans that have a positive impact on ESG issues.

In December 2021, we entered into a loan contract with YASUNARI Co., LTD. (Shimonoseki City) for a sustainability linked loan (SL) with loan conditions that change according to the achievement status of environment, social and corporate governance (ESG)-related goals, and this was the first loan of its kind in the prefecture.

In addition, we offer green loan, social loan, and sustainability loan as financing that supports sustainability initiatives.



Improvement of regional sustainability through support for the launch of SDGs management

YM CONSULTING CORPORATION has started to offer an "SDGs management launch support service" towards the spread of SDGs in the region and the promotion of related initiatives.

After diagnosing the status of the customers' SDGs initiatives and providing feedback of them, we provide support for the formulation of their own "SDGs Declaration."

Until now, support for the formulation of an "SDGs Declaration" has been provided for a total of 256 customers* across the Group.

* As of June 30, 2022

Launch of "support for the calculation of CO₂ emissions"

YM CONSULTING CORPORATION has partnered with WasteBox Co., Ltd. (Nagoya City) to launch "support for the calculation of CO₂ emissions" as an initiative towards the realization of decarbonization management at customers.

In the service, support (option) is provided for the calculation of Scope 1* and Scope 2**, and SBT*** application, which visualizes CO₂ emissions and leads to a reduction in CO₂ emissions.

- *1 Scope 1 : direct emissions of greenhouse gases by companies themselves
- *2 Scope 2 : indirect emissions associated with the use of electricity, heat and steam that is supplied by other companies
- *3 SBT : greenhouse gas emissions reduction targets that are consistent with the levels required under the Paris Agreement

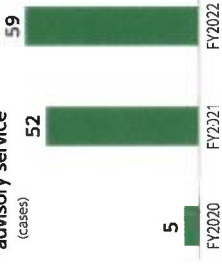
Support for overseas development

The Company provides support for the overseas development of customers (overseas development advisory service), which makes use of the Group's overseas network.

In the overseas development advisory service, in addition to market research, we provide solutions for various issues that can be expected to increase once overseas travel becomes possible again, including the expansion of sales channels, searching for manufacturing contractors and suppliers, and preparing for the establishment of local subsidiaries.

In addition, as a trial to expand overseas sales channels, we provide opportunities for trade negotiations with overseas suppliers online every three months, and a cumulative total of 109 trade negotiations have been conducted to date.

Number of cases supported by overseas development advisory service (cases)



Retail strategy

Under the background of the diversification of lifestyles, such as in terms of people's values and working styles, customer needs as well as thoughts and methods for selecting financial services are also changing. The Group, through the demonstration of its comprehensive strengths, responds to the diversifying needs of customers to perform planning that is tailored to each individual customer through meticulous consulting.



Three banks of the Group: YM Credit Guarantee Co., Ltd., HOKEN HIROBA, Ltd., YM Securities Co., Ltd., YM LIFE PLANNING, Ltd., YM Asset Management Co., Ltd.

Sincere life planning proposals and long term accompanying support

We have built know-how in order to be able to make firm FP proposals in accordance with life events of customers, and demonstrate the comprehensive strength of the Group to provide and propose services, including home loans, insurance reviews, investment, various insurance, and private trust consulting, from the perspective of our customers.

Asset management service

In addition, we propose portfolios for medium to long term asset building through the proposals of "YMFG Selection," which is an asset management service that offers a carefully selected lineup of products through the combination of banking and securities. We are promoting "organizational knowledge" on FP consulting, and are engaged in efforts to consolidate know-how and knowledge, as well as to develop human resources in order to improve the "FP power" of our employees to make the optimal proposals to customers.



Spreading information and raising awareness of private trusts

As the country proceeds towards becoming a super-aging society, countermeasures to the increase in dementia sufferers and asset freezes have become social issues.

In order to ensure that customers are able to manage their assets smoothly, we focus on spreading information and raising awareness of "private trusts," in which property management is entrusted to a family member, and also hold "family trust seminars" two or three times per month.

Number of private trust consultations for the fiscal year ended March 31, 2022

214 cases

Number of private trusts established for the fiscal year ended March 31, 2022

128 cases

Improving convenience for customers through the utilization of digital

We provide a "smartphone app" that allows for account opening, transfers, balance and deposit / withdrawal statement inquiries, and other transactions to be performed on a smartphone.

As the main bank in our customers' pockets, we work to improve convenience for customers who use digital with the aim of improving the safety and quality of our services, so that customers can use various banking services "easily," "with peace of mind," and "enjoyably."

Trends in app downloads

- ▶ The number of app users has increased 11 fold in the last two years
- ▶ We are aiming to double this number again within the next three years



Initiatives to expand functions

In addition to providing banking functions, we are continuously working on making improvements towards a frictionless UI / UX and design that pursues "simplicity" and "easeiness."

Main functions

- Account opening, balance, deposit and withdrawal statement inquiries, bank transfers, payee registration, fix term and cumulative balance inquiry, deposit and withdrawal, loan (balance inquiry and partial early repayments), reporting loss and reissuance of passbooks, cards, etc.
- Passbook memo function, switch to non-use of passbook, customer survey function, recommendation function, design switch (in collaboration with local sports teams), link to welfare service (INESUS*)

Future expansion of functions (plan)

- Automated remittances of fixed amounts, transfer scheduling and opening of time deposit accounts
- Provision of FP consulting information

* Smartphone app provided by INESUS Inc., a company of the Group

Provision of personalized services

The smartphone app allows us to become a familiar point of contact with customers, and we provide services that match the life events and needs of each individual customer.

Link to a cloud data platform to realize personalized proposals for customers



Cloud data platform(*)

A platform for the centralized aggregation and analysis of the major data dispersed in core banking and information systems of banks of the Group built on cloud

* A proprietary database built on Microsoft Azure as a platform for the collection and accumulation, and use and analysis of financial data, data of each Group companies, as well as external and open data, etc.



Data management platform

Setting of recommendation rules based on website behavioral data and customer attributes



Personalized recommendations

We make appropriate proposals to customers based on the recommendation rules on our own app and website

DX strategy

Changes are being made to lifestyles and business styles alongside the rapid evolution of technology. "Transformation through DX" will be the important key for responding to these changes and increasing the value of regional customers and YMF.

First of all, YMF will transform through DX, and will use the know-how it has gained on transformation for the resolution of the DX issues that are faced by regional customers.

The transformation of YMF with DX

The transformation of YMF through aggressive investment

- We have defined IT investment for business transformation as "aggressive" investment, and currently plan 30 investment projects worth a total of ¥3.3 billion (includes running costs).
- In order to quickly respond to changes in how customers think and the market environment, we will move our internal systems to the cloud and will change to a system that is able to quickly respond to changes.

Reform of the awareness, behavior and skills of YMF's employees

- We will hold seminars and training sessions that redevelop abilities and skills so that employees are able to create value with digital.

Work with DX players

- In a cooperation with Double Standard Inc., which holds data cleansing technology, we start further internal DX initiatives.
- We are promoting DX which provide a radical review of existing operation with a new approach that combines SaaS and a set of multiple modules to realize systems that are tailored to the operation, rather than tailoring operation to a package system.

Joint research with the University of Tokyo

- We have launched joint industry-university research on inter-company network using AI together with the Morikawa Narusue Laboratory of the University of Tokyo Graduate School, which specializes in information technology.
- Through the utilization of inter-company network to find hidden corporate value and potential transaction needs, we aim to consider opportunities for corporate growth as well as to increase the value of the regional economy as a whole.
- Based on deposit and withdrawal data of administration departments of our business partners, the laboratory builds and analyzes a network of companies, visualizes the core companies that drive the growth of the regional economy and the evaluation of companies by ascertaining the supply chain, and furthermore, examines the presence, absence, and characteristics of hub companies.
- In the future, we will consider diverting business through the use of forecasts for new transactions between companies that will lead to growth, etc., in proposal materials.

Return to the region of successful experiences and know-how in transformation through DX

Resolution of the DX issues faced by regional companies, etc.
We will make use of the successful experiences and know-how (BPR, academic knowledge on the latest technologies, etc.) accumulated within YMF, and will solve the issues that are faced by regional companies and other financial institutions.



Market operation strategy

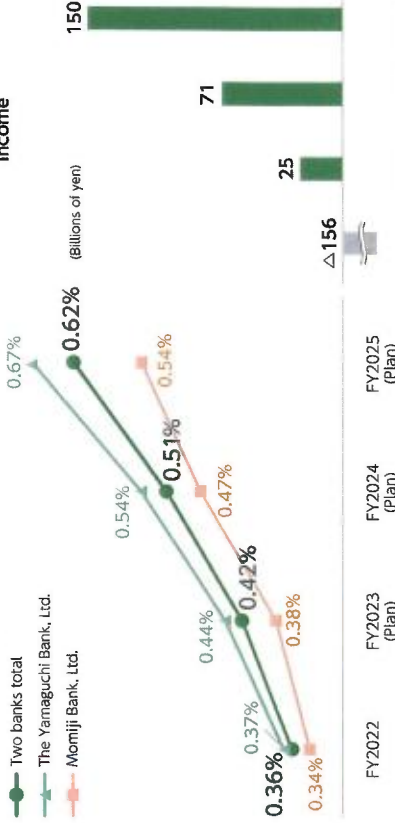
We will rebuild our securities portfolio and will shift to a stable earnings structure that places an emphasis on income. In the final fiscal year of the medium-term management plan, we will convert the valuation gains and losses from the pure investment department into a positive, and furthermore, will contribute to the resolution of social issues and environmental issues through investment in ESG and SDGs bond, etc.

Realization of "planned periodic earnings" that place an emphasis on income

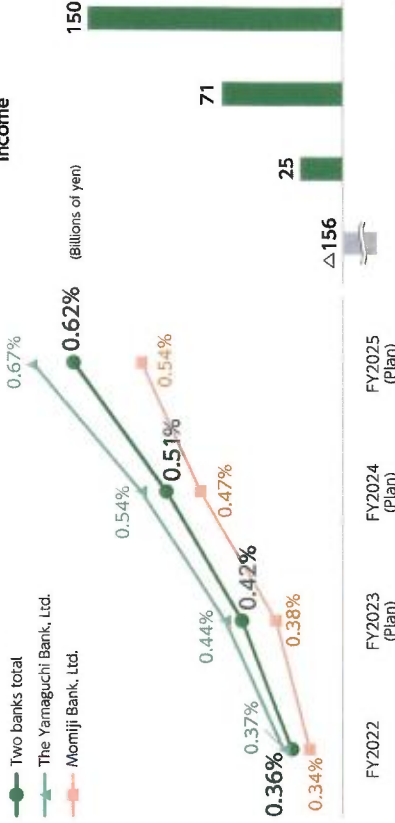
We will shift from "capital" focused investment to "income" focused investment, and will pursue higher book yields.

We will secure investment capacity at a bargain price level through an investment strategy that emphasizes carry and value, and will engage in further investment in stages during the three year period of rising interest rates and falling stock prices.

Pure investment department: Interest and dividends yield*



Pure investment department: Income



*Interest and dividends (excluding gain on cancellation of investment trusts) / Pure investment securities balance

*Pure investment department: Management of securities excluding cross-shareholdings of the Yamaguchi Bank, Ltd., and Momiji Bank, Ltd.

Accelerating actions towards the reduction of cross-shareholdings

We will accelerate actions towards the reduction of cross-shareholdings through the establishment, etc., of a Meeting for the Reduction of Cross-Shareholdings. We will make use of the gains from sale as funds for improving the portfolio of the pure investment department, which will result in improved capital efficiency.

Strengthening of risk management system in securities investment

In order to strengthen the supervisory function of the Board of Directors concerning risk management, in July 2022 we established the "Risk Committee" as an advisory body for the Board of Directors, and the objective opinions of outside Directors and an external expert are being reflected in risk management.

Strengthening of the Governance and Internal Control System

Priority Item (5)

Initiatives toward the sound operation of business in the Group (improvement measure response status)

The Company sincerely accepted the facts recognized in the "Investigation reports" by the Investigative Committee that was established in May 2021 in response to a whistle-blowing made against the former CEO, and the Internal Investigation Group that was established in August 2021 with the objective of investigating how to proceed with a project for the establishment of a new bank, etc., as well as the indicated issues and recommendations for improvement. Therefore, we identified the current issues and analyzed the causes of such issues in four items in total, consisting of three items of "governance," "internal control" and "corporate culture," which form the management foundation for the sound operation of businesses by the Group, adding perspective of "regional revitalization," which is one of our major roles as a regional financial institution, and formulated improvement measures for 35 items in total on November 30, 2021.

As of the end of June 2022, we implemented 30 items (including those for which the response was completed, and those for which the response was completed and that have moved into the operation stage) out of the 35 items, and we are currently responding to the remaining five items. We have been making steady progress.

Main improvement measure response status (as of the end of June 2022) 30 items out of 35 items in total was completed

| Category | Name of measure | Implemented | Work in progress | Overview |
|-------------------|-------------------------------------------------------------------------------------------------------------------|-------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governance | Reconstruction of operational management system | ○ | | In regard to the composition of the Board of Directors, while ensuring that the majority of members are outside Directors, we have appointed the Presidents of the three banks in the Group as directors to enhance the monitoring function of the performance of business at banks, which account for the majority of our performance and management resources. |
| | Establishment of a system for the appropriate provision of information to Directors | ○ | | In addition to providing convocation notice and materials for the Board of Directors earlier, we have expanded opportunities for explanations to be given prior to meetings by the department in charge of the matter. At the same time, we have shared the annual schedule internally, and ensured it is implemented strictly by the execution departments. In addition, the Secretariat, which is an organization under the direct control of the Board of Directors, have provided administrative support in response to requests from Directors and other matters. |
| Internal control | Review of evaluation method towards improving the effectiveness of the Board of Directors | ○ | | Based on the survey on the effectiveness of the Board of Directors and individual interviews by the Secretariat conducted in November 2021, the opinions received have been reflected in various measures, including a review of the Nomination Committee and the Compensation Committee, and the appointment of the Presidents of the three banks as Directors of the Company from the perspective of ascertaining the status of the execution. We also conducted similar survey and interviews in April 2022 in order to confirm the progress status of each measure. |
| | Review of Nomination Committee system | ○ | | We have optimized the number of members of the Nomination Committee and reviewed the appointment and dismissal process, and this have been implemented for officer personnel of the Group for the fiscal year ending March 31, 2023. |
| | Review of succession plan | | ○ | We newly formulated the "Group Officer Personnel Guidelines," which serves as the policy for the development of managerial human assets at the Group and the appointment of officers of the Group. Based on the guidelines, we clearly state a monitoring system for the training process and training status of candidates of officers of the Group in the future. The human resource training plan and training schedule for candidates of executives are currently being developed. |
| | Review of internal control of the Group (review of sales branch system) | ○ | | For certain operational lines within bank sales branches, we have changed from a system in which operational execution is controlled by the Company to a system that is centrally controlled at the bank, and clarified the division of roles and responsibility system within the Group. At the same time, we have streamlined our group structure from the perspective of clarifying the chain of command and making decision making faster. |
| | Implementation of audits focused on the achievement of the management plan | | ○ | We conducted culture audits while receiving support and undergoing reviews by external consultants with a track record. By conducting officer interviews and employee surveys, and through the evaluation and verification of mechanisms that have an impact on culture, we identified issues in the organizational culture of the Group, and conducted verification towards the cultivation of a sound culture. In regard to the PDCA for the management plan, we consider the implementation of audits focused on the identification of internal control issues and the making of recommendations for improvement in order to achieve the plan. |
| Corporate culture | Development of an environment that secures and makes use of diversity | ○ | | We have promoted initiatives for the securing of diversity through the formation of the project for promoting active participation of women and the introduction of comeback recruitment, etc. |
| | Implementation of measures that leads to awareness reform and organizational culture reform (inner communication) | | ○ | Based on the results of the employee awareness survey, we have determined that the penetration of the "YMFG Medium-Term Management Plan 2022" and the penetration of management strategy through dialog with the management level are high priorities, and we are currently formulating measures towards the constructive dialog. |
| | Implementation of regular employee awareness surveys | ○ | | We have started the regular employee awareness surveys (My Check), and have strengthened the PDCA cycle towards the improvement of corporate culture, etc. |
| | Promotion of "dialog" within the Group | ○ | | We have increased opportunities for internal communication through the introduction of one-on-one meetings and the development of direct channels to the top management, etc. |

Corporate Governance

Basic concepts on corporate governance

The Group has formulated the "Mission and the meaning of its existence (Purpose)," which is a core of all business activities of the Group, and "What the Group should become in the future (Vision)," as what the Group should become when pursuing the mission and the meaning of its existence, in order to combine the abilities of the Group's officers and employees and to increase corporate value.

[Mission and the meaning of its existence (Purpose)]

Co-creating a bountiful future for our region

[What the Group should become in the future (Vision)]

A regional value-up corporate group that is chosen by our region and responds to the trust of our region

Based on "a sound and proactive enterprising spirit" as the basic stance (management policy) for the engagement in business activities with a focus on the mission and meaning of its existence (Purpose), the Group 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, positioning that creating an effective corporate governance system is an important management priority, and we continue to pursue the initiatives described below to enhance our corporate governance.

- (1) The Company strives to substantially secure the shareholder rights, to create an environment that shareholders can exercise their rights appropriately, and to secure effective equal treatment of shareholders, community, shareholders and employees.
- (2) The Company cooperates appropriately with our principal stakeholders, including customers, the local community, shareholders and employees.
- (3) The Company appropriately discloses important management-related information to our principal stakeholders.
- (4) The Company endeavors to ensure the effectiveness of the supervisory and auditing functions of the business execution through the establishment of various bodies, including the Board of Directors.
- (5) The Company creates systems to promote construction dialog in order to build long-term relationships with shareholders.

Corporate governance system

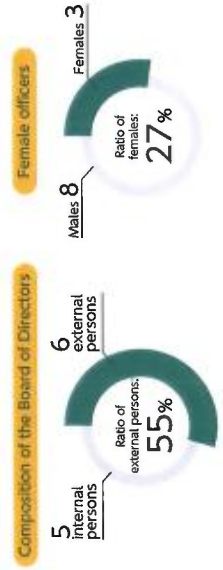
An overview of the corporate governance system at the Company is provided below.

[Supervision]

- (1) Board of Directors and Directors
The main role of the Board of Directors is to make decisions on important matters relating to the operation of the Group, such as matters relating to management planning and governance and the basic policy on the internal control system, and in addition, to supervise the execution of the duties of Directors and Executive Officers. In principle, meetings are held once a month, and are chaired by the President and CEO.

The Board of Directors is composed of 11 Directors with a fine balance of knowledge, experience and abilities for the effective performance of their roles and responsibilities.

In particular, outside Directors, who make up the majority of the Board of Directors, have been arranged with a focus on diversity, based on the perspectives of gender, career history, and age, etc., in order to activate multifaceted and objective discussions. (Three out of the six outside Directors are females)



Board of Directors

| Name | Current position, etc., in the Company |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Keisuke Mukumashi | President, Representative Director and CEO |
| Narumasa Soga | Director (President and Director of The Yamaguchi Bank, Ltd.) |
| Koji Oda | Director (President and Director of Momiji Bank, Ltd.) |
| Mitsuru Kato | Director (President and Director of The Kitakyushu Bank, Ltd.) |
| Yumiko Nagasawa | Director Outside Independent |
| Mitsuko Suematsu | Director Outside Independent |
| Yuzuru Yamamoto | Director Outside Independent |
| Tomoko Mikami | Director Outside Independent |
| Susumu Fukuda | Director, Audit & Supervisory Committee Member |
| Kazuo Tsukuda | Director, Audit & Supervisory Committee Member Outside Independent |
| Michiaki Kunimasa | Director, Audit & Supervisory Committee Member Outside Independent |

(2) Committees

In addition to the "Audit & Supervisory Committee" prescribed in the Companies Act, the "Nomination Committee," "Compensation Committee" and "Risk Committee" have been established as described below.

(1) Audit & Supervisory Committee and Audit & Supervisory Committee Members
The Audit & Supervisory Committee is composed of three Directors who are Audit & Supervisory Committee Members (including two outside Directors), holds meetings once a month, in principle. It audits the execution of duties of the Directors, builds the internal control system of the Company and the Group, supervises and examines the operation status of the system, and prepares audit reports.

In addition, through the exercising of voting rights at meetings of the Board of Directors by Audit & Supervisory Committee Members, who are mainly outside Directors, it is aimed to enhance the function of auditing and supervising the Board of Directors, and to improve the transparency and speed of the decision making process.

In order to prepare for cases where there is a shortage of Directors who are Audit & Supervisory Committee Members as prescribed by law, one substitute Director who is an Audit & Supervisory Committee Member has been elected.

Audit & Supervisory Committee

| Name | Current position, etc., in the Company |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Susumu Fukuda | Director, Audit & Supervisory Committee Member |
| Kazuo Tsukuda | Director, Audit & Supervisory Committee Member Outside Independent |
| Michiaki Kunimasa | Director, Audit & Supervisory Committee Member Outside Independent |

(2) Nomination Committee, Compensation Committee

The Company has established the Nomination Committee and the Compensation Committee as voluntary advisory bodies to the Board of Directors in order to ensure the validity of the proposals relating to the appointment and dismissal of Directors and Executive Officers and their remuneration, as well as the objectivity and transparency of the decision making process, and has put a system in place to make decisions at the Board of Directors based on the details reported from the respective committee regarding the proposal.

Based on the objective of its establishment, it is prescribed in the internal rules that each committee is

composed of three or more committee members, and the majority of members is independent outside Directors, in order to ensure independence.

| Nomination Committee | |
|----------------------|----------------------------------------|
| Name | Current position, etc., in the Company |
| Yuzuru Yamamoto | Outside Director |
| Minako Suematsu | Outside Director |
| Kazuo Tsukuda | Outside Director |

(Chair)

| Compensation Committee | |
|------------------------|----------------------------------------|
| Name | Current position, etc., in the Company |
| Yumiko Nagasawa | Outside Director |
| Tomoko Mikami | Outside Director |
| Michiaki Kunimasa | Outside Director |

(Chair)

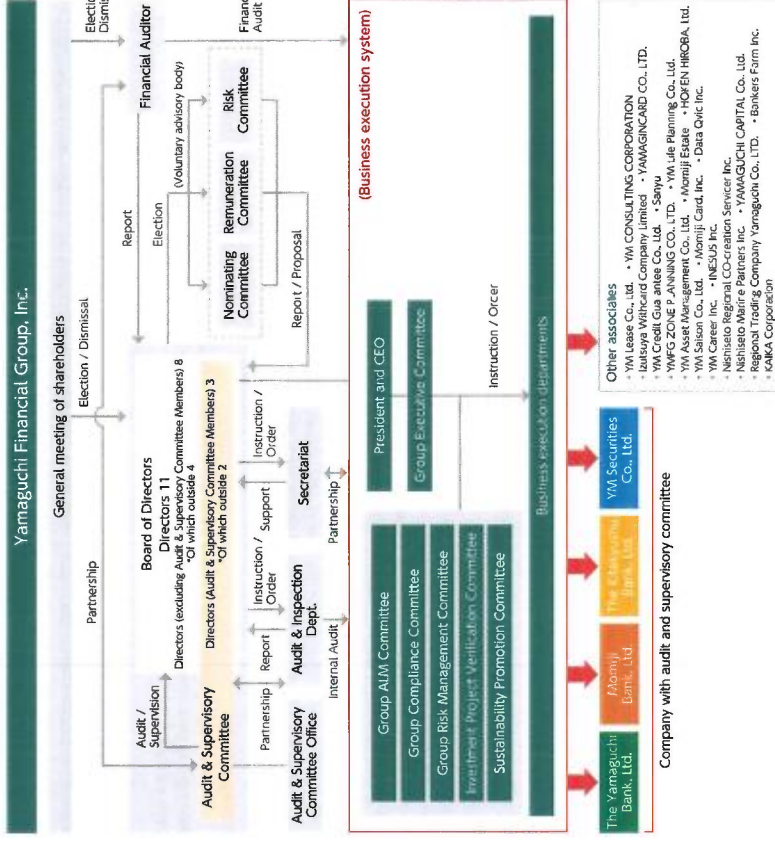
(3) Risk Committee
From the perspective of strengthening the supervisory function of the Board of Directors for risk management, the "Risk Committee" has been established under the Board of Directors, which will strengthen risk management system by reflecting the objective opinions of outside Directors and third party (an external expert) in risk management.

The Risk Committee is intended to deliberate mainly on various circumstances relating to the risk management of the market department, and to then provide recommendations to the Board of Directors. It will consider reviewing matters subject to deliberation, as necessary.

| Risk Committee | |
|-----------------|-----------------------------------------------------------|
| Name | Current position, etc., in the Company |
| Masao Aratani | Director of The Yamaguchi Bank, Ltd. (Outside) |
| Ichinari Koda | Chairman and Director of The Yamaguchi Bank, Ltd. |
| Yumiko Nagasawa | Director of the Yamaguchi Financial Group, Inc. (Outside) |
| Kyoji Hironaka | External expert |

Corporate governance system structure

(As of August 22, 2022)



[Execution of Business]

(1) Group Executive Management Meeting / various committees
 The Group Executive Management Meeting has been established as a decision making body for business execution departments.
 The Group Executive Management Meeting is composed of Directors (excluding outside Directors and Audit & Supervisory Committee Members), Executive Officers (excluding the General Manager of the Audit & Inspection Dept.) and the Presidents of the banks in the Group, and discusses and makes decisions on important matters relating to the management of the Group based on the basic policy, etc., determined by the Board of Directors.
 In addition, various committees (Group Compliance Committee, Group ALM Committee, Group Risk Management Committee, Investment Project Consideration Committee, Sustainability Promotion Committee) have been established for each management themes as bodies for the deliberation of important matters relating to the execution of business.
 (2) Executive Officers
 The Group has introduced the executive officer system, under which the executive officers appointed by resolution of the Board of Directors are assigned the positions of heads of the respective departments (General Managers of the Business Groups, General Managers of the Administration Groups and General Manager of the Audit & Inspection Dept.), and engage in the execution of the designated business.

Policy and process relating to appointment at the Board of Directors

The Board of Directors of the Company ensures balance of the knowledge, experience and ability as required as the Board of Directors as a whole, and diversity in order to effectively fulfill its role and responsibilities, and maintains an appropriate number of members so that the functions of the Board of Directors may be demonstrated most effectively and efficiently in terms of promptness of decision making.
 Based on this basic concept, the Board of Directors nominates those who are familiar with the Company's businesses and have exceptional ability and an abundance of experience as candidates for internal Director, nominates those who have diverse knowledge and backgrounds as candidates for outside Director in order to ensure the independence and objectivity of the Board of Directors, and maintains a number of members of the Board of Directors within 13 members.

Please refer to the skills matrix for skills (experience and expertise) of the Board of Directors as a whole. It should be noted that "Skill items" are reviewed from time to time based on the elements required by governance and society.
 The Nomination Committee has been established as a voluntary advisory body of the Board of Directors for the nomination of candidates for Director, and a system has been put in place in which decisions are made by the Board of Directors based on the details reported from the Nomination Committee.

Qualifications and criteria for determining the independence of independent outside Directors

The Company designates as independent officer all outside officers who meet the qualifications for independent officers.
 The criteria for determining independence determined by the Company is as shown below.
 <Criteria for determining independence>
 In principle, outside Directors of the Company are persons who at present or in the recent past have not fallen under any of the following requirements.
 (1) A person whose major business partner is the Company and its subsidiaries, or in the case of such a person being a corporation, etc., a person who executes business
 (2) A person who is a major business partner of the Company and its subsidiaries, or in the case of such a person being a corporation, etc., a person who executes business
 (3) A consultant, an accounting professional, or legal professional, etc., who receives a large sum of money or other property from the Company and its subsidiaries other than remuneration for officers (in the case of the person receiving such property being a body such as a corporation or organization, etc., a person affiliated with such a body
 (4) A major shareholder of the Company, or in the case of such a person being a corporation, etc., a person who executes business
 (5) A close relative of the following person (excluding those who are not important)
 A. A person who falls under (1) to (4) above
 B. A Director, an Audit and Supervisory Board Member, or an important employee, etc., of the Company and

- its subsidiaries
- (*1) Definition of "large sum": an amount of ¥10 million or more per year on average over the last three years
- (*2) Definition of "recent past": refers to cases that may be regarded as being substantially identical to the present, for example, this includes such cases as when the candidate fell under the condition at the time the content was determined for the proposal for the General Meeting of Shareholders electing him or her as outside Director
- (*3) Definition of "important": an important person refers to the officer and general manager in the case of a person who executes business, and to certified public accountants and lawyers in the case of a person affiliated with an accounting firm or law firm
- (*4) Definition of "close relative": a relative within the second degree of kinship

Evaluation of the effectiveness of the Board of Directors

In regard to the governance of the Company, including the effectiveness of the Board of Directors, as a result of conducting surveys and individual interviews with each Director, and then discussing the results at the Board of Directors, it was found that there were matters to be improved, including information access system to perform the highly effective supervisory function of the Board of Directors of the Company as monitoring board, and effectiveness of the process of the appointment and dismissal of officers. We have formulate improvement measures, including strengthening the support system for execution of director's duties, establishing the information access system, and reviewing the Nomination Committee system and the process of the appointment and dismissal of officers, and we have proceeded the initiatives for the measures.
 As a result of the conduct of the surveys and individual interviews with each Director again in April 2022, and the examination of the governance, it was found that steady improvements have been made through the execution of improvement measures such as the above.

On the other hand, through the examination, we have recognized the issues, including the provision of information towards the further deepening and substantiation of discussions at the Board of Directors, the enhancement of opportunities for communication and gaining knowledge, and the review of the standards for discussion at the Board of Directors (delegation of authority from the Board of Directors to the execution departments), and we have proceeded to discuss to the improvement.

Going forward, we will continue to examine the improvement status of the Company's governance through regular surveys and informal individual interviews, which will lead to improved effectiveness.

Skills Matrix

This does not represent all of the knowledge and experience possessed by each Director, but indicates up to three priority areas where expertise is expected based on his or her experience, etc.

| Classification | Internal Directors | | | | Outside Directors | | | | | | | | | | | | | | |
|-----------------------------------------|------------------------------------|---------------|----------|--------------|----------------------------------------------------|----------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| | Katsuo MUKUNASHI | Narumasa SOGA | Koji ODA | Mitsuru KATO | Susumu FUKUDA | Director, Audit & Supervisory Committee (Internal) | Director (Independent) | Director (Independent) | Director (Independent) | Yumiko NAGASAWA | Director (Independent) | Director (Independent) | Director (Independent) | Tomoko MIYAMOTO | Director, Audit & Supervisory Committee (External) | Kazuo TAKUDA | Director, Audit & Supervisory Committee (External) | Michiaki KUHIMASA | |
| Name | | | | | | | | | | | | | | | | | | | |
| Position | President, Representative Director | Director | Director | Director | Director, Audit & Supervisory Committee (Internal) | Director (Independent) | Director (Independent) | Director (Independent) | Director (Independent) | Director (Independent) | Director (Independent) | Director (Independent) | Director (Independent) | Director (Independent) | Director, Audit & Supervisory Committee (External) | Director, Audit & Supervisory Committee (External) | Director, Audit & Supervisory Committee (External) | Director, Audit & Supervisory Committee (External) | Director, Audit & Supervisory Committee (External) |
| Corporate Governance | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Corporate Strategy | ○ | | | | | | | | | | | | | | | | | | |
| Business Strategy / Regional Innovation | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Market Investment | | ○ | | | | | | | | | | | | | | | | | |
| Human Resource Development | | | | | | | | | | | | | | | | | | | |
| DX / Systems | | | | | | | | | | | | | | | | | | | |
| Compliance / Risk Management | | | | | | | | | | | | | | | | | | | |
| Expected priority areas of expertise | | | | | | | | | | | | | | | | | | | |

Regarding "expected priority areas of expertise"

Categories for Internal Directors have been selected based on priority measures for the YMFG Medium-Term Management Plan 2022, etc. And, categories for outside Directors have been selected with a focus on diverse knowledge, experience, and expertise.

| Category | Priority Measures for the YMFG Medium-Term Management Plan 2022, etc. |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate Governance | <ul style="list-style-type: none"> Establish a Group management structure with a system where the banks proactively engage in business cooperation, clarify the executive authority and responsibilities of the banks, and enable them to demonstrate front-line initiatives. Strengthen the link between the Group's sustainable growth and increase in regional value by promoting sustainable management. Effectively utilize capital as a new growth driver, including by investing in areas that contribute to the expansion of areas of business and improve profitability for the Group. |
| Corporate strategy | <ul style="list-style-type: none"> Strengthen support for corporate rehabilitation and business succession with equity, hands-on and corporate business succession support to assist the local economy in recovering and returning to growth following the COVID-19 pandemic and to improve sustainability. Clearly identify life events that require consulting, and provide sincere financial planning and asset management services to our customers, and provide "easy" and "convenient" services. Revitalize customer touchpoints and provide "easy" and "convenient" services. Achieve both higher quality solutions for customers and efficient branch operation through the slimming of sales branches by expanding centralized processing at the headquarters, making changes to the sales systems, etc. Deepen the understanding of customers by using data analysis, and improve the quality of feasibility studies and financial planning activities. Support business reform including by building digital hubs available for use by regional corporations. Rebuild the securities portfolio with appropriate risk-taking and risk management and convert to a stable profit structure. |
| Business Strategy / Regional Revitalization | <ul style="list-style-type: none"> Jointly create an environment and opportunities for each employee to thrive and grow with good job satisfaction, thereby transforming the organizational culture/beliefs. The Group as a whole is to engage in the "maximization of value provided to our region and customers" and the "creation of new values" in the latest technology, the formation of alliances with DX players, etc. Promote DX across the Group through the development of next-generation financial businesses using the latest technology. Build a compliance system that covers risks of damage to the interests and expectations of customers and local communities. Strengthen the establishment and operation of the BAF management structure using stress tests and scenario analysis. Build a forward-looking credit risk management framework and strengthen the risk management framework of each Group company. |
| Market investment | |
| Human Resource Development | |
| DX / Systems | |
| Compliance / Risk Management | |

Reason for selection as outside officer

| Name of outside Director | Reason for selection as outside Director |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yuzuru Yamamoto | He provides pertinent recommendations toward overall management taking into account local economic conditions, etc., based on his advanced insight and wealth of experience as a corporate manager, having served as President & Representative Director of UBE Corporation and in other executive positions. |
| Yumiko Nagasawa | She possesses a wealth of experience regarding financial instruments such as establishing a citizen group "Foster Forum (Forum for Fostering High-quality Financial Instruments)" after serving at financial institutions, and provides pertinent recommendations toward overall management based on her professional insight as well as the perspective of a citizen. |
| Minako Suematsu | She has offered information on the present conditions of Japan and global trends on a daily basis as Representative Director of Chubu Cement Co., Ltd. She has also advanced her knowledge on digital knowledge online business development, evidenced by matters such as her establishment of an internet-related business, and is actively working to increase the brand value of her hometown, the Setouchi area. She provides pertinent recommendations on the Company's current initiatives to increase the value of regional communities. |
| Tomoko Mikami | She has been engaged in the promotion of digital transformation (DX), utilizing IT as Management Executive Officer of Mizuho Bank, Ltd. She has also been engaged in the DX promotion of local enterprises. She provides pertinent recommendations on the Company's current initiatives to provide DX support to client corporations as well as DX within the Company. |
| Kazuo Tsukuda (Audit & Supervisory Committee Member) | He provides pertinent recommendations toward overall management based on advanced insights and a wealth of experience as a corporate manager (served as President of Mitsubishi Heavy Industries Ltd. and other executive positions). |
| Michiaki Kunimasa (Audit & Supervisory Committee Member) | He provides pertinent recommendations based on a wealth of experience and professional knowledge as a lawyer. |

Support for outside Directors

The Secretariat, which is the administrative office of the Board of Directors, and the Audit & Supervisory Committee Office, which is the secretarial office of the Audit & Supervisory Committee, provide support as appropriate for the execution of duties of outside Directors (including the Audit & Supervisory Committee Members), and endeavor to activate and facilitate cooperation with the execution departments.

In addition to making efforts to secure sufficient explanations to outside Directors and sufficient preparation time for these through the early issuance of notice of convocation of a meeting of the Board of Directors and discussion materials (including regular execution report materials) and the enhancement of prior briefing meetings, we regularly provide study sessions on the financial business and management environment of regional banks, etc., which are necessary areas for Directors of the Company.

Succession plan

The "Group Officer Personnel Guidelines" prescribes the following in regard to the development process for candidates for the Group officers and the monitoring system for development status.

[Development of candidates for the Group officers]

Individual development plans are formulated by the human resource department for candidates for key management personnel that are selected internally, and they are promoted to important positions (General Manager of branch of banks in the Group, General Manager of the division, etc.) at the appropriate time, based on the activity status and performance of each candidate.

A group of human resources holding important positions is designated as the pool of candidates for officer. The President and CEO selects candidates for the Group officers from human resources in the pool of candidates for officer based on each candidate's activity status and performance, recommendation of the Group officer, etc., and then submits the list of candidates to the Nomination Committee.

Promotion to an important positions is determined and executed upon deliberation at internal meetings (personnel promotion meetings), comprising of internal Directors and the human resource department, and the system ensures the objectivity and validity of the promotion.

[Monitoring system for development status]

The activity status and performance of human resources who are candidates for key management personnel and who are in important positions are regularly monitored by the President and CEO, and the human resource department.

The Nomination Committee also considers the development status of candidates for the Group officer to be an important monitoring matter, and has adopted a system to monitor whether the development of candidates for the Group officer is conducted as planned through reporting from the President and CEO as appropriate about the development status to the Nomination Committee and the Board of Directors.

Remuneration for officers

Remuneration decision making process

In regard to the policy for determining the amount of remuneration for Directors (excluding those who are Audit & Supervisory Committee Members) and the calculation method, this is determined by the Board of Directors upon deliberation by the Compensation Committee, which is chaired by an outside Director, within the remuneration limits resolved at the General Meeting of Shareholders.

In addition, the Compensation Committee deliberates on the decision making policy relating to the content of the remuneration, etc., for the Directors of the Company and the banks in the group, and the content of the remuneration, reports the details to the Board of Directors, and aims to improve the objectivity and transparency of the decision making process.

The determination of the amount of performance-linked remuneration for each individual has been delegated to the President and CEO by resolution of the Board of Directors. The President and CEO determines the amount of performance-linked remuneration for Directors within the range of the amount calculated based on the distribution ratio by position for performance-linked remuneration and the evaluation rate as set forth in the report from the Compensation Committee. Basic remuneration is determined for each Director by the Board of Directors based on the report from the Compensation Committee. In addition, in regard to the share-based

List of Officers Officers of Yamaguchi Financial Group, Inc. (as of July 1, 2022)



* Yuzuru Yamamoto, Yumiko Nagasawa, Minako Suematsu, Tomoko Mikami, Kazuo Tsukuda and Michiaki Kunimasa are outside Directors as prescribed in Article 2, Item (iv) of the Companies Act.

remuneration, the number of points to be granted to each Director is calculated based on the Officer Share Delivery Rules that have been prescribed by the Board of Directors based on the report from the Remuneration Committee.

The policies for determining the amount of remuneration, etc., for Directors who are Audit & Supervisory Committee Members, and the calculation method are determined upon consultation by the Audit & Supervisory Committee Members, including outside Directors, within the remuneration limits resolved at the General Meeting of Shareholders.

Remuneration determination policy

The Company and the banks in the Group have established the remuneration plan for officers with the objective of increasing the transparency of the remuneration plan for officers, raising motivation towards contributing to improved performance and increased corporate value, and raising awareness of shareholder-oriented management.

In terms of the specific officer remuneration plan, the composition of officer remuneration, etc., comprises of fixed-amount remuneration, performance-linked remuneration and share-based remuneration (Board Benefit Trust: BBT).

Fixed-amount remuneration

By the resolution of the General Meeting of Shareholders held on June 26, 2015, the maximum amount of the remuneration for Directors (excluding those who are Audit & Supervisory Committee Members) has been set as up to ¥25 million per month (of which, up to ¥2.5 million per month for outside Directors) and up to ¥5 million per month for Directors who are Audit & Supervisory Committee Members.

Performance-linked remuneration

By the resolution of the General Meeting of Shareholders held on June 27, 2017, the maximum limit of the performance-linked bonus remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members, part-time Directors and outside Directors) has been set as up to ¥70 million per year. The total amount of remuneration is determined in consideration of the level of business performance, and the remuneration has a function as a short-term performance-linked remuneration plan.

Board Benefit Trust (BBT)

By the resolution of the General Meeting of Shareholders held on June 27, 2017, the total number of points per fiscal year to be granted to Directors (excluding Directors who are Audit & Supervisory Committee Members, part-time Directors and outside Directors) has been set as up to 80,000 points (one point equals one share of the Yamaguchi Financial Group, Inc.).

By granting points that vary each period depending on the level of achievement of the medium-term management plan that has been formulated by the Company, the trust has a function as a medium- to long-term performance-linked remuneration plan with the objective to align interests with shareholders, to increase incentives for the improvement of business performance and corporate value over the medium to long term.

Total amount of remuneration, etc. for each officer category, total amount, etc. by type of remuneration and number of eligible officers

In the fiscal year ended March 31, 2022

| Category of officer | Number of officers | Total amount of remuneration, etc. (Millions of yen) | Fixed-amount remuneration | Performance-linked remuneration | Non-monetary remuneration, etc. |
|----------------------------------------------------------------------------------------|--------------------|------------------------------------------------------|---------------------------|---------------------------------|---------------------------------|
| Director (excluding Audit & Supervisory Committee Member) (excluding outside Director) | 4 | 115 | 104 | - | 11 |
| Director (Audit & Supervisory Committee Member) (excluding outside Director) | 1 | 28 | 28 | - | - |
| Outside officer | 8 | 40 | 40 | - | - |

*1. The above includes two Directors who are not Audit & Supervisory Committee Member and retired at the conclusion of the Annual General Meeting of Shareholders held on June 25, 2021, and one Director who retired on December 23, 2021.

*2. "Non-monetary remuneration, etc." refers to the amount recorded as expenses during the current fiscal year for the Board Benefit Trust (BBT).

Officers of Momiji Bank, Ltd. (as of July 1, 2022)

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  Director and President Representative Director Koji Oda |  Director, Senior Managing Executive Officer and General Manager of Head Office Sales Department Shigeyuki Amano |
|  Director and Executive Officer Hideyuki Fujimura |  Director and Executive Officer Yoshiro Yasudomi |
|  Director Yoji Ohshimo |  Director, Audit & Supervisory Committee Member (Fulltime) Naoto Tada |
|  Director, Audit & Supervisory Committee Member (Part-time) Tetsuo Yamashita |  Director, Audit & Supervisory Committee Member (Part-time) Masao Nagano |

Managing Executive Officer and General Manager of Fukuyama Branch
 Executive Officer and General Manager of Kato Branch

Hajime Ohshimo
Yuko Ogawa

Executive Officer and General Manager of Kure Sales Department

Akira Wada

* Yoji Ohshimo, Tetsuo Yamashita and Masao Nagano are outside Directors as prescribed in Article 2, Item (v) of the Companies Act.

Officers of The Kitakyushu Bank, Ltd. (as of July 1, 2022)

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  Director and President Representative Director Mitsuru Kato |  Director and Senior Managing Executive Officer, General Manager of Head Office Sales Department and General Manager of Itosu Branch Hiroyuki Nakano |
|  Director and Executive Officer Masahiko Nagamo |  Director Masatoshi Okano |
|  Director, Audit & Supervisory Committee Member (Full-time) Akihisa Uchida |  Director, Audit & Supervisory Committee Member (Part-time) Kazumasa Tatsumi |
|  Director, Audit & Supervisory Committee Member (Part-time) Hayato Morita | |

Executive Officer, General Manager of Yahata Branch, General Manager of Aoi Branch and General Manager of Itokino Branch

Takafumi Uno

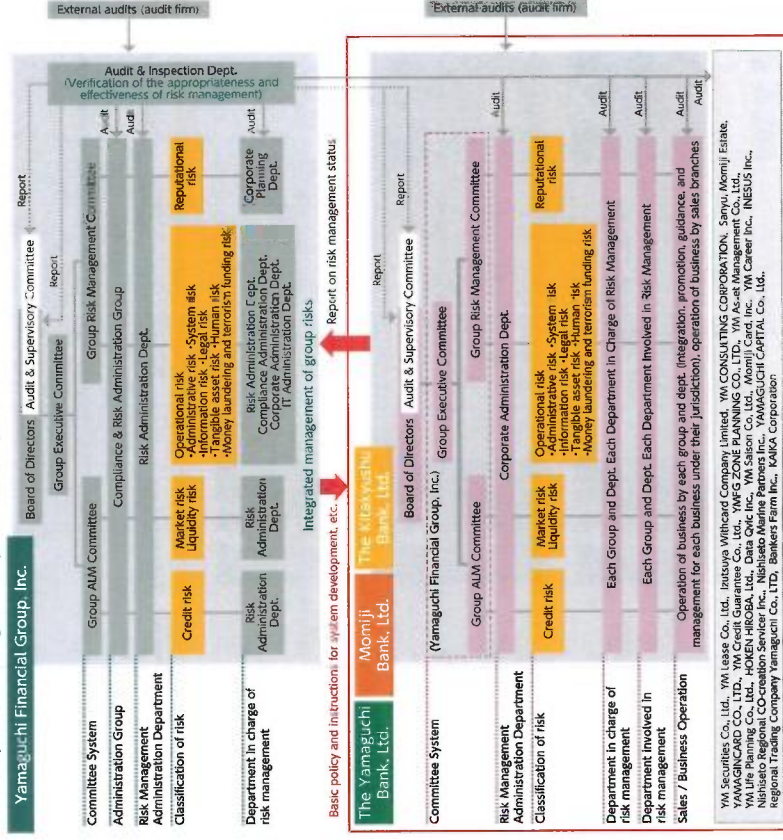
Executive Officer and General Manager of Fukuoka Branch

Hisao Tsubouchi

* Masatoshi Okano, Kazumasa Tatsumi and Hayato Morita are outside Directors as prescribed in Article 2, Item (v) of the Companies Act.

Risk Management System

The Group's risk management system (as of July 1, 2022)



The Group operates its businesses while facing various risks, including credit risk, market risk, liquidity risk, etc., and these risks become more diversified and complex along with changes in the economy, society and financial environment. Based on such circumstances, the Group regards the enhancement of the risk management system as one of its important issues, and endeavor to maintain and improve soundness.

The Group has established the "Risk Management Rules," which clarify the basic policy for risk management. The Group has established an organizational structure in which there is departments in charge of risk management for each risk, a risk management control department, and the "Group ALM Committee," the "Group Risk Management Committee" and the "Group Executive Management Meeting" that conduct management level deliberations, and promote the sophistication and strengthening of risk management by measuring risk amount with a uniform method and allocating and managing capital depending on risk amounts (integrated risk management), etc.

In addition, the Group applies the system that each department in charge of risk management of the Company ascertains risk management conditions in the whole Group and manage comprehensively in preparation for a ripple effect of risk within the Group. The Audit and Inspection Dept., which is independent of the operation on departments, conducts internal audits to verify the appropriateness and effectiveness of each risk management condition in the Group, and promotes the improvements.

Internal audits

Basic policy of internal audits

The Group defines an internal audit as a series of processes for verifying the appropriateness and effectiveness of internal controls, including risk management, objectively and fairly and making recommendations for necessary improvements.

Based on this definition, the Company has established "Internal Audit Rules" as the Group's basic audit policy, and the internal audit departments of the Company and each Group company conduct internal audits in accordance with this basic policy.

In addition, the medium-term internal audit plan based on the management policy and internal and external conditions as a uniform plan for the Group. The internal audit departments of the Company and each Group company endeavor to ensure the effectiveness of internal audits through the conduct of internal audits based on this plan.

Internal audit operation system

The Audit & Inspection Dept., the internal audit department of the Company, leads the planning and drafting of group-wide internal audits, and in addition to conducting internal audits, ascertains and manages the implementation status of internal audits at each Group company.

Specifically, it formulates the various rules concerning the internal audits of the Group and the medium-term internal audit plan mentioned earlier, conducts internal audits on the compliance administration departments, the risk management departments, etc., of the Group, and conducts internal audits on the accuracy of financial reports, including the accuracy of the Group's capital adequacy ratio.

Internal audits of front-line sales sites, outlets are conducted with a focus on verifying the status of functions of compliance and risk management and the effectiveness of the mutual checks.

In addition, it monitors the internal audit department of each Group company based on the reporting on the internal audit results and improvement status, etc., received from each Group company, gives necessary guidance and advice to each Group company, and reports the status of internal audits of the Group to the Board of Directors and the Audit & Supervisory Committee.

Timely information disclosure system

The Company has established "Internal Control Rules," and endeavors to develop a system for the timely information disclosure for the building of an internal control system.

In the "Timely Information Disclosure Standards" based on the "Internal Control Rules," the following basic policy is prescribed, and pursuant to this policy, in regard to the disclosure of important corporate information and investment information, the Company aims to address timely and appropriate in accordance with the Banking Act, the Financial Instruments and Exchange Act, the rules of financial instruments exchange, other relevant laws and regulations, etc., after reporting to and consulting with the management team.

Basic policy

- (1) The Group shall disclose important corporate information so that customers, shareholders, investors, etc., are able to accurately ascertain and determine the actual situation of the Group.
- (2) The Group discloses important investment information so that investors, etc., are able to accurately ascertain and determine the investment status of the Group.
- (3) The disclosure of important corporate information and investment information is made in a timely and appropriate manner, in accordance with the Banking Act, the Financial Instruments and Exchange Act, the rules of financial instruments exchange, other relevant laws and regulations, etc.
- (4) In order to disclose important corporate information and investment information in a timely and appropriate manner, the Group develops and enhances the systems of the Company and subsidiaries that have entered into business outsourcing agreements with the Company.

○ Credit risk management

Credit risk is the risk of a decline or the destruction in the value of assets held as a result of a deterioration in the financial condition of customers granted credit, etc. In the case of a credit risk occurring, as this may have a significant impact on the soundness of bank management, particularly strict risk management is conducted on loans that has most of the credit risk.

The Group endeavors to ascertain the actual status of the customers and to conduct accurate credit risk assessments through the appropriate operation of the credit rating system, and to improve the accuracy of creditworthiness evaluations by reviewing credit ratings appropriately from time to time upon the issuance of financial statements and the occurrence of changes in the credit standing of the customers.

Self-assessment is strictly conducted by the banks in the Group based on unified standards, write-offs and provision of allowance are performed appropriately based on the results of the self-assessment. In regard to its validity, the content is verified by the department in charge of verification, the internal audit is conducted by the department in charge of audit with maintaining its independence, and the external audit is also conducted by an auditing firm.

In addition, for the screening of individual cases, the Group has introduced a screening system that corresponds to the size and characteristics of the banks in the Group, provides detailed support and optimal solutions that take into consideration the business characteristics, etc., of the customers. In terms of portfolio management, based on credit risk quantification, the Group conducts risk status analysis for each credit rating, industry and district, and endeavors to make risk management more sophisticated.

In regard to the response to the new BIS regulations that were introduced at the end of March 2007 (new regulations for capital adequacy requirements), the Company, The Yamaguchi Bank, Ltd. and Womiji Bank, Ltd. have applied the basic internal rating measures from the second half of the fiscal year ended March 31, 2013, and The Kitakyushu Bank, Ltd. has applied such measures from the fiscal year ended March 31, 2017.

For companies with management issues, the Customers' Business Potentials Evaluation Dept., which has been established in the banks in the Group, takes the leading role in responding to this, where it examines management improvement measures, and provides support for the preparation and execution of reconstruction plans, in partnership with sales branches and external specialist organizations, and endeavors to work on initiatives to improve rating and to prevent downgrades.

○ Market risk management

Market risk is the risk of incurring loss due to fluctuations in asset and liability values caused by changes in various market risk factors, including interest, the price of securities, etc., and foreign exchange rates.

The Group constructs a management process for market risk, identifies inherent market risk, and conducts quantitative measurements, in addition, in order to control market risk to tolerable levels, the Group has introduced the Asset and Liability Management (ALM) system, and it regularly hold meetings of the Group ALM Committee, and takes measures in accordance with the situation.

In addition, in regard to the status of market risk, the Group conducts regular evaluations, and conduct verifications of the appropriateness, etc., of risk control.

○ Liquidity risk management

Liquidity risk is the risk, etc., of incurring loss due to being forced to raise funds at a much higher interest rate than normal to secure funds in the case that due to a deterioration in a bank's financial condition, etc., the necessary funds may not be secured, and the bank runs out of cash to run its operations.

As the majority of the Group's fund raising is performed through deposits, fund management is conducted based on precise forecasts under the stable funding base, and the Group mainly manages funds through fund controls in the financial markets.

In the fund management, the Group takes all possible measures to manage liquidity risk, including the suppression of liquidity risk, the securing of stability, and the preparation of highly liquid assets in case of unpredictable events, etc.

○ Operational risk management

Operational risks are defined as risks that the Group suffers loss due to the occurrence of problematic events in business operations. They include internal fraud, external fraud, inappropriate responses in the working environment (acts that conflict with laws and regulations, etc.), inappropriate responses in transactions with customers (violations of obligations, problems in product design, etc.), natural disasters, accidents, system failures, relationships with business partners, inappropriate transaction processing, and inadequate process

management, etc. The Group manages the operational risks by classifying into seven types: (1) administrative risk, (2) system risk, (3) information risk, (4) legal risk, (5) tangible assets risk, (6) human risk and (7) money laundering and terrorist financing risk, and manage them.

The Group has established the "Operation Risk Management Standards," which prescribe the basic matters concerning operational risk management, based on the "Risk Management Rules," that prescribe the basic policy for risk management in general, in order to appropriately manage operational risks. The department in charge of overseeing operational risk management centrally ascertains and manages operational risks, and each department in charge of risk management manages each risk from a technical standpoint.

"Administrative risk" is the risk of incurring loss as a result of negligence in the performance of accurate administrative work, or due to the occurrence of an accident or fraud. The Group has prescribed its basic policy for administrative risk management in the "Risk Management Rules," and conducts appropriate risk management towards the reduction of administrative risk.

"System risk" is the risk of incurring loss due to system failures, including a computer system outage or malfunction, a cyber security incident, or the unauthorized use of computers, etc. The Group has prescribed its basic policy for system risk management in the "Risk Management Rules," and has established the "Information Asset Management Rules," which prescribe the basic matters, etc., relating to the protection and use of information systems, and the Group conducts appropriate system risk management.

"Information risk" is the risk of incurring loss due to the leaking, loss, tampering, or inappropriate handling, etc., of information. The Group has prescribed its basic policy for information management in the "Risk Management Rules," and has established the "Information Asset Management Rules," which prescribe the basic matters, etc., relating to the protection and use of information systems, and the Group conducts appropriate information management.

"Legal risk" is the risk of incurring loss due to an incomplete legal relationship in a transaction, etc., or due to an inadequate response to an amendment, etc., of a law and regulations. The Group has prescribed its basic policy for legal risk management in the "Risk Management Rules," performs legal checks and works with specialists towards the mitigation of legal risk, and conducts appropriate risk management.

"Tangible assets risk" is the risk of incurring loss due to damage to tangible assets or a deterioration in the quality of the work environment, etc., that occurs as a result of fire, crime, or defect in asset management, etc. The Group has clarified the department in charge of management in the "Operational Risk Management Standards" based on the "Risk Management Rules," and conducts appropriate risk management in response to the wide ranging risks that surround tangible assets.

"Human risk" is the risk of incurring tangible and intangible loss due to an inappropriate employment, workplace, or safety environment, the insufficient development of human resources, or traffic accident, etc. The Group has clarified the department in charge of management in the "Operational Risk Management Standards" based on the "Risk Management Rules," and conducts appropriate risk management in accordance with the characteristics of the risk.

"Money laundering and terrorism financing risk" is the risk that the Group suffer loss, including risks deteriorating the Group's credibility domestically and internationally by damaging society, in addition to risks negatively affecting business operation due to imposition of the immense amount of financial penalty, cancellation of correspondent contract, etc., when there are insufficient countermeasures against money laundering and the provision of funds for terrorist activities.

The Group has prescribed its basic policy for money laundering and terrorism funding risk management in the "Risk Management Rules," has established the "Money Laundering, etc., Prevention Standards," and conducts appropriate money laundering and terrorism funding risk management with a risk-based approach.

Towards preventing the occurrence of a risk and minimizing the impact in the case of a risk occurring, the Group ascertains the distribution of the operational risks that are inherent to its products, businesses, processes and systems, internal department evaluations are conducted by each department in charge of management, and efforts are made towards risk and control self-assessment (CSA), which involves the improvement of risk management independently, and furthermore, the Group endeavors to establish a PDCA cycle to improve the effectiveness of risk management.

Furthermore, as a means for identifying risks and taking countermeasures, the Group establishes a reporting system for operational risk information, collects information and reports to the management level, and endeavors to make risk management more sophisticated, such as control, transfer and avoidance of risks through countermeasures to prevent recurrence based on factor analysis.

○ Reputational risk management

Reputational risk is the risk of incurring loss due to the occurrence of reputation about the Group's management in the market, etc.

The Group constructs a system for the early ascertaining of information relating to reputation, and endeavors to minimize risk by prescribing prevention measures in the case of occurrence of reputation, including information disclosure, and emergency backup measures in the case of a concern of risk occurrence.

Compliance System

Policy for compliance initiatives

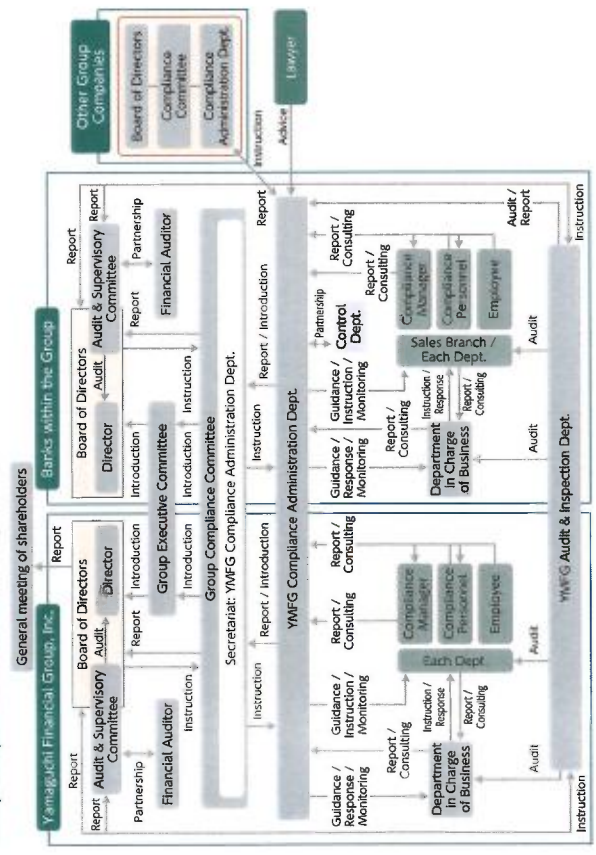
The Group shares a common understanding of its responsibilities to fulfill its public mission and corporate social responsibilities as a financial group. Accordingly, we accord topmost management priority to thorough compliance, take the seriousness of effective compliance and consider earning the trust of a broad-based society as the basic policy.

Compliance system

To ensure appropriate compliance, the Group has established the Compliance Administration Dept., and conducts the development of compliance-related system and training for officers and employees. The Compliance Administration Dept. liaises with the compliance management department of each Group company, and centrally manages compliance matters throughout the Group.

In addition, the Group has established the Group Compliance Committee. It also formulates compliance programs for each fiscal year, which equate to specific execution plans, and monitors the status of program implementation.

Group compliance structure (as of July 1, 2022)



Whistleblowing system

In order to prevent scandals caused by compliance violations and harassment, etc., to detect risks at an early stage, and to strengthen the self-cleaning function as a company, the Group has established a Group-wide whistleblowing help desk.

In addition, for cases of compliance-related concerns and issues including acts that may be connected to a violation of internal rules and social rules, harassment, etc., we have established the "Any Compliance Issue Help Desk", which receive a broad range of consultations and questions, and have developed a system to receive reports and consultations broadly.

Basic policy on responding to antisocial forces

The Group fully recognizes the importance of social responsibility and public mission, and in order to ensure the sound performance of business operations, based on the following basic policy, promotes efforts to cut off all relationships with antisocial forces.

1. We respond as an organization to unreasonable demands that are made by antisocial forces, and resolutely reject such demands. In addition, we take legal measures from both civil and criminal perspectives.
2. In preparation for unreasonable demands from antisocial forces, we always work to strengthen our close cooperation with the police, the Center for the Elimination of Violence, the Corporate Defense Council, and Lawyer, etc.
3. We do not provide funds to antisocial forces.

"Financial Instruments Solicitation Policy"

Financial Instruments Solicitation Policy

The banks in the Group comply with the following matters, and solicit financial instruments for customers appropriately.

- (1) We recommend financial instruments that are appropriate in consideration of the customer's investment objective, knowledge, experience and asset standing.
- (2) In order to ensure that customers select and buy financial instruments at their own judgment, we endeavor to explain important matters, including the product content and risks.
- (3) We always pay close attention to soliciting in a sincere and fair manner, and in the case of anything that is uncertain, we do not provide fragmentary judgments, intentionally misrepresent the facts, or conduct misleading solicitation.
- (4) In the case of solicitation made by telephone or in person, we always take care to ensure that the time and location do not cause inconvenience for the customer.
- (5) We always endeavor to gain extensive product knowledge so that we can meet the trust and expectations of customers.

* We also comply with the solicitation policy described above in relation to the "Operational Management of Corporate Pensions in Relation to Investment Method Selection and Presentation to Members, Etc.", and the "Designation of Changing of Investment Management Organization for Personal Pensions" under the Defined Contribution Pension Act.

Handling of personal information

The Group complies with relevant laws and regulations, including the Act on the Protection of Personal Information and the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures, in order to ensure the accuracy and confidentiality of information, as well as safety, the Group has established a department in charge of information management, provides education for officers and employees on an ongoing basis, and endeavors to improve its effectiveness.

In addition, we have formulated and published the "Personal Information Protection Policy," concerning the appropriate protection and use of personal information.

Financial alternative dispute resolution (ADR) system

In order to resolve complaints and disputes that are filed by customers in a fair and neutral manner, the banks in the Group have entered into a master agreement on the performance of procedures with the following designated dispute resolution organization.

Contracted designated dispute resolution organization under the Banking Act

Japanese Bankers Association
 Contact Information : JBA Customer Relations Center
 Telephone : 0570-017109 or 03-5252-3772

YMFG Business Situation

Summary of Business Results

■ The Regional Economy

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

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

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

■ YMFG Performance

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

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

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

society.

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

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

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

■ Financial Results

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

Comprehensive income decreased ¥92,869 million

| | |
|--------------------------------------------|-----|
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Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

March 31, 2022 and 2021

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) | |
|-----------------------------------------------------------------|--------------------|--------------------|------------------------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash and due from banks (Notes 3, 4 and 9) | ¥2,175,914 | ¥1,807,659 | \$1,778,528 | \$1,478,528 |
| Call loans and bills purchased (Note 4) | 31,713 | 9,189 | 25,914 | 7,473 |
| Monetary claims bought | 5,443 | 4,556 | 4,473 | 4,473 |
| Trading assets (Notes 4 and 6) | 3,101 | 1,981 | 2,537 | 1,661 |
| Money held in trust (Notes 4 and 6) | 35,060 | 35,093 | 28,461 | 28,461 |
| Securities (Notes 4, 5, 6 and 9) | 1,354,034 | 1,285,562 | 1,063,273 | 1,013,273 |
| Loans and bills discounted (Notes 4, 7 and 8) | 8,143,997 | 7,894,126 | 6,541,360 | 6,341,360 |
| Foreign exchanges | 30,041 | 22,408 | 24,545 | 18,453 |
| Lease receivables and investment assets | 19,699 | 20,320 | 16,095 | 16,695 |
| Other assets (Notes 4, 6 and 9) | 288,263 | 285,229 | 2,355,282 | 2,355,282 |
| Tangible fixed assets (Notes 10, 11, 15 and 20) | 83,133 | 88,790 | 679,247 | 729,247 |
| Intangible fixed assets (Note 20) | 6,991 | 9,797 | 57,121 | 82,121 |
| Net defined benefit asset (Note 14) | 32,728 | 59,607 | 267,407 | 517,407 |
| Deferred tax assets (Note 21) | 3,513 | 3,254 | 28,703 | 27,703 |
| Customers' liabilities for acceptances and guarantees (Note 16) | 50,382 | 39,495 | 411,651 | 341,651 |
| Allowance for loan losses | (81,349) | (73,344) | (664,670) | (664,670) |
| Total assets | ¥12,182,663 | ¥11,993,722 | \$9,539,693 | \$9,539,693 |

LIABILITIES AND NET ASSETS

| LIABILITIES | Millions of yen | | Thousands of U.S. dollars (Note 1) | |
|-----------------------------------------------------------------|--------------------|--------------------|------------------------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Deposits (Notes 4 and 9) | ¥10,334,558 | ¥10,011,575 | \$8,439,562 | \$8,439,562 |
| Call money and bills sold (Notes 4 and 9) | 78,078 | 167,152 | 63,944 | 137,944 |
| Payables under securities lending transactions (Notes 4 and 9) | 314,959 | 326,415 | 2,573,405 | 2,573,405 |
| Trading liabilities (Notes 4 and 6) | 1,380 | 749 | 1,127 | 627 |
| Borrowed money (Notes 4, 9 and 13) | 626,546 | 638,353 | 5,119,258 | 5,119,258 |
| Foreign exchanges | 172 | 194 | 1,405 | 1,405 |
| Corporate bonds | 20,000 | 20,000 | 163,412 | 163,412 |
| Other liabilities (Notes 4 and 6) | 102,982 | 89,658 | 841,427 | 741,427 |
| Provision for bonuses | 2,878 | 2,852 | 23,515 | 23,515 |
| Net defined benefit liability (Note 14) | 2,652 | 2,789 | 21,668 | 22,668 |
| Provision for directors' retirement benefits | 287 | 294 | 2,345 | 2,345 |
| Provision for loss on interest repayments | 19 | 43 | 155 | 155 |
| Provision for reimbursement of deposits | 531 | 709 | 4,339 | 5,839 |
| Provision for customers point services | 83 | 70 | 678 | 578 |
| Provision for directors' stock benefits | 489 | 434 | 3,995 | 3,595 |
| Reserves under special laws | 17 | 17 | 139 | 139 |
| Deferred tax liabilities (Note 21) | 1,422 | 1,499 | 11,619 | 12,119 |
| Deferred tax liabilities for land revaluation (Notes 15 and 21) | 8,883 | 10,285 | 72,579 | 82,579 |
| Acceptances and guarantees (Note 16) | 50,382 | 39,495 | 411,651 | 341,651 |
| Total liabilities | 11,546,318 | 11,312,583 | 9,340,371 | 9,140,371 |
| Capital stock | 50,000 | 50,000 | 408,530 | 408,530 |
| Capital surplus | 58,648 | 58,655 | 479,189 | 479,189 |
| Retained earnings | 511,253 | 528,086 | 4,177,245 | 4,377,245 |
| Treasury stock | (25,045) | (16,649) | (204,632) | (134,632) |
| Total shareholders' equity | 594,856 | 618,092 | 4,860,332 | 4,860,332 |
| Unrealized gains on available-for-sale securities (Note 6) | 8,172 | 19,477 | 66,770 | 157,770 |
| Deferred gains (losses) on hedges | 4,749 | 1,480 | 38,802 | 12,802 |
| Revaluation reserve for land (Note 15) | 20,001 | 23,192 | 163,420 | 183,420 |
| Remeasurements of defined benefit plans | 2,102 | 12,553 | 17,175 | 101,175 |
| Total accumulated other comprehensive income | 35,024 | 56,702 | 286,167 | 366,167 |
| Stock options (Note 24) | 82 | 117 | 670 | 970 |
| Non-controlling interests | 6,383 | 6,228 | 52,153 | 51,153 |
| Total net assets | 636,345 | 681,139 | 5,199,322 | 5,399,322 |
| Total liabilities and net assets | ¥12,182,663 | ¥11,993,722 | \$9,539,693 | \$9,539,693 |

See accompanying notes.

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

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

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

year on year, to ¥(31.336) million. This decrease was due primarily to a decrease of ¥37.886 million in net income (loss), ¥25,026 million in remeasurements of defined benefit plans, and ¥21,089 million in unrealized gains (losses) on available-for-sale securities.

Deposits amounted to ¥10,334.6 billion, up ¥323.0 billion, due to efforts to enhance products and services to meet increasingly diverse customer needs, as well as to steady progress in developing sales rooted in the region. Loans and bills discounted increased ¥249.9 billion, to ¥8,144.0 billion as of March 31, 2022, due to the Group's efforts to fulfill its role as a regional financial institution through its function as a financial intermediary and aggressive efforts to meet demand from business partners with whom the Group has developed trust-based relationships.

The Group's holdings of securities came to ¥1,354.0 billion at year-end, down ¥431.5 billion. This change is due to the portfolio restructuring to promote a shift to a stable profit structure in terms of the management of securities by reducing mainly foreign bonds and equity investment trusts with unrealized losses. Total assets amounted to ¥12,182.7 billion at fiscal year-end, up ¥188.9 billion from one year earlier. This

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

| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Thousands of U.S. dollars |
|---------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|---------------------------|
| | 2022 | 2021 | 2020 | 2019 | 2022 |
| Consolidated total income | 156,292 | 185,505 | 175,423 | 162,593 | 1,276,992 |
| Consolidated net income (loss) attributable to owners of the parent | (13,005) | 24,958 | 25,391 | 23,149 | (106,267) |
| Consolidated comprehensive income | (31,336) | 61,533 | (25,204) | 652 | (256,034) |
| Consolidated total net assets | 636,345 | 681,139 | 630,245 | 660,958 | 5,199,322 |
| Net assets per share | 12,182,663 | 11,993,722 | 10,605,416 | 10,304,140 | 98,539,693 |
| Current term net income (loss) per share | 2,652.26 | 2,729.94 | 2,458.73 | 2,560.74 | 21.67 |
| Current term net income per share (diluted)* | (53.29) | 99.63 | 100.07 | 94.65 | (0.44) |
| Capital ratio* | — | 99.59 | 93.86 | 83.27 | — |
| Earnings on equity - Increase | 12.65% | 13.43% | 12.62% | 13.62% | — |
| Group price earnings ratio** | (1.99%) | 3.84% | 3.97% | 3.53% | — |
| Group price earnings ratio*** | — times | 7.38 times | 6.11 times | 9.91 times | — |

* U.S. dollar amounts have been translated for convenience only, at the rate of ¥122.89 = US\$1.00 as of March 31, 2022.

** VAFS calculated its capital ratio including non-controlling interests (as of March 31).

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

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) | |
|------------------------------------------------------------------|------------------|----------------|------------------------------------|----------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income (Note 26) | | | | |
| Interest income: | | | | |
| Interest on loans and discounts | ¥67,497 | ¥69,188 | \$51,491 | \$55,191 |
| Interest and dividends on securities | 22,547 | 37,395 | 184,223 | 184,223 |
| Other interest income | 2,196 | 849 | 1,794 | 672 |
| Trust fees | 0 | 0 | 0 | 0 |
| Fees and commissions | 26,570 | 25,389 | 21,093 | 21,093 |
| Trading income | 1,752 | 1,925 | 1,431 | 1,431 |
| Other operating income | 20,108 | 27,095 | 164,294 | 164,294 |
| Recoveries of written-off claims | 10 | 9 | 8 | 8 |
| Compensation for branch relocation | — | 2 | — | 2 |
| Total Income | 156,112 | 236,553 | 127,551 | 127,551 |
| Expenses | 156,292 | 185,905 | 1,276,992 | 1,276,992 |
| Interest expense: | | | | |
| Interest on deposits | 1,594 | 2,274 | 13,024 | 13,024 |
| Interest on borrowings and rediscounts | 747 | 945 | 6,103 | 6,103 |
| Interest on bonds payable | 158 | 81 | 1,291 | 1,291 |
| Other interest expense | 2,966 | 2,546 | 24,234 | 24,234 |
| Fees and commissions | 9,561 | 9,577 | 78,119 | 78,119 |
| Other operating expenses | 47,786 | 50,895 | 390,440 | 390,440 |
| General and administrative expenses (Notes 18 and 24) | 60,562 | 64,541 | 494,828 | 494,828 |
| Impairment losses (Note 12) | 5,631 | 381 | 46,009 | 46,009 |
| Other expenses (Note 19) | 32,790 | 17,470 | 267,915 | 267,915 |
| Total expenses | 161,795 | 148,710 | 1,321,963 | 1,321,963 |
| Income (loss) before income taxes | (5,683) | 86,843 | (44,971) | (44,971) |
| Income taxes (Note 21): | | | | |
| Current | 941 | 11,655 | 7,689 | 7,689 |
| Deferred | 6,432 | 1,300 | 52,553 | 52,553 |
| Net income (loss) | (12,876) | 25,010 | (105,213) | (105,213) |
| Net income attributable to non-controlling interests | 129 | 52 | 1,054 | 1,054 |
| Net income (loss) attributable to owners of the parent | ¥(13,005) | ¥24,958 | \$ (106,267) | \$ (104,144) |
| Amounts per share of common stock | | | | |
| Net income (loss) attributable to owners of the parent (Note 30) | Yen 2022 | Yen 2021 | U.S. dollars (Note 1) 2022 | U.S. dollars (Note 1) 2021 |
| | ¥(53.29) | ¥99.63 | \$ (0.44) | \$ (0.44) |

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) | |
|----------------------------------------------------------------|------------------|----------------|------------------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (loss) | ¥(12,876) | ¥25,010 | \$ (105,213) | \$ (105,213) |
| Other comprehensive income (Note 27) | (18,460) | 36,523 | (150,821) | (150,821) |
| Unrealized gains (losses) on available-for-sale securities | (11,278) | 9,811 | (92,140) | (92,140) |
| Deferred gains (losses) on hedges | 3,269 | 12,137 | 26,710 | 26,710 |
| Remeasurements of defined benefit plans | (10,451) | 14,575 | (85,391) | (85,391) |
| Comprehensive income (Note 27) | ¥(31,336) | ¥61,536 | \$ (256,034) | \$ (256,034) |
| Comprehensive income attributable to owners of the parent | (31,493) | 61,459 | (257,317) | (257,317) |
| Comprehensive income attributable to non-controlling interests | 157 | 74 | 1,283 | 1,283 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2022 and 2021

| | Shareholders' Equity | | | | | | Accumulated other comprehensive income | | | | | | Total U.S. dollars | |
|------------------------------------------------------|----------------------|----------------------------|-------------------|----------------------------------------|--------------|----------------------------|----------------------------------------|----------------------------------------|-----------------------------------------------|----------------------------|-------------------|----------------------------------------|--------------------|--------------------|
| | Capital Stock | | Retained Earnings | | Total | | Shareholders' Equity | | Deferred tax on available-for-sale securities | | Total | | | Total U.S. dollars |
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | | |
| Balance at March 31, 2020 | ¥50,000 | ¥8,656 | ¥80,212 | ¥14,331 | ¥69,547 | ¥69,547 | ¥10,451 | ¥34,455 | ¥10,451 | ¥1,165 | ¥1,165 | ¥127 | ¥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 | | | (1) | | (1) | | | | | | | | (1) | |
| Disposal of treasury stock for land | | | 1,263 | | 1,263 | | | | | | | | 1,263 | |
| Net changes of items other than shareholders' equity | | | | | | | | | | | | | | |
| Total changes of items during the year | | | 19,610 | | 19,610 | | | | | | | | 19,610 | |
| Balance at March 31, 2021 | ¥50,000 | ¥8,655 | ¥99,822 | ¥14,331 | ¥69,547 | ¥69,547 | ¥10,451 | ¥34,455 | ¥10,451 | ¥1,165 | ¥1,165 | ¥127 | ¥649,855 | |
| Cumulative effects of changes in accounting policies | | | | | | | | | | | | | | |
| Restated balance | 50,000 | 8,655 | 52,746 | (18,649) | 61,752 | 61,752 | 13,477 | 19,477 | 13,477 | 12,553 | 12,553 | 117 | 608,819 | |
| Changes of items during the year | | | | | | | | | | | | | | |
| Dividend paid | | | (6,698) | | (6,698) | | | | | | | | (6,698) | |
| Net loss attributable to owners of the parent | | | (13,005) | | (13,005) | | | | | | | | (13,005) | |
| Purchase of treasury stock | | | | | | | | | | | | | | |
| Disposal of treasury stock for land | | | | | | | | | | | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | | | | | | | |
| Total changes of items during the year | | | (13,005) | | (13,005) | | | | | | | | (13,005) | |
| Balance at March 31, 2022 | ¥50,000 | ¥8,654 | ¥86,817 | ¥14,331 | ¥66,512 | ¥66,512 | ¥13,477 | ¥34,455 | ¥13,477 | ¥12,553 | ¥12,553 | ¥117 | ¥635,814 | |

Thousands of U.S. dollars (Note 1)

| | Shareholders' Equity | | | | | | Accumulated other comprehensive income | | | | | | Total U.S. dollars | |
|------------------------------------------------------|----------------------|----------------------------|-------------------|----------------------------------------|--------------|----------------------------|----------------------------------------|----------------------------------------|-----------------------------------------------|----------------------------|-------------------|----------------------------------------|--------------------|--------------------|
| | Capital Stock | | Retained Earnings | | Total | | Shareholders' Equity | | Deferred tax on available-for-sale securities | | Total | | | Total U.S. dollars |
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | | |
| Balance at March 31, 2021 | ¥48,630 | ¥49,347 | ¥43,347 | ¥1,051,184 | ¥519,139 | ¥519,139 | ¥12,952 | ¥183,491 | ¥12,952 | ¥483,289 | ¥483,289 | ¥964 | ¥5,563,324 | |
| Cumulative effects of changes in accounting policies | | | | | | | | | | | | | | |
| Restated balance | 48,630 | 49,347 | 43,126 | (162,374) | 5,047,279 | 5,047,279 | 159,139 | 12,952 | 159,139 | 102,566 | 483,289 | 964 | 5,563,324 | |
| Changes of items during the year | | | | | | | | | | | | | | |
| Dividend paid | | | | | | | | | | | | | | |
| Net loss attributable to owners of the parent | | | (106,367) | | (106,367) | | | | | | | | (106,367) | |
| Purchase of treasury stock | | | | | | | | | | | | | | |
| Disposal of treasury stock for land | | | | | | | | | | | | | | |
| Reversal of revaluation reserve | | | 26,073 | | 26,073 | | | | | | | | 26,073 | |
| Net changes of items other than shareholders' equity | | | | | | | | | | | | | | |
| Total changes of items during the year | | | (79,294) | | (79,294) | | | | | | | | (79,294) | |
| Balance at March 31, 2022 | ¥48,630 | ¥49,346 | ¥43,126 | ¥1,051,184 | ¥5,047,279 | ¥5,047,279 | ¥159,139 | ¥12,952 | ¥159,139 | ¥102,566 | ¥483,289 | ¥964 | ¥5,563,324 | |

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2022 and 2021

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2022 and 2021

| | Millions of yen 2022 | Millions of yen 2021 | Thousands of U.S. dollars (Note 1) 2022 |
|-----------------------------------------------------------------------|-------------------------|-------------------------|-----------------------------------------------|
| Cash flows from operating activities: | | | |
| Income (loss) before income taxes | ¥6,503 | ¥36,795 | ¥(44,971) |
| Depreciation | 5,401 | 5,787 | 44,129 |
| Impairment losses | 5,631 | 381 | 46,009 |
| Amortization of goodwill | 400 | 378 | 3,268 |
| Equity in earnings of affiliates | 5 | 7 | 41 |
| Net change in allowance for loan losses | 8,005 | 7,542 | 65,406 |
| Net change in provision for bonuses | 26 | 87 | 212 |
| Net change in defined benefit asset | 26,879 | (24,565) | 219,618 |
| Net change in defined benefit liability | (137) | (1,141) | (1,119) |
| Net change in provision for directors' retirement benefits | (7) | (0) | (57) |
| Net change in provision for directors' stock benefits | 54 | 45 | 441 |
| Net change in provision for loss on interest repayments | (24) | 33 | (196) |
| Net change in provision for reimbursement of deposits | (178) | (321) | (1,454) |
| Net change in provision for customers point services | 13 | 0 | 106 |
| Increase (decrease) in reserves under special laws | 0 | (11) | 0 |
| Interest income | (92,239) | (107,432) | (753,648) |
| Interest expenses | 5,465 | 5,846 | 44,652 |
| Net gains related to securities transactions | 34,738 | 8,440 | 283,830 |
| Net losses (gains) from money held in trust | (245) | 3,680 | (2,002) |
| Net exchange losses (gains) | (18,785) | (9,935) | (153,485) |
| Net losses (gains) from disposition of fixed assets | 90 | (733) | 735 |
| Net change in trading assets | (1,120) | (439) | (9,151) |
| Net change in trading liabilities | 631 | 6 | 5,156 |
| Net change in loans and bills discounted | (249,871) | (241,500) | (2,041,597) |
| Net change in deposits | 323,940 | 606,731 | 2,646,785 |
| Net change in negotiable certificates of deposits | (956) | (115,091) | (7,811) |
| Net change in borrowed money excluding subordinated loans | (11,806) | 610,354 | (96,462) |
| Net change in deposits with bank | 3,392 | (487) | 27,715 |
| Net change in call loans and bills purchased | (23,412) | (7,170) | (191,290) |
| Net change in cash money and bills sold | (89,074) | 75,160 | (727,788) |
| Net change in payables under securities lending transactions | (1,456) | 1,649 | (63,602) |
| Net change in foreign exchanges (asset account) | (7,633) | (1,715) | (62,366) |
| Net change in foreign exchanges (liability account) | 622 | (3) | (180) |
| Net change in lease receivables and investment assets | (558) | (558) | 5,082 |
| Losses (gains) on cancellation of retirement benefit trusts (Note 14) | (9,094) | — | (74,303) |
| Loss (gain) on revision of retirement benefit plan | 1,241 | — | 10,140 |
| Interest received | 81,234 | 92,401 | 663,731 |
| Other, net | (5,614) | (6,668) | (45,870) |
| Income taxes paid | (40,474) | 48,672 | (330,672) |
| Subtotal | (69,883) | 1,133,526 | (570,968) |
| Income taxes refunds | (9,095) | (1,427) | (74,312) |
| Net cash provided by (used in) operating activities | 1,846 | 2 | 15,083 |
| | (77,132) | 1,119,301 | (630,197) |
| Cash flows from investing activities: | | | |
| Purchases of securities | (2,107,076) | (2,623,555) | (17,216,080) |
| Proceeds from sales of securities | 2,534,144 | 2,286,070 | 20,705,483 |
| Proceeds from maturity of securities | 35,724 | 60,669 | 287,801 |
| Purchases of money held in trust | (8,510) | (49,940) | (69,532) |
| Proceeds from sales of money held in trust | 8,970 | 37,131 | 73,291 |
| Purchases of tangible fixed assets | (1,516) | (1,666) | (12,387) |
| Proceeds from sales of tangible fixed assets | 2,740 | 254 | 22,388 |
| Purchases of intangible fixed assets | (1,982) | (2,202) | (16,276) |
| Purchases of shares of affiliates accounted for by the equity method | (10) | — | (82) |
| Net cash provided by (used in) investing activities | 461,974 | (292,759) | 3,774,606 |
| Cash flows from financing activities: | | | |
| Issuance of subordinated bonds | — | 19,885 | — |
| Dividends paid | (6,699) | (6,347) | (54,735) |
| Dividends paid to non-controlling shareholders | (3) | (3) | (25) |
| Purchases of treasury stock | (6,501) | (5,001) | (53,116) |
| Proceeds from disposal of treasury stock | 0 | 297 | 0 |
| Net cash provided by (used in) financing activities | (13,203) | 8,631 | (107,676) |
| Effect of exchange rate changes on cash and cash equivalents | | | |
| Net change in cash and cash equivalents | 371,646 | 835,396 | 3,036,598 |
| Cash and cash equivalents at the beginning of fiscal year | 1,780,180 | 944,784 | 14,545,143 |
| Cash and cash equivalents at the end of fiscal year (Note 3) | ¥2,151,826 | ¥1,780,180 | \$17,581,741 |

See accompanying notes.

1. BASIS OF PRESENTATION

Years ended March 31, 2022 and 2021

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

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of YFMFG which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing the accompanying consolidated financial statements, certain restructuring and reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen. The transactions of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S.\$1.00. Such transactions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation and equity method

(1) **Scope of consolidation**
Japanese accounting standards on consolidated financial statements require a company to consolidate any subsidiaries of which the company substantially controls the operations, even if it is not a majority owned subsidiary. Control is defined as the power to govern the decision-making body of an enterprise.
(i) Consolidated subsidiaries were 19 at March 31, 2022 and 2021.

The names of the main consolidated subsidiaries are listed on page 21.
The scope of consolidation includes Nishisei Regional Co-creation Servicer Inc. and Inesius Inc. due to their establishment in the year ended March 31, 2021.

(ii) No unconsolidated subsidiary at March 31, 2022 and 2021.
Maple Funding Corporation, an unconsolidated subsidiary not accounted for by the equity method in the year ended March 31, 2020, was liquidated in the year ended March 31, 2021.

(2) Application of the equity method

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

(i) No unconsolidated subsidiary was accounted for by the equity method at March 31, 2022 and 2021.

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

Affiliates as at March 31, 2022 were as follows:
YM Saision Co., Ltd.
Momiji Card Co., Ltd.
Nishisei Marine Partners
Nishisei Marine Partners due to its establishment in the year ended March 31, 2022.

Affiliates as at March 31, 2021 were as follows:
YM Saision Co., Ltd.
Momiji Card Co., Ltd.

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

(iii) As at March 31, 2022 and 2021, no unconsolidated subsidiary was not accounted for by the equity method.
Maple Funding Corporation, an unconsolidated subsidiary not accounted for by the equity method in the year ended March 31, 2020, was liquidated in the year ended March 31, 2021.

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

(3) The balance sheet dates of consolidated subsidiaries

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

(4) Accounting policies

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

Trading assets, trading liabilities and transactions for trading purposes

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

Trading assets and trading liabilities are valued, in the case of securities and commercial paper, at the market value as of the date of the balance sheet and, in the case

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

Securities

With regard to the valuation of securities, held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method.

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

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

Money in trust

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

Derivatives

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

Criteria for recording gains or losses on the

cancellation of investment trusts

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

Criteria for recording income and expenses related to lease transactions

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

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

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

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

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

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

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

Tangible fixed assets (excluding lease assets)
Depreciation of tangible fixed assets of YMF&G 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 YMF&G and consolidated subsidiaries are translated into yen at the rates prevailing at the consolidated balance sheet date.

Provision for bonuses

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

Method of accounting for retirement benefits

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to the year-end. The following methods are used to expense prior service costs and actuarial gains or losses.

Prior service costs: Expensed as incurred using the straight-line method over a fixed period (two years) within the employee's average remaining service period

Actuarial gains or losses: Apportioned for each year as incurred using the straight-line method over a fixed period (10-11 years) and expensed in each of the following years

Some consolidated subsidiaries employ the simplified method for calculating retirement benefit obligations and periodic benefit costs, stating retirement benefit obligations at the amounts required as if all employees voluntarily terminate their employment as of the year-end.

Provision for directors' retirement benefits

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

Provision for directors' stock benefits

The provision for directors' stock benefits is determined according to the directors' stock benefit regulations for YMF&G and its subsidiaries (banks within YMF&G (Yamaguchi Bank, Momiji Bank and Kitakyushu Bank) and YM Securities; the same shall apply hereafter) in preparation for the payment of stock benefits to directors (excluding directors who are members of the Audit and Supervisory Committee, part-time directors and outside directors) and executive officers (hereinafter, "Subject Directors, etc.") based on expected stock benefit obligations as of March 31, 2022.

Provision for loss on interest repayment

Provision for loss on interest repayment is provided for

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

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

Provision for reimbursement of deposits

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

Provision for customer point services

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

Reserves under special laws

Reserves under special laws consist of the financial instruments transaction responsibility reserve posted by YW 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

YMF&G 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

YMF&G 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 YMF&G.

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

| | Thousands of U.S. dollars | |
|---------------------------------------------------|---------------------------|-------------|
| | 2022 | 2021 |
| Total loan amount before intra-Group eliminations | \$4,223,908 | \$7,963,536 |
| Corresponding allowance for loan losses | 78,068 | 69,505 |
| | 637,863 | |

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

| | Thousands of U.S. dollars | |
|---------------------------------------------------|---------------------------|-----------|
| | 2022 | 2021 |
| Total loan amount before intra-Group eliminations | \$133,405 | \$137,771 |
| Corresponding allowance for loan losses | 27,699 | 15,835 |
| | 226,268 | |

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

(1) Calculation method

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

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

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

As one aspect of its efforts to achieve regional revitalization and regional economic invigoration amid these circumstances, YMF&G conducts business feasibility assessments. YMF&G 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 is based on YMF&G's estimates of future forecasts, namely, the expectation that management improvement plans on which such support is based are rational and achievable.

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

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

- Impact on consolidated financial statements for the next year

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

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

Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition and other standards

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

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

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

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

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

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

Standards and guidance not yet adopted

The following guidance was issued but not yet adopted. - "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

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

(2) Effective date
To be effective from the beginning of the year ending March 31, 2023.

(3) Effects of the application of the standards

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

Changes in accounting estimates

Criteria for recording allowance for loan losses

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

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

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

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

Additional information

(Board Benefit Trust (BBT))
 YMFVG has introduced a Board Benefit Trust ("BBT") to raise awareness among Subject Directors, etc. of YMFVG 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 YMFVG over the medium and long term and contributing to increases in corporate value.

(1) Overview of transactions
 Via the trust, YMFVG acquires YMFVG's common shares using funds provided by YMFVG. YMFVG's share and cash equivalent to fair value of YMFVG'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 YMFVG and its subsidiaries.

(2) Company shares residing in the trust
 YMFVG's shares residing in the trust are recorded as treasury stock in the net assets section based on the book value of the trust (excluding ancillary expenses).
 The book value and the number of shares of this treasury stock amounted to ¥743 million (\$6 million) and 849 thousand shares on March 31, 2022 and ¥805 million and 921 thousand shares on March 31, 2021.

(Treatment related to the application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)
 With regard to matters related to the transition to the group tax sharing system established by the "Act for the Partial Amendment of the Income Tax Act" (Act No. 8 of 2020) and the revision of the single tax payment system to coincide with the transition to the group tax sharing system, YMFVG and certain consolidated subsidiaries base their amounts of deferred tax assets and deferred tax liabilities on tax law prior to revision without applying

Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), in accordance with treatment under Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

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

3. CONSOLIDATED STATEMENTS OF CASH FLOWS AND CASH EQUIVALENTS

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

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2022 and 2021 was as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|------------------------------|-----------------|------------|---------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash and due from banks | ¥2,179,914 | ¥1,807,659 | \$17,796,328 | \$14,467,122 |
| Time deposits in other banks | (12,421) | (15,172) | (101,447) | (123,507) |
| Other | (1,697) | (2,307) | (13,500) | (18,550) |
| Cash and cash equivalents | ¥2,165,806 | ¥1,790,180 | \$17,681,381 | \$14,325,165 |

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

4. FINANCIAL INSTRUMENTS

Items pertaining to the status of financial instruments

(1) Policies on financial instruments
 YMFVG 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, YMFVG 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 rate fluctuations in income stemming from future exchange currencies, as well as offered as products to clients. With regard to transactions to secure income through changes in market rates, which are conducted on a limited basis, the Group has established stringent standards that include risk limits and loss limits.

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

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

(3) Risk management structure related to financial instruments

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

The Group conducts self-assessments according to stringent standards that are consistent throughout the Group. The Group performs write-off and provisions based on the results of its self-assessments. The Group's authentication departments verify the content of such self-assessments. Independence is maintained through

internal audits conducted by audit & inspection departments. In addition, the Group undergoes external audits conducted by its independent external auditors.

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

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

(ii) Management of market risk

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

YMFVG periodically evaluates market risk conditions and verifies the appropriateness of risk controls. Quantitative information on the management of market risk
 The market risk (estimated loss amount) of the loans, securities, deposits and derivatives transactions of Yamaguchi Bank, Momiji Bank and Kitakyushu Bank of the Group is calculated according to value at risk (VaR). Furthermore, the covariance method is used to calculate VaR.

As of March 31, 2022, the market risk (estimated loss amount) of Yamaguchi Bank was ¥50,361 million (\$411 million), the market risk (estimated loss amount) of Momiji Bank was ¥20,507 million (\$166 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥21,609 million (\$177 million). Also, as of March 31, 2021, the market risk (estimated loss amount) of Yamaguchi Bank was ¥65,092 million, the market risk (estimated loss amount) of Momiji Bank was ¥19,718 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥20,587 million.

Assumptions used in calculating VaR include a holding period of three months; however, one year for a holding period for shares held for the purpose of strategic investment), a confidence interval of 99.9% and an observation period of five years.
 Yamaguchi Bank, Momiji Bank and Kitakyushu Bank conduct back-testing to compare the VaR calculated by the model with the actual losses. Increasing price volatility in financial markets has led to cases in which the banks were unable to cover risks. As a result, VaR was corrected, using a multiple obtained from the number of conflicts resulting from back-testing from the year ended March 31, 2021.

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

changes in the market environment outside the normally expected scope.

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

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

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

As assumptions are used in the calculation of the fair values of financial instruments, different assumptions can yield different values.

Items pertaining to the fair value of financial instruments

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

| | Millions of yen | | |
|-----------------------------------|-----------------------------------|-------------|------------|
| | Consolidated balance sheet amount | Fair value | Difference |
| (0) Money held in trust | 485,060 | 485,060 | — |
| (1) Securities | 1,286,613 | 1,286,606 | 7 |
| (2) Available-for-sale securities | 8,142,606 | 8,142,606 | — |
| (3) Loans and bills discounted | 8,065,789 | 8,133,259 | 67,470 |
| Total assets | 10,340,068 | 10,337,531 | 2,537 |
| (0) Deposits | 10,334,732 | 10,334,732 | — |
| (1) Borrowed money | 26,226,426 | 26,226,426 | — |
| (2) Derivative transactions (*) | 110,951,158 | 110,951,152 | 6,006 |
| Hedge accounting not applied | — | — | — |
| Total liabilities | 137,512,316 | 137,512,310 | 6,006 |
| Total derivative transactions | — | — | — |

| | Millions of yen | | |
|-----------------------------------|-----------------------------------|-------------|------------|
| | Consolidated balance sheet amount | Fair value | Difference |
| (0) Money held in trust | 485,060 | 485,060 | — |
| (1) Securities | 1,286,613 | 1,286,606 | 7 |
| (2) Available-for-sale securities | 8,142,606 | 8,142,606 | — |
| (3) Loans and bills discounted | 8,065,789 | 8,133,259 | 67,470 |
| Allowance for loan losses (*) | — | — | — |
| Total assets | 10,340,068 | 10,337,531 | 2,537 |
| (0) Deposits | 10,334,732 | 10,334,732 | — |
| (1) Borrowed money | 26,226,426 | 26,226,426 | — |
| (2) Derivative transactions (*) | 110,951,158 | 110,951,152 | 6,006 |
| Hedge accounting not applied | — | — | — |
| Total liabilities | 137,512,316 | 137,512,310 | 6,006 |
| Total derivative transactions | — | — | — |

| | Thousands of U.S. dollars | | |
|-----------------------------------|-----------------------------------|------------|------------|
| | Consolidated balance sheet amount | Fair value | Difference |
| (0) Money held in trust | 3,286.461 | 3,286.461 | — |
| (1) Securities | 9,151.491 | 9,151.371 | 120.120 |
| (2) Available-for-sale securities | 10,512.346 | 10,512.346 | — |
| (3) Loans and bills discounted | 66,541.360 | 66,541.360 | — |
| Allowance for loan losses (*) | — | — | — |
| Total assets | 85,471.658 | 85,480.538 | 8,880 |
| (0) Deposits | 74,440.983 | 74,440.983 | — |
| (1) Borrowed money | 5,119.258 | 5,119.209 | 49.049 |
| (2) Derivative transactions (*) | 665.789 | 665.789 | — |
| Hedge accounting not applied | — | — | — |
| Total liabilities | 80,226.030 | 80,226.030 | — |
| Total derivative transactions | — | — | — |

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

(Note 1) The consolidated balance sheet amounts of shares and investments in partnerships, etc. that do not have a market price
Shares and investments in partnerships, etc. that do not have a market price are not included in 'available-for-sale securities.'

| Category | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------------|-----------------------------------|------------|---------------------------|
| | Consolidated balance sheet amount | Fair value | Difference |
| (1) Unlisted equity securities (*) | 7,130 | 7,466 | 336 |
| (2) Investments in partnerships, etc. (*) | 21,685 | 14,605 | 7,080 |
| Total | 28,815 | 22,071 | 6,744 |

(*) Unlisted equity securities are not included in the scope of fair value disclosures based on Paragraph 5 of the 'Implementation Guidance on Disclosures about Fair Value of Financial Instruments' (ASBJ Guidance No. 15, March 31, 2020).
(*) Investments in partnerships, etc. are not included in the scope of fair value disclosures based on Paragraph 27 of the 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No. 31, July 4, 2019).

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

| | Millions of yen | | | | |
|-------------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|---------------------|-----------------------------|
| | More than one year and within three years | More than three years and within five years | More than five years and within ten years | More than ten years | More than ten years or more |
| (1) Due from banks | 31,719 | — | — | — | — |
| (2) Call loans and bills | 33,840 | — | — | — | — |
| (3) Money held in trust | 33,211 | 90,082 | 135,791 | 118,109 | 670,183 |
| (4) Securities | 2,790 | 10,067 | 14,441 | 7,897 | 3,320 |
| Head-to-maturity debt securities | 100 | 1,700 | 2,200 | 1,100 | 3,020 |
| Corporate bond | 2,690 | 8,367 | 12,441 | 6,797 | 200 |
| Available-for-sale securities with maturities | 30,421 | 83,015 | 121,150 | 110,212 | 666,963 |
| Japanese government bond | — | — | 8,200 | 18,500 | 347,050 |
| Local government bond | 15,127 | 22,827 | 27,672 | 50,496 | 127,976 |
| Corporate bond | 8,152 | 32,152 | 53,190 | 13,224 | 24,531 |
| Others | 7,142 | 28,096 | 32,088 | 27,992 | 167,406 |
| (5) Money held in trust | 1,682,817 | 1,238,819 | 1,135,369 | 868,266 | 3,228,626 |
| Head-to-maturity debt securities (discounted *) | — | — | — | — | — |
| Total | 3,850,311 | 3,231,901 | 3,727,160 | 3,986,275 | 13,898,809 |

| | Thousands of U.S. dollars | | | | |
|-------------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|---------------------|-----------------------------|
| | More than one year and within three years | More than three years and within five years | More than five years and within ten years | More than ten years | More than ten years or more |
| (1) Due from banks | 217.88 | — | — | — | — |
| (2) Call loans and bills | 241.993 | — | — | — | — |
| (3) Money held in trust | 241.993 | 645.271 | 942.599 | 802.099 | 4,370.999 |
| (4) Securities | 1,544 | 5,658 | 14,956 | 6,195 | 3,470 |
| Head-to-maturity debt securities | 100 | 700 | 2,330 | 900 | 2,970 |
| Corporate bond | 1,444 | 4,756 | 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 | 6,801 | 28,538 | 25,272 | 46,433 | 159,412 |
| Corporate bond | 6,705 | 24,786 | 74,237 | 38,955 | 30,993 |
| Others | 8,383 | 62,141 | 102,628 | 81,348 | 188,324 |
| (5) Money held in trust | 1,638,436 | 1,109,516 | 1,133,446 | 998,995 | 3,054,333 |
| Head-to-maturity debt securities (discounted *) | — | — | — | — | — |
| Total | 23,271,309 | 17,230,439 | 17,376,439 | 17,150,986 | 63,856,432 |

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

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

| | Millions of yen | | | | |
|----------------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|---------------------|-----------------------------|
| | More than one year and within three years | More than three years and within five years | More than five years and within ten years | More than ten years | More than ten years or more |
| (0) Deposits (*) | 98,673,732 | 480,751 | — | — | 93,164 |
| (1) Payables under securities lending transactions | 70,708 | — | — | — | — |
| (2) Call money and bills sold | 314,959 | — | — | — | — |
| (3) Payables under securities lending transactions | 61,586 | 3,984 | 2,461 | — | 8,815 |
| (4) Borrowed money | 10,020,355 | 4,642,235 | 4,623,272 | 4,612,729 | — |
| Total | 109,080,730 | 4,823,720 | 7,086,733 | 7,012,729 | 102,086,989 |

| | Thousands of U.S. dollars | | | | |
|----------------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|---------------------|-----------------------------|
| | More than one year and within three years | More than three years and within five years | More than five years and within ten years | More than ten years | More than ten years or more |
| (0) Deposits (*) | 702,904.09 | 3,254.17 | — | — | 654.41 |
| (1) Payables under securities lending transactions | 497.152 | — | — | — | — |
| (2) Call money and bills sold | 2,164.15 | — | — | — | — |
| (3) Payables under securities lending transactions | 422.413 | 5,134 | 3,810 | — | 6,995 |
| (4) Borrowed money | 71,020,359 | 32,512,551 | 32,512,551 | 32,512,551 | — |
| Total | 73,722,929 | 35,769,676 | 36,325,361 | 36,325,361 | 661,406 |

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

Fair value information by level within the fair value hierarchy

| | Level 1 | | | Level 2 | | | Level 3 | | |
|----------------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| | More than one year and within three years | More than three years and within five years | More than five years and within ten years | More than one year and within three years | More than three years and within five years | More than five years and within ten years | More than one year and within three years | More than three years and within five years | More than five years and within ten years |
| (0) Deposits (*) | 97,640,716 | 3,026,025 | 17,200,351 | — | — | — | — | — | — |
| (1) Money and bills sold | 637,944 | — | — | — | — | — | — | — | — |
| (2) Payables under securities lending transactions | 2,575,445 | — | — | — | — | — | — | — | — |
| (3) Borrowed money | 4,997,025 | 32,527 | 20,108 | 32,512,551 | 32,512,551 | 32,512,551 | — | — | — |
| Total | 105,843,630 | 3,058,552 | 17,220,459 | 32,512,551 | 32,512,551 | 32,512,551 | — | — | — |

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

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

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

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

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

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

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

(1) Financial instruments measured at fair value

| Category | Millions of yen | | | |
|-------------------------------|-----------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money held in trust | 49,849 | 4,824 | — | 54,673 |
| Securities | 373,861 | 242,762 | — | 616,623 |
| Available-for-sale securities | — | — | — | — |
| Japanese government bond | — | 131,237 | — | 131,237 |
| and local government bond | — | 13,886 | — | 13,886 |
| Equity securities | 111,699 | 136 | — | 111,835 |
| Foreign bond | 95,200 | 29,123 | — | 124,323 |
| Derivative transactions (*) | — | 6,496 | — | 6,496 |
| Interest-rate-related | — | 63,216 | — | 63,216 |
| Currency-related | — | — | — | — |
| Total assets | 536,609 | 451,863 | — | 988,472 |

| Category | Thousands of U.S. dollars | | | |
|-------------------------------|---------------------------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money held in trust | 547,790 | 528,671 | — | 1,076,461 |
| Securities (*) | 3,054,669 | 1,983,312 | — | 5,038,001 |
| Available-for-sale securities | — | — | — | — |
| Japanese government bond | — | 1,134,657 | — | 1,134,657 |
| and local government bond | — | 99,028 | — | 99,028 |
| Corporate bond | 913,644 | 1,015,793 | — | 1,929,437 |
| Equity securities | 777,641 | 237,561 | — | 1,015,202 |
| Foreign bond | — | — | — | — |
| Derivative transactions (*) | — | 53,079 | — | 53,079 |
| Interest-rate-related | — | 67,192 | — | 67,192 |
| Currency-related | — | — | — | — |
| Total assets | 5,792,459 | 3,527,125 | — | 9,319,584 |

(*) The above table does not include investment trusts and others to which the transitional treatment provided in Article 3-6 of the Supplementary Provisions of the Cabinet Order on the Enforcement of the Financial Instruments and Exchange Act, the Cabinet Order on the Preparation Methods of Financial Statements, etc. (Cabinet Order Ordinance No. 9, March 6, 2020) is applied. The amount of the investment trusts and others on the consolidated balance sheets is ¥302,588 million (\$2,472,326 thousand).

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

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

| Category | Millions of yen | | | |
|----------------------------------|-----------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Securities | — | — | — | — |
| held-to-maturity debt securities | — | — | — | — |
| Local government bond | — | — | — | — |
| Corporate bond | — | — | — | — |
| Loans and bills discounted | — | — | — | — |
| Deposits | — | — | — | — |
| Borrowed money | — | — | — | — |
| Total liabilities | — | — | — | — |

| Category | Thousands of U.S. dollars | | | |
|----------------------------------|---------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Securities | — | — | — | — |
| held-to-maturity debt securities | — | — | — | — |
| Local government bond | — | — | — | — |
| Corporate bond | — | — | — | — |
| Loans and bills discounted | — | — | — | — |
| Deposits | — | — | — | — |
| Borrowed money | — | — | — | — |
| Total liabilities | — | — | — | — |

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

(1) Assets Money held in trust As for the securities held as trusted assets in money held in trust established independently for the purpose of investing mainly in the securities, the value on stock exchanges is taken as fair value for the equity securities, and either the value on exchanges or a price indicated by brokers or information vendors is taken as fair value for the debt securities. The fair value is classified as Level 1 or Level 2. Additional information related to money held in trust by the purpose of holding is described in the note entitled "Money held in trust."

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

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

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

Loans and bills discounted For loans and bills discounted with floating interest rates, as in the short term their values reflect market interest rates, unless the credit status of the obligor has changed significantly since the loans were extended, their fair value is similar to their book value, so their book value is taken as their fair value. For loans and bills discounted bearing fixed interest rates, fair value is determined for each type and period by discounting the total amount of interest and principal to their present value, using as the discount rate the market interest rate as of the valuation date for operating loans and bills discounted plus the credit cost for each internal rating category. For consumer loans and bills discounted and housing loans, fair value is determined by discounting the total amount of interest and principal to their present value using the assumed interest rate on new loans of the same type. These fair values are classified as Level 3, because they are determined using a discount rate reflecting risk factors, such as credit risk, and the discount rate is unobservable.

With regard to loans to legally bankrupt obligors, substantially bankrupt obligors or obligors who are in danger of bankruptcy, the estimated collectible amount is based on either the present value of estimated future cash

flows or the expected amounts recoverable from the disposal of collateral and/or under guarantees, etc. As the fair value is essentially equivalent to the amount after deducting the allowance for possible loan losses from the book value as of the consolidated balance sheet date, it is classified as Level 3.

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

(2) Liabilities Deposits The fair value of demand deposits is determined as the payment amount if payment were required on the consolidated balance sheet date (book value). The fair value of time deposits is determined by discounting future cash flows to their present value by certain time periods. The discount rate employed is the interest rate required for newly accepted deposits. For deposits having a short period (within one year) and time deposits with variable interest rates, as their fair values and book values are approximately the same, their book value is taken as their fair value. The fair value of deposits is classified as Level 2.

Borrowed money Short-term market interest rates are used for borrowings having a short contract period (within one year) or variable interest rates. In addition, the market value is assumed to be similar to the book value, as the credit standing of YMF&G and its consolidated subsidiaries is unchanged before and after taking out these borrowings. The current values of borrowings having a long contract period (more than one year) and borrowings with fixed interest rates are calculated by applying an assumed discount rate to the total principal amount borrowed, separating principal amounts according to their borrowing periods. The fair value of borrowed money is classified as Level 2.

Derivative transactions The fair value of derivative transactions for which unadjusted quoted prices in active markets are available is classified as Level 1. These derivative transactions mainly include bond futures transactions and stock futures transactions. However, most of the derivative transactions are over-the-counter transactions and do not have a quoted price. Accordingly, the fair value of these derivative transactions is determined using valuation techniques, such as a present value technique and the Black-Scholes model, in accordance with the type of transactions and the period to maturity. The main inputs used in these valuation techniques include interest rates, exchange rates and volatility. Moreover, price adjustments are made based on the credit risk of counterparties as well as that of YMF&G and its consolidated subsidiaries. The calculation of credit risk-related price adjustments takes into account probability of default and loss given default which are observed from credit default swaps, or those which are estimated from the country, sector and external ratings, etc. of counterparties. The fair value of over-the-counter transactions which use observable inputs or which use

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

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

(1) Quantitative information on significant unobservable inputs

| Category | 2022 | | Weighted average of inputs |
|---------------------------------------------|-------------------------|---------------------------------|----------------------------|
| | Valuation technique | Significant unobservable inputs | |
| Securities held-to-maturity debt securities | Present value technique | Credit cost rate | 0.016% - 0.326% |
| Corporate bond | — | — | 0.044% |

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

| Category | 2022 | | Millions of yen |
|---------------------------------------------|-------------------|----------------|-----------------|
| | Beginning balance | Ending balance | |
| Securities held-to-maturity debt securities | ¥12,311 | ¥13,588 | ¥1,277 |
| Corporate bond | — | — | — |
| Total | ¥12,311 | ¥13,588 | ¥1,277 |

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

(*) Included in "unrealized gains (losses) on available-for-sale securities" in the statement of comprehensive income.

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

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

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

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

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

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

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

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

5. SECURITIES

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

Bonds held at March 31, 2022 and 2021 of ¥20,000 million (\$163 million) comprise waivers in the event of substantial bankruptcy and subordinated bonds. The amount of guarantee obligations for private placement bonds (Financial Instruments and Exchange Act, Article 2-3), out of bonds included in securities, amounted to ¥40,924 million (\$334 million) and ¥33,260 million as of March 31, 2022 and 2021, respectively.

6. FAIR VALUE INFORMATION

Securities

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

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

(b) Held-to-maturity debt securities

| Millions of yen | | | | |
|-----------------------------------------------------------|------------|------------|------------|--|
| Type | Book value | Fair value | Difference | |
| Securities with fair value exceeding book value | ¥2,900 | ¥2,972 | ¥72 | |
| Securities with fair value not exceeding book value | 29,459 | 29,277 | 282 | |
| Subtotal | 32,359 | 32,249 | (110) | |
| Securities with fair value exceeding acquisition cost | 1,034 | 1,031 | (3) | |
| Securities with fair value not exceeding acquisition cost | 6,254 | 6,217 | (37) | |
| Total | ¥7,288 | ¥7,248 | ¥40 | |

| Millions of yen | | | | |
|------------------------|------------|------------|------------|--|
| Type | Book value | Fair value | Difference | |
| Local government bonds | ¥3,930 | ¥3,970 | ¥40 | |
| Corporate bonds | 2,953 | 2,874 | (79) | |
| Subtotal | 6,883 | 6,844 | (39) | |
| Local government bonds | 3,270 | 3,263 | (7) | |
| Corporate bonds | 588 | 556 | (32) | |
| Subtotal | 3,858 | 3,819 | (39) | |
| Total | ¥31,821 | ¥31,993 | ¥172 | |

Thousands of U.S. dollars

| Type | Book value | Fair value | Difference | |
|-----------------------------------------------------|------------|------------|------------|--|
| Securities with fair value exceeding book value | ¥6,979 | ¥4,573 | ¥(2,406) | |
| Securities with fair value not exceeding book value | 24,688 | 24,333 | 355 | |
| Subtotal | 31,667 | 28,906 | 2,761 | |
| Local government bonds | 26,533 | 26,707 | 174 | |
| Corporate bonds | 4,265 | 4,232 | (33) | |
| Subtotal | 6,448 | 6,474 | 26 | |
| Total | ¥38,115 | ¥35,380 | ¥2,735 | |

(c) Available-for-sale securities

| Millions of yen | | | | |
|---------------------------|------------|------------------|------------|--|
| Type | Book value | Acquisition cost | Difference | |
| Shares | ¥95,979 | ¥44,573 | ¥51,406 | |
| Japanese government bonds | 5,222 | 4,599 | 623 | |
| Local government bonds | 6,612 | 6,611 | 1 | |
| Corporate bonds | 3,744 | 3,664 | 80 | |
| Others | 49,128 | 47,011 | 2,117 | |
| Subtotal | 160,685 | 145,458 | 15,227 | |
| Japanese government bonds | 386,039 | 394,348 | (8,309) | |
| Local government bonds | 28,159 | 29,999 | (1,840) | |
| Corporate bonds | 37,662 | 38,293 | (631) | |
| Others | 1,091,026 | 1,138,068 | (46,942) | |
| Total | ¥1,203,605 | ¥1,276,815 | ¥(73,210) | |

| Millions of yen | | | | |
|---------------------------|------------|------------------|------------|--|
| Type | Book value | Acquisition cost | Difference | |
| Shares | ¥93,020 | ¥1,082 | ¥(91,938) | |
| Japanese government bonds | 2,095 | 1,866 | 229 | |
| Local government bonds | 113,741 | 113,379 | 362 | |
| Corporate bonds | 157,781 | 157,041 | 740 | |
| Subtotal | 266,637 | 272,368 | (5,731) | |
| Japanese government bonds | 46,712 | 48,570 | (1,858) | |
| Local government bonds | 155,407 | 155,946 | (539) | |
| Corporate bonds | 52,921 | 53,038 | (117) | |
| Others | 573,972 | 595,195 | (21,223) | |
| Subtotal | 1,200,005 | 1,216,761 | (16,756) | |
| Total | ¥1,212,072 | ¥1,249,079 | ¥(37,007) | |

Thousands of U.S. dollars

| 2022 | | | | |
|-----------------------------------------------------------|------------|------------------|------------|--|
| Type | Book value | Acquisition cost | Difference | |
| Securities with book value exceeding acquisition cost | ¥74,174 | ¥36,790 | ¥37,384 | |
| Securities with book value not exceeding acquisition cost | 4,267 | 4,018 | 249 | |
| Local government bonds | 5,424 | 5,016 | 408 | |
| Corporate bonds | 30,391 | 30,411 | (20) | |
| Others | 1,552 | 1,789 | (237) | |
| Total | ¥80,294 | ¥42,607 | ¥37,687 | |
| Japanese government bonds | 129,266 | 148,335 | (19,069) | |
| Local government bonds | 302,063 | 314,955 | (12,892) | |
| Corporate bonds | 192,468 | 194,598 | (2,130) | |
| Others | 73,886 | 70,481 | 3,405 | |
| Total | ¥397,683 | ¥368,373 | ¥29,310 | |

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

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

| Millions of yen | | | | |
|---------------------------|-------------|--------------------|--------------------|--|
| Type | Sale amount | Total gain on sale | Total loss on sale | |
| Shares | ¥11,070 | ¥442 | ¥1,970 | |
| Japanese government bonds | 695,664 | 969 | 4,446 | |
| Local government bonds | 140,000 | 242 | — | |
| Corporate bonds | 896,669 | 6,241 | 22,099 | |
| Total | ¥1,823,332 | ¥8,233 | ¥29,615 | |

| Millions of yen | | | | |
|---------------------------|-------------|--------------------|--------------------|--|
| Type | Sale amount | Total gain on sale | Total loss on sale | |
| Shares | ¥1,175 | ¥15 | ¥236 | |
| Japanese government bonds | 442,474 | 513 | — | |
| Local government bonds | 3,114 | 49 | — | |
| Corporate bonds | 89,621 | 1,174 | — | |
| Others | 893,113 | 17,600 | 1,653 | |
| Total | ¥1,533,477 | ¥20,341 | ¥2,889 | |

| Thousands of U.S. dollars | | | | |
|---------------------------|-------------|--------------------|--------------------|--|
| Type | Sale amount | Total gain on sale | Total loss on sale | |
| Shares | ¥65,351 | ¥5,911 | ¥15,688 | |
| Japanese government bonds | 4,948,640 | 7,917 | 38,174 | |
| Local government bonds | 77,143 | 4,029 | — | |
| Corporate bonds | 4,892,115 | 30,983 | 189,562 | |
| Total | ¥11,247,222 | ¥24,843 | ¥224,423 | |

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

Impairment losses on securities

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

During the year ended March 31, 2022, impairment losses were ¥380 million (\$3105 thousand) on equity securities and during the year ended March 31, 2021, impairment losses totaled ¥457 million on equity

securities. The basis for determining whether the market value has fallen significantly is as follows.

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

Money held in trust

Information on money held in trust as of March 31, 2022 and 2021 was as follows:

(a) Money held in trust classified as trading purposes

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

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

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

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

| Millions of yen | |
|----------------------------------------------------|-------------------------------------------------------------------------------|
| Consolidated balance sheet amount | Unrealized gains (losses) included in consolidated balance sheet for the year |
| Money held in trust classified as trading purposes | ¥39,987 |

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

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

| Millions of yen | |
|----------------------------------------|-------------------------------------------------------------------------------|
| Consolidated balance sheet amount | Unrealized gains (losses) included in consolidated balance sheet for the year |
| Available-for-sale money held in trust | ¥30,165 |
| Available-for-sale money held in trust | ¥30,489 |
| Available-for-sale money held in trust | ¥30,932 |
| Available-for-sale money held in trust | ¥35,121 |

| Millions of U.S. dollars | |
|----------------------------------------|-------------------------------------------------------------------------------|
| Consolidated balance sheet amount | Unrealized gains (losses) included in consolidated balance sheet for the year |
| Available-for-sale money held in trust | ¥246,674 |
| Available-for-sale money held in trust | ¥249,113 |
| Available-for-sale money held in trust | ¥252,859 |

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

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

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------|---------------------------|
| | 2022 | 2021 | |
| Net unrealized gains | ¥11,345 | ¥27,545 | \$92,696 |
| Available-for-sale securities | 11,668 | 28,057 | 95,335 |
| Available-for-sale money held in trust | (323) | (512) | (2,639) |
| Deferred tax liabilities | 3,132 | 8,055 | 25,590 |
| Unrealized gains on available-for-sale securities before following adjustment | 8,213 | 19,490 | 67,106 |
| Equipment to non-controlling interests on valuation of available-for-sale securities held by affiliates accounted for by the equity method | 41 | 13 | 327 |
| Equity method gains on available-for-sale securities | ¥8,172 | ¥19,477 | \$66,779 |

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

Derivatives

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

(a) Interest-rate-related:

| Type | Millions of yen | | Unrealized gains (losses) |
|------------------------------------|------------------|------------|---------------------------|
| | Contract amounts | Fair value | |
| Over-the-counter: | | | |
| Interest rate swaps: | | | |
| Receivable fixed, payable floating | ¥68,010 | ¥66,839 | ¥(1,172) |
| Receivable floating, payable fixed | ¥6,011 | ¥6,610 | ¥(605) |
| Total | ¥74,021 | ¥73,449 | ¥(1,777) |

| Type | Millions of yen | | Unrealized gains (losses) |
|---------------------------------------|------------------|------------|---------------------------|
| | Contract amounts | Fair value | |
| Over-the-counter: | | | |
| Interest rate swaps: | | | |
| Receivable floating, payable floating | ¥43,231 | ¥36,489 | ¥(6,742) |
| Receivable floating, payable fixed | 43,232 | 36,520 | 438 |
| Total | ¥86,463 | ¥73,009 | ¥(6,304) |

| Type | Thousands of U.S. dollars | | Unrealized gains (losses) |
|------------------------------------|---------------------------|------------|---------------------------|
| | Contract amounts | Fair value | |
| Over-the-counter: | | | |
| Interest rate swaps: | | | |
| Receivable fixed, payable floating | \$55,663 | \$54,615 | \$(1,048) |
| Receivable floating, payable fixed | \$55,691 | \$46,173 | \$9,518 |
| Total | \$111,354 | \$100,788 | \$10,470 |

(b) Currency-related:

| Type | Millions of yen | | Unrealized gains (losses) |
|------------------------------------|------------------|------------|---------------------------|
| | Contract amounts | Fair value | |
| Over-the-counter: | | | |
| Currency swaps: | | | |
| Foreign exchange forward contracts | ¥138,528 | ¥72,929 | ¥(65,600) |
| Sold | 207,932 | 78,665 | ¥(129,267) |
| Bought | 106,344 | 76,967 | 29,697 |
| Currency options: | | | |
| Bought | 212,131 | 168,844 | ¥(43,287) |
| Sold | 212,131 | 168,844 | ¥(43,287) |
| Total | ¥670,066 | ¥495,524 | ¥(174,542) |

| Type | Millions of yen | | Unrealized gains (losses) |
|------------------------------------|------------------|------------|---------------------------|
| | Contract amounts | Fair value | |
| Over-the-counter: | | | |
| Currency swaps: | | | |
| Foreign exchange forward contracts | ¥289,392 | ¥64,017 | ¥(225,375) |
| Sold | 160,202 | 50,717 | ¥(109,485) |
| Bought | 133,339 | 33,672 | 2,683 |
| Currency options: | | | |
| Sold | 186,746 | 121,677 | ¥(65,069) |
| Bought | 186,746 | 121,677 | ¥(65,069) |
| Total | ¥823,185 | ¥481,087 | ¥(342,128) |

| Type | Thousands of U.S. dollars | | Unrealized gains (losses) |
|------------------------------------|---------------------------|-------------|---------------------------|
| | Contract amounts | Fair value | |
| Over-the-counter: | | | |
| Currency swaps: | | | |
| Foreign exchange forward contracts | \$1,131,857 | \$95,874 | \$(1,035,983) |
| Sold | 688,839 | 203,329 | ¥(485,510) |
| Bought | 443,018 | 292,545 | 192,473 |
| Currency options: | | | |
| Sold | 1,743,238 | 1,279,557 | ¥(463,681) |
| Bought | 1,743,238 | 1,279,557 | ¥(463,681) |
| Total | \$4,149,570 | \$2,847,356 | \$(1,302,214) |

(c) Stock-related: There were no stock-related transactions as at March 31, 2022 and 2021.

(d) Bond-related: There were no credit-related transactions as at March 31, 2022 and 2021.

(e) Commodity-related:

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

(f) Credit-derivatives:

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

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

(a) Interest-rate-related:

| Type | Millions of yen | |
|---------------------------------------|------------------|------------|
| | Contract amounts | Fair value |
| Over-the-counter: | | |
| Interest rate swaps: | | |
| Receivable floating, payable fixed | ¥402,776 | ¥280,878 |
| Receivable floating, payable floating | 42 | 42 |
| Total | ¥402,818 | ¥280,920 |

| Type | Millions of yen | |
|---------------------------------------|------------------|------------|
| | Contract amounts | Fair value |
| Over-the-counter: | | |
| Interest rate swaps: | | |
| Receivable floating, payable fixed | ¥79,245 | ¥79,245 |
| Receivable floating, payable floating | 75 | 75 |
| Total | ¥79,320 | ¥79,320 |

| Type | Thousands of U.S. dollars | |
|---------------------------------------|---------------------------|------------|
| | Contract amounts | Fair value |
| Over-the-counter: | | |
| Interest rate swaps: | | |
| Receivable floating, payable fixed | \$3,390,839 | \$2,94,942 |
| Receivable floating, payable floating | 343 | 343 |
| Total | \$3,391,182 | \$2,95,285 |

(b) Currency-related:

| Type | Millions of yen | |
|---------------------------------------|------------------|------------|
| | Contract amounts | Fair value |
| Over-the-counter: | | |
| Currency swaps: | | |
| Receivable floating, payable floating | ¥324,749 | ¥17,040 |
| Receivable floating, payable fixed | 42 | 42 |
| Total | ¥324,791 | ¥17,082 |

| Type | Millions of yen | |
|---------------------------------------|------------------|------------|
| | Contract amounts | Fair value |
| Over-the-counter: | | |
| Currency swaps: | | |
| Receivable floating, payable floating | ¥176,233 | ¥75,844 |
| Receivable floating, payable fixed | 42 | 42 |
| Total | ¥176,275 | ¥75,886 |

| Type | Thousands of U.S. dollars | |
|---------------------------------------|---------------------------|------------|
| | Contract amounts | Fair value |
| Over-the-counter: | | |
| Currency swaps: | | |
| Receivable floating, payable floating | \$2,653,395 | \$915,434 |
| Receivable floating, payable fixed | 42 | 42 |
| Total | \$2,653,437 | \$915,476 |

(c) Stock-related: There were no stock-related transactions at March 31, 2022 and 2021.

(d) Bond-related: There were no bond-related transactions at March 31, 2022 and 2021.

7. LOANS AND BILLS DISCOUNTED

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

(1) Bankrupt/de facto bankrupt loans amounting to ¥33,432 million (\$27.3 million) and ¥45,099 million (denote loans at March 31, 2022 and 2021, respectively), held against borrowers with failed business status due to commencement of bankruptcy proceedings, commencement of reorganization proceedings or commencement of rehabilitation proceedings, and any other type of loans equivalent thereto.

(2) Doubtful loans amounting to ¥89,439 million (\$73.1 million) and ¥45,267 million (denote loans at March 31, 2022 and 2021, respectively, whose borrower is not yet in the status of failure in business although such borrower's financial status and operating performance are worsening and for which it is highly probable that the principal will not be collected or interests will not be received in accordance with the contract, excluding bankrupt/de facto bankrupt loans, loans past due for three months or more amounting to ¥364 million (\$3 million) and ¥445 million (denote loans at March 31, 2022 and 2021, respectively, where payment of interest or principal has been delayed for three months or more, excluding bankrupt/de facto bankrupt loans and doubtful loans.

(3) Restructured loans amounting to ¥4,569 million (\$3.7 million) and ¥10,630 million (denote loans at March 31, 2022 and 2021, respectively, to borrowers for which the repayment terms have been modified to more favorable terms including reduction of interest rate, deferral of interest payments, extension of principal payments and debt forgiveness with the objective of promoting recovery of borrowers in economic difficulty, excluding bankrupt/de facto bankrupt loans, doubtful loans and loans past due for three months or more.

(4) The total of bankrupt/de facto bankrupt loans, doubtful loans, loans past due for three months or more and restructured loans amounted to ¥127,804 million (\$1,044 million) and ¥101,441 million at March 31, 2022 and 2021, respectively.

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

(Changes in presentation method) Applying the "Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act, etc."

9. PLEDGED ASSETS

At March 31, 2022 and 2021, the following assets were pledged as collateral for certain liabilities of the Banks:

| | Millions of yen | | Thousands of U.S. dollars | |
|----------------------------|-----------------|---------|---------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash and due from banks | 914 | 914 | \$14 | \$14 |
| Securities | 58,574 | 58,440 | 4,272,511 | 4,272,511 |
| Loans and bills discounted | 585,150 | 633,458 | 42,261,133 | 42,261,133 |

The collateral was pledged to secure the following:

| | Millions of yen | | Thousands of U.S. dollars | |
|-----------------------------------|-----------------|---------|---------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Deposits | 448,370 | 439,569 | \$36,277 | \$36,277 |
| Payables under securities lending | 314,959 | 326,414 | 2,574,405 | 2,574,405 |
| Borrowings | 605,400 | 613,500 | 4,946,483 | 4,946,483 |

In addition, securities not included in the above schedules were pledged as collateral for operating transactions, such as foreign exchange contracts and forward exchange contracts. These securities amounted to ¥1,983 million (\$16 million) at March 31, 2022 and ¥23,225 million at March 31, 2021.

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

| | Millions of yen | | Thousands of U.S. dollars | |
|--------------------------------------------------------|-----------------|--------|---------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Deposits | 1,864 | 92,220 | \$15,230 | \$15,230 |
| Collateral pledged for transactions | 1,299 | 1,199 | 10,614 | 10,614 |
| Margin on securities pledged for financial instruments | 44,831 | 22,503 | 366,296 | 366,296 |
| Collateral pledged for exchange | 84,000 | 76,400 | 686,331 | 686,331 |
| Financial futures margin | 10 | 10 | 82 | 82 |
| Margin on bond futures transactions | 1,000 | 1,000 | 8,171 | 8,171 |

10. ACCUMULATED DEPRECIATION

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

11. ADVANCED DEPRECIATION AMOUNT OF TANGIBLE FIXED ASSETS

At March 31, 2022 and 2021, accumulated advanced depreciation amount of tangible fixed assets was ¥9,628 million (\$79 million) and ¥6,147 million. Advance depreciation expenses in the years ended March 31, 2022 and 2021 were ¥1,592 million (\$13 million) and none, respectively.

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

Commercial bills

Bills discounted are accounted for as financing transactions in accordance with the Industry Audit Committee Report No. 24, March 17, 2022 of the JICPA, although the Banks have the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥20,760 million (\$170 million) at March 31, 2022 and ¥20,648 million at March 31, 2021.

Loan participation

Based on the "Accounting Treatment and Presentation of Loan Participation" (Japanese Institute of Certified Public Accountants Accounting System Committee Report No. 3, November 28, 2014), the consolidated balance sheet amount of loan participation agreements in which the Banks have acquired the economic benefits and risks of the underlying loans from the original lender was ¥2,783 million (\$23 million) and ¥2,783 million at March 31, 2022 and 2021, respectively.

8. COMMITMENT LINES

Loan agreements and commitment line agreements relating to loans are agreements that obligate the consolidated subsidiaries to lend funds up to a certain limit agreed in advance. The consolidated subsidiaries make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements amounted to ¥937,356 million (\$7,659 million) at March 31, 2022 and ¥949,071 million at March 31, 2021. Of this amount, ¥745,398 million (\$6,090 million) at March 31, 2022 and ¥774,026 million at March 31, 2021 relate to loans for which the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

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

12. IMPAIRMENT LOSSES

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

| Location | Primary use | Type | Impairment loss | |
|-----------------------------|-------------------------------------------------|----------------------------------------------|-----------------|---------------------------|
| | | | Millions of yen | Thousands of U.S. dollars |
| Yamaguchi Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | ¥1,541 | \$12,659 |
| Hiroshima Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 1,501 | 12,264 |
| Within Hyogo Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 251 | 2,051 |
| Within Tokyo Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 190 | 1,552 |
| Within Aichi Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 54 | 441 |
| Within Osaka Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 46 | 376 |
| Within Chiba Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 43 | 351 |
| Within Okazaki Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 18 | 147 |
| Within Oita Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 13 | 106 |
| Within Kumamoto Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 12 | 98 |
| Other | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | 17 | 139 |
| | | | 1,545 | 12,625 |
| Within Yamaguchi Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | — | 183 |
| Within Yamaguchi Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | — | 155 |
| Within Aichi Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | — | 37 |
| Within Osaka Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | — | 5 |
| Within Hiroshima Prefecture | Business-use assets, corporate welfare facility | Land, buildings, other tangible fixed assets | — | 1 |
| Total | | | ¥6,531 | \$46,009 |

(1) Land, buildings and other tangible fixed assets YMFG and its consolidated subsidiaries that engage in the banking and securities business group their business-use assets into the smallest units possible from the standpoint of management accounting, which is the branch (if multiple branches operate in a same building, these branches are grouped in one group). Idle assets are, in principle, grouped as units of individual assets. In addition, corporate headquarters, administrative centers, training facilities, company housing and dormitories are considered corporate assets, as these are related to all the consolidated subsidiaries which are engaged in the banking businesses.

Consolidated subsidiaries that do not engage in the banking and securities business group their assets, in principle, on an individual company basis. In the year ended March 31, 2022, the book values of business-use assets which were determined not to create

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

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

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

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

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

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

13. BORROWED MONEY

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

| | Millions of U.S. dollars | Thousands of U.S. dollars |
|-------|--------------------------|---------------------------|
| 2022 | ¥1,527 | \$12,477 |
| 2023 | 3,984 | 32,852 |
| 2024 | 2,461 | 20,100 |
| 2025 | 1,690 | 13,808 |
| 2026 | 5,145 | 42,246 |
| Total | ¥26,536 | \$219,219 |

14. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

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

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

Moreover, in the year ended March 31, 2022, part of plan assets under defined benefit corporate pension plans was transferred to defined contribution pension plans. Some consolidated subsidiaries employ the simplified method for calculating retirement benefit obligations.

Defined benefit plans

(1) Reconciliation of retirement benefit obligation balances at the beginning and the end of the years ended March 31, 2022 and 2021

| | Thousands of U.S. dollars | |
|-------------------------------------------------------------------------|---------------------------|-----------|
| | 2022 | 2021 |
| Retirement benefit obligations at the beginning of the year | \$53,953 | \$61,677 |
| Interest cost | 1,396 | 1,853 |
| Actuarial differences | (681) | (1,023) |
| Past service cost | (3,288) | (5,577) |
| Contributions | 65 | 17 |
| Termination benefit payments | (8) | (3) |
| Reconciliation of retirement benefit obligations at the end of the year | \$51,381 | \$53,953 |
| | | \$419,813 |

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

| | Thousands of U.S. dollars | |
|------------------------------------------------------------------------|---------------------------|-----------|
| | 2022 | 2021 |
| Balance of plan assets at the beginning of the year | \$10,770 | \$92,768 |
| Contributions on plan assets | 1,846 | 2,060 |
| Actuarial differences | (1,946) | 17,167 |
| Contribution from employer | 456 | 623 |
| Retirement benefit payments | (2,356) | (2,162) |
| Decrease resulting from transfer to defined contribution pension plans | (1,241) | — |
| Reconciliation of retirement benefit trusts | (26,286) | — |
| Others | 216 | 294 |
| Reconciliation of plan assets at the end of the year | \$81,457 | \$110,770 |
| | | \$665,553 |

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

| | Thousands of U.S. dollars | |
|--------------------------------------------------|---------------------------|------------|
| | 2022 | 2021 |
| Retirement benefit obligations of unfunded plans | \$51,269 | \$53,846 |
| Plan assets | (81,457) | (110,770) |
| Retirement benefit obligations of unfunded plans | (30,188) | (56,924) |
| Unfunded plans | 112 | 107 |
| Carrying amount of liabilities and assets | \$(30,076) | \$(56,817) |
| | | \$245,739 |

| | Thousands of U.S. dollars | |
|-------------------------------------------|---------------------------|------------|
| | 2022 | 2021 |
| Net retirement benefit liability | \$2,652 | \$2,769 |
| Net retirement benefit asset | (32,728) | (59,607) |
| Carrying amount of liabilities and assets | \$(30,076) | \$(56,818) |
| | | \$245,739 |

(4) Retirement benefit costs and their breakdowns

| | Thousands of U.S. dollars | |
|----------------------------------------------------------|---------------------------|---------|
| | 2022 | 2021 |
| Service cost (*) | \$1,396 | \$1,853 |
| Interest cost | 116 | 110 |
| Expected return on plan assets | (1,846) | (2,060) |
| Recognized actuarial loss | (621) | (20) |
| Recognized past service cost | (2,356) | (2,162) |
| Other income | 19 | 86 |
| Retirement benefit costs on defined benefit plans | \$3,637 | \$4,825 |
| Gains on cash contributions to retirement benefit trusts | \$9,094 | \$— |
| Loss on revision of retirement benefit plan (*) | 1,241 | — |
| | | 10,140 |

(*) Excludes employee contribution portion of defined benefit corporate pensions
 (*) Gains on cancellation of retirement benefit trusts* are recorded in other income.
 (*) Loss on revision of retirement benefit plan* is recorded in other expenses.

(5) Remeasurements of defined benefit plans

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

| | Thousands of U.S. dollars | |
|-----------------------|---------------------------|-----------|
| | 2022 | 2021 |
| Actuarial gain (loss) | \$4,171 | \$1,171 |
| Plan assets cost | (2,788) | 2,788 |
| Total | \$15,029 | \$20,959 |
| | | \$112,796 |

(6) Cumulative remeasurements of defined benefit plans

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

| | Thousands of U.S. dollars | |
|------------------------------------|---------------------------|-----------|
| | 2022 | 2021 |
| Unrecognized actuarial gain (loss) | \$4,092 | \$1,313 |
| Unrecognized past service cost | (2,788) | 2,788 |
| Total | \$15,022 | \$18,051 |
| | | \$124,692 |

(7) Plan assets

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

| | 2022 | 2021 |
|-------------|------|------|
| Bonds | 36% | 30% |
| Shares | 36% | 35% |
| Real estate | 26% | 15% |
| Other | 1% | 1% |
| Total | 100% | 100% |

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

(iii) 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 liquidity institutions, net of investment cost.
 (Retirement benefit trusts)
 Past dividend performance is converted to yield.

(8) Basis of actuarial calculation

The basis of actuarial calculations as of March 31, 2022 and 2021

| | 2022 | 2021 |
|--------------------------------------------------|-------------|-------------|
| Discount rate | 0.00%—1.27% | 0.00%—0.98% |
| Expected long-term rate of return on plan assets | 1.00%—2.60% | 1.60%—2.60% |
| Expected rate of salary increase | 0.63%—3.84% | 0.63%—3.61% |

Defined contribution plans

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

Other items pertaining to retirement benefits

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

15. REVALUATION RESERVE FOR LAND

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

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

Total difference between market value of land for business use revalued in accordance with Article 10 of the Law and the total post-revaluation book value of land at March 31, 2022 and 2021 was \$12,474 million (\$102 million) and \$15,005 million, respectively.

16. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

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

17. OTHER INCOME

Other income included the gains on sale of stock of \$3,725 million (\$30 million), dividends from creditor group insurance of \$919 million (\$8 million) and income from investment partnership of \$398 million (\$3 million) for the year ended March 31, 2022, and the gains on sale of stock of \$19,295 million, dividends from creditor group insurance of \$691 million and income from investment partnership of \$343 million for the year ended March 31, 2021.

18. GENERAL AND ADMINISTRATIVE EXPENSES

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

| | Thousands of U.S. dollars | |
|----------------------|---------------------------|----------|
| | 2022 | 2021 |
| Salary and allowance | \$28,729 | \$30,214 |
| Depreciation | 5,401 | 5,787 |
| | | \$44,129 |

19. OTHER EXPENSES

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

| | Thousands of U.S. dollars | |
|-------------------------------------------|---------------------------|---------|
| | 2022 | 2021 |
| Loss on sale of stock | \$7,140 | \$6,556 |
| Losses on investment partnership | 859 | 574 |
| Loss on financial derivatives | 424 | 198 |
| Losses on devaluation of stocks and bonds | 366 | 3,154 |
| Loss on investment in money held in trust | 0 | 3,680 |
| | | 0 |

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

20. LEASE TRANSACTIONS

1. Finance lease transactions
 Finance lease transactions that do not transfer ownership to Borrower

- (i) Content of lease assets
 - Tangible fixed assets
 - Mainly vehicles and office equipment
 - Intangible fixed assets
 - Software

(ii) Depreciation method for lease assets
 As described in "Tangible fixed assets (excluding lease assets)" under (4) Accounting policies in "2. SIGNIFICANT ACCOUNTING POLICIES."

2. Operating leases
 Future minimum lease payments at March 31, 2022 and 2021 were as follows:

| | Thousands of U.S. dollars | |
|------------------------------|---------------------------|---------|
| | 2022 | 2021 |
| Within one year | \$130 | \$117 |
| More than one year | 522 | 4,265 |
| Total minimum lease payments | \$652 | \$4,892 |

Lender

| | Thousands of U.S. dollars | |
|------------------------------|---------------------------|-------|
| | 2022 | 2021 |
| Within one year | \$44 | \$4 |
| More than one year | 177 | 131 |
| Total minimum lease payments | \$221 | \$135 |

21. INCOME TAXES

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

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------------------------------------|-----------------|---------------------------|
| Deferred tax assets: | | |
| Allowance for loan losses | \$22,692 | \$185,407 |
| Reserve on available-for-sale securities | 3,629 | 38,345 |
| Net operating losses carryforwards | 1,014 | 8,285 |
| Provision for bonuses | 881 | 901 |
| Depreciation | 1,174 | 10,455 |
| Reserve for uncertain tax benefits | 617 | 4,292 |
| Net deferred benefit liability | 324 | 143 |
| Other | 2,570 | 19,364 |
| Deferred tax assets | 33,223 | 271,443 |
| Deferred tax liabilities: | | |
| Capital gain (loss) adjustment | (13,170) | (11,929) |
| Total deferred tax assets | 20,053 | 159,514 |
| Unrealized gains on available-for-sale securities | (7,526) | (11,884) |
| Securities in transit | (2,906) | (6,421) |
| Securities contributed to retirement benefit trusts | (2,620) | (3,045) |
| Deferred gains or losses on hedges | (2,076) | (6,444) |
| Capital gain (loss) adjustment | (1,886) | (1,500) |
| Benefit trusts | (1,793) | (14,659) |
| Reserve for advanced depreciation | (1,324) | (10,818) |
| Other non-current assets | (533) | (5) |
| Total deferred tax liabilities | (20,954) | (23,464) |
| Net deferred tax assets (liabilities) | \$9,099 | \$17,289 |
| Other non-current assets | \$1,755 | \$17,075 |

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

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

| | 2022 | 2021 |
|---------------------------------------------------------------------------------------------------------|--------|--------|
| Effective statutory tax rate | 30.46% | 30.47% |
| Changes in the valuation reserve | - | - |
| Items that are not permanently included in profits, such as dividends received | - | 0.44% |
| Non-deductible goodwill amortization | - | 0.63% |
| Losses, such as entertainment expenses | - | 0.28% |
| Inhabitant tax on a per capita basis | - | 0.72% |
| Consolidation adjustments | - | 0.36% |
| Tax burden after the application of tax-effect accounting | - | 0.14% |
| Information for the year ended March 31, 2022 is not described as loss before income taxes is recorded. | - | 32.03% |

22. NET ASSETS

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

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

Consolidated Balance Sheets.

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

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

The maximum amount that YMFG can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of YMFG in accordance with the Act. At the annual shareholders' meeting, held on June 24, 2022, the shareholders approved cash dividends amounting to ¥3,337 million (\$27 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2022 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders' meeting, held on June 25, 2021, the shareholders approved cash dividends amounting to ¥3,225 million (\$27 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2021 and to be recognized in the period in which they are approved by the shareholders.

23. CHANGES IN NET ASSETS

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

| | Number of shares (in thousands) | |
|----------------------|---------------------------------|----------------|
| | March 31, 2021 | March 31, 2022 |
| Shares issued | | |
| Common stock | 264,953 | 264,953 |
| Treasury stock | (264,953) | (264,953) |
| Total | 17,171 | 9,806 |
| Common stock (*, *2) | 17,171 | 9,806 |
| Total | 17,171 | 9,806 |

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

(*2) Treasury stock as of beginning and ending of year ended March 31, 2022 includes 921 thousand shares and 649 thousand shares held by the Board Benefit Trust (BBT).

| | Number of shares (in thousands) | |
|--------------------------|---------------------------------|----------------|
| | March 31, 2020 | March 31, 2021 |
| Shares issued | | |
| Common stock | 264,953 | 264,953 |
| Treasury stock | (264,953) | (264,953) |
| Total | 10,559 | 7,160 |
| Common stock (*, *2, *3) | 10,559 | 7,160 |
| Total | 10,559 | 7,160 |

(*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 455 thousand shares from the ESOP Trust for Group employees to the YMFG stock ownership plan, 84 thousand shares due to the exercise of rights of the Board Benefit Trust (BBT), 8 thousand shares for the exercise of share options and purchases of shares constituting less than one trading unit, totaling 1 thousand shares.

(*2) Treasury stock as of beginning and ending of year ended March 31, 2021 includes 456 thousand shares held by the ESOP Trust for

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

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

2. Stock options

Stock options at March 31, 2022 and 2021 were ¥62 million (\$1 million) and ¥117 million, respectively.

3. Information on dividends is as follows:

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

| Type of shares resolved at the board of directors meeting on | Aggregate amount of dividends (Millions of yen) | Cash dividends per share (Yen) | Record date | Effective date |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 14, 2021 | ¥3,225 (*1) | ¥13.00 | Mar. 31, 2021 | Jan. 28, 2021 |
| Resolved at the board of directors meeting on May 14, 2021 | ¥3,474 (*2) | ¥14.00 | May 30, 2021 | Dec. 10, 2021 |
| Common stock | | | | |
| *1 The total amount of dividend on common stock includes ¥12 million in dividends to Board Benefit Trust (BBT). | | | | |
| *2 The total amount of dividend on common stock includes ¥13 million in dividends to Board Benefit Trust (BBT). | | | | |

| Type of shares resolved at the board of directors meeting on | Aggregate amount of dividends (Thousands of U.S. dollars) | Cash dividends per share (U.S. dollars) | Record date | Effective date |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 13, 2020 | \$3,063 (*1) | \$12.00 | Mar. 31, 2020 | Jan. 26, 2020 |
| Resolved at the board of directors meeting on May 13, 2020 | \$3,284 (*2) | \$13.00 | May 30, 2020 | Dec. 10, 2020 |
| Common stock | | | | |
| *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 resolved at the board of directors meeting on | Aggregate amount of dividends (Thousands of U.S. dollars) | Cash dividends per share (U.S. dollars) | Record date | Effective date |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 13, 2021 | \$26,950 (*1) | \$0.12 | Mar. 31, 2021 | Jan. 28, 2021 |
| Resolved at the board of directors meeting on November 12, 2021 | \$28,985 (*2) | \$0.13 | Sep. 30, 2021 | Dec. 10, 2021 |
| Common stock | | | | |
| *1 The total amount of dividend on common stock includes \$98 thousand in dividends to Board Benefit Trust (BBT). | | | | |
| *2 The total amount of dividend on common stock includes \$106 thousand in dividends to Board Benefit Trust (BBT). | | | | |

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

| Type of shares resolved at the board of directors meeting on | Aggregate amount of dividends (Millions of yen) | Source of dividends (Yen) | Cash dividends per share (Yen) | Record date | Effective date |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------|--------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 13, 2022 | ¥3,337* | Retained earnings | ¥14.00 | Mar. 31, 2022 | Jun. 27, 2022 |
| Common stock | | | | | |
| * The total amount of dividend on common stock includes ¥12 million in dividends to Board Benefit Trust (BBT). | | | | | |

| Type of shares resolved at the board of directors meeting on | Aggregate amount of dividends (Thousands of U.S. dollars) | Source of dividends (U.S. dollars) | Cash dividends per share (U.S. dollars) | Record date | Effective date |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------|-----------------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 14, 2021 | \$3,225* | Retained earnings | \$13.00 | Mar. 31, 2021 | Jan. 28, 2021 |
| Common stock | | | | | |
| * The total amount of dividend on common stock includes ¥12 million in dividends to Board Benefit Trust (BBT). | | | | | |

| Type of shares resolved at the board of directors meeting on | Aggregate amount of dividends (Thousands of U.S. dollars) | Source of dividends (U.S. dollars) | Cash dividends per share (U.S. dollars) | Record date | Effective date |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------|-----------------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 13, 2020 | \$27,265* | Retained earnings | \$0.11 | Mar. 31, 2020 | Jan. 27, 2020 |
| Common stock | | | | | |
| * The total amount of dividend on common stock includes \$98 thousand in dividends to Board Benefit Trust (BBT). | | | | | |

24. STOCK OPTIONS

At a Board of Directors meeting, resolutions were passed with regard to subscription requirements for the allotment of stock options as compensation to directors of YMF&G'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 the items.
There were no expenses in the years ended March 31, 2022 and 2021.

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

| Category and number of persons to be granted stock options | 2021 | |
|------------------------------------------------------------|----------------------------------------|------|
| | 2021 | 2021 |
| Number of stock options by class of stock* | 122,000 shares of YMF&G's common stock | |
| Grant date | August 25, 2015 | |
| Vesting conditions | No vesting conditions set | |
| Target length of service period | August 25, 2015—August 25, 2045 | |
| Period for exercise of rights | August 25, 2015—August 25, 2045 | |

| Category and number of persons to be granted stock options | 2014 | |
|------------------------------------------------------------|----------------------------------------|------|
| | 2014 | 2014 |
| Number of stock options by class of stock* | 182,900 shares of YMF&G's common stock | |
| Grant date | July 29, 2014 | |
| Vesting conditions | No vesting conditions set | |
| Target length of service period | July 30, 2014—July 29, 2044 | |
| Period for exercise of rights | July 30, 2014—July 29, 2044 | |

| Category and number of persons to be granted stock options | 2013 | |
|------------------------------------------------------------|----------------------------------------|------|
| | 2013 | 2013 |
| Number of stock options by class of stock* | 225,100 shares of YMF&G's common stock | |
| Grant date | July 23, 2013 | |
| Vesting conditions | No vesting conditions set | |
| Target length of service period | July 24, 2013—July 23, 2043 | |
| Period for exercise of rights | July 24, 2013—July 23, 2043 | |

| Category and number of persons to be granted stock options | 2012 | |
|------------------------------------------------------------|----------------------------------------|------|
| | 2012 | 2012 |
| Number of stock options by class of stock* | 294,900 shares of YMF&G'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 | |

| Category and number of persons to be granted stock options | 2022 | |
|------------------------------------------------------------|----------------------------------------|------|
| | 2022 | 2022 |
| Number of stock options by class of stock* | 192,600 shares of YMF&G's common stock | |
| Grant date | October 31, 2021 | |
| 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, 2021—October 31, 2041 | |

Note: Stated as the equivalent number of shares.
From the year ended March 31, 2016, the issuance of stock options to directors of the YMF&G subsidiaries

Yamaguchi Bank, Momiji Bank and Kitakyushu Bank (executing 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 | | | | | |
|------------------------------------|--------|--------|--------|--------|-------|--------|--------|--------|--------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | |
| Prior to vesting | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| As of the end of the previous year | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Granted | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Expired | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Vested | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Rights not yet determined | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| After vesting | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Rights determined | 31,600 | 34,200 | 21,900 | 20,200 | 7,800 | 4,900 | 7,300 | 9,100 | 11,900 | 7,800 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Rights exercised | — | — | — | — | — | 26,700 | 26,900 | 12,800 | 8,300 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Expiry | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Amount unexercised | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

(b) Price information

| Exercise price | 2016 | | | | | 2015 | | | | | 2014 | | | | | 2013 | | | | | 2012 | | | | | |
|--------------------------------------|-------|-------|------|------|------|-------|-------|------|------|------|-------|-------|------|------|------|-------|-------|------|------|------|-------|-------|------|------|------|-----|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 | |
| Average share price at time of grant | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 | 634 |
| Fair value on date granted | 1,377 | 1,015 | 973 | 619 | 660 | 1,377 | 1,015 | 973 | 619 | 660 | 1,377 | 1,015 | 973 | 619 | 660 | 1,377 | 1,015 | 973 | 619 | 660 | 1,377 | 1,015 | 973 | 619 | 660 | |

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

25. INVESTMENT AND RENTAL PROPERTY

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

26. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers
The Group's business is predominantly consisted of the banking business, and the securities brokerage, credit card, leasing, consulting and other businesses conducted by the Group collectively are limited.
Disaggregation of revenue from contracts with customers is as follows:

| Category | 2022 | | 2021 | |
|--------------------------------------|-----------------|---------------------------|-----------------|---------------------------|
| | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| Fees and commissions | 42,233 | 314,626 | 42,233 | 314,626 |
| Exchange business | 4,911 | 40,126 | 4,911 | 40,126 |
| Securities-related business | 4,014 | 32,797 | 4,014 | 32,797 |
| Agency business | 748 | 7,026 | 748 | 7,026 |
| Other businesses | 9,346 | 76,562 | 9,346 | 76,562 |
| Other income | 603 | 4,927 | 603 | 4,927 |
| Income from contracts with customers | 24,226 | 199,975 | 24,226 | 199,975 |
| Income from other sources | 172,991 | 1,001,642 | 172,991 | 1,001,642 |
| Income from external customers | ¥197,217 | \$1,201,617 | ¥197,217 | \$1,201,617 |

2. Useful information in understanding revenue from contracts with customers

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

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

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

27. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

| | 2022 | | 2021 | | 2021 | |
|------------------------------------------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|
| | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| Unrealized gains (losses) on available-for-sale securities | ¥38,468 | \$33,907 | ¥31,437 | \$14,307 | ¥31,437 | \$14,307 |
| Amount generated during the year | 22,591 | (19,854) | 184,582 | 1,645 | 184,582 | 1,645 |
| Reclassification adjustments | (15,877) | 14,043 | (17,975) | (16,000) | (17,975) | (16,000) |
| Before tax effect adjustment | 4,599 | (4,232) | 37,977 | 34,352 | 37,977 | 34,352 |
| Tax effect amount | (1,278) | 9,811 | (92,140) | (836) | (92,140) | (836) |
| Deferred gains (losses) on hedges | 3,544 | 17,106 | 26,957 | 243 | 26,957 | 243 |
| Amount generated during the year | 2,315 | 11,515 | 17,817 | 160 | 17,817 | 160 |
| Reclassification adjustments | 4,700 | 17,454 | 38,420 | 346 | 38,420 | 346 |
| Before tax effect adjustment | 1,431 | (5,317) | (11,692) | (106) | (11,692) | (106) |
| Tax effect amount | 3,269 | 12,137 | 26,710 | 243 | 26,710 | 243 |
| Reclassifications of defined benefit plan assets | (1,265) | 20,979 | (10,336) | (94) | (10,336) | (94) |
| Amount generated during the year | (13,764) | (70) | (112,468) | (1,036) | (112,468) | (1,036) |
| Reclassification adjustments | (15,029) | 20,959 | (172,800) | (1,562) | (172,800) | (1,562) |
| Before adjustment for tax effects | 4,578 | (6,386) | 32,613 | (296) | 32,613 | (296) |
| Tax effect amount | (10,481) | 14,175 | (86,391) | (776) | (86,391) | (776) |
| Total other comprehensive income | ¥(18,460) | \$96,523 | ¥(150,621) | (1,372) | ¥(150,621) | (1,372) |

28. SEGMENT INFORMATION

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

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

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

29. RELATED PARTY TRANSACTIONS

Details of the transactions between the consolidated subsidiaries of YMF&G submitting the consolidated financial statements and related parties are as follows:
Executives and major shareholders of YMF&G submitting the consolidated financial statements (only for individuals), etc.

For the year ended March 31, 2022
Category: Executive
Name: Kazuo Tsukuda
Occupation or title: Director and Audit and Supervisory Committee Member of YMF&G
Relationship with related party: Lender of funds
Content of transaction: Lending of funds* ¥223 million (\$2 million) (average balance)
Account name: Loan
Year-end balance: ¥223 million (\$2 million)
* Conditions for this transaction and for method of deciding this transaction conditions were the same as general transactions.

For the year ended March 31, 2021
Category: Executive
Name: Kazuo Tsukuda
Occupation or title: Director and Audit and Supervisory Committee Member of YMF&G
Relationship with related party: Lender of funds
Content of transaction: Lending of funds* ¥223 million (average balance)
Account name: Loan
Year-end balance: ¥223 million
* Conditions for this transaction and for method of deciding this transaction conditions were the same as general transactions.

Corporate pensions for employees, etc.
For the year ended March 31, 2022
Category: Corporate pensions
Name: Retirement benefit trusts
Relationship with related party: Plan assets on retirement benefit accounting
Content of transaction: Return of part of assets ¥25,026 million (\$204 million)
Transaction amount:

For the year ended March 31, 2021
There was no transaction related to corporate pensions for employees, etc.

30. PER SHARE DATA

| | Yen | | U.S. dollars | |
|----------------------------------|-----------|-----------|--------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Net assets per share | ¥2,632.26 | ¥2,729.94 | \$21.67 | \$22.22 |
| Net income (loss) per share | (83.29) | 99.63 | (0.68) | 0.81 |
| Net income per share (undiluted) | — | ¥293.93 | — | (0.44) |

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

Net assets per share are calculated based on the following:

| | Millions of yen | | Thousands of U.S. dollars | |
|--------------------------------------------------------------------------------------------------------|-----------------|-----------|---------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net assets | ¥6,565.54 | ¥6,171.39 | \$5,195.31 | \$5,002.17 |
| Amounts excluded from net assets | 6.65 | 6,345 | 52.823 | 51,453 |
| Stock options | 82 | 117 | 670 | 950 |
| Non-controlling interests | 6,383 | 6,228 | 51,153 | 50,503 |
| Net assets attributable to common stock | 6,279 | 6,054 | 50,480 | 49,052 |
| Number of common stock at the year-end used for the calculation of net assets per share (in thousands) | 237,468 | 247,182 | — | — |

* Shares of YMFEG held by the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above number of common stock at the year-end used for the calculation of net assets per share. The number of shares held by the Board Benefit Trust (BBT) was 849 thousand as of March 31, 2022, and 921 thousand as of March 31, 2021.

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

| | Millions of yen | | Thousands of U.S. dollars | |
|-------------------------------------------------------------------------|-----------------|---------|---------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (loss) attributable to owners of the parent | ¥(13,946) | ¥24,956 | \$(106,267) | \$199,817 |
| Amount attributable to common owners of the parent | — | — | — | — |
| Net income (loss) attributable to owners of the parent for common stock | (13,096) | 24,956 | (106,267) | 199,817 |
| Average shares of common stock during the year* (in thousands) | 244,077 | 250,496 | — | — |

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

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

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

(*2) Shares of YMFEG held by the ESCP Trust, and the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above average shares of common stock during the year. The average number of shares was 899 thousand in the year ended March 31, 2022 and 1,103 thousand in the year ended March 31, 2021. The ESCP Trust for employee shareholders was terminated in March 2021.

31. SUBSEQUENT EVENTS

For the year ended March 31, 2022
Dividends were made in June 2022. Please refer to "22. NET ASSETS."

Acquisition of treasury stock

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

1. Resolution at a Board of Directors meeting on May 13, 2022
(1) Type of shares to be acquired
Common stock of YMFEG
(2) Total number of shares to be acquired
20,000,000 shares (maximum)
(3) Total acquisition price of the shares
¥10,000,000,000 (maximum) (\$811,706 thousand)
(4) Acquisition period
May 16, 2022 to March 24, 2023
(5) Acquisition method
Market purchases on the Tokyo Stock Exchange

For the year ended March 31, 2021

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

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

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

| Name | 8th series of unsecured subordinated bonds (with a non-liability write-off clause) (Green Bonds) | 9th series of unsecured subordinated bonds (with a non-liability write-off clause) (Green Bonds) |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Total amount of each bond | ¥2,400 million | ¥20,000 million |
| Redemption date | ¥100 million | ¥1 million |
| Coupon rate | 1. First five years (until October 20, 2027): 1.10% 2. After five years: Six-month Japanese yen TIBOR +0.68% | 1. First five years (until October 31, 2027): 1.10% 2. After five years: Mid-rate for five-year Japanese yen swap + 0.68% |
| Issue price | ¥100 per face value | ¥100 per face value |
| Maturity date | October 20, 2032 | October 31, 2032 |
| Use of proceeds | The proceeds from the issuance of these bonds will be used for the following purposes in existing loans that meet the following eligibility criteria. 1. Renewable energy i. Solar power generation ii. Biomass power generation (limited to projects that use sustainable feedstock or waste materials) iii. Hydro power generation (limited to projects with capacity less than 25 MW) 2. Green buildings i. Financing or projects associated with (1) construction/renovation/retrofitting of existing buildings or (2) renovation/retrofitting of existing buildings which have obtained, or are scheduled to obtain, the following certifications: i. BEP: Code or higher ii. CASBEE: Bank A or higher iii. CASBEE: bank A or higher iv. BBL: Four stars or higher v. DBU Green Building: Four stars or higher These bonds are not secured by collateral or guarantee and there are no assets pledged particularly for these bonds. | |
| Collateral/guarantee | | |

Independent auditor's report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Borrower Classification for Allowance for Loan Losses

The key audit matter

In the consolidated balance sheet of Yamaguchi Financial Group, Inc., loans and bills discounted (hereinafter referred to as the "Loans") of ¥8,143,997 million were recognized, accounting for approximately 66.8%, which is a significant portion of the

How the matter was addressed in our audit

The primary procedures we performed to assess the appropriateness of the borrower classification of the recipients of management improvement support initiatives taking into account qualitative factors at Group banks included the following:
(1) Internal control testing

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

As described in Note 2, "SIGNIFICANT ACCOUNTING POLICIES, (4) Accounting Policies, Allowance for loan losses" to the consolidated financial statements, the Group banks assess their receivables, including the Loans, in accordance with the self-

assessment criteria. Based on the results of the self-assessments, the Loans are classified into loans to normal borrowers, etc., and an allowance for loan losses is provided by each class, in accordance with the method specified in the write-off and provisioning standards, for the expected amount of losses based on the actual rate of losses from bad debts and the default probability, or the amount calculated by deducting the amount expected to be collected through disposition of collateral or execution of guarantees, etc.

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

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

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

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

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

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

- ③ We inquired of the assessment departments about the basis for the borrower classification. We assessed the appropriateness of the borrower classification by comprehensively taking into account the actual financial status of the borrower, the debt repayment capacity, considering the latest operating results and cash flows, liquidity position, forward-looking information including the business improvement plans, and the effects of the prolonged spread of COVID-19.

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

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

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

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

Ateuji Maeno
Designated Engagement Partner
Certified Public Accountant

Yoshinao Abe
Designated Engagement Partner
Certified Public Accountant

Noriyuki Akiyama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan
November 18, 2022

Notes to the Reader of Independent Auditor's Report:

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

Yamaguchi Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2022 and 2021

| ASSETS | Millions of yen | | Thousands of U.S. dollars | |
|-------------------------------------------------------|-------------------|-------------------|---------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | |
| Cash and due from banks | ¥1,201,567 | ¥967,224 | \$9,817,689 | |
| Call loans and bills purchased | 50,806 | 24,356 | 415,116 | |
| Monetary claims bought | 5,443 | 4,556 | 44,473 | |
| Trading assets | 2,494 | 1,373 | 20,051 | |
| Money held in trust | 25,386 | 25,180 | 207,419 | |
| Securities | 861,952 | 1,174,387 | 7,042,667 | |
| Loans and bills discounted | 4,541,577 | 4,374,246 | 37,107,419 | |
| Foreign exchanges | 12,993 | 10,482 | 106,161 | |
| Other assets | 163,571 | 160,869 | 1,336,481 | |
| Tangible fixed assets | 36,265 | 41,888 | 296,307 | |
| Intangible fixed assets | 2,818 | 3,185 | 23,025 | |
| Prepaid pension cost | 19,261 | 21,146 | 157,374 | |
| Deferred tax assets | — | — | — | |
| Customers' liabilities for acceptances and guarantees | 29,901 | 21,470 | 244,309 | |
| Allowance for loan losses | (28,923) | (32,975) | (236,318) | |
| Total assets | ¥6,925,091 | ¥6,797,387 | \$56,582,173 | |

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

| | | | | |
|------------------------------------------------|-------------------|-------------------|---------------------|--|
| Liabilities: | | | | |
| Deposits | ¥5,813,976 | ¥5,639,379 | \$47,503,685 | |
| Call money and bills sold | 10,592 | 84,938 | 86,543 | |
| Payables under securities lending transactions | 266,663 | 259,166 | 2,178,797 | |
| Trading liabilities | 2,109 | 1,122 | 17,232 | |
| Borrowed money | 292,387 | 292,561 | 2,388,978 | |
| Foreign exchanges | 7,856 | 6,194 | 64,168 | |
| Other liabilities | 67,340 | 50,761 | 550,192 | |
| Provision for bonuses | 14 | 34 | 114 | |
| Provision for retirement benefits | 120 | 119 | 989 | |
| Provision for directors' stock benefits | 139 | 137 | 1,136 | |
| Provision for reimbursement of deposits | 327 | 439 | 2,672 | |
| Provision for customers point services | 52 | 44 | 433 | |
| Deferred tax liabilities | 4,083 | 634 | 33,361 | |
| Deferred tax liabilities for land revaluation | 5,436 | 6,826 | 44,415 | |
| Acceptances and guarantees | 29,901 | 21,470 | 244,309 | |
| Total liabilities | 6,500,995 | 6,363,824 | 53,117,044 | |
| Net assets: | | | | |
| Capital stock | 10,006 | 10,006 | 81,755 | |
| Capital surplus | 380 | 380 | 3,105 | |
| Retained earnings | 390,334 | 394,051 | 3,185,264 | |
| Total shareholders' equity | 400,720 | 404,437 | 3,274,124 | |
| Net unrealized gains on securities | 7,653 | 13,225 | 62,530 | |
| Deferred gains or losses on hedges | 3,464 | 476 | 28,303 | |
| Revaluation reserve for land | 12,259 | 15,425 | 100,172 | |
| Total valuation and translation adjustments | 23,376 | 29,126 | 191,005 | |
| Total net assets | 424,096 | 433,563 | 3,465,129 | |
| Total liabilities, and net assets | ¥6,925,091 | ¥6,797,387 | \$56,582,173 | |

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars | |
|----------------------------------------------------------|-----------------|----------------|---------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Income | | | | |
| Interest income: | | | | |
| Interest on loans and discounts | ¥35,360 | ¥36,378 | \$288,912 | |
| Interest and dividends on securities | 15,396 | 27,928 | 125,795 | |
| Other interest income | 1,325 | 657 | 10,826 | |
| Fees and commissions | 10,871 | 10,877 | 88,823 | |
| Trading income | 112 | 103 | 915 | |
| Other ordinary income | 5,411 | 10,954 | 44,211 | |
| Other income | 7,376 | 11,605 | 60,266 | |
| Total income | 75,851 | 96,502 | 619,748 | |
| Expenses | | | | |
| Interest expense: | | | | |
| Interest on deposits | 1,069 | 1,564 | 8,734 | |
| Interest on borrowings and rediscounts | 537 | 729 | 4,388 | |
| Other interest expense | 2,783 | 3,060 | 22,739 | |
| Fees and commissions payments | 4,487 | 4,705 | 36,661 | |
| Other operating expenses | 22,840 | 27,902 | 186,617 | |
| General and administrative expenses | 22,254 | 24,558 | 181,829 | |
| Impairment losses | 3,040 | 197 | 24,839 | |
| Other expenses | 13,097 | 9,287 | 107,009 | |
| Total expenses | 70,107 | 72,101 | 572,816 | |
| Income before income taxes and minority interests | 5,744 | 26,401 | 46,932 | |
| Income taxes: | | | | |
| Current | (323) | 5,711 | (2,639) | |
| Deferred | 3,298 | 851 | 26,947 | |
| Net income | ¥2,769 | ¥19,839 | \$22,624 | |

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

Momiji Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2022, and 2021

| ASSETS | Millions of yen | | Thousands of U.S. dollars | |
|-------------------------------------------------------|-------------------|-------------------|---------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | |
| Cash and due from banks | 4629,668 | 4,734,062 | 16,778,887 | 5,997 |
| Call loans and bills purchased | 734 | 608 | 5,286 | 39,987 |
| Trading assets | 647 | 4,673 | 3,528,319 | 431,831 |
| Money held in trust | 4,894 | 557,087 | 19,556,647 | 98,995 |
| Securities | 431,831 | 2,332,083 | 682,574 | 267,146 |
| Loans and bills discounted | 2,393,538 | 6,101 | 1,912 | 2,114 |
| Foreign exchanges | 12,116 | 91,621 | 18,291 | 68,192 |
| Other assets | 83,540 | 34,677 | 11,492 | 75,423 |
| Tangible fixed assets | 32,696 | 34,677 | 8,883 | (35,883) |
| Intangible fixed assets | 1,912 | 2,114 | 72,579 | (293,186) |
| Prepaid pension cost | 8,346 | 18,291 | 1,007 | 1,007 |
| Deferred tax assets | 9,231 | 11,492 | 166,610 | 1,254,931 |
| Customers' liabilities for acceptances and guarantees | 8,883 | 8,017 | 1,007 | 1,007 |
| Allowance for loan losses | (35,883) | (27,213) | 166,610 | 1,254,931 |
| Total assets | 43,782,153 | 43,773,583 | 166,610 | 1,254,931 |

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

| | | | | |
|----------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Liabilities: | | | | |
| Deposits | 43,254,539 | 43,209,720 | 166,610 | 1,254,931 |
| Call money and bills sold | 6,487 | 2,214 | 53,003 | 53,003 |
| Payables under securities lending transactions | 48,296 | 67,249 | 394,607 | 394,607 |
| Borrowed money | 289,806 | 296,739 | 2,367,890 | 2,367,890 |
| Foreign exchanges | 26 | 28 | 212 | 212 |
| Other liabilities | 16,010 | 18,249 | 130,613 | 130,613 |
| Provision for bonuses | --- | 7 | --- | --- |
| Provision for directors' stock benefits | 112 | 92 | 915 | 915 |
| Provision for reimbursement of deposits | 182 | 238 | 1,487 | 1,487 |
| Deferred tax liabilities for land revaluation | 4,221 | 4,419 | 34,488 | 34,488 |
| Acceptances and guarantees | 8,883 | 8,017 | 72,579 | 72,579 |
| Total liabilities | 43,628,562 | 43,606,972 | 29,647,537 | 29,647,537 |
| Capital stock | 10,000 | 10,000 | 81,706 | 81,706 |
| Capital surplus | 54,889 | 59,533 | 448,476 | 448,476 |
| Retained earnings | 89,999 | 96,070 | 732,895 | 732,895 |
| Total shareholders' equity | 154,888 | 165,603 | 1,263,077 | 1,263,077 |
| Net unrealized gains on securities | (10,442) | (8,394) | (65,317) | (65,317) |
| Deferred gains or losses on hedges | 1,277 | 996 | 10,434 | 10,434 |
| Revaluation reserve for land | 8,168 | 8,405 | 66,737 | 66,737 |
| Total valuation and translation adjustments | (997) | 1,007 | (8,146) | (8,146) |
| Total net assets | 153,591 | 166,610 | 166,610 | 1,254,931 |
| Total liabilities, and net assets | 43,782,153 | 43,773,583 | 166,610 | 1,254,931 |

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2022, and 2021

| Income | Millions of yen | | Thousands of U.S. dollars | |
|-----------------------------------------------------------------|-----------------|---------------|---------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income | | | | |
| Interest income: | | | | |
| Interest on loans and discounts | 421,459 | 422,334 | 1,753,333 | 1,753,333 |
| Interest and dividends on securities | 6,603 | 8,862 | 53,950 | 53,950 |
| Other interest income | 805 | 740 | 6,577 | 6,577 |
| Fees and commissions | 5,933 | 6,193 | 48,476 | 48,476 |
| Other ordinary income | 2,067 | 3,971 | 16,880 | 16,880 |
| Other income | 8,014 | 5,539 | 65,489 | 65,489 |
| Total income | 44,881 | 47,639 | 366,705 | 366,705 |
| Expenses | | | | |
| Interest expense: | | | | |
| Interest on deposits | 304 | 403 | 2,484 | 2,484 |
| Interest on borrowings and rediscounts | 160 | 148 | 1,307 | 1,307 |
| Other interest expense | 181 | (0) | 1,487 | 1,487 |
| Fees and commissions payments | 3,782 | 3,848 | 30,901 | 30,901 |
| Other operating expenses | 13,614 | 11,795 | 111,235 | 111,235 |
| General and administrative expenses | 16,008 | 17,042 | 130,795 | 130,795 |
| Impairment losses | 1,910 | 183 | 15,606 | 15,606 |
| Other expenses | 13,697 | 5,132 | 111,904 | 111,904 |
| Total expenses | 49,656 | 38,551 | 405,719 | 405,719 |
| (Loss) income before income taxes and minority interests | (4,775) | 9,088 | (36,014) | (36,014) |
| Income taxes: | | | | |
| Current | (1,008) | 2,801 | (8,236) | (8,236) |
| Deferred | 2,804 | (1,027) | 22,919 | 22,919 |
| Net (loss) income | (46,571) | 7,231 | (183,317) | (183,317) |

| Amounts per share of common stock: | Yen | | U.S. dollars | |
|---------------------------------------|-----------|---------|--------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Net (loss) income | (¥15,088) | ¥16,799 | (60.12) | (60.12) |
| Cash dividends applicable to the year | 10.85 | 8.50 | 0.09 | 0.09 |

Kitakyushu Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2022 and 2021

| ASSETS | Millions of yen | | Thousands of U.S. dollars | |
|-------------------------------------------------------|-------------------|-------------------|---------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | |
| Cash and due from banks | ¥143,882 | ¥106,607 | \$1,175,603 | — |
| Call loans and bills purchased | — | — | — | — |
| Securities | 51,715 | 48,591 | 422,543 | — |
| Loans and bills discounted | 1,288,793 | 1,287,209 | 10,530,215 | — |
| Foreign exchanges | 12,692 | 11,856 | 103,701 | — |
| Other assets | 24,322 | 9,962 | 198,733 | — |
| Tangible fixed assets | 18,859 | 19,066 | 154,089 | — |
| Intangible fixed assets | 869 | 928 | 7,100 | — |
| Prepaid pension cost | 1,424 | 1,170 | 11,635 | — |
| Customers' liabilities for acceptances and guarantees | 13,599 | 12,007 | 111,112 | — |
| Allowance for loan losses | (13,929) | (10,614) | (113,808) | — |
| Total assets | ¥1,542,226 | ¥1,456,782 | \$12,600,923 | |

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

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

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2022 and 2021

| Income | Millions of yen | | Thousands of U.S. dollars | |
|----------------------------------------------------------|-----------------|---------------|---------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Income | | | | |
| Interest income: | | | | |
| Interest on loans and discounts | ¥11,195 | ¥11,000 | \$91,470 | — |
| Interest and dividends on securities | 524 | 574 | 4,281 | — |
| Other interest income | 134 | 52 | 1,095 | — |
| Fees and commissions | 1,893 | 1,722 | 15,467 | — |
| Other ordinary income | 662 | 382 | 5,409 | — |
| Other income | 585 | 3,766 | 4,780 | — |
| Total income | 14,993 | 17,496 | 122,502 | |
| Expenses | | | | |
| Interest expense: | | | | |
| Interest on deposits | 221 | 307 | 1,806 | — |
| Interest on borrowings and rediscounts | 71 | 90 | 580 | — |
| Other interest expense | 14 | 3 | 114 | — |
| Fees and commissions payments | 1,293 | 1,295 | 10,565 | — |
| General and administrative expenses | 6,647 | 7,073 | 54,310 | — |
| Other expenses | 5,046 | 1,580 | 41,229 | — |
| Total expenses | 13,292 | 10,347 | 108,604 | |
| Income before income taxes and minority interests | 1,701 | 7,149 | 13,898 | |
| Income taxes: | | | | |
| Current | 1,140 | 1,877 | 9,314 | — |
| Deferred | 320 | (22) | 2,615 | — |
| Net income | ¥241 | ¥5,294 | \$1,969 | |

Amounts per share of common stock:

| | Yen | | U.S. dollars | |
|---------------------------------------|--------------|---------------|--------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income | ¥240,517.08 | ¥5,294,543.73 | \$1,965.17 | — |
| Cash dividends applicable to the year | 2,325,482.97 | 1,713,650.74 | 19,000.60 | — |



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