



To be a financial group that nurtures and
grows with our region

YMFG

ANNUAL REPORT

2014

For the year ended March 31, 2014





Achieve mutual prosperity with the region by transforming into “One YMFG”

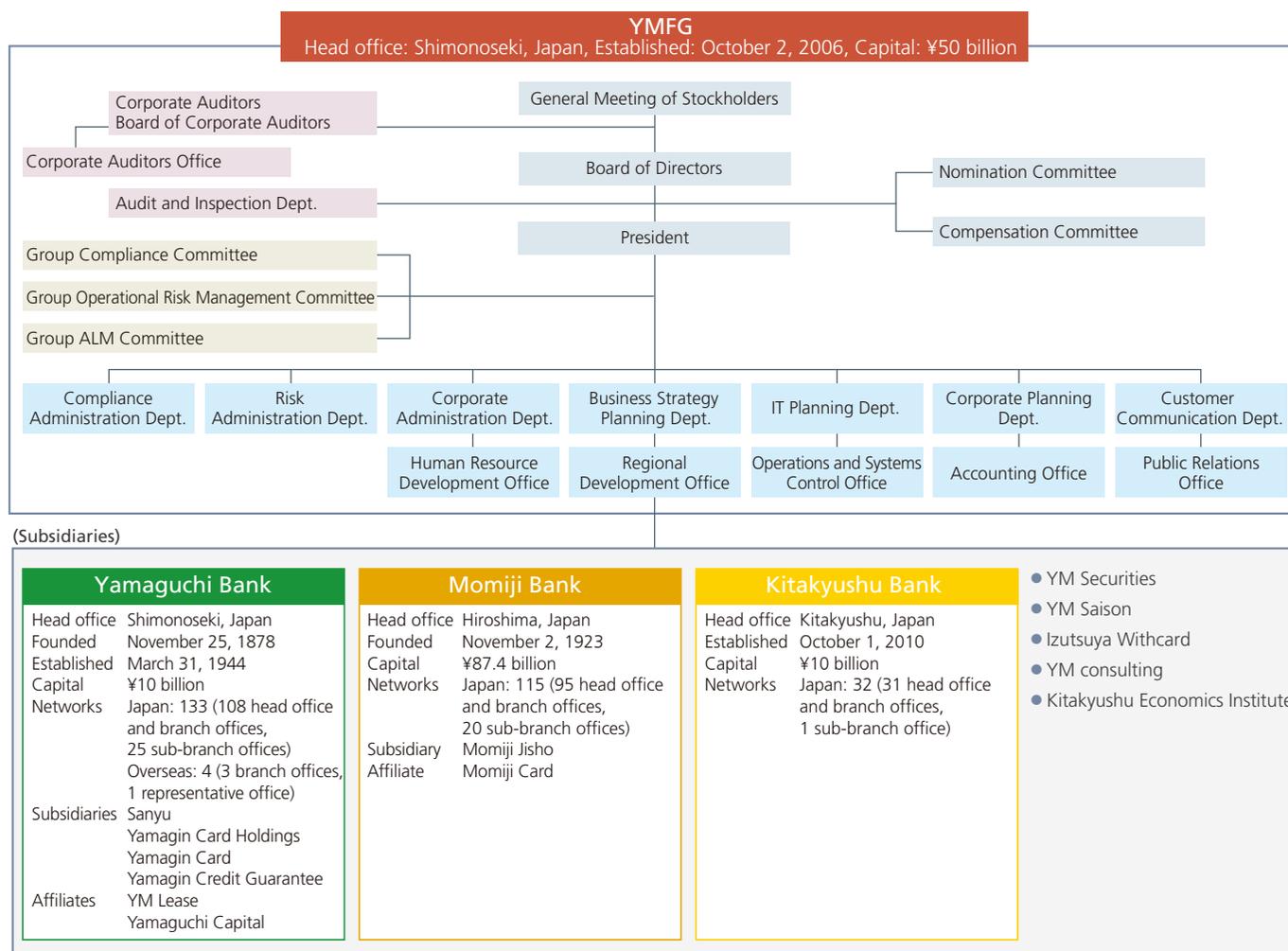
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Disclaimer Regarding Forward-Looking Statements

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

Organization Chart



History

- | | | | |
|-----------|---|-----------|---|
| Mar. 2005 | The Yamaguchi Bank, Momiji Holdings, Inc., and its subsidiary, Momiji Bank, concluded a basic agreement on business and capital participation. | Jul. 2007 | YM Securities was established. |
| Dec. 2005 | The Yamaguchi Bank and Momiji Holdings concluded a basic agreement on business merger. | Aug. 2007 | YM Saison was established. |
| Oct. 2006 | The Yamaguchi Bank and Momiji Holdings established Yamaguchi Financial Group (YMFG) by means of a joint share transfer. YMFG was listed on the First Section of the Tokyo Stock Exchange. | Oct. 2007 | YM Securities commenced operations. |
| Apr. 2007 | Momiji Holdings was merged into the surviving corporation, Momiji Bank. | Apr. 2009 | Acquired all outstanding shares in Izutsuya Withcard Co., Ltd. |
| | | Oct. 2010 | Kitakyushu Financial Project was established. |
| | | Mar. 2011 | Acquired all issued shares of Momiji Consulting. |
| | | Apr. 2011 | Momiji Consulting changed name to YM Consulting. |
| | | Aug. 2011 | Acquired all outstanding shares in The Kitakyushu Economics Institute, Ltd. |
| | | Oct. 2011 | The Kitakyushu Bank was established. |

Reinforcing our management foundations to be adaptable to various changes in our working environment

Thank you for your continued support of the Yamaguchi Financial Group (“YMFG”).

This annual report provides an overview of the Group and its business results for the fiscal year ended March 31, 2014, and is designed to help you understand more about YMFG.

Based on the YMFG Medium-Term Management Plan 2013, which commenced during the year under review, the Group worked to deepen its community involvement in the regions where it operates, pulling together as a unified financial group, “One YMFG,” comprising three banks—Yamaguchi Bank, Momiji Bank and Kitakyushu Bank—and leveraging its comprehensive strengths. YMFG will also put forth every effort toward developing mutually beneficial relationships with local communities and customers, aiming to provide financial services that invigorate our region.

As part of our international operations to provide support for clients making business inroads overseas, in July 2013 we entered into an affiliate relationship with the Metropolitan Bank and Trust Company of the Philippines. This move added the Philippines to the Yamaguchi Financial Group's Asian network, which also includes relationships with banks in China, South Korea and Indonesia.

In December 2013, we issued \$300 million in US-dollar-denominated convertible bonds to meet the dollar funding needs of clients conducting business overseas.

We plan to continue striving to become recognized for having strong operations in Asia by providing overseas business opportunities to our customers and strengthening our funding support and other consulting functions.

In the fiscal year ended March 31, 2014, the Group launched the new "YMFG Medium-Term Management Plan 2013." During the first year of this plan, under a basic policy of "transforming YMFG" we sought to work together toward the prosperity of the region by transforming our existing "awareness," "actions" and "framework." We also undertook initiatives to invigorate the region by leveraging our Group network and information.

By consolidating Group planning and administrative departments, we will continue working toward a structure that achieves at a high level both finance that is closely attuned to the region and an efficient management function. In this manner, we are reinforcing our management foundations to be adaptable to various changes in our working environment.

We look forward to your continued patronage and support.

August 2014

A handwritten signature in black ink, reading "K. Fukuda", with a horizontal line underneath.

Koichi Fukuda
President
Yamaguchi Financial Group, Inc.

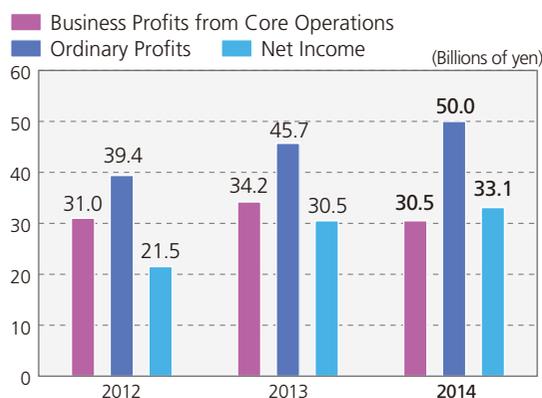
Performance Highlights (YMFG)

Performance during the fiscal year ended March 31, 2014

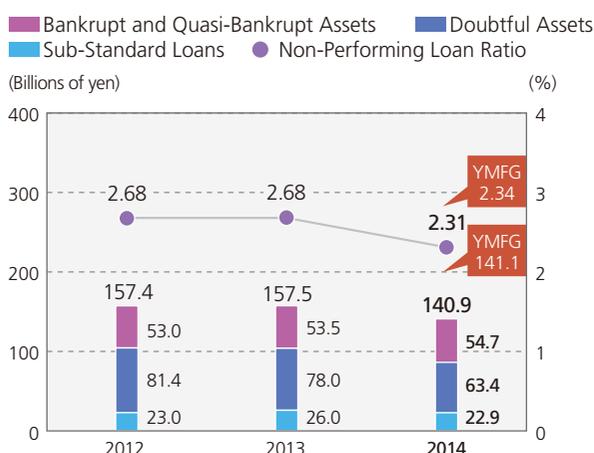
Business Profits from Core Operations/ Ordinary Profits/Net Income (Three Banks)

Business profits from core operations were down ¥3.7 billion year on year, to ¥30.5 billion. This outcome stemmed from a decrease in other ordinary income in comparison with the previous fiscal year's gain on transfer in line with the securitization of loans.

Ordinary profits rose ¥4.3 billion, to ¥50.0 billion, and net income amounted to ¥33.1 billion.

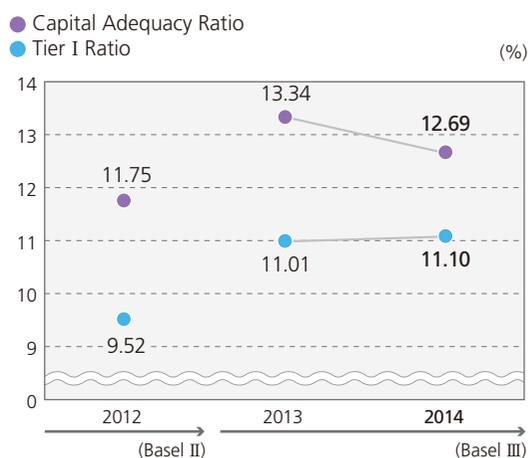


Non-Performing Assets Based on the Financial Revitalization Law (Three Banks)



Capital Adequacy Ratio (YMFG)

YMFG's consolidated capital adequacy ratio (uniform international standard) under Basel III was 12.69%. The total Tier 1 capital adequacy ratio was 11.10%, and consolidated common equity Tier I capital adequacy ratio was 11.10%.



Capital Strategy (Euro-dollar convertible bonds issued and Repurchase own shares)

Euro-dollar convertible bonds issued (Dec. 2013)

- Amount \$300 million
- Maturity 5 years
- Coupon 0% (zero cost)
- Objective

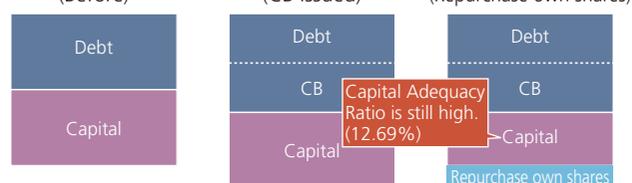
As the Group having strong operations in Asia, to respond to rising demand for foreign currency loans which corporate customers spend on the development of their overseas operations, to lower funding cost of U.S.\$ with contingent convertible clause and clause determining face value cash settlement intended to minimize dilution shareholder value.

Repurchase own shares (Dec. 2013)

- Amount 9 million shares
- Objective

To offset the impact of dilution by raising capital efficiency.

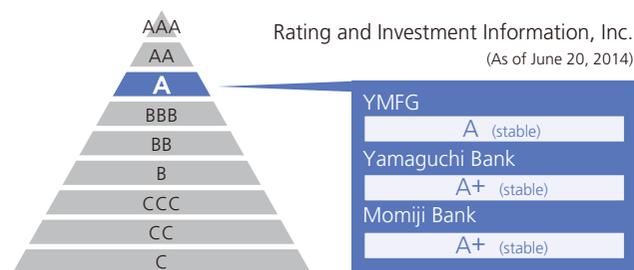
Diagram of scheme (Before)



Lowering funding cost of U.S.\$ with minimizing dilution shareholder value

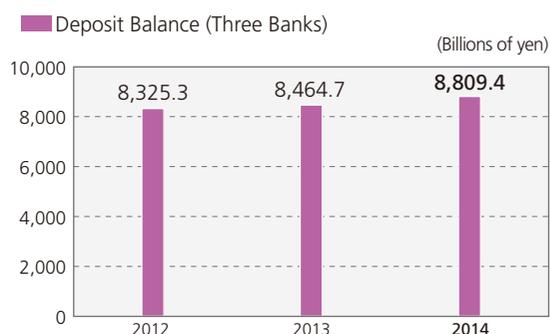
Ratings for YMFG, Yamaguchi Bank and Momiji Bank

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



Deposit Balance (Three Banks)

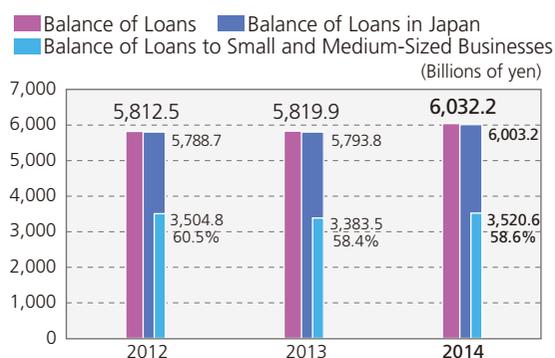
The total deposit balance at term-end was ¥8,187.2 billion, or ¥8,809.4 billion including Negotiable Certificates of Deposit (NCDs). This came about because of the expansion of products and services and steady marketing efforts based on solid community relationships.



Note: The deposit balance includes the NCD balance.

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

The balance of loans at term-end was ¥6,032.2 billion, as a result of active efforts to live up to the trust placed in us by our customers by meeting healthy demand for funds.



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



Dividend Policy (YMFG)

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

In the year ended March 31, 2014, the dividend per share at term-end was ¥7. Combined with the interim dividend of ¥6 per share, the full-year dividend amounted to ¥13 per share.

| | FY2011 | FY2012 | FY2013 | FY2014 (Forecast) |
|---------------------------|--------|--------|--------|-------------------|
| Annual dividend per share | 11.0 | 12.0 | 13.0 | 14.0 |
| (Interim dividend) | (5.0) | (6.0) | (6.0) | (7.0) |

Expected Performance for the Fiscal Year Ending March 31, 2015 (YMFG)

YMFG aims to achieve its consolidated ordinary profits of ¥41.5 billion and net income of ¥24.0 billion.

YMFG Medium-Term Management Plan 2013

Our Goal

To be a financial group that nurtures and grows with our region

Road to “YMFG Zone”
Zone of Over-regional Network Economy

(Going beyond individual regions to forge links among the regions, creating a growing economic zone)

Core Objective

Achieve mutual prosperity with the region by transforming into “One YMFG”

As a financial group comprising three banks—Yamaguchi Bank, Momiji Bank and Kitakyushu Bank—we will build relationships deeply rooted in these regions. At the same time, we will forge connections between the regions, nurture them, and deliver collective Group strength through our transformation into “One YMFG.” Through these efforts, we aim to invigorate the regions and ensure YMFG’s growth.

Priority Measures for Achieving the Core Objective

Transforming into “One YMFG”

● **Becoming one, going to the “regions” — From “company” to “regions”**

We will work to bring together companies and employees, strengthen points of contact between regions and customers, and leverage the strengths of each bank’s brand to build deep relationships with the regions.

● **As one “YMFG” —From “company” to “YMFG”**

We will enhance Group controls and connections, cultivating a sense of togetherness as the Group, and augmenting the collective power of the Group as one “YMFG.”

Achieving Mutual Prosperity between the Region and YMFG

● **Generating regional vigor —As the leading company in the region**

By leveraging the network of our Group, including its bases in Asia, we will strive to strengthen points of contact between individual regions, between regions and customers, and among customers, thereby invigorating the region.

● **Increasing the number of YMFG fans —As the best company in the region**

As the best company in the region, we will take advantage of our strengths as a comprehensive financial group to provide consulting-based sales and unique products and services, increasing the number of YMFG fans.

Reinforcing the Management Foundation to Support “One YMFG”

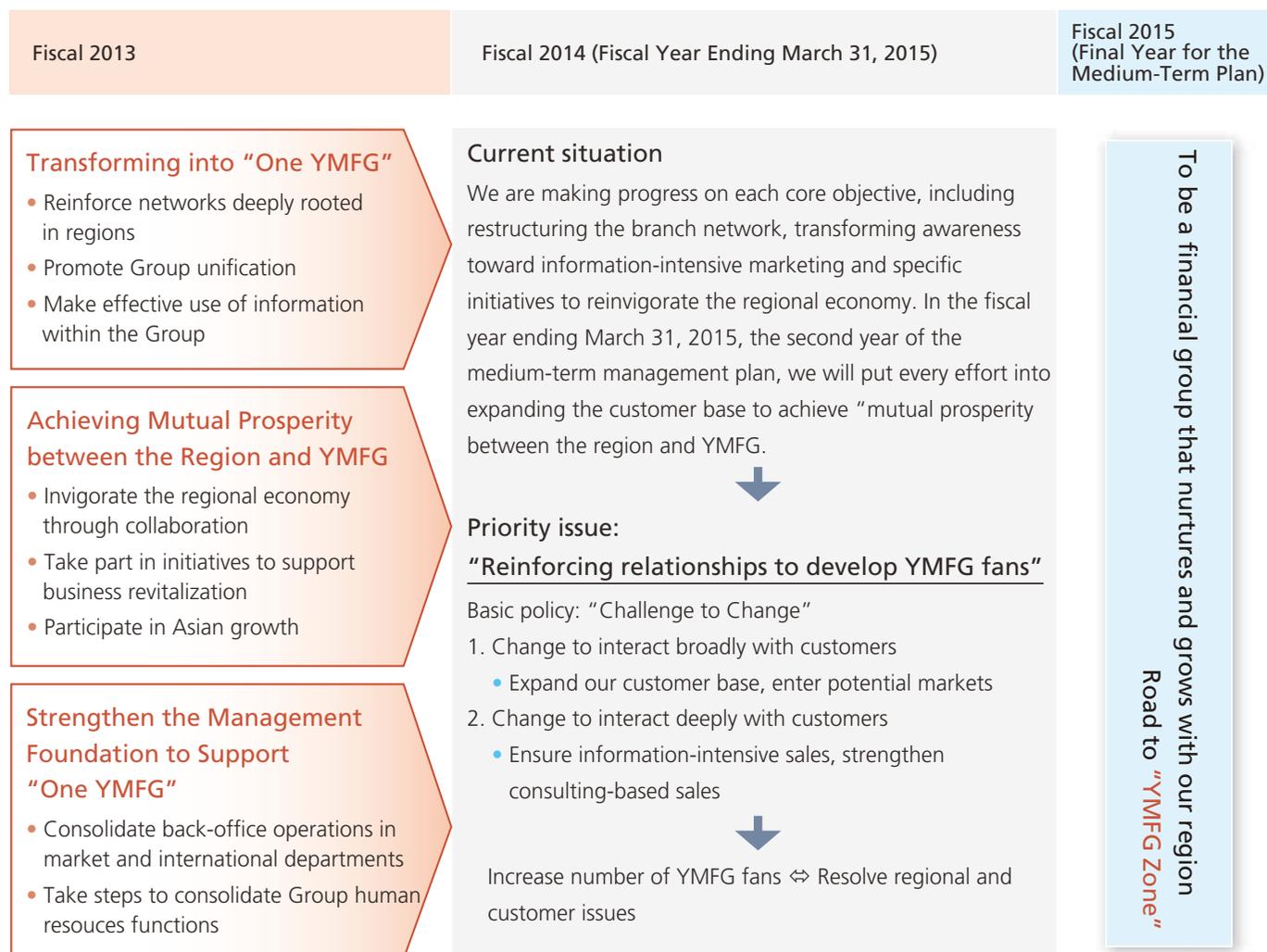
To transform ourselves into “One YMFG,” we will build a robust management foundation that can adapt to all manner of changes in the environment.

■ Targets (to be achieved by fiscal year ending March 31, 2016)

| | YMFG | Yamaguchi Bank | Momiji Bank | Kitakyushu Bank |
|---------------------------------------|----------------------|---------------------|---------------------|---------------------|
| Business Profits from Core Operations | ¥125 billion or more | ¥65 billion or more | ¥40 billion or more | ¥13 billion or more |
| Ordinary Profits | ¥40 billion or more | ¥30 billion or more | ¥11 billion or more | ¥3 billion or more |
| Net Income | ¥25 billion or more | ¥20 billion or more | ¥7 billion or more | ¥2 billion or more |
| Adjusted OHR | Less than 67% | Less than 60% | Less than 74% | Less than 75% |

■ Progress of Measures under the YMFG Medium-Term Management Plan 2013

- Through success on each core objective, steadily make progress toward creating the “YMFG Zone.”
- In the interest of “reinforcing relationships to develop YMFG fans,” boldly take on the challenge of expanding the base of customers who will grow in tandem with YMFG.



■ Mutual Prosperity between the Region and YMFG: Community Reinvigoration through Cooperation

Leverage a broad financial network to enhance effective use of information within the Group, strive to invigorate a Group trading sphere. Assist company startups, and aggressively support growth fields, such as environmental, medical and agricultural.

Leverage Broad Financial Network

Joint business matching fairs

- The theme for the eighth fair, in February 2014, was “agriculture, food and health.”

Promote collaboration with local government bodies, universities and other public-sector institutions

- Participate proactively in local government bodies’ regional invigoration projects.

The Yamagin Regional Enterprise Support Foundation

- Encourages business start-ups and entry to new business fields among small and medium-sized companies and universities in the three-prefecture region.
- Fiscal 2013 projects: 19 projects/¥19 million (14 small/medium company, 5 university R&D projects)
- Since establishment: 416 projects/¥416 million

Results of fiscal 2013 initiatives

| | Business Matching (Successful Projects) | Industry – Government – Academia Collaboration (Projects) | Business Startup Support (Number of Applications for Aid to Support Company Startups) |
|-----------------|---|---|---|
| Yamaguchi Bank | 40 | 20 | 17 |
| Momiji Bank | 182 | 22 | 35 |
| Kitakyushu Bank | 70 | 15 | 6 |

Provide Support via Funds

Yamaguchi Dream Creation Industry Support Fund

- A fund established in cooperation with Yamaguchi Prefecture to reinforce overall industry, centering on commerce and industry including agriculture, forestry and fisheries, in our region.
- Total fund amount: ¥1.0 billion (of which, ¥0.67 billion provided by YMFG)
- Duration: 10 years
- Investment history: 6 projects/¥258.5 million (as of April 2014)

Hiroshima Innovation Network, Inc.

- Investment fund established with financial institutions, centered on Hiroshima Prefecture. Momiji Bank is also an investor.
- In May 2013, invested in Momiji Bank customer (1 project/¥540 million).

Initiatives in Growth Fields

Initiatives targeting environmental, medical and agricultural sectors

- Assign personnel who specialize in growth fields to collaborate on the initiatives with sales offices, including YM Consulting.
- YM Growth Support Fund and other entities develop specialized financial products in response to funding needs in growth fields.

■ Mutual Prosperity between the Region and YMFG: Business Turnaround Support Initiatives

- After the conclusion of the Financing Facilitation Act, continue to take part in initiatives to support business revitalization.
- Make use of revitalization support funds to review current state of business and support transformation to new, profitable businesses.



◆ Yamaguchi Business Restoration Fund (Yamaguchi Bank, Kitakyushu Bank)

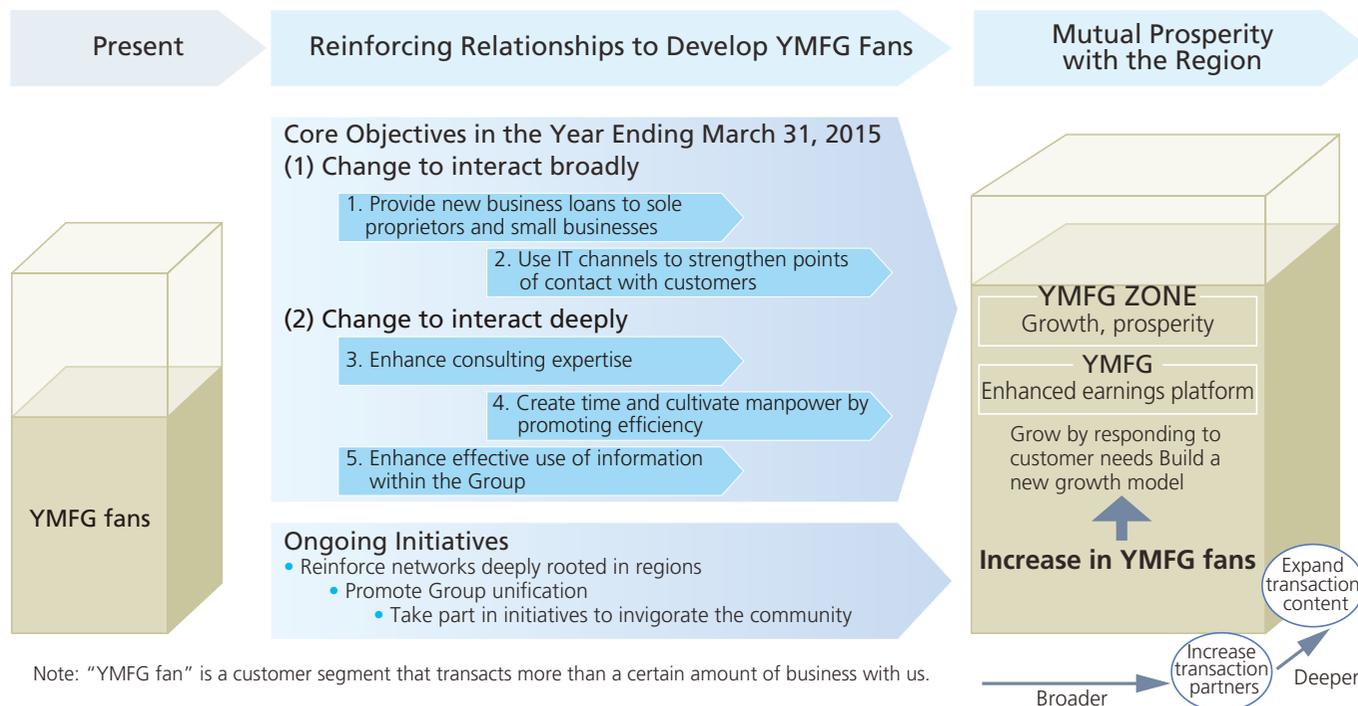
- Established: September 30, 2013
- Total fund amount: ¥3.0 billion
- Duration: 8 years (may be extended)

◆ Seto Mirai Fund for revitalization of small and medium-sized companies (Momiji Bank)

- Established: December 1, 2012
- Total fund amount: ¥3.2 billion (of which, ¥0.5 billion provided by Momiji Bank)
- Duration: 5 years (may be extended)

■ Reinforcing Relationships to Develop YMFG Fans

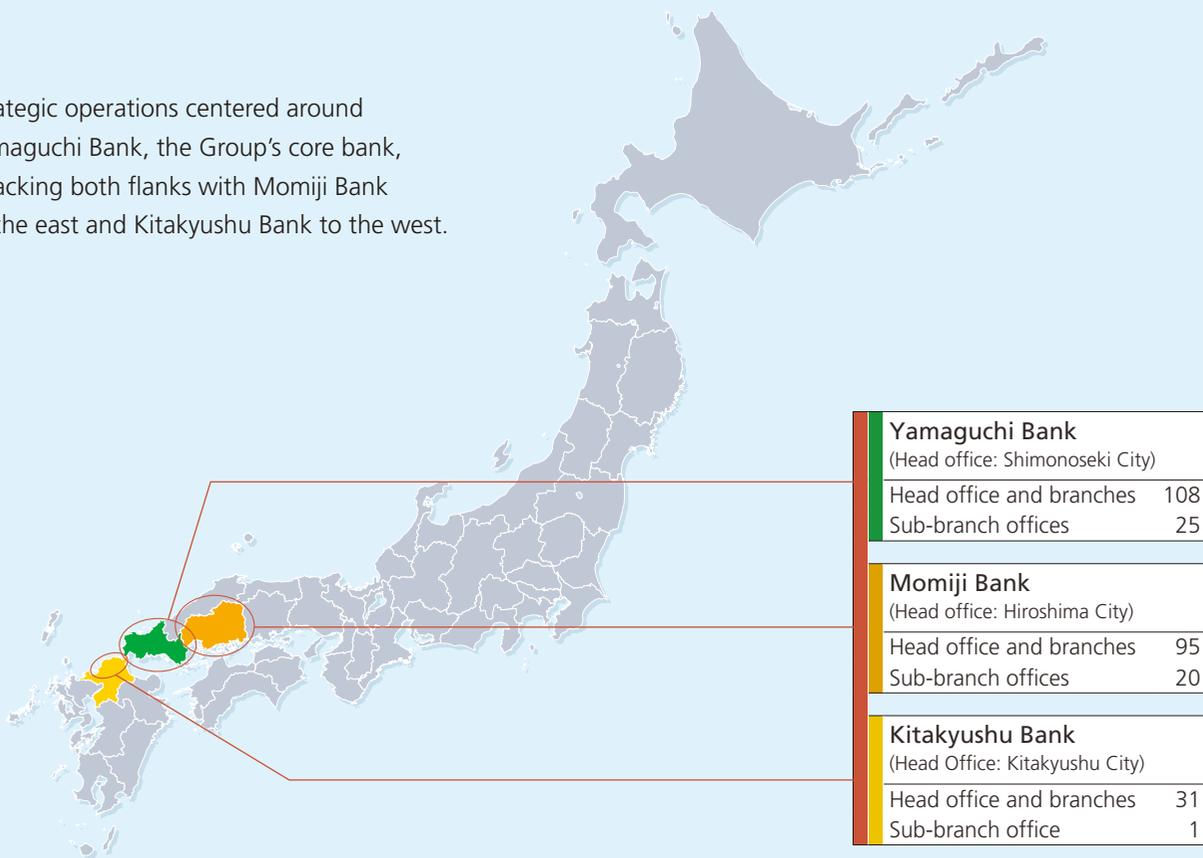
We will further accelerate our initiatives of the fiscal year ended March 31, 2014. At the same time, through five core objectives we will reinforce relationships to increase the number of YMFG fans even more. We will promote initiatives aimed at a “YMFG Zone” of prosperity with the region.



Note: “YMFG fan” is a customer segment that transacts more than a certain amount of business with us.

■ To Be the Largest and Most Respected Financial Group in the Chugoku and Shikoku Regions

Strategic operations centered around Yamaguchi Bank, the Group's core bank, attacking both flanks with Momiji Bank to the east and Kitakyushu Bank to the west.



The Group ranks No. 6 among 64 regional banks in Japan in terms of total assets.

The total population and nominal gross prefectural product of the region in which the Group operates (Yamaguchi Prefecture, Hiroshima Prefecture, Kitakyushu City) are approximately 5 million and ¥20 trillion, respectively, both of which account for approximately 4% of the national total.

| Bank | Total Assets (T Yen) | Head Office Location | Area | Population (M people) | Gross Prefectural Product (T Yen) |
|-----------------|----------------------|------------------------|----------------|-----------------------|-----------------------------------|
| YMFG | 9.6 (6th) | Yamaguchi Pref. | Chugoku | 5.2 (4.1%) | 20.0 (4.0%) |
| Yamaguchi Bank | 5.6 (—) | Yamaguchi Pref. | Chugoku | 1.4 (1.1%) | 5.6 (1.1%) |
| Momiji Bank | 3.1 (—) | Hiroshima Pref. | Chugoku | 2.8 (2.2%) | 11.0 (2.2%) |
| Kitakyushu Bank | 0.9 (—) | Kitakyushu City | Kyushu | 0.9 (0.7%) | 3.3 (0.7%) |

* Total assets data are taken from kessan tanshin reports of each bank for the fiscal year ended March 2014. Numbers in parentheses () indicate the ranking among 64 regional banks in Japan

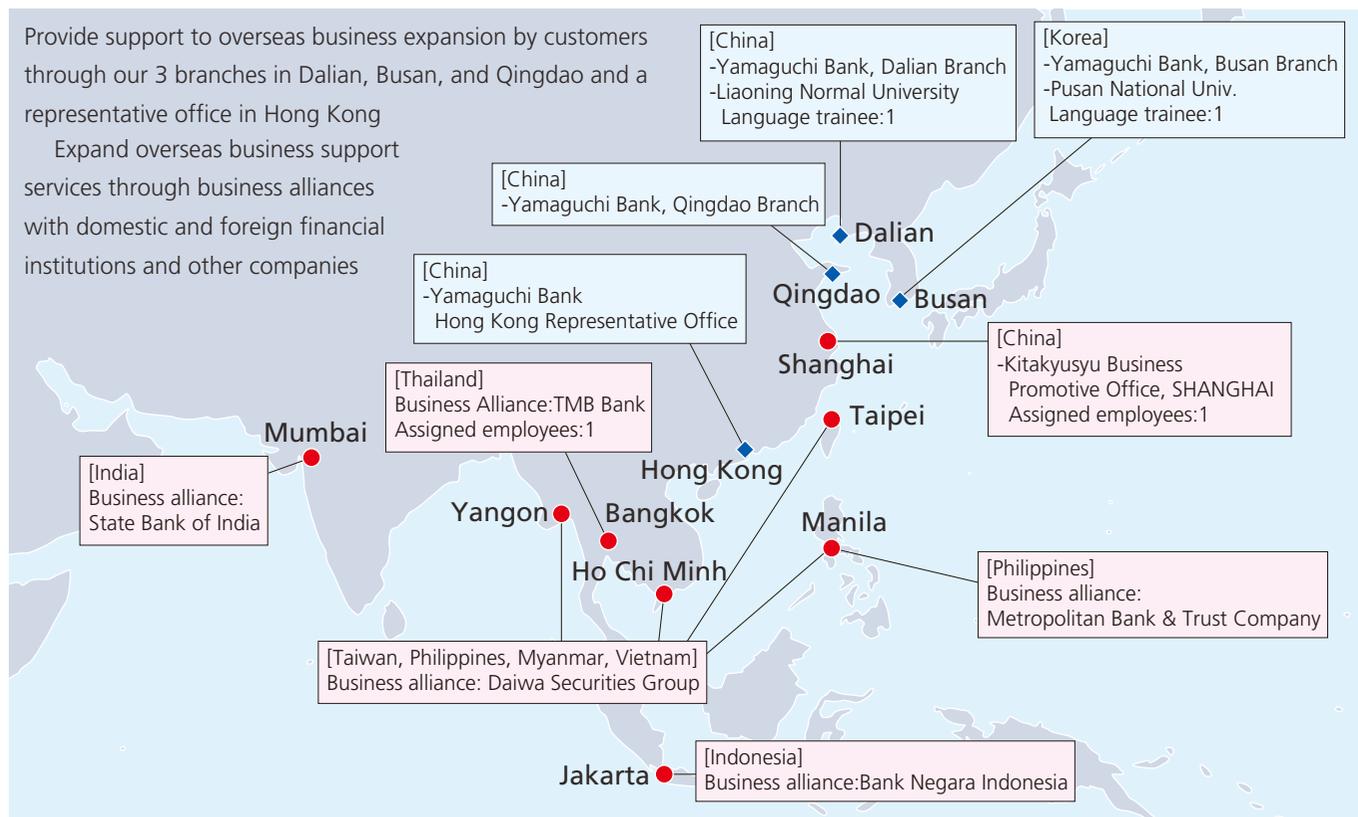
* The population data are estimates as of October 1, 2013. Numbers in parentheses () indicate the percentage in the total population in Japan.

* Gross prefectural product (nominal) data are taken from the 2011 statistics. Numbers in parentheses () indicate the percentage in the GDP in Japan.

■ Economies and Industries of Yamaguchi and Hiroshima Prefecture, and Kitakyushu City (Reference)

| Yamaguchi Prefecture | | |
|--|---|--|
| <p>Excellent industrial concentration</p> <ul style="list-style-type: none"> • Many plants of major corporations located owing to the excellent transportation network • Concentration of primary material industries such as cement and chemicals owing to the rich mineral resources • Increasing entries of processing and assembly industries such as transportation machinery and more recently the pharmaceutical industry | <p>Gateway to exchanges with Asia</p> <ul style="list-style-type: none"> • Excellent harbor conditions with 2 international harbors and 4 major harbors in the prefecture • The largest export and import center in the Chugoku region such as auto parts and chemicals • Serves as the production center in western Japan for many global enterprises | <p>Rich industrial human resources</p> <ul style="list-style-type: none"> • Excellent historical background that has traditionally nurtured the social climate encouraging study and education • Excellent support system under the industry-academic coordination such as joint research between a university and a private-sector company, R&D to develop next generation industries, etc. |
| Hiroshima Prefecture | | |
| <p>The largest industrial prefecture in the Chugoku and Shikoku regions</p> <ul style="list-style-type: none"> • Growth of heavy industries, particularly transportation machinery such as automobiles and shipbuilding, leveraging the technological strength developed through military manufacturing • Ranks No.11 in Japan in terms of nominal gross prefectural product with a share of 2.2% in Japan and 40% in the Chugoku region | <p>Manufacturing industry centered around Mazda Motor Corporation</p> <ul style="list-style-type: none"> • The formation of a group of broad-based automobile-related companies with Mazda Motor Corporation on top of the hierarchy • The shipbuilding industry encompassing middle-ranking and small and medium-sized shipbuilding companies and related manufacturers such as pumps and turbines, which holds the No. 1 share in Japan • Additional concentration of traditional industries such as the fiber industry and the manufacturing of furniture for newlywed couples | <p>Home of many No. 1 enterprises</p> <ul style="list-style-type: none"> • Many local enterprises in a variety of industries with nationwide reputation and a large domestic market share through leveraging excellent technologies (Refer to the right section) |
| Kitakyushu City | | |
| <p>Concentration of a variety of industries</p> <ul style="list-style-type: none"> • Kitakyushu City was born in 1963 through a merger of 5 cities. • Mainly heavy and chemical industries (steel in the main) • New concentration of increasingly diverse industries such as auto-related industries due to the proximity to Asia and the highly developed logistics infrastructure | <p>City of manufacturing</p> <ul style="list-style-type: none"> • Steel accounts for approximately 40% of the total manufacturing industry • Concentration of auto assembly plants including Nissan Motor Kyushu Co., Ltd., Toyota Motor Kyushu, Inc., and Daihatsu Motor Kyushu Co., Ltd. • Recent concentration of semiconductor design companies owing to the development of Kitakyushu Science and Research Park | <p>Environmental and energy industries</p> <ul style="list-style-type: none"> • A forerunner of the eco-town business leveraging the concentration of industrial technology with broad manufacturing bases • Research and development is conducted on new energy sources such as the technology to reduce the oxygen content under the promotion system developed through the industry-academic-public coordination |

Overseas Networks



International Department

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

Overseas Offices

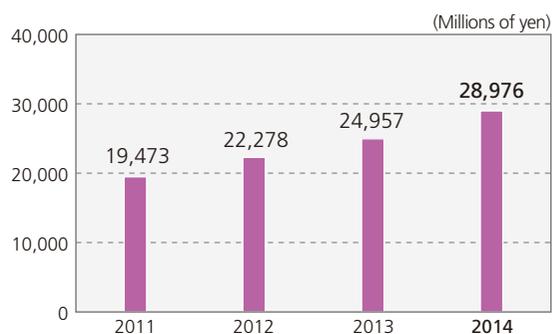
BUSAN BRANCH
4F, Postal Insurance Busan Bldg., Jungang-Dong 3-Ga, 63,
Jungang-Daero, Jung-Gu, Busan, Republic of Korea
SWIFT Address: YMBKKR2P

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

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

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

Loans of overseas branches (As of March 31)



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

Yamaguchi Bank Summary

Organization Chart (As of July 31, 2014)

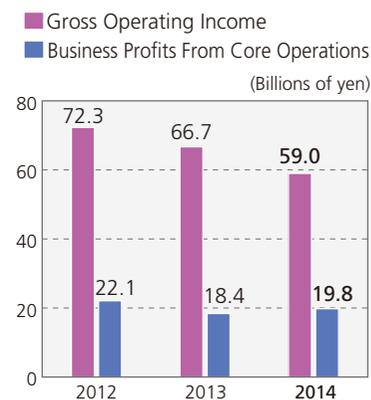


History

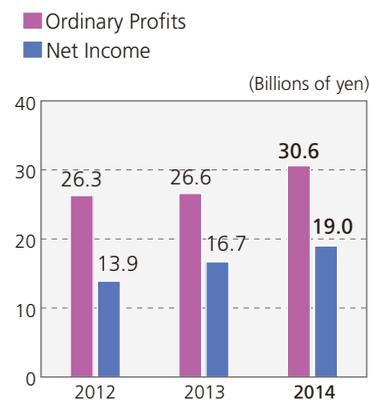
- Nov. 1878 Inaugurated Hyakuju National Bank.
- Apr. 1891 Established Kaho Bank as Yamaguchi Prefecture's first private bank.
- May 1897 Established Senjo Bank.
- Nov. 1898 Reorganized Hyakuju National Bank into Hyakuju Bank at the expiration of Hyakuju's period of operations as a national bank.
- Sep. 1900 Established Oshima Bank.
- Jun. 1912 Established Ube Bank.
- Mar. 1944 Founded The Yamaguchi Bank (a merger of Hyakuju Bank, Kaho Bank, Senjo Bank, Oshima Bank and Ube Bank, with capital of ¥13.45 million).
- Oct. 2011 Performed absorption-type company split of business in the Kyushu region, succeeded by Kitakyushu Bank.

Performance During the Fiscal Year Ended March 31, 2014 (Yamaguchi Bank, Non-consolidated)

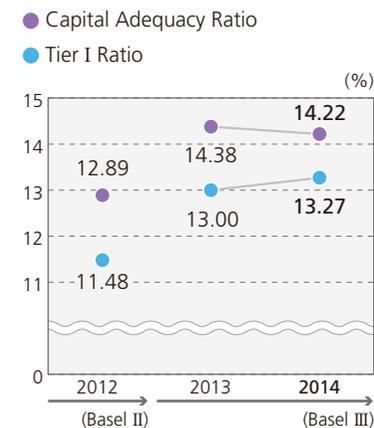
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income

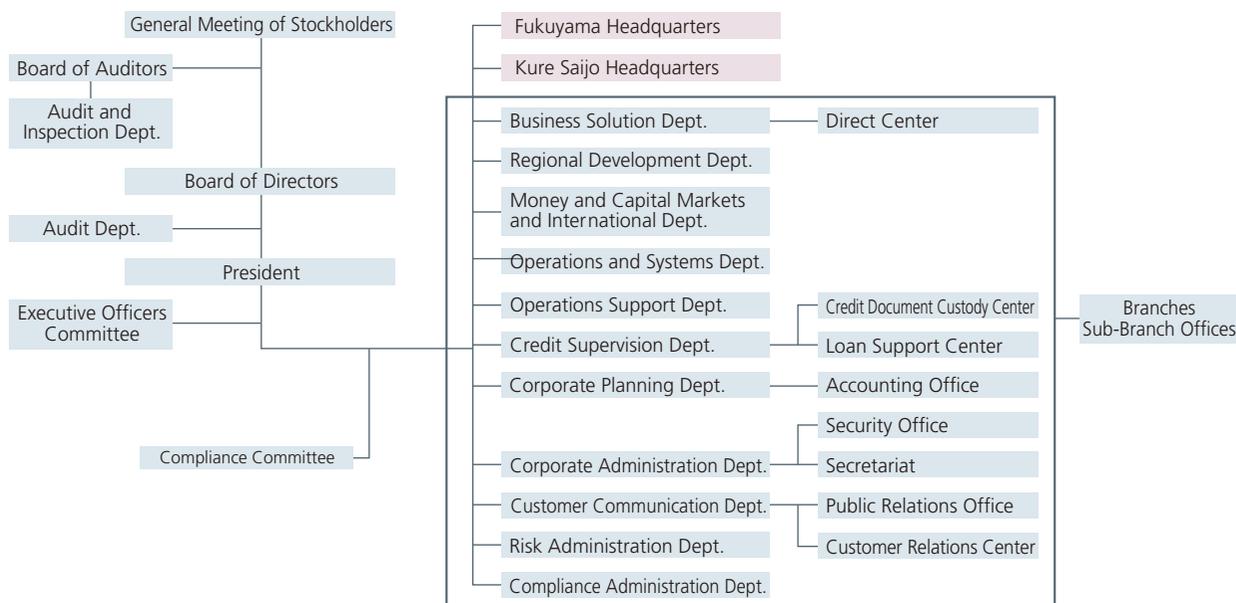


Capital Adequacy Ratio



Momiji Bank Summary

Organization Chart (As of July 31, 2014)



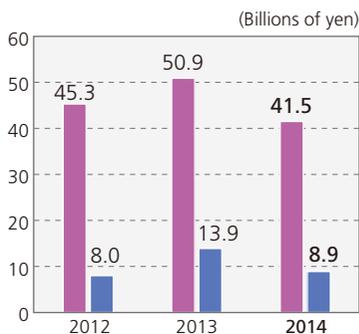
History

- Nov. 1923 Established Hiroshima Mujin.
- Apr. 1941 Merged the four Mujin banks of Hiroshima, Geibi, Soeki and Sanyo into Hiroshima Mujin.
- Oct. 1951 Converted to a mutual savings bank and changed name to Hiroshima Sogo Bank.
- Feb. 1989 Converted to a commercial bank and changed name to Hiroshima-Sogo Bank.
- Sep. 2001 Established holding company Momiji Holdings by stock transfer.
- May 2004 Merged with Setouchi Bank and changed name to Momiji Bank.
- Apr. 2007 Momiji Holdings was merged into the surviving corporation, Momiji Bank.

Performance during the Fiscal Year Ended March 31, 2014 (Momiji Bank, Non-Consolidated)

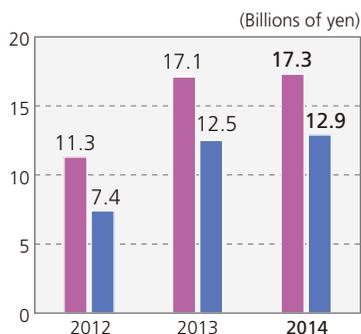
Gross Operating Income/Business Profits From Core Operations

- Gross Operating Income
- Business Profits from Core Operations



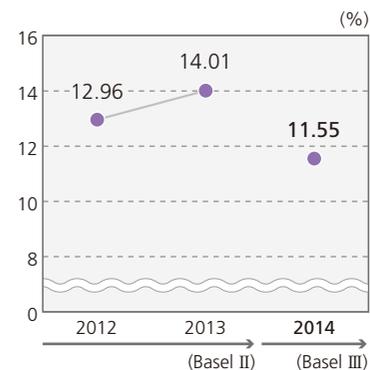
Ordinary Profits/Net Income

- Ordinary Profits
- Net Income



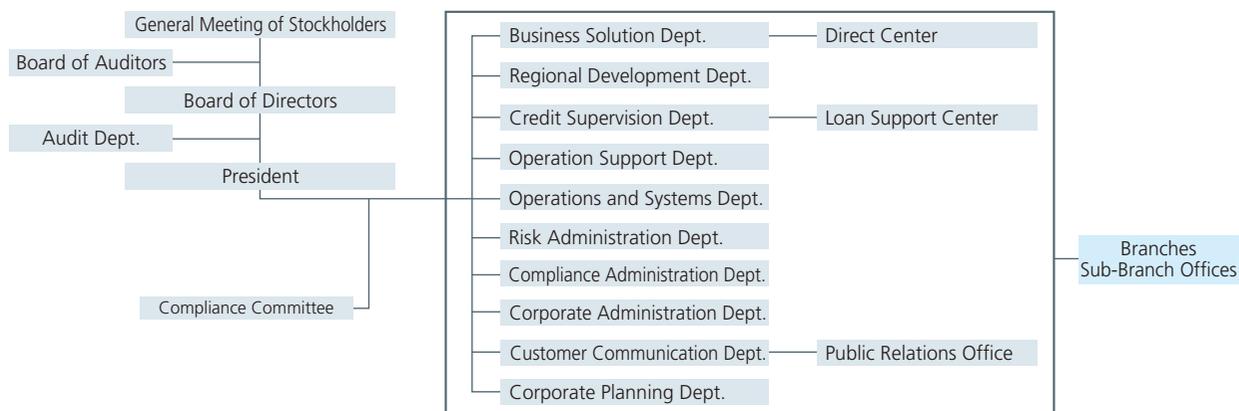
Capital Adequacy Ratio

- Capital Adequacy Ratio



Kitakyushu Bank Summary

Organization Chart (As of July 31, 2014)

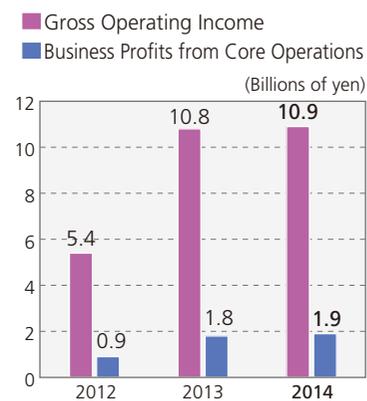


History

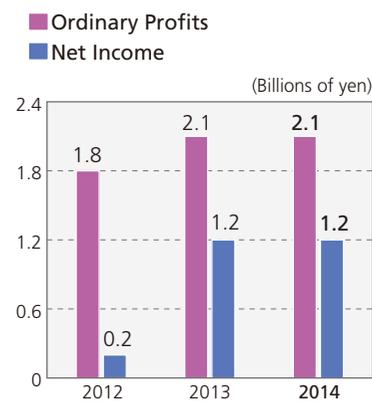
- Oct. 2010 Established Kitakyushu Financial Project Co., Ltd.
- Sep. 2011 Changed name to The Kitakyushu Bank, Ltd.
- Oct. 2011 Took over Yamaguchi Bank's business in the Kyushu region by absorption-type company split and commenced operations.

Performance during the Fiscal Year Ended March 31, 2014 (Kitakyushu Bank, Non-Consolidated)

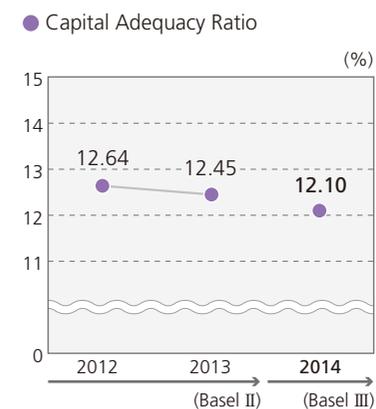
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income



Capital Adequacy Ratio



Board of Directors and Corporate Auditors (As of July 31, 2014)

YMFG



President
Koichi Fukuda

Director
Hirohide Umemoto

Director
Takeshi Yoshimura

Director
Hiroaki Tamura*



Chairman
Hiromichi Morimoto

Auditor
Mitsuhiro Hirozane

Auditor
Toshio Fujiyoshi



Senior Managing Director
Fumio Nosaka

Auditor
Kazuo Tsukuda**

Auditor
Michiaki Kunimasa**



Senior Managing Director
Toshio Kato

* Hiroaki Tamura is an external director under Article 15 of Section 2 of the Companies Act.

** Kazuo Tsukuda and Michiaki Kunimasa are external auditors under Article 16 of Section 2 of the Companies Act.

Yamaguchi Bank

President
Koichi Fukuda
Senior Managing Director
Hiroshi Zaima
Senior Managing Director
Mitsuhiro Fujita

Managing Director
Toru Tokunaga
Managing Director
Hirohide Umemoto
Managing Director
Takeshi Yoshimura
Managing Director
Tsutomu Harada

Director
Katsumasa Fujii
Director
Hiroaki Yamamoto
Director
Satoaki Nagai
Director
Norio Haramoto
Director
Tsuyoshi Amata
Director
Koichiro Kuno

Auditor
Toshihiko Murata
Auditor
Mitsuhiro Hirozane
Auditor
Munefusa Saito*
Auditor
Toshihiko Yamashita*

* Munefusa Saito and Toshihiko Yamashita are external auditors under Article 16 of Section 2 of the Companies Act.

Momiji Bank

President
Fumio Nosaka
Chairman
Koichi Fukuda
Senior Managing Director
Yoshimi Hinouchi

Managing Director
Hironobu Sasaki
Managing Director
Koji Oda
Managing Director
Ichinari Koda

Director
Kazunori Takayama
Director
Mamoru Konishi
Director
Shigeo Watanabe
Director
Naoto Tada
Director
Shigeyuki Amano

Auditor
Toshio Fujiyoshi
Auditor
Hirofumi Kato
Auditor
Yukio Inoue*
Auditor
Tetsuo Yamashita*

* Yukio Inoue and Tetsuo Yamashita are external auditors under Article 16 of Section 2 of the Companies Act.

Kitakyushu Bank

President
Toshio Kato
Chairman
Koichi Fukuda
Managing Director
Michiya Yamamoto

Director
Satoshi Ono
Director
Shinji Yoshidomi
Director
Masatoshi Okano*

Auditor
Nobuaki Ueno
Auditor
Koji Toshima**
Auditor
Kazumasa Tatsumi**

* Masatoshi Okano is an external director under Article 15 of Section 2 of the Companies Act.

** Koji Toshima and Kazumasa Tatsumi are external auditors under Article 16 of Section 2 of the Companies Act.

Corporate Governance

In conducting our business activities, we recognize that fair practices in compliance with laws and corporate ethics are our corporate social responsibility, and we recognize corporate governance as an important management priority. Based on this understanding, we endeavor to raise our level of soundness, enhance corporate value, boost transparency and reinforce our corporate governance structure.

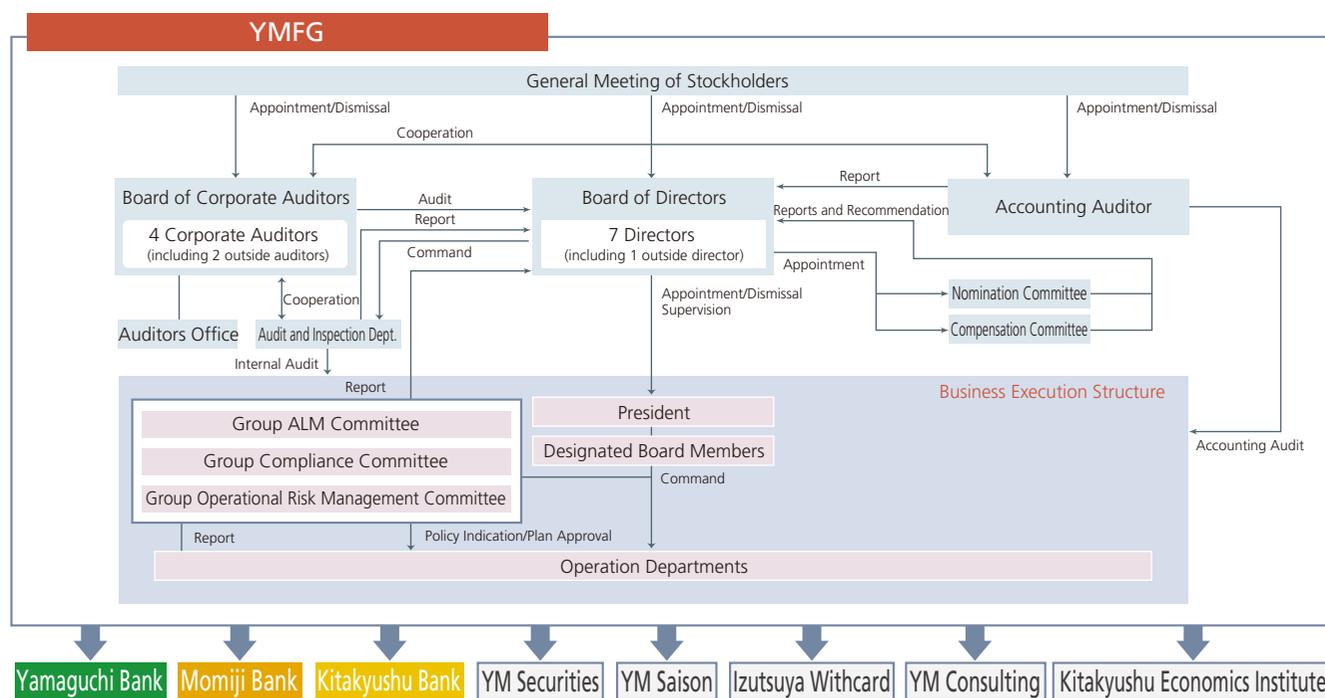
The Board of Directors, consisting of seven directors (including one outside director), makes decisions about important matters related to the Group's management and supervises the directors. The Board of Directors meeting is held once a month in principle and is presided over by the president. Materials for discussion are sent to the outside director beforehand so the director can gain a comprehensive understanding of the subjects up for discussion and can state his/her opinions from a neutral standpoint.

The Nomination Committee discusses matters related to the appointment and dismissal of directors, and the Compensation Committee discusses matters related to the compensation of the directors. Both guarantee the objectivity and transparency of decision-making processes.

The Board of Corporate Auditors, consisting of four auditors (including two external auditors), holds a meeting once a month in principle. It receives reports about important matters related to auditing and makes relevant decisions based on these. The auditors check the directors' performance of their duties by attending Board of Directors and other important meetings and by inspecting the Company's operations and assets.

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

YMFG Corporate Governance Structure



Internal Audits

Principles of Internal Audits

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

YMFG has devised standard internal audit rules for the whole Group. On the basis of these rules, the internal audit departments of each Group company verify the appropriateness and effectiveness of internal controls and make suggestions for necessary improvements.

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

Implementation of Internal Audits

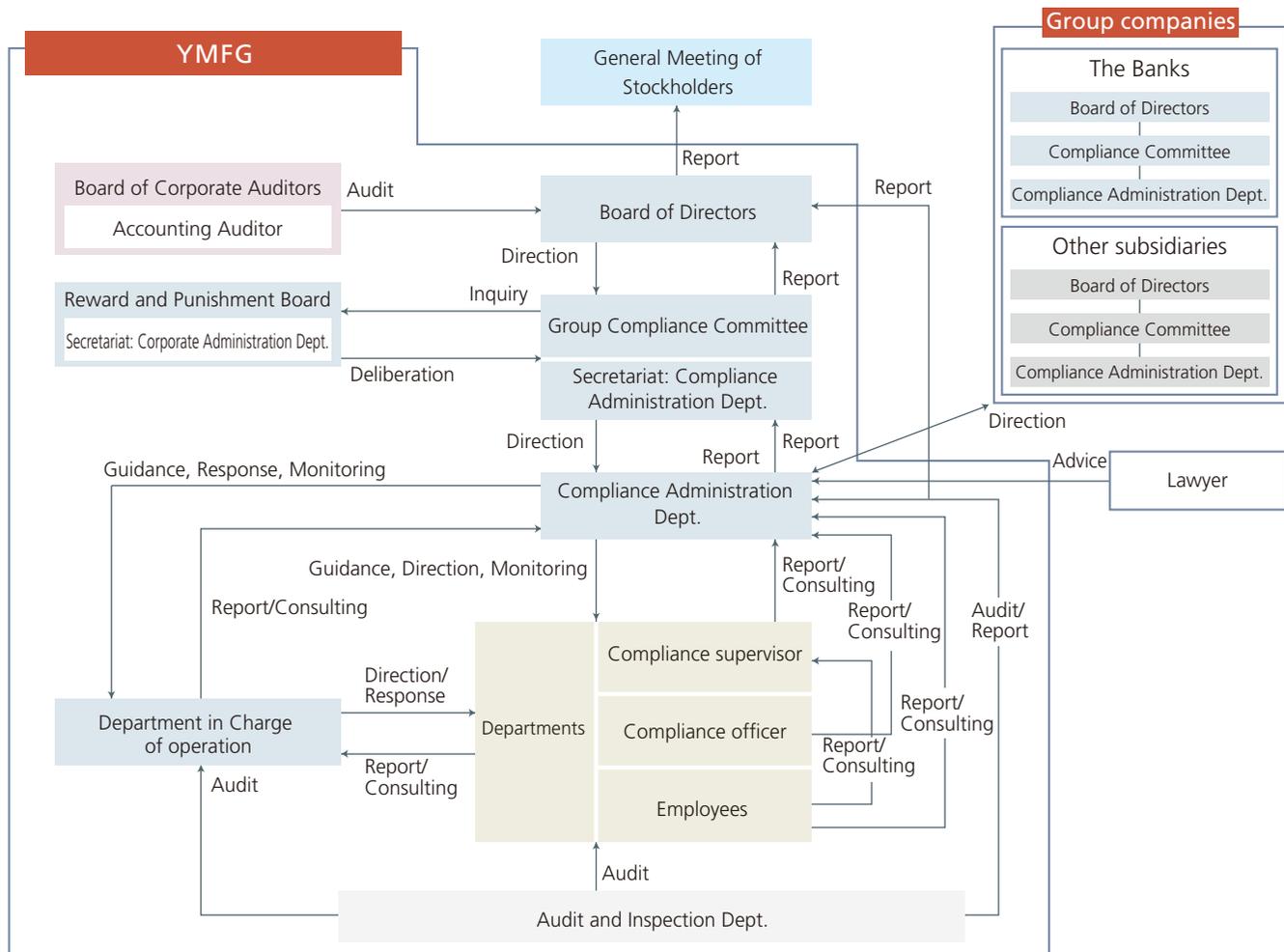
YMFG's Audit and Inspection Dept. plans audit processes for the whole Group, implements audits and supervises each Group company's internal audits.

The YMFG Audit and Inspection Dept. devises the rules and medium- to long-term plans for the Group's internal audits, implements audits of the Group companies' compliance/risk management departments and checks the accuracy of the financial statements of the Group companies. The department monitors and gives guidance and advice to the Group companies' audit and inspection departments. On the basis of their audit reports, the department reports on the internal audits of the Group to the Board of Directors.

The banks' audit and inspection departments implement internal audits of branches in Japan and overseas, and reports to YMFG and to the Board of Directors. In particular, internal audits of front-line sales outlets are performed to verify the status of compliance and risk management functions and ensure their mutual effectiveness.

Compliance System

YMFG Compliance System



YMFG's Attitude toward Compliance

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

compliance programs for each fiscal year and monitors the status of program implementation. The committee discusses ways to create and reinforce compliance systems, reports the results of these deliberations to the Board of Directors and reflects these results in Group operations.

YMFG's Compliance Administration Department communicates with compliance personnel at each Group company and, in accordance with the deliberations of the Group Compliance Committee, ensures the appropriateness of compliance systems for the entire Group.

Compliance System

We have established a compliance administration department to take overall charge of ensuring appropriate compliance for YMFG and its Group companies. Individual companies' compliance departments handle the centralized management of compliance-related activities, including the creation of compliance structures and the training of executives and general employees. Compliance supervisors and officers at all departments and branches foster an enhanced awareness of appropriate compliance in daily operations.

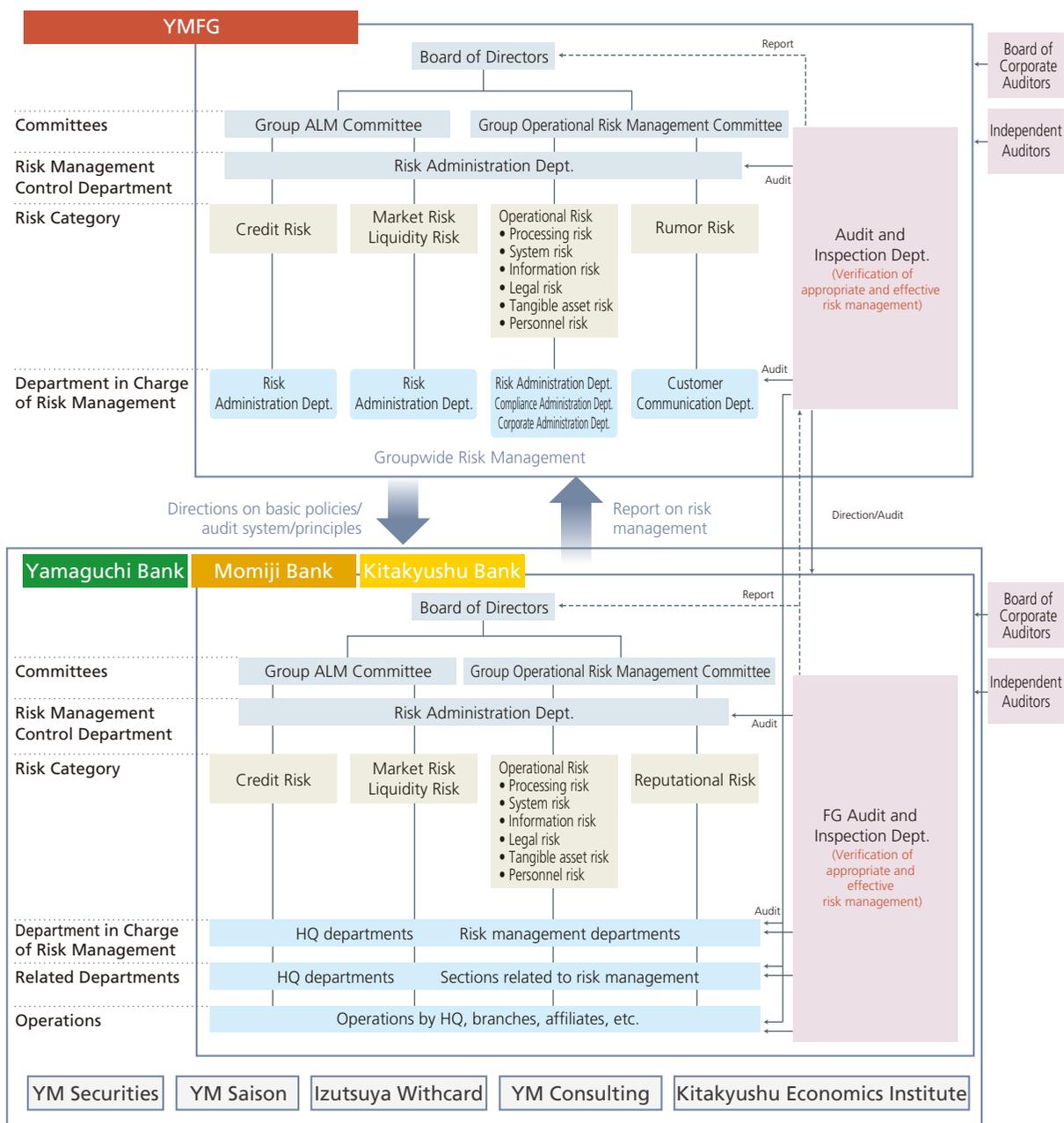
The Group Compliance Committee, chaired by the president, acts as a deliberative body. This committee formulates Group

Efforts to Prevent Money Laundering

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

Risk Management System

YMFG Risk Management System



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

As part of our basic risk management policy, we have devised standard risk management rules that apply to YMFG and its subsidiaries.

The subsidiaries have organized risk management sections, risk management departments and Group Operational Risk Management committee to cope with risks. Risk amounts are measured by a uniform method, capital is allocated on the

basis of these methods, and risks are collectively managed.

YMFG's risk management sections cooperates with its counterparts in the subsidiaries to check risk management conditions in the whole Group.

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

Contributions to the Community and the Environment

Invitation of Foreign Students to Attend Shimonoseki City University

Supporting young human resources from Asia, who are expected to flourish after returning to their countries

Since 1986, The Yamaguchi Bank has invited students from China, Thailand and Turkey to attend Shimonoseki City University. The bank has invited a total of 151 students, offering them housing and financial and lifestyle support to ensure a comfortable study environment.



Foreign students to Shimonoseki City University in fiscal 2014

Japan–China Elementary School Exchanges

Inviting school children to Japan every year from Qingdao and Dalian, China

The Yamaguchi Bank invites school children from Qingdao and Dalian to Japan to spread the “Small Kindness” movement. The children visit elementary schools and interact with Japanese children, fostering relations between the two countries.

Yamaguchi Bank Cup Japanese Speech Contest

Advancing grassroots international exchange through Japanese language education

Since 1992, we have regularly held the Yamaguchi Bank Cup Japanese Language Speech Contest in Qingdao, China. The contest has earned praise from the city government for its extensive contributions to Japanese-language education, and has long driven cultural exchange at the grassroots level.

Efforts on Environmental Issues

Implementing Groupwide Initiatives for the Environment

As part of its efforts to contribute to the creation of a sustainable society, YMFG is working on a number of initiatives to prevent global warming.

Since 2008, the Group has participated in the Cool Biz campaign for lighter clothing during summer and an early lights-out campaign, and participates in the Warm Biz campaign for heavier clothing in winter. We are also giving out eco-goods to customers visiting Group banks on the anniversaries of bank branch openings, and we remain committed to further environmental contribution activities.

Early Lights-Out Campaign Implementation

Period: From June 2009
Actions: One day each month is designated for early lights out at 6 p.m.

Distributing Eco-Goods

The Yamaguchi Bank and Momiji Bank are holding campaigns to curb global warming, such as by giving out environmentally friendly eco-goods on the anniversaries of the opening of each branch.

Cool Biz Implementation

Period: From June 1 to September 30, 2014
Participants: All Group companies
Actions: As a general rule, indoor temperatures are set to 28°C and suit jackets and neckties are not worn.

Warm Biz Implementation

Period: From December 1, 2013 to March 31, 2014
Participants: All Group companies
Actions: As a general rule, indoor temperatures are set to 20°C.

Financial Section

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YMFG Business Situation

Summary of Business Results

■ Performance

During the fiscal year ended March 31, 2014, the Japanese economy remained in a state of gradual recovery. Manufacturing activity continued to pick up, thanks to the correction to the high yen exchange rate, which bolstered exports, and robust internal demand. Stock prices benefited from improved consumer sentiment, corporate earnings recovered, personal consumption turned upward—due in part to a spike in demand prior to the consumption tax hike, housing investment rose, and capital expenditure showed signs of an upturn.

Against this backdrop, the regional economy also enjoyed a gradual recovery. Overall production activity was solid, with robust performance in the mainstay automotive and chemicals sectors. Public-sector construction grew substantially year on year; employment and income conditions trended positively, with the ratio of jobs to applicants rebounding to a level exceeding one-to-one; and personal consumption levels were upbeat.

Meanwhile, the financial industry faces the issue of conforming to substantial changes in the rules and regulations that govern it, including new capital adequacy requirements and the adoption of international accounting standards. Under these circumstances, in line with their mission of contributing to regional economic development, regional financial institutions face vigorous requests to deliver stronger financial soundness and profitability, supply funding more flexibly and further enhance their financial services.

■ YMFG Performance

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

Based on the YMFG Medium-Term Management Plan 2013, which commenced during the year under review, the Group worked to deepen its community involvement in

the regions where it operates, pulling together as a unified financial group, "One YMFG," comprising three banks—Yamaguchi Bank, Momiji Bank and Kitakyushu Bank—and leveraging its comprehensive strengths. YMFG will also put forth every effort toward developing mutually beneficial relationships with local communities and customers, aiming to provide financial services that invigorate our region.

Banking operations, which are the core of YMFG's business, are conducted through the efforts of its banks to meet the varied financial needs of customers in the regions where they conduct business via a wide range of financial products through their deposit and loan operations.

In line with the introduction of a government measure that exempts lump-sum donations toward education from gift tax, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank set up and began offering the Kimi no Mirai-e ("for your future") ordinary deposit accounts for the lump-sum provision of educational funds.

We also introduced Kasumin Teiki term deposits, which provide customers a sense of closeness with YMFG's brand ambassador, the table tennis player Kasumi Ishikawa.

YMFG has begun employing an environmental rating finance system for providing financial support to clients' efforts toward environmentally friendly management.

As part of our international operations to provide support for clients making business inroads overseas, in July 2013 we entered into an affiliate relationship with the Metropolitan Bank and Trust Company of the Philippines. This move added the Philippines to the Yamaguchi Financial Group's Asian network, which also includes relationships with banks in China, South Korea, India, Thailand and Indonesia. In December 2013, we issued \$300 million in US-dollar-denominated convertible bonds to meet the dollar funding needs of clients conducting business overseas. We plan to continue striving to become recognized for having strong operations in Asia by providing overseas business opportunities to our customers and strengthening our funding support and other consulting functions.

■ Financial Results

YMFG's consolidated operating performance for the year ended March 31, 2014, is outlined below.

Total income amounted to ¥161,082 million, up ¥2,630 million from the preceding fiscal year. The main reasons for this increase were higher fees and commissions and a reversal of bad debt reserves. Total expenses, meanwhile fell ¥2,995 million, to ¥111,497 million, mainly as a result of lower operating expenses and amortization of shares. As a result, income before income taxes grew ¥5,625 million, to ¥49,585 million, and net income rose ¥4,003 million, to ¥31,236 million.

Although interest rates remained low, due to the expansion of products and services to meet increasingly diverse customer needs and steady sales efforts based on solid community relationships, the Group succeeded in boosting deposits ¥311.9 billion year on year, to ¥8,765.0 billion as of March 31, 2014, including negotiable certificates of deposit (NCDs).

Loans and bills discounted increased ¥152.2 billion, to ¥5,964.1 billion as of March 31, 2014, 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 ¥2,072.0 billion

at year-end, down ¥72.4 billion, due to decreases in Japanese bonds. This change reflected investment decisions made in consideration of market fluctuations.

Total assets amounted to ¥9,635.0 billion at fiscal year-end, up ¥307.8 billion from one year earlier. This rise was attributable to growth in loans and bills discounted, based on the increase in deposits, including NCDs.

At the end of the fiscal year, the consolidated capital adequacy ratio for the Yamaguchi Financial Group (uniform international standard) was 12.69%. Our consolidated total Tier 1 capital adequacy ratio was 11.10%, and our consolidated common equity Tier I capital adequacy ratio was 11.10%.

Net cash provided by operating activities was ¥526.1 billion, ¥403.2 billion higher than in the preceding year, due mainly to the net change in call loans and bills purchased. Net cash provided by investing activities came to ¥54.9 billion, a ¥71.6 billion change from the ¥16.7 billion used in these activities in the previous term. Changes in the amounts of purchases of securities and proceeds from sales of securities were the primary factors. Net cash used in financing activities amounted to ¥20.0 billion, up ¥17.1 billion, due chiefly to purchases of treasury stock. As a result of these cash flows, cash and cash equivalents at the end of the year came to ¥874.2 billion, up ¥561.0 billion.

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

| | Millions of yen 2014 | Millions of yen 2013 | Millions of yen 2012 | Millions of yen 2011 | Thousands of U.S. dollars*1 2014 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|--|
| Consolidated total income | 161,082 | 158,452 | 156,095 | 164,323 | 1,565,119 |
| Consolidated net income | 31,236 | 27,233 | 17,919 | 19,156 | 303,498 |
| Consolidated comprehensive income | 34,316 | 51,743 | 29,120 | 7,752 | 333,424 |
| Consolidated total net assets | 521,562 | 521,423 | 472,405 | 446,290 | 5,067,645 |
| Consolidated total assets | 9,635,044 | 9,327,236 | 9,115,427 | 8,758,187 | 93,616,829 |
| Net assets per share | 2,040.39 yen | 1,901.30 yen | 1,720.56 yen | 1,624.33 yen | 19.83 U.S. dollars |
| Current term net income per share (current term net loss per share) | 120.66 yen | 102.48 yen | 66.99 yen | 71.18 yen | 1.17 U.S. dollars |
| Current term net income per share after stock adjustment | 116.55 yen | 102.18 yen | 66.88 yen | 71.15 yen | 1.13 U.S. dollars |
| Capital ratio*2 | 12.69% | 13.34% | 11.75% | 11.36% | |
| Earnings on equity - increase | 6.04% | 5.52% | 3.92% | 4.23% | |
| Group price earnings ratio | 7.70 times | 9.28 times | 11.22 times | 10.81 times | |

*1 US dollar amounts have been translated, for convenience only, at the rate of ¥102.92 = US\$1.00 as of March 31, 2014.

*2 YMFG calculated its capital ratio according to the first standard through the fiscal year ended March 31, 2012. From the fiscal year ended March 31, 2013, this ratio is calculated according to the uniform international standard (Basel 3).

YMFG Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

March 31, 2014 and 2013

| ASSETS | | Millions of yen | Millions of yen | Thousands of U.S. dollars (Note 1) |
|--------|---|--------------------|--------------------|---------------------------------------|
| | | 2014 | 2013 | 2014 |
| Assets | Cash and due from banks (Notes 3, 4 and 9) | ¥ 915,056 | ¥ 347,076 | \$ 8,890,944 |
| | Call loans and bills purchased (Note 4) | 315,198 | 649,843 | 3,062,553 |
| | Monetary claims bought | 8,869 | 7,663 | 86,174 |
| | Trading assets (Notes 4 and 6) | 5,753 | 9,232 | 55,898 |
| | Money held in trust (Notes 4 and 6) | 49,996 | 55,489 | 485,775 |
| | Securities (Notes 4, 5, 6 and 9) | 2,071,990 | 2,144,382 | 20,132,044 |
| | Loans and bills discounted (Notes 4 and 7) | 5,964,133 | 5,811,966 | 57,949,213 |
| | Foreign exchanges | 15,497 | 12,739 | 150,573 |
| | Other assets | 171,199 | 191,081 | 1,663,420 |
| | Tangible fixed assets (Notes 10, 15 and 18) | 89,348 | 90,009 | 868,131 |
| | Intangible fixed assets (Note 18) | 28,098 | 38,932 | 273,008 |
| | Net defined benefit asset | 22,882 | — | 222,328 |
| | Deferred tax assets (Note 19) | 15,639 | 22,371 | 151,953 |
| | Customers' liabilities for acceptances and guarantees (Note 16) | 48,079 | 44,605 | 467,149 |
| | Allowance for loan losses | (86,693) | (98,152) | (842,334) |
| | Total assets | ¥ 9,635,044 | ¥ 9,327,236 | \$ 93,616,829 |

LIABILITIES AND NET ASSETS

| | | | | | |
|---|---|--------------------|----------------------|-------------------|---------|
| Liabilities | Deposits (Notes 4 and 9) | ¥ 8,764,966 | ¥ 8,453,058 | \$ 85,162,903 | |
| | Call money and bills sold (Note 9) | 78,897 | 42,990 | 766,586 | |
| | Payables under securities lending transactions (Note 9) | 13,269 | 4,330 | 128,925 | |
| | Trading liabilities (Notes 4 and 6) | 3,188 | 2,962 | 30,976 | |
| | Borrowed money (Notes 9 and 12) | 29,769 | 29,236 | 289,244 | |
| | Foreign exchanges | 287 | 469 | 2,789 | |
| | Bonds payable (Notes 4 and 13) | 45,000 | 95,000 | 437,233 | |
| | Bonds with warrants | 30,876 | — | 300,000 | |
| | Other liabilities | 75,720 | 113,995 | 735,718 | |
| | Provision for bonuses | 3,093 | 2,912 | 30,052 | |
| | Provision for retirement benefits (Note 14) | — | 1,114 | — | |
| | Net defined benefit liability | 4,479 | — | 43,519 | |
| | Provision for directors' retirement benefits | 28 | 22 | 272 | |
| | Provision for loss on interest repayments | 62 | 85 | 602 | |
| | Provision for reimbursement of deposits | 1,108 | 1,086 | 10,766 | |
| | Provision for customers point services | 67 | 75 | 651 | |
| | Reserves under special laws | 7 | 4 | 68 | |
| | Deferred tax liabilities (Note 19) | 1,917 | 932 | 18,626 | |
| | Deferred tax liabilities for land revaluation (Notes 15 and 19) | 12,670 | 12,938 | 123,105 | |
| | Acceptances and guarantees (Note 16) | 48,079 | 44,605 | 467,149 | |
| | Total liabilities | 9,113,482 | 8,805,813 | 88,549,184 | |
| | Net Assets (Notes 20 and 21) | Capital stock | 50,000 | 50,000 | 485,814 |
| | | Capital surplus | 60,064 | 79,628 | 583,599 |
| Retained earnings | | 361,226 | 332,868 | 3,509,775 | |
| Treasury stock | | (10,694) | (2,731) | (103,906) | |
| Total shareholders' equity | | 460,596 | 459,765 | 4,475,282 | |
| Unrealized gains on available-for-sale securities | | 36,706 | 34,498 | 356,646 | |
| Deferred losses on hedges | | (352) | (446) | (3,420) | |
| Revaluation reserve for land (Note 15) | | 22,845 | 23,333 | 221,969 | |
| Remeasurements of defined benefit plans | | (3,465) | — | (33,667) | |
| Total accumulated other comprehensive income | | 55,734 | 57,385 | 541,528 | |
| Stock options | | 431 | 249 | 4,188 | |
| Minority interests | 4,801 | 4,024 | 46,647 | | |
| Total net assets | 521,562 | 521,423 | 5,067,645 | | |
| Total liabilities and net assets | ¥ 9,635,044 | ¥ 9,327,236 | \$ 93,616,829 | | |

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of |
|---|-----------------|-----------------|-------------------------------|
| | 2014 | 2013 | U.S. dollars (Note 1) 2014 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 80,457 | ¥ 84,402 | \$ 781,743 |
| Interest and dividends on securities | 21,324 | 17,473 | 207,190 |
| Other interest income | 1,191 | 1,621 | 11,572 |
| Trust fees | 1 | 1 | 10 |
| Fees and commissions | 24,684 | 22,411 | 239,837 |
| Trading income | 2,330 | 1,572 | 22,639 |
| Other ordinary income | 11,461 | 26,516 | 111,359 |
| Recoveries of written-off claims | 21 | 21 | 204 |
| Other income | 19,613 | 4,435 | 190,565 |
| Total income | 161,082 | 158,452 | 1,565,119 |
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 7,606 | 7,891 | 73,902 |
| Interest on borrowings and rediscounts | 525 | 447 | 5,101 |
| Interest on bonds payable | 581 | 777 | 5,645 |
| Other interest expense | 287 | 294 | 2,789 |
| Fees and commissions payments | 7,331 | 7,552 | 71,230 |
| Trading expenses | — | 4 | — |
| Other operating expenses | 5,321 | 2,546 | 51,700 |
| General and administrative expenses | 87,288 | 89,693 | 848,115 |
| Impairment losses (Note 11) | 46 | 179 | 447 |
| Other expenses (Note 17) | 2,512 | 5,109 | 24,408 |
| Total expenses | 111,497 | 114,492 | 1,083,337 |
| Income before income taxes | 49,585 | 43,960 | 481,782 |
| Income taxes (Note 19): | | | |
| Current | 9,908 | 8,068 | 96,269 |
| Deferred | 7,663 | 8,151 | 74,456 |
| Income before minority interests | 32,014 | 27,741 | 311,057 |
| Minority interests in income | 778 | 508 | 7,559 |
| Net income | ¥ 31,236 | ¥ 27,233 | \$ 303,498 |

| Amounts per share of common stock: | Yen | | U.S. dollars (Note 1) |
|------------------------------------|----------|----------|-----------------------|
| | 2014 | 2013 | 2014 |
| Net income (Note 27) | ¥ 120.66 | ¥ 102.48 | \$ 1.17 |

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of |
|---|-----------------|-----------------|-------------------------------|
| | 2014 | 2013 | U.S. dollars (Note 1) 2014 |
| Income before minority interests | ¥ 32,014 | ¥ 27,741 | \$ 311,057 |
| Other comprehensive income (Note 24) | 2,302 | 24,002 | 22,367 |
| Unrealized gains (losses) on available-for-sale securities | 2,204 | 24,057 | 21,415 |
| Deferred gains (losses) on hedges | 94 | (62) | 913 |
| Share of other comprehensive income in affiliated companies accounted for using equity method | 4 | 7 | 39 |
| Comprehensive income (Note 24) | 34,316 | 51,743 | 333,424 |
| Total comprehensive income attributable to owners of the parent | 33,538 | 51,235 | 325,865 |
| Total comprehensive income attributable to minority interests | 778 | 508 | 7,559 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS Years ended March 31, 2014 and 2013

| | Millions of yen | | | | | | | | | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|---|---------------------------|------------------------------|---|--|---------------|--------------------|------------------|
| | Shareholders' Equity | | | | | Accumulated other comprehensive income | | | | | Stock options | Minority Interests | Total Net Assets |
| | Capital Stock | Capital Surplus | Retained Earnings | Treasury Stock | Total Shareholders' Equity | Unrealized gains on available-for-sale securities | Deferred losses on hedges | Revaluation reserve for land | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at 31st March 2012 | ¥50,000 | ¥ 79,796 | ¥308,835 | ¥ (3,333) | ¥435,298 | ¥10,436 | ¥(385) | ¥23,454 | ¥ — | ¥33,505 | ¥ 85 | ¥3,517 | ¥472,405 |
| Changes of items during the year | | | | | | | | | | | | | |
| Dividend paid | | | (3,321) | | (3,321) | | | | | | | | (3,321) |
| Net income | | | 27,233 | | 27,233 | | | | | | | | 27,233 |
| Purchase of treasury stock | | | | (19) | (19) | | | | | | | | (19) |
| Disposal of treasury stock | | (168) | | 621 | 453 | | | | | | | | 453 |
| Reversal of revaluation reserve for land | | | 121 | | 121 | | | | | | | | 121 |
| Net changes in terms other than shareholders' equity | | | | | | 24,062 | (61) | (121) | — | 23,880 | 164 | 507 | 24,551 |
| Total changes of items during the year | — | (168) | 24,033 | 602 | 24,467 | 24,062 | (61) | (121) | — | 23,880 | 164 | 507 | 49,018 |
| Balance at 31st March 2013 | 50,000 | 79,628 | 332,868 | (2,731) | 459,765 | 34,498 | (446) | 23,333 | — | 57,385 | 249 | 4,024 | 521,423 |
| Changes of items during the year | | | | | | | | | | | | | |
| Dividend paid | | | (3,366) | | (3,366) | | | | | | | | (3,366) |
| Net income | | | 31,236 | | 31,236 | | | | | | | | 31,236 |
| Purchase of treasury stock | | | | (27,972) | (27,972) | | | | | | | | (27,972) |
| Disposal of treasury stock | | (29) | | 474 | 445 | | | | | | | | 445 |
| Retirement of treasury stock | | (19,535) | | 19,535 | — | | | | | | | | — |
| Reversal of revaluation reserve for land | | | 488 | | 488 | | | | | | | | 488 |
| Net changes in terms other than shareholders' equity | | | | | | 2,208 | 94 | (488) | (3,465) | (1,651) | 182 | 777 | (692) |
| Total changes of items during the year | — | (19,564) | 28,358 | (7,963) | 831 | 2,208 | 94 | (488) | (3,465) | (1,651) | 182 | 777 | 139 |
| Balance at 31st March 2014 | ¥50,000 | ¥ 60,064 | ¥361,226 | ¥(10,694) | ¥460,596 | ¥36,706 | ¥(352) | ¥22,845 | ¥(3,465) | ¥55,734 | ¥431 | ¥4,801 | ¥521,562 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | | | |
|--|------------------------------------|-----------------|-------------------|----------------|----------------------------|---|---------------------------|------------------------------|---|--|---------------|--------------------|------------------|
| | Shareholders' Equity | | | | | Accumulated other comprehensive income | | | | | Stock options | Minority Interests | Total Net Assets |
| | Capital Stock | Capital Surplus | Retained Earnings | Treasury Stock | Total Shareholders' Equity | Unrealized gains on available-for-sale securities | Deferred losses on hedges | Revaluation reserve for land | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at 31st March 2013 | \$485,814 | \$773,688 | \$3,234,241 | \$ (26,535) | \$4,467,208 | \$335,192 | \$(4,333) | \$226,710 | \$ — | \$557,569 | \$2,420 | \$39,098 | \$5,066,295 |
| Changes of items during the year | | | | | | | | | | | | | |
| Dividend paid | | | (32,705) | | (32,705) | | | | | | | | (32,705) |
| Net income | | | 303,498 | | 303,498 | | | | | | | | 303,498 |
| Purchase of treasury stock | | | | (271,784) | (271,784) | | | | | | | | (271,784) |
| Disposal of treasury stock | | (282) | | 4,606 | 4,324 | | | | | | | | 4,324 |
| Retirement of treasury stock | | (189,807) | | 189,807 | — | | | | | | | | — |
| Reversal of revaluation reserve for land | | | 4,741 | | 4,741 | | | | | | | | 4,741 |
| Net changes in terms other than shareholders' equity | | | | | | 21,454 | 913 | (4,741) | (33,667) | (16,041) | 1,768 | 7,549 | (6,724) |
| Total changes of items during the year | — | (190,089) | 275,534 | (77,371) | 8,074 | 21,454 | 913 | (4,741) | (33,667) | (16,041) | 1,768 | 7,549 | 1,350 |
| Balance at 31st March 2014 | \$485,814 | \$583,599 | \$3,509,775 | \$(103,906) | \$4,475,282 | \$356,646 | \$(3,420) | \$221,969 | \$(33,667) | \$541,528 | \$4,188 | \$46,647 | \$5,067,645 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 1) | |
|---|------------------|------------------|------------------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Cash flows from operating activities: | | | | |
| Income before income taxes | ¥ 49,585 | ¥ 43,960 | \$ 481,782 | |
| Depreciation | 10,786 | 10,913 | 104,800 | |
| Impairment losses | 46 | 179 | 447 | |
| Amortization of goodwill | 4,950 | 4,950 | 48,096 | |
| Equity in earnings of affiliates | (31) | (16) | (301) | |
| Net change in allowance for loan losses | (11,459) | (3,901) | (111,339) | |
| Net change in provision for bonuses | 181 | 13 | 1,759 | |
| Net change in provision for retirement benefits | — | 25 | — | |
| Net change in defined benefit asset | (11,476) | — | (111,504) | |
| Net change in defined benefit liability | 1,899 | — | 18,451 | |
| Net change in provision for directors' retirement benefits | 6 | 3 | 58 | |
| Net change in provision for loss on interest repayments | (24) | (16) | (233) | |
| Net change in provision for reimbursement of deposits | 22 | (179) | 214 | |
| Net change in provision for customers point services | (8) | (2) | (78) | |
| Net change in reserves under special laws | 3 | 1 | 29 | |
| Interest income | (102,971) | (103,496) | (1,000,496) | |
| Interest expenses | 8,998 | 9,409 | 87,427 | |
| Net gains related to securities transactions | (13,646) | (13,046) | (132,588) | |
| Net gains from money held in trust | (677) | (522) | (6,578) | |
| Net exchange gains | (8,479) | (7,600) | (82,384) | |
| Net losses from disposition of fixed assets | 203 | 110 | 1,972 | |
| Net change in trading assets | 3,479 | (2,597) | 33,803 | |
| Net change in trading liabilities | 227 | 890 | 2,206 | |
| Net change in loans and bills discounted | (152,167) | (10,301) | (1,478,498) | |
| Net change in deposits | 278,468 | 265,470 | 2,705,674 | |
| Net change in negotiable certificates of deposits | 33,440 | (127,365) | 324,913 | |
| Net change in borrowed money excluding subordinated loans | 532 | (762) | 5,169 | |
| Net change in deposits with bank | (7,002) | (1,171) | (68,033) | |
| Net change in call loans and bills purchased | 333,440 | (50,194) | 3,239,798 | |
| Net change in call money and bills sold | 35,906 | 23,717 | 348,873 | |
| Net change in payables under securities lending transactions | 8,939 | 2,684 | 86,854 | |
| Net change in foreign exchanges (asset account) | (2,758) | (790) | (26,798) | |
| Net change in foreign exchanges (liability account) | (182) | 233 | (1,768) | |
| Net change in issuance and redemption of unsubordinated bonds payable | (30,000) | — | (291,489) | |
| Interest received | 101,712 | 106,616 | 988,263 | |
| Interest paid | (8,124) | (8,748) | (78,935) | |
| Other, net | 13,295 | (9,897) | 129,177 | |
| Subtotal | 537,113 | 128,570 | 5,218,743 | |
| Income taxes paid | (11,027) | (8,736) | (107,142) | |
| Income taxes refunds | 18 | 3,066 | 175 | |
| Net cash provided by operating activities | 526,104 | 122,900 | 5,111,776 | |
| Cash flows from investing activities: | | | | |
| Purchases of securities | (2,758,575) | (5,300,955) | (26,803,099) | |
| Proceeds from sales of securities | 2,723,138 | 5,165,197 | 26,458,784 | |
| Proceeds from maturity of securities | 88,616 | 104,581 | 861,018 | |
| Purchases of money held in trust | (9,480) | (6,810) | (92,110) | |
| Proceeds from sales of money held in trust | 15,638 | 24,879 | 151,943 | |
| Purchases of tangible fixed assets | (2,897) | (2,046) | (28,149) | |
| Proceeds from sales of tangible fixed assets | 141 | 266 | 1,370 | |
| Purchases of intangible fixed assets | (1,716) | (1,835) | (16,673) | |
| Net cash provided by (used in) investing activities | 54,865 | (16,723) | 533,084 | |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of bonds with warrants | 30,876 | — | 300,000 | |
| Decrease in subordinated bonds payable | (20,000) | — | (194,326) | |
| Dividends paid | (3,366) | (3,321) | (32,705) | |
| Dividends paid to minority shareholders | (1) | (1) | (10) | |
| Purchases of treasury stock | (27,972) | (19) | (271,784) | |
| Proceeds from disposal of treasury stock | 445 | 453 | 4,324 | |
| Net cash used in financing activities | (20,018) | (2,888) | (194,501) | |
| Effect of exchange rate changes on cash and cash equivalents | 28 | 33 | 272 | |
| Net change in cash and cash equivalents | 560,979 | 103,322 | 5,450,631 | |
| Cash and cash equivalents at beginning of year | 313,226 | 209,906 | 3,043,393 | |
| Cash and cash equivalents at end of year (Note 3) | ¥ 874,205 | ¥ 313,228 | \$ 8,494,024 | |

See accompanying notes.

YMFG Notes to Consolidated Financial Statements

Years ended March 31, 2014 and 2013

1. BASIS OF PRESENTATION

Yamaguchi Financial Group, Inc. (“YMFG”) was established on October 2, 2006 as a holding company for The Yamaguchi Bank, Ltd. (“Yamaguchi Bank”) and Momiji Holdings, Inc. (“Momiji Holdings”) through a statutory share transfer (kabushiki iten). Upon formation of YMFG and completion of the statutory share transfer, Yamaguchi Bank and Momiji Holdings became wholly owned subsidiaries of YMFG.

Furthermore, in September 2011 Kitakyushu Financial Project Co., Ltd., received a transfer of approval to handle business split off from the Yamaguchi Bank in the Kyushu region and commenced operations on October 3, 2011.

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

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

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

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2014, which was ¥102.92 to U.S.\$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation and equity method

(1) Scope of consolidation

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

- (i) 12 consolidated subsidiaries at March 31, 2014 and 2013.

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

- (ii) Six unconsolidated subsidiaries at March 31, 2014, and four at March 31, 2013.

Name of major subsidiary:

Yamaguchi Capital 2nd Investment Business Limited Liability Association

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

(2) Application of the equity method

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

- (i) No unconsolidated subsidiaries were accounted for by the equity method at March 31, 2014 and 2013.

- (ii) As at March 31, 2014 and 2013, the four affiliates accounted for by the equity method were as follows:

YM Saison Co., Ltd.

Yamaguchi Lease Co., Ltd.

Yamaguchi Capital Co., Ltd.

Momiji Card Co., Ltd.

- (iii) As at March 31, 2014, six unconsolidated subsidiaries were not accounted for by the equity method, and four at March 31, 2013.

Name of major subsidiary:

Yamaguchi Capital 2nd Investment Business Limited Liability Association

The unconsolidated subsidiaries that are not accounted for by the equity method are also excluded from the scope of application of equity method because their net income (in proportion to ownership), retained earnings (in proportion to ownership) and accumulated other comprehensive income (in proportion to ownership) are so immaterial that they do not hinder a rational judgment of YMFG's consolidated financial position and results of operations.

- (iv) There were no affiliates that were not accounted for by the equity method as at March 31, 2014 and 2013.

(3) The balance sheet dates of consolidated subsidiaries

The balance sheet date of consolidated subsidiaries is as follows:

March 31 12 companies

(4) Matters related to special purpose companies outside the scope of disclosure

One special-purpose company was excluded from the scope of consolidation, as it was determined not to be a subsidiary of the investor as stipulated in Paragraph 7, Article 8, of the Financial Statement Regulations as of March 31, 2013.

In addition, eliminating the above-stated special-purpose company from the scope of consolidation was determined to have no material effect on the financial conditions and operating performance of the Group, judged from their total amounts in terms of total assets, ordinary profit, net income (in proportion to ownership) and retained earnings (in proportion to ownership), as described in Paragraph 3 of the "Implementation Guidance on Disclosures about Certain Special Purpose Entities" (Accounting Standards Board of Japan ("ASBJ") Statement No. 15, March 29, 2007). Therefore, notes regarding this company have been omitted.

(5) Accounting Policies

Trading assets, trading liabilities and transactions for trading purposes

The valuation method of "Trading assets" and "Trading liabilities" is as follows:

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

are recorded as "Trading income" and "Trading expenses" on the consolidated statements of income.

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

Securities

With regard to the valuation of securities, held-to-maturity debt securities are stated at amortized cost (straight-line method) using the moving-average method. Investments in unconsolidated subsidiaries that are not accounted for by the equity method are stated at cost determined by the moving-average method. Available-for-sale securities are in general stated at fair value (cost of sale calculated primarily according to the moving-average method) indicated according to market price at the consolidated balance sheet date (for equity securities, the average market price during the one-month period ending on the consolidated balance sheet date). Available-for-sale securities having no readily available market value are valued at cost using the moving-average method.

Unrealized gains (losses) on available-for-sale securities are reported as a component of net assets.

Securities constituting trust assets within money held in trust are valued using the same methods as those for the above-mentioned trading assets, liabilities and securities.

Derivatives

Derivatives other than those for specific trading purpose or those for which certain exceptional accounting treatment is applied are stated at fair value.

Method of hedge accounting

The subsidiaries that conduct banking business ("the Banks") apply deferred hedge accounting in accordance with "Treatments of Accounting and Audit on Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No.24). As for the hedge to offset market fluctuation, the Banks assess the effectiveness of the hedge by grouping the

hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. The Banks apply exceptional treatments permitted for interest rate swaps to certain assets and liabilities.

Also, the Banks apply deferred hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No. 25). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

Allowance for loan losses

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

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

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

Loans to normal borrowers and borrowers requiring caution are classified into certain groups, and an allowance is provided for each group using the rate of loan losses experienced for the Group during certain reference periods in the past.

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 collectibility analysis for borrowers in danger of bankruptcy and certain other borrowers.

Tangible fixed assets (excluding lease assets)

Tangible fixed assets are stated at cost less accumulated depreciation, except for certain revalued land.

Depreciation of tangible fixed assets of the Banks is computed by using the declining-balance method except for buildings (excluding fixtures) acquired after March 31, 1998, 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: 3 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 tax act in Japan.

(Changes in accounting policies that are not distinguishable from changes in accounting estimates)

Due to revisions in the Japanese corporation tax act, YMFG has revised its method of accounting for depreciation and amortization in accordance with the post-revision tax act for property, plant and equipment acquired on or after April 1, 2012.

This change had the effect of increasing income before income taxes by ¥23 million during the fiscal year ended March 31, 2013, compared with the amount under the previous method.

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 (mainly 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.

Accounting for certain lease transactions

Consolidated subsidiaries' finance lease transactions that do not transfer ownership belonging to accounting periods that commenced prior to April 1, 2008, are treated as operating lease transactions.

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

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

Provision for bonuses

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

Method of accounting for retirement benefits

When calculating retirement benefit obligations, the straight-line method is used for attributing expected retirement benefits to periods through March 31, 2014. The methods for recognizing past service cost and actuarial gains or losses are as follows:

| | |
|----------------------------|---|
| Past service cost: | Recognition of past service cost is apportioned by the straight-line method over a fixed number of years (2 years) within the employees' average remaining service period from the time of their occurrence |
| Actuarial gains or losses: | Recognition of actuarial gains or losses are apportioned by the straight-line method over a fixed number of years (Mainly 10 to 11 years) within the employees' average remaining service period at the time of their occurrence in each fiscal year, starting from the following fiscal year |

Provision for directors' retirement benefits

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

Provision for loss on interest repayment

Provision for loss on interest repayment is provided for possible losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at

interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Law.

In accordance with "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments," issued by JICPA in 2006, 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 reserve is recorded for the expected cost to be incurred when credit card members use points they have received as of the balance sheet date.

Reserves under special laws

Reserves under special laws consist of the financial instruments transaction responsibility reserve posted by YM Securities Co., Ltd., which were calculated according to the specifications 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 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.

YMFG has issued potential shares, but "current term net income per share after stock adjustment" is not shown because these shares have no dilutive effect.

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

Amortization of goodwill

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

Consumption tax

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

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

Adoption of Consolidated Tax Payment System

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

Changes in Accounting Principles

(Changes in accounting principles due to revisions in accounting standards)

(Adoption of the “Accounting Standard for Consolidated Financial Statements”)

YMFG adopted the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) from the fiscal year ended March 31, 2014.

This adoption had no impact on the consolidated financial statements.

(Adoption of the “Accounting Standard for Retirement Benefits”)

From the year ended March 31, 2014, YMFG has adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Implementation Guidance for the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) (excluding the provisions found in the body of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Implementation Guidance for the Accounting Standard for Retirement Benefits). Accordingly, from March 31, 2014, YMFG has recorded the difference between retirement benefit obligations and plan assets as net defined benefit asset or net defined benefit liability.

With regard to the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in Paragraph 37 of the Accounting Standard for Retirement Benefits, the impact of these changes is included in remeasurements of defined benefit plans within accumulated other comprehensive income as of March 31, 2014.

As a result, as of March 31, 2014, YMFG recorded net defined benefit asset of ¥22,882 million (\$222 million) and net defined benefit liability of ¥4,479 million (\$44 million). Furthermore, deferred tax assets increased by ¥1,897 million (\$18 million) and accumulated other comprehensive income decreased by ¥3,465 million (\$34 million).

Accounting Standards Not Applied

“Accounting Standard for Retirement Benefits” (ASBJ Statement, May 17, 2012)

(i) Overview

With the view of financial reporting improvements and trends in international convergence, this accounting standard mainly focuses on, how unrealized actuarial gains and losses and past service costs should be accounted for and how retirement benefit obligations and current service costs should be determined for the enhancement of disclosures.

(ii) Effective Dates

The revised method of calculation of retirement benefit obligations and current service costs will be effective on the Banks’ consolidated financial statements at the beginning of the fiscal year commencing April 1, 2014.

(iii) Effects of Adoption of the Accounting Standard

The expected effect of adopting this accounting standard is to reduce retained earnings by ¥1,994 million (\$19 million) in the fiscal year beginning on April 1, 2014.

“Accounting Standard for Business Combinations” (ASBJ Statement, Sep. 13, 2013)

(i) Overview

This accounting standard revises primarily the following areas of the current standard: (1) the treatment of changes in the parent company’s ownership interest in a subsidiary in case where additional shares of the subsidiary are acquired and the controlling ownership remains in the parent company, (2) the treatment of acquisition-related expenses, (3) the treatment of the transitional accounting and (4) the presentation of net income and changes from minority interest to noncontrolling shareholder interest.

(ii) Effective Dates

The accounting standard will be applied to the Group’s consolidated financial statements from the beginning of the fiscal year commencing April 1, 2015.

(iii) Effects of Adoption of the Accounting Standard

The Group is currently evaluating the effects.

“Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts”
 (Dec. 25, 2013)

(i) Overview

This standard clarifies the practical treatment of transactions of delivering the company stock to employees or employee stock ownership plans through trusts.

(ii) Effective Dates

The accounting standard will be applied to the Group’s consolidated financial statements from the beginning of the fiscal year commencing April 1, 2014.

(iii) Effects of Adoption of the Accounting Standard

The Group is currently evaluating the effects.

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, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Cash and due from banks | ¥915,056 | ¥347,076 | \$8,890,944 |
| Time deposits in other banks | (7,497) | (7,387) | (72,843) |
| Other | (33,354) | (26,461) | (324,077) |
| Cash and cash equivalents | ¥874,205 | ¥313,228 | \$8,494,024 |

4. FINANCIAL INSTRUMENTS

Items pertaining to the status of financial instruments

(1) Policies on financial instruments

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

regulations, which clarify the Group’s fundamental stance on risk management.

(2) Content and risks of financial instruments

Of financial assets held by the Group, principally loans and bills discounted extended to business partners are subject to the credit risk of 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 and to promote positive business relations. These securities are subject to issuer credit risk, interest rate fluctuation risk and market price fluctuation risk.

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

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

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

With regard to use of hedge accounting, the Group applies deferred hedge accounting after it ensured in advance that the established conditions are satisfied. As for hedging methods, the Group employees portfolio hedge where certain group of assets with similar risk is identified and such risk is

hedged comprehensively. In addition, for certain individual hedge and interest swap contracts, exceptional treatments are applied as permitted under Japanese generally accepted accounting principles. Under the exceptional treatment, hedging instruments are treated as off-balance items and not re-measured at fair value. Net receipts or payments related to the swap contracts are recognized and included in interest expense or income.

(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 raised 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. YMFG performs write-off and provisions based on the results of its self assessments. The Group's authentication departments verify the content of such inspections. Independence is maintained through internal audits conducted by audit departments. In addition, the Group undergoes external audits conducted by its independent external auditors.

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

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

(ii) Management of market risk

Qualitative information on the management of market risk

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

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

Quantitative information on the management of market risk

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

As of March 31, 2014, the market risk (estimated loss amount) of Yamaguchi Bank was ¥63,526 million (\$617 million), the market risk (estimated loss amount) of Momiji Bank was ¥18,079 million (\$176 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥11,439 million (\$111 million). Also, as of March 31, 2013, the market risk (estimated loss amount) of Yamaguchi Bank was ¥62,592 million, the market risk (estimated loss amount) of Momiji Bank was ¥22,930 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥9,445 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. Based on the results for the year ended March 31, 2014, the measurement model is considered to have captured market risk to an acceptable degree of accuracy. However, as measurements of market risk employ certain probabilities of occurrence which is statistically calculated on the basis of historical market fluctuations, it is possible that this method may not adequately 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 cash controls in financial markets.

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

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

The fair values of some financial instruments are based on market prices. The fair values of other instruments, for which market prices are not readily available, are based on rational

calculation. However, as assumptions are used in these calculations, different assumptions can yield different values.

Items pertaining to the fair value of financial instruments

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

| | Millions of yen | | |
|--|---|------------|------------|
| | 2014 | | |
| | Consolidated balance sheet amount | Fair value | Difference |
| (1) Cash and due from banks | ¥ 915,056 | ¥ 915,056 | ¥ — |
| (2) Call loans and bills purchased | 315,198 | 315,198 | — |
| (3) Money held in trust | 49,996 | 49,996 | — |
| (4) Securities | | | |
| Held-to-maturity debt securities | 3,171 | 3,187 | 16 |
| Available-for-sale securities | 2,061,118 | 2,061,118 | — |
| (5) Loans and bills discounted | 5,964,133 | | |
| Allowance for loan losses (* 1) | (85,152) | | |
| | 5,878,981 | 5,910,384 | 31,403 |
| Total assets | ¥9,223,520 | ¥9,254,939 | ¥31,419 |
| (1) Deposits | ¥8,147,033 | ¥8,149,311 | ¥ 2,278 |
| (2) Negotiable certificates of deposit | 617,933 | 617,933 | — |
| (3) Bonds payable | 45,000 | 45,251 | 251 |
| Total liabilities | ¥8,809,966 | ¥8,812,495 | ¥ 2,529 |
| Derivative transactions (* 2) | | | |
| Hedge accounting not applied | ¥ (2,145) | ¥ (2,145) | ¥ — |
| Hedge accounting applied | (974) | (974) | — |
| Total derivative transactions | ¥ (3,119) | ¥ (3,119) | ¥ — |

| | Millions of yen | | |
|--|---|------------|------------|
| | 2013 | | |
| | Consolidated balance sheet amount | Fair value | Difference |
| (1) Cash and due from banks | ¥ 347,076 | ¥ 347,076 | ¥ — |
| (2) Call loans and bills purchased | 649,843 | 649,843 | — |
| (3) Money held in trust | 55,489 | 55,489 | — |
| (4) Securities | | | |
| Held-to-maturity debt securities | 1,187 | 1,209 | 22 |
| Available-for-sale securities | 2,136,029 | 2,136,029 | — |
| (5) Loans and bills discounted | 5,811,966 | | |
| Allowance for loan losses (* 1) | (96,043) | | |
| | 5,715,923 | 5,782,149 | 66,226 |
| Total assets | ¥8,905,547 | ¥8,971,795 | ¥66,248 |
| (1) Deposits | ¥7,868,565 | ¥7,873,257 | ¥ 4,692 |
| (2) Negotiable certificates of deposit | 584,493 | 584,493 | — |
| (3) Bonds payable | 95,000 | 95,261 | 261 |
| Total liabilities | ¥8,548,058 | ¥8,553,011 | ¥ 4,953 |
| Derivative transactions (* 2) | | | |
| Hedge accounting not applied | ¥ 607 | ¥ 607 | ¥ — |
| Hedge accounting applied | (2,941) | (2,941) | — |
| Total derivative transactions | ¥ (2,334) | ¥ (2,334) | ¥ — |

| | Thousands of U.S. dollars | | |
|--|---|--------------|------------|
| | 2014 | | |
| | Consolidated balance sheet amount | Fair value | Difference |
| (1) Cash and due from banks | \$ 8,890,944 | \$ 8,890,944 | \$ — |
| (2) Call loans and bills purchased | 3,062,553 | 3,062,553 | — |
| (3) Money held in trust | 485,775 | 485,775 | — |
| (4) Securities | | | |
| Held-to-maturity debt securities | 30,810 | 30,966 | 156 |
| Available-for-sale securities | 20,026,410 | 20,026,410 | — |
| (5) Loans and bills discounted | 57,949,213 | | |
| Allowance for loan losses (* 1) | (827,361) | | |
| | 57,121,852 | 57,426,972 | 305,120 |
| Total assets | \$89,618,344 | \$89,923,620 | \$305,276 |
| (1) Deposits | \$79,158,890 | \$79,181,024 | \$ 22,134 |
| (2) Negotiable certificates of deposit | 6,004,013 | 6,004,013 | — |
| (3) Bonds payable | 437,233 | 439,672 | 2,439 |
| Total liabilities | \$85,600,136 | \$85,624,709 | \$24,573 |
| Derivative transactions (* 2) | | | |
| Hedge accounting not applied | \$ (20,841) | \$ (20,841) | \$ — |
| Hedge accounting applied | (9,464) | (9,464) | — |
| Total derivative transactions | \$ (30,305) | \$ (30,305) | \$ — |

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

(* 2) The amount collectively represents derivative transactions that are recorded as trading assets and liabilities, and other trading assets and liabilities.

This indicates the net amount of rights and obligations under derivative transactions. Parentheses, (), indicate that the net amount is negative.

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

(1) Assets

(i) Cash and due from banks

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

(ii) Call loans and bills purchased

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

(iii) Money held in trust

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

Notes pertaining to money held in trust exchanges for the purpose of holding are indicated within “Money held in trust.”

(iv) Securities

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

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

As of March 31, 2013, the fair value of floating-rate Japanese government bonds was determined after taking market conditions into consideration. If the Group continuously determined that conditions were such that market prices of floating-rate Japanese government bonds were not fair value, the fair values of securities in question

were determined in accordance with the “Practical Solution on Measurement of Fair Value for Financial Assets” (ASBJ PITF No. 25, October 28, 2008), calculated on a rational basis and recorded on the consolidated balance sheet at the end of the fiscal year. Consequently, on the consolidated balance sheet as of March 31, 2013, securities had increased by ¥1,373 million, deferred tax assets had decreased by ¥356 million, deferred tax liabilities had increased by ¥130 million and the unrealized gains on available-for-sale securities had increased by ¥887 million compared with the market prices indicated by their consolidated balance sheet amounts.

Although rationally determined value was provided by a third-party information provider, the fair value of floating-rate Japanese government bonds held by the Group was calculated by discounting the principal and the future expected coupon to present value at the interest rate of the referenced government bonds. The Group determined the amount of the future expected coupon by taking into consideration the product characteristics of floating-rate Japanese government bonds and adjusting the shape of the yield curve, volatility, and the timing of interest payments.

(v) Loans and bills discounted

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

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

With regard to loans to legally bankrupt obligors, substantially bankrupt obligors or obligors who are in danger of bankruptcy, the estimated collectible amount is based on either the present value of estimated future cash flows or the expected amounts recoverable from the disposal of collateral and/or under guarantees. As the fair value is essentially equivalent to the

amount after deducting the allowance for possible loan losses from the book value as of the consolidated balance sheet date, this amount is taken as fair value.

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

(2) Liabilities

(i) Deposits and (ii) Negotiable certificates of deposit

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

(iii) Bonds payable

The fair value of bonds issued by the Group is determined by using prices publicly quoted by third-party institutions.

(3) Derivative transactions

The fair value of derivative transactions, comprising interest-rate-related transactions (such as interest rate futures, interest rate options and interest rate swaps) currency-related transactions (such as currency futures, currency options and currency swaps), bond-related transactions (such as bond futures and bond options) is taken as their value on exchanges, discounted present value or price as calculated using option pricing models.

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

(Note 2) The consolidated balance sheet amounts of financial instruments for which market prices are not readily available Financial instruments for which market prices are not readily available are not included in “Assets (4) Available-for-sale securities.”

| Category | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------------|---------------------------|
| | 2014 | 2013 | 2014 |
| Consolidated balance sheet amount | | | |
| (1) Unlisted equity securities (*1, *2) | ¥6,090 | ¥6,102 | \$59,172 |
| (2) Investments in partnerships, etc. (*3) | 1,611 | 1,063 | 15,653 |
| Total | ¥7,701 | ¥7,165 | \$74,825 |

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

(*2) During the fiscal year ended March 31, 2013 and 2014, impairment losses of ¥10 million and ¥22 million (\$214 thousand) were recorded on unlisted equity securities.

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

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

| | Millions of yen | | | | |
|---|-------------------|---|---|---|-----------------------|
| | 2014 | | | | |
| | Within one year | More than one year and within three years | More than three years and within five years | More than five years and within seven years | More than seven years |
| (1) Due from banks | ¥819,863 | ¥ — | ¥ — | ¥ — | ¥ — |
| (2) Call loans and bills purchased | 315,198 | — | — | — | — |
| (3) Securities Held-to-maturity debt securities | 102,685 | 522,639 | 644,212 | 189,964 | 411,702 |
| Japanese government bond | — | — | — | — | — |
| Corporate bond | 260 | 470 | 692 | — | 580 |
| Others | — | 669 | — | — | 500 |
| Available-for-sale securities with maturities | 102,425 | 521,500 | 643,520 | 189,964 | 410,622 |
| Japanese government bond | 26,716 | 139,128 | 216,876 | 64,575 | 126,004 |
| Local government bond | 7,976 | 19,262 | 3,345 | 3,631 | 10,157 |
| Corporate bond | 58,230 | 335,503 | 328,065 | 100,976 | 260,711 |
| Others | 9,503 | 27,607 | 95,234 | 20,782 | 13,750 |
| (4) Loans and bills discounted (*) | 2,040,816 | 1,148,253 | 819,357 | 502,276 | 1,453,431 |
| Total | ¥3,278,562 | ¥1,670,892 | ¥1,463,569 | ¥692,240 | ¥1,865,133 |

| | Millions of yen | | | | |
|---|-------------------|---|---|---|-----------------------|
| | 2013 | | | | |
| | Within one year | More than one year and within three years | More than three years and within five years | More than five years and within seven years | More than seven years |
| (1) Due from banks | ¥261,184 | ¥ — | ¥ — | ¥ — | ¥ — |
| (2) Call loans and bills purchased | 649,843 | — | — | — | — |
| (3) Securities Held-to-maturity debt securities | 108,204 | 324,605 | 632,638 | 400,692 | 520,900 |
| | 290 | 572 | 325 | — | — |
| Japanese government bond | — | — | — | — | — |
| Corporate bond | 290 | 230 | 80 | — | — |
| Others | — | 342 | 245 | — | — |
| Available-for-sale securities with maturities | 107,914 | 324,033 | 632,313 | 400,692 | 520,900 |
| Japanese government bond | 74,141 | 97,951 | 214,963 | 194,980 | 270,972 |
| Local government bond | 6,483 | 25,147 | 4,835 | 2,390 | 15,485 |
| Corporate bond | 24,452 | 170,910 | 353,886 | 187,517 | 228,159 |
| Others | 2,838 | 30,025 | 58,629 | 15,805 | 6,284 |
| (4) Loans and bills discounted (*) | 2,149,019 | 1,134,306 | 827,163 | 460,511 | 1,240,968 |
| Total | ¥3,168,250 | ¥1,458,911 | ¥1,459,801 | ¥861,203 | ¥1,761,868 |

| | Thousands of U.S. dollars | | | | |
|---|---------------------------|---|---|---|-----------------------|
| | 2014 | | | | |
| | Within one year | More than one year and within three years | More than three years and within five years | More than five years and within seven years | More than seven years |
| (1) Due from banks | \$7,966,022 | \$ — | \$ — | \$ — | \$ — |
| (2) Call loans and bills purchased | 3,062,553 | — | — | — | — |
| (3) Securities Held-to-maturity debt securities | 997,716 | 5,078,109 | 6,259,347 | 1,845,744 | 4,000,214 |
| | 2,526 | 11,067 | 6,724 | — | 10,494 |
| Japanese government bond | — | — | — | — | — |
| Corporate bond | 2,526 | 4,567 | 6,724 | — | 5,636 |
| Others | — | 6,500 | — | — | 4,858 |
| Available-for-sale securities with maturities | 995,190 | 5,067,042 | 6,252,623 | 1,845,744 | 3,989,720 |
| Japanese government bond | 259,580 | 1,351,807 | 2,107,228 | 627,428 | 1,224,291 |
| Local government bond | 77,497 | 187,155 | 32,501 | 35,280 | 98,688 |
| Corporate bond | 565,779 | 3,259,843 | 3,187,573 | 981,112 | 2,533,142 |
| Others | 92,334 | 268,237 | 925,321 | 201,924 | 133,599 |
| (4) Loans and bills discounted (*) | 19,829,149 | 11,156,753 | 7,961,106 | 4,880,257 | 14,121,949 |
| Total | \$31,855,440 | \$16,234,862 | \$14,220,453 | \$6,726,001 | \$18,122,163 |

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

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

| | Millions of yen | | | |
|------------------------------------|-------------------|---|--|---------------------|
| | 2014 | | | |
| | Within one year | More than one year and within two years | More than two years and within three years | Three years or more |
| Deposits (*) | ¥7,476,391 | ¥464,376 | ¥165,186 | ¥41,080 |
| Negotiable certificates of deposit | 617,582 | 350 | — | — |
| Bonds payable | 20,000 | — | — | 25,000 |
| Total | ¥8,113,973 | ¥464,726 | ¥165,186 | ¥66,080 |

| | Millions of yen | | | |
|------------------------------------|-------------------|---|--|---------------------|
| | 2013 | | | |
| | Within one year | More than one year and within two years | More than two years and within three years | Three years or more |
| Deposits (*) | ¥6,622,616 | ¥1,022,462 | ¥180,277 | ¥43,210 |
| Negotiable certificates of deposit | 583,523 | 970 | — | — |
| Bonds payable | 30,000 | 20,000 | — | 45,000 |
| Total | ¥7,236,139 | ¥1,043,432 | ¥180,277 | ¥88,210 |

| | Thousands of U.S. dollars | | | |
|------------------------------------|---------------------------|---|--|---------------------|
| | 2014 | | | |
| | Within one year | More than one year and within two years | More than two years and within three years | Three years or more |
| Deposits (*) | \$72,642,742 | \$4,512,009 | \$1,604,994 | \$399,145 |
| Negotiable certificates of deposit | 6,000,602 | 3,401 | — | — |
| Bonds payable | 194,326 | — | — | 242,907 |
| Total | \$78,837,670 | \$4,515,410 | \$1,604,994 | \$642,052 |

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

5. SECURITIES

Securities held at March 31, 2014 include shares of unconsolidated subsidiaries and affiliates amounting to ¥355 million (\$3 million) and investments of ¥700 million (\$7 million). Corresponding figures at March 31, 2013, were ¥327 million and ¥567 million.

The amount of guarantee obligations for private placement bonds (Financial Instruments and Exchange Law, Article 2, Item 3), out of bonds included in securities, amounted to ¥3,301 million (\$32 million) and ¥4,123 million as of March 31, 2014 and March 31, 2013 respectively.

Bonds included in securities as of March 31, 2014, also include securities lent through unsecured loan agreements (bond lending transactions) of ¥15,015 million (\$146 million).

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, 2014 and 2013:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statement of income — ¥(73) million (\$709 thousand) and ¥6 million as at March 31, 2014 and 2013, respectively.

(b) Held-to-maturity debt securities:

| | Type | Millions of yen | | |
|---|------------------------|-----------------|---------------|------------|
| | | 2014 | | |
| | | Book value | Fair value | Difference |
| Securities with fair value exceeding book value | Local government bonds | ¥ 500 | ¥ 502 | ¥ 2 |
| | Corporate bonds | 1,713 | 1,717 | 4 |
| | Others | 670 | 680 | 10 |
| | Subtotal | 2,883 | 2,899 | 16 |
| Securities with fair value not exceeding book value | Local government bonds | — | — | — |
| | Corporate bonds | 288 | 288 | — |
| | Others | — | — | — |
| | Subtotal | 288 | 288 | — |
| Total | | ¥3,171 | ¥3,187 | ¥16 |

| | Type | Millions of yen | | |
|---|------------------------|-----------------|---------------|------------|
| | | 2013 | | |
| | | Book value | Fair value | Difference |
| Securities with fair value exceeding book value | Local government bonds | ¥ — | ¥ — | ¥— |
| | Corporate bonds | 600 | 603 | 3 |
| | Others | 587 | 606 | 19 |
| | Subtotal | 1,187 | 1,209 | 22 |
| Securities with fair value not exceeding book value | Local government bonds | — | — | — |
| | Corporate bonds | — | — | — |
| | Others | — | — | — |
| | Subtotal | — | — | — |
| Total | | ¥1,187 | ¥1,209 | ¥22 |

| | Type | Thousands of U.S. dollars | | |
|---|------------------------|---------------------------|-----------------|--------------|
| | | 2014 | | |
| | | Book value | Fair value | Difference |
| Securities with fair value exceeding book value | Local government bonds | \$ 4,859 | \$ 4,878 | \$ 19 |
| | Corporate bonds | 16,644 | 16,683 | 39 |
| | Others | 6,509 | 6,607 | 98 |
| | Subtotal | 28,012 | 28,168 | 156 |
| Securities with fair value not exceeding book value | Local government bonds | — | — | — |
| | Corporate bonds | 2,798 | 2,798 | — |
| | Others | — | — | — |
| | Subtotal | 2,798 | 2,798 | — |
| Total | | \$30,810 | \$30,966 | \$156 |

(c) Available-for-sale securities

| | | Millions of yen | | |
|---|---------------------------|------------------|------------|---------|
| | | 2014 | | |
| Type | Book value | Acquisition cost | Difference | |
| Securities with fair value exceeding book value | Shares | ¥ 106,333 | ¥ 54,479 | ¥51,854 |
| | Japanese government bonds | 438,638 | 436,586 | 2,052 |
| | Local government bonds | 40,687 | 39,909 | 778 |
| | Corporate bonds | 931,557 | 922,097 | 9,460 |
| | Others | 68,976 | 68,197 | 779 |
| | Subtotal | 1,586,191 | 1,521,268 | 64,923 |
| Securities with fair value not exceeding book value | Shares | 8,996 | 10,506 | (1,510) |
| | Japanese government bonds | 134,662 | 135,042 | (380) |
| | Local government bonds | 3,685 | 3,693 | (8) |
| | Corporate bonds | 151,919 | 152,730 | (811) |
| | Others | 175,664 | 182,847 | (7,183) |
| | Subtotal | 474,926 | 484,818 | (9,892) |
| Total | ¥2,061,117 | ¥2,006,086 | ¥55,031 | |

| | | Millions of yen | | |
|---|---------------------------|------------------|------------|----------|
| | | 2013 | | |
| Type | Book value | Acquisition cost | Difference | |
| Securities with fair value exceeding book value | Shares | ¥ 78,119 | ¥ 41,245 | ¥ 36,874 |
| | Japanese government bonds | 744,311 | 736,185 | 8,126 |
| | Local government bonds | 54,268 | 52,911 | 1,357 |
| | Corporate bonds | 885,528 | 872,395 | 13,133 |
| | Others | 102,212 | 99,195 | 3,017 |
| | Subtotal | 1,864,438 | 1,801,931 | 62,507 |
| Securities with fair value not exceeding book value | Shares | 18,238 | 22,426 | (4,188) |
| | Japanese government bonds | 108,696 | 109,050 | (354) |
| | Local government bonds | 73 | 73 | (0) |
| | Corporate bonds | 79,387 | 80,319 | (932) |
| | Others | 65,197 | 70,801 | (5,604) |
| | Subtotal | 271,591 | 282,669 | (11,078) |
| Total | ¥2,136,029 | ¥2,084,600 | ¥ 51,429 | |

| | | Thousands of U.S. dollars | | |
|---|---------------------------|---------------------------|------------|-----------|
| | | 2014 | | |
| Type | Book value | Acquisition cost | Difference | |
| Securities with fair value exceeding book value | Shares | \$ 1,033,162 | \$ 529,334 | \$503,828 |
| | Japanese government bonds | 4,261,932 | 4,241,994 | 19,938 |
| | Local government bonds | 395,326 | 387,767 | 7,559 |
| | Corporate bonds | 9,051,273 | 8,959,357 | 91,916 |
| | Others | 670,190 | 662,620 | 7,570 |
| | Subtotal | 15,411,883 | 14,781,072 | 630,811 |
| Securities with fair value not exceeding book value | Shares | 87,408 | 102,079 | (14,671) |
| | Japanese government bonds | 1,308,414 | 1,312,106 | (3,692) |
| | Local government bonds | 35,805 | 35,882 | (77) |
| | Corporate bonds | 1,476,088 | 1,483,968 | (7,880) |
| | Others | 1,706,801 | 1,776,595 | (69,794) |
| | Subtotal | 4,614,516 | 4,710,630 | (96,114) |
| Total | \$20,026,399 | 19,491,702 | \$534,697 | |

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

| | | Millions of yen | | |
|--------------------------|-------------------------|-----------------|---------------------|--|
| | | 2014 | | |
| | Cost of securities sold | Sale amount | Gain (loss) on sale | |
| Japanese government bond | ¥— | ¥— | ¥— | |

| | | Millions of yen | | |
|--------------------------|-------------------------|-----------------|---------------------|--|
| | | 2013 | | |
| | Cost of securities sold | Sale amount | Gain (loss) on sale | |
| Japanese government bond | ¥4,005 | ¥4,023 | ¥18 | |

| | | Thousands of U.S. dollars | | |
|--------------------------|-------------------------|---------------------------|---------------------|--|
| | | 2014 | | |
| | Cost of securities sold | Sale amount | Gain (loss) on sale | |
| Japanese government bond | \$— | \$— | \$— | |

(Reason for sale)

During the fiscal year ended March 31, 2013, a consolidated subsidiary, Yamagin Credit Guarantee Co., Ltd., sold these securities to avoid the risk of future interest rate increases.

As the subsidiary sold all its holdings of held-to-maturity securities during the fiscal year ended March 31, 2013, there was no change in the purpose of holding securities, as is indicated in “(f). Securities for which purpose of holding changed.”

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

| | Millions of yen | | |
|--------------------------|-----------------|--------------------|--------------------|
| | 2014 | | |
| | Sale amount | Total gain on sale | Total loss on sale |
| Shares | ¥ 5,273 | ¥ 1,998 | ¥ 31 |
| Japanese government bond | 1,725,598 | 5,972 | 1,941 |
| Local government bond | 10,179 | 242 | — |
| Corporate bond | 533,328 | 2,449 | 159 |
| Others | 288,129 | 7,731 | 1,376 |
| Total | ¥2,562,507 | ¥18,392 | ¥3,507 |

| | Millions of yen | | |
|--------------------------|-----------------|--------------------|--------------------|
| | 2013 | | |
| | Sale amount | Total gain on sale | Total loss on sale |
| Shares | ¥ 1,159 | ¥ 170 | ¥ 346 |
| Japanese government bond | 3,904,726 | 11,248 | 182 |
| Local government bond | 10,485 | 170 | — |
| Corporate bond | 1,029,929 | 4,568 | 51 |
| Others | 130,204 | 1,890 | 492 |
| Total | ¥5,076,503 | ¥18,046 | ¥1,071 |

| | Thousands of U.S. dollars | | |
|--------------------------|---------------------------|--------------------|--------------------|
| | 2014 | | |
| | Sale amount | Total gain on sale | Total loss on sale |
| Shares | \$ 51,234 | \$ 19,413 | \$ 301 |
| Japanese government bond | 16,766,401 | 58,026 | 18,859 |
| Local government bond | 98,902 | 2,351 | — |
| Corporate bond | 5,181,967 | 23,795 | 1,545 |
| Others | 2,799,543 | 75,117 | 13,370 |
| Total | \$24,898,047 | \$178,702 | \$34,075 |

(f) Securities for which purpose of holding changed

There were no securities for which the purpose of holding changed at March 31, 2014 and 2013.

Impairment losses on securities

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

During the fiscal year ended March 31, 2014, impairment losses totaled ¥113 million (\$1 million) (of which, ¥113 million (\$1 million) on equity securities) and during the fiscal year ended March 31, 2013, impairment losses totaled ¥3,225 million (of which, ¥3,225 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, 2014 and 2013 is as follows:

(a) Money held in trust classified as trading purposes

There are no corresponding amounts as at March 31, 2014 and 2013

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

There are no corresponding transactions as at March 31, 2014 and 2013.

(c) Other money held in trust

| | Millions of yen | | |
|---------------------------|-----------------------------------|------------------|---------------------------|
| | 2014 | | |
| | Consolidated balance sheet amount | Acquisition cost | Unrealized gains (losses) |
| Other money held in trust | ¥49,996 | ¥50,013 | ¥(17) |

| | Millions of yen | | |
|---------------------------|-----------------------------------|------------------|---------------------------|
| | 2013 | | |
| | Consolidated balance sheet amount | Acquisition cost | Unrealized gains (losses) |
| Other money held in trust | ¥55,489 | ¥55,498 | ¥(9) |

| | Thousands of U.S. dollars | | |
|---------------------------|-----------------------------------|------------------|---------------------------|
| | 2014 | | |
| | Consolidated balance sheet amount | Acquisition cost | Unrealized gains (losses) |
| Other money held in trust | \$485,775 | \$485,941 | \$(166) |

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

Information on unrealized gains (losses) on other securities and other money held in trust is as follows:

| | Millions of yen | | Thousands of |
|--|-----------------|----------|--------------|
| | 2014 | 2013 | U.S. dollars |
| Net unrealized gains | ¥55,338 | ¥51,502 | \$537,680 |
| Other securities | 55,355 | 51,511 | 537,845 |
| Other money held in trust | (17) | (9) | (165) |
| Deferred tax liabilities | (18,646) | (17,013) | (181,170) |
| Unrealized gain on available-for-sale securities before following adjustment | 36,692 | 34,489 | 356,510 |
| YMFG's interest in net unrealized gain on valuation of available-for-sale securities held by affiliates accounted for by the equity method | 14 | 9 | 136 |
| Unrealized gains on available-for-sale securities | ¥36,706 | ¥34,498 | \$356,646 |

Valuation differences on investments in partnerships, etc., of ¥324 million (\$3,148 thousand) at March 31, 2014 and ¥82 million at March 31, 2013, for which market values are extremely difficult to determine, are recorded in other securities, within net unrealized gain.

Derivatives

(1) Derivative transactions at March 31, 2014 and 2013, to which hedge accounting is not applied

(a) Interest-rate-related:

| Type | Millions of yen | | | |
|------------------------------------|------------------|---------------|------------|-------------------------|
| | 2014 | | | Realized gains (losses) |
| | Contract amounts | Over one year | Fair value | |
| Over-the-counter: | | | | |
| Interest rate swaps: | | | | |
| Receivable fixed, payable floating | ¥59,080 | ¥55,080 | ¥ 763 | ¥ 762 |
| Receivable floating, payable fixed | 59,204 | 55,204 | (622) | (622) |
| Other | | | | |
| Sold | 128 | 128 | (0) | 4 |
| Total | ¥ — | ¥ — | ¥ 141 | ¥ 144 |

| Type | Millions of yen | | | |
|------------------------------------|------------------|---------------|------------|-------------------------|
| | 2013 | | | Realized gains (losses) |
| | Contract amounts | Over one year | Fair value | |
| Over-the-counter: | | | | |
| Interest rate swaps: | | | | |
| Receivable fixed, payable floating | ¥64,526 | ¥50,210 | ¥ 936 | ¥ 936 |
| Receivable floating, payable fixed | 64,816 | 50,388 | (766) | (766) |
| Other | | | | |
| Sold | 383 | 168 | (0) | 9 |
| Total | ¥ — | ¥ — | ¥ 170 | ¥ 179 |

| Type | Thousands of U.S. dollars | | | |
|------------------------------------|---------------------------|---------------|------------|-------------------------|
| | 2014 | | | Realized gains (losses) |
| | Contract amounts | Over one year | Fair value | |
| Over-the-counter: | | | | |
| Interest rate swaps: | | | | |
| Receivable fixed, payable floating | \$574,038 | \$535,173 | \$ 7,414 | \$ 7,404 |
| Receivable floating, payable fixed | 575,243 | 536,378 | (6,044) | (6,044) |
| Other | | | | |
| Sold | 1,244 | 1,244 | (0) | 39 |
| Total | \$ — | \$ — | \$ 1,370 | \$ 1,399 |

(b) Currency-related:

| Type | Millions of yen | | | |
|-------------------------------------|------------------|---------------|------------|-------------------------|
| | 2014 | | | Realized gains (losses) |
| | Contract amounts | Over one year | Fair value | |
| Over-the-counter: | | | | |
| Currency swaps | ¥145,534 | ¥83,213 | ¥(3,022) | ¥ (1,295) |
| Foreign exchange forward contracts: | | | | |
| Sold | 119,873 | 615 | (694) | (694) |
| Bought | 14,229 | — | 83 | 83 |
| Currency options | | | | |
| Sold | 203,186 | 146,722 | (5,833) | 10,551 |
| Bought | 203,186 | 146,722 | 7,120 | (6,706) |
| Total | ¥ — | ¥ — | ¥(2,346) | ¥ 1,939 |

| Type | Millions of yen | | | |
|-------------------------------------|------------------|---------------|------------|-------------------------|
| | 2013 | | | Realized gains (losses) |
| | Contract amounts | Over one year | Fair value | |
| Over-the-counter: | | | | |
| Currency swaps | ¥146,365 | ¥94,080 | ¥ 387 | ¥(1,075) |
| Foreign exchange forward contracts: | | | | |
| Sold | 64,584 | 800 | (1,095) | (1,095) |
| Bought | 18,598 | — | 204 | 204 |
| Currency options | | | | |
| Sold | 251,129 | 182,040 | (10,741) | 11,228 |
| Bought | 251,129 | 182,040 | 11,767 | (6,599) |
| Total | ¥ — | ¥ — | ¥ 522 | ¥2,663 |

| Type | Thousands of U.S. dollars | | | |
|-------------------------------------|---------------------------|---------------|------------|-------------------------|
| | 2014 | | | |
| | Contract amounts | Over one year | Fair value | Realized gains (losses) |
| Over-the-counter: | | | | |
| Currency swaps | \$1,414,050 | \$808,521 | \$(29,363) | \$(12,583) |
| Foreign exchange forward contracts: | | | | |
| Sold | 1,164,720 | 5,976 | (6,743) | (6,743) |
| Bought | 138,253 | — | 806 | 806 |
| Currency options | | | | |
| Sold | 1,974,213 | 1,425,593 | (56,675) | 102,517 |
| Bought | 1,974,213 | 1,425,593 | 69,181 | (65,157) |
| Total | \$ — | \$ — | \$(22,794) | \$ 18,840 |

(c) Stock-related:

There were no stock-related transactions as at March 31, 2014 and 2013.

(d) Bond-related:

| Type | Millions of yen | | | |
|--------------|------------------|---------------|------------|-------------------------|
| | 2014 | | | |
| | Contract amounts | Over one year | Fair value | Realized gains (losses) |
| Listed: | | | | |
| Bond futures | | | | |
| Sold | ¥62,247 | ¥— | ¥60 | ¥60 |
| Total | ¥ — | ¥— | ¥60 | ¥60 |

| Type | Millions of yen | | | |
|--------------|------------------|---------------|------------|-------------------------|
| | 2013 | | | |
| | Contract amounts | Over one year | Fair value | Realized gains (losses) |
| Listed: | | | | |
| Bond futures | | | | |
| Sold | ¥21,734 | ¥— | ¥(85) | ¥(85) |
| Total | ¥ — | ¥— | ¥(85) | ¥(85) |

| Type | Thousands of U.S. dollars | | | |
|--------------|---------------------------|---------------|------------|-------------------------|
| | 2014 | | | |
| | Contract amounts | Over one year | Fair value | Realized gains (losses) |
| Listed: | | | | |
| Bond futures | | | | |
| Sold | \$604,810 | \$— | \$583 | \$583 |
| Total | \$ — | \$— | \$583 | \$583 |

(e) Commodity-related:

There were no commodity-related transactions as at March 31, 2014 and 2013.

(f) Credit-derivatives:

There were no credit related transactions as at March 31, 2014 and 2013.

(2) Derivative transactions as at March 31, 2014 and 2013, to which hedge accounting is applied

(a) Interest-rate-related:

| Type | Millions of yen | | |
|---|------------------|---------------|------------|
| | 2014 | | |
| | Contract amounts | Over one year | Fair value |
| Principal accounting procedure: | | | |
| Interest rate swaps | | | |
| Receive floating, pay fixed | ¥16,054 | ¥15,346 | ¥(615) |
| Interest rate swaps employing exceptional accounting: | | | |
| Interest rate swaps | | | |
| Receive floating, pay fixed | 308 | 275 | * |
| Total | ¥ — | ¥ — | ¥(615) |

| Type | Millions of yen | | |
|---|------------------|---------------|------------|
| | 2013 | | |
| | Contract amounts | Over one year | Fair value |
| Principal accounting procedure: | | | |
| Interest rate swaps | | | |
| Receive floating, pay fixed | ¥17,586 | ¥17,586 | ¥(756) |
| Interest rate swaps employing exceptional accounting: | | | |
| Interest rate swaps | | | |
| Receive floating, pay fixed | 342 | 308 | * |
| Total | ¥ — | ¥ — | ¥(756) |

| Type | Thousands of U.S. dollars | | |
|---|---------------------------|---------------|------------|
| | 2014 | | |
| | Contract amounts | Over one year | Fair value |
| Principal accounting procedure: | | | |
| Interest rate swaps | | | |
| Receive floating, pay fixed | \$155,985 | \$149,106 | \$(5,976) |
| Interest rate swaps employing exceptional accounting: | | | |
| Interest rate swaps | | | |
| Receive floating, pay fixed | 2,993 | 2,672 | * |
| Total | \$ — | \$ — | \$(5,976) |

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

(b) Currency-related:

| Type | Millions of yen | | |
|---------------------------------|------------------|---------------|------------|
| | 2014 | | |
| | Contract amounts | Over one year | Fair value |
| Principal accounting procedure: | | | |
| Currency swaps | | | |
| Total | ¥29,267 | ¥— | ¥(360) |
| | ¥ — | ¥— | ¥(360) |

| Type | Millions of yen | | |
|---------------------------------|------------------|---------------|------------|
| | 2013 | | |
| | Contract amounts | Over one year | Fair value |
| Principal accounting procedure: | | | |
| Currency swaps | ¥24,946 | ¥— | ¥(2,185) |
| Total | ¥ — | ¥— | ¥(2,185) |

| Type | Thousands of U.S. dollars | | |
|---------------------------------|---------------------------|---------------|------------|
| | 2014 | | |
| | Contract amounts | Over one year | Fair value |
| Principal accounting procedure: | | | |
| Currency swaps | \$284,366 | \$— | \$(3,498) |
| Total | \$ — | \$— | \$(3,498) |

(c) Stock-related:

There were no stock-related transactions at March 31, 2014 and 2013.

(d) Bond-related:

There were no bond-related transactions at March 31, 2014 and 2013.

7. LOANS AND BILLS DISCOUNTED

Loans at March 31, 2014 and 2013 include “Risk-Managed Loan Amounts” as follows:

- (1) Loans to borrowers in bankruptcy amounting to ¥25,936 million (\$252 million) and ¥27,087 million denote loans subject to Article 96-1-3 and 96-1-4 of “Order for Enforcement of the Corporation Tax Act” (Cabinet Order No. 97 of 1965) on which interest accrual has stopped as there is doubt about the collectability of either principal or interest because they have been contractually past due for a considerable period of time or for other reasons.
- (2) Other delinquent loans amounting to ¥91,479 million (\$889 million) and ¥103,588 million denote loans on which the Banks have stopped accruing interest excluding loans to borrowers in bankruptcy and loans on which interest payments are deferred in order to promote recovery of borrowers in economic difficulty.
- (3) Loans past due for three months or more amounting to ¥448 million (\$4 million) and ¥1,174 million denote loans where payment of interest or principal has been delayed for three months or more excluding loans to borrowers in bankruptcy and other delinquent loans.

(4) Restructured loans amounting to ¥22,435 million (\$218 million) and ¥24,837 million denote loans to borrowers for which the repayment terms have been modified to more favorable terms including reduction of interest rate, deferral of interest payments, extension of principal payments and debt forgiveness with the objective of promoting recovery of borrowers in economic difficulty excluding loans to borrowers in bankruptcy, other delinquent loans, and past-due loans.

(5) The total of loans to borrowers in bankruptcy, other delinquent loans, past-due loans, and restructured loans amounted to ¥140,298 million (\$1,363 million) and ¥156,686 million.

The loan amounts disclosed from (1) to (5) above are amounts before deducting an allowance for loan losses.

Commercial bills

Bills discounted are accounted for as financing transactions in accordance with the Industry Audit Committee Report No. 24 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 ¥47,896 million (\$465 million) at March 31, 2014 and ¥50,502 million at March 31, 2013.

Loan participation

Loan participation agreements in which the Banks have acquired the economic benefits and risks of the underlying loans from the original lender under the JICPA Laws and Regulations Committee Report No. 3 was ¥1,000 million as of March 31, 2013 and there was no such item as of March 31, 2014.

8. COMMITMENT LINES

Loan agreements and commitment line agreements relating to loans are agreements that oblige the consolidated subsidiaries to lend funds up to a certain limit agreed in advance. The consolidated subsidiaries make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balance relating to these loan agreements amounted to ¥860,659 million (\$8,362 million) at March

31, 2014 and came to ¥816,213 million at March 31, 2013. Of this amount, ¥802,427 million (\$7,797 million) at March 31, 2014, and ¥766,161 million at March 31, 2013, relates to loans for which the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

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

9. PLEDGED ASSETS

At March 31, 2014 and 2013, the following assets were pledged as collateral for certain liabilities of the Banks.

| | Millions of yen | | Thousands of |
|-------------------------|-----------------|---------|--------------|
| | 2014 | 2013 | U.S. dollars |
| Cash and due from banks | ¥ 18 | ¥ 18 | \$ 175 |
| Securities | 222,558 | 216,632 | 2,162,437 |

The collateral was pledged to secure the following:

| | Millions of yen | | Thousands of |
|--|-----------------|---------|--------------|
| | 2014 | 2013 | U.S. dollars |
| Deposits | ¥27,600 | ¥19,149 | \$268,169 |
| Payables under securities lending transactions | 13,269 | 4,330 | 128,925 |
| Borrowed money | 3,823 | 4,052 | 37,145 |

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 ¥106,203 million (\$1,032 million), cash and due from banks ¥3 million (\$29 thousand) and net other assets ¥1,201 million (\$12 million) including security deposits of ¥2,997 million (\$29 million) at March 31, 2014. The corresponding figures at March 31, 2013, were ¥111,629 million, ¥3 million and ¥1,191 million, including security deposits of ¥2,579 million.

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥72,993 million (\$709 million) at March 31, 2014, and ¥71,883 million at March 31, 2013.

11. IMPAIRMENT LOSSES

During the fiscal year ended March 31, 2014 and 2013, impairment losses were recorded on the following assets.

| Location | Primary use | Type | Impairment loss | | |
|-----------------------------|--------------------------|-----------------|-----------------|-------------|--------------|
| | | | Millions of yen | | Thousands of |
| | | | 2014 | 2013 | U.S. dollars |
| Within Yamaguchi Prefecture | Asset scheduled for sale | Land, buildings | ¥46 | ¥ — | \$447 |
| Within Fukuoka Prefecture | Idle assets | Land | ¥— | ¥161 | \$ — |
| Other | Asset scheduled for sale | Land, buildings | — | 18 | — |
| Total | | | ¥46 | ¥179 | \$447 |

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

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

The book values of the idle assets and assets that are scheduled for sale are reduced to their recoverable values, and recognized the reduction of ¥46 million (\$447 thousand) as impairment losses. This amount includes land of ¥34 million (\$330 thousand) and buildings of ¥12 million (\$117 thousand).

The recoverable amount used to estimate the impairment loss for the fiscal year ended March 31, 2014, is the net selling price, which is calculated by deducting the expected disposal cost from the expected disposal value.

12. BORROWED MONEY

Payment schedule of borrowed money as of March 31, 2014 is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|------------|-----------------|---------------------------|
| 2014 | ¥13,105 | \$127,332 |
| 2015 | 4,872 | 47,338 |
| 2016 | 3,939 | 38,272 |
| 2017 | 2,871 | 27,895 |
| 2018 | 1,754 | 17,042 |
| Thereafter | 3,228 | 31,364 |
| Total | ¥29,769 | \$289,243 |

13. BONDS PAYABLE

Bonds payable include subordinated bonds of ¥25,000 million (\$243 million) as of March 31, 2014 and ¥45,000 million as of March 31, 2013.

14. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

For the year ended March 31, 2014

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

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

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

Defined benefit plans

(1) Reconciliation of retirement benefit obligation balances at the beginning and the end of the fiscal year ended March 31, 2014

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Retirement benefit obligations at the beginning of the fiscal year | 58,375 | 567,188 |
| Service cost | 1,556 | 15,119 |
| Interest cost | 1,042 | 10,124 |
| Actuarial differences | 645 | 6,267 |
| Retirement benefit payments | (3,878) | (37,680) |
| Others | 239 | 2,322 |
| Retirement benefit obligations at the end of the fiscal year | 57,979 | 563,340 |

(2) Reconciliation of plan asset balances at the beginning and the end of the fiscal year ended March 31, 2014

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Balance of plan assets at the beginning of the fiscal year | 67,200 | 652,934 |
| Expected return on plan assets | 1,919 | 18,646 |
| Actuarial differences | 7,480 | 72,678 |
| Contribution from employer | 1,941 | 18,859 |
| Retirement benefit payments | (2,396) | (23,280) |
| Others | 238 | 2,312 |
| Balance of plan assets at the end of the fiscal year | 76,382 | 742,149 |

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at the end of the fiscal year ended March 31, 2014 and the carrying amount of net defined benefit liability and net defined benefit asset

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Retirement benefit obligations of funded plans | 57,935 | 562,913 |
| Plan assets | (76,382) | (742,149) |
| | (18,447) | (179,236) |
| Retirement benefit obligations of unfunded plans | 44 | 427 |
| Net carrying amount of obligations and assets | (18,403) | (178,809) |

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Retirement benefit obligations | 4,479 | 43,519 |
| Retirement benefit assets | 22,882 | 222,328 |
| Net carrying amount of obligations and assets | (18,403) | (178,809) |

(4) Retirement benefit costs and their breakdowns

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Service cost* | 1,556 | 15,119 |
| Interest cost | 1,042 | 10,124 |
| Expected return on plan assets | (1,919) | (18,646) |
| Recognized actuarial loss | 1,840 | 17,878 |
| Amortization of past service cost | 1 | 10 |
| Others | 64 | 622 |
| Retirement benefit costs on defined benefit plans | 2,584 | 25,107 |

* Excludes employee contribution portion of defined benefit corporate pensions

(5) Remeasurements of defined benefit plans

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

| | Millions of yen | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------------------------|
| Unrecognized past service cost | 0 | 0 |
| Unrecognized actuarial gain (loss) | 5,362 | 52,099 |
| Total | 5,362 | 52,099 |

(6) Plan assets

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

| | |
|--------|------|
| Bonds | 25% |
| Shares | 59% |
| Others | 16% |
| Total | 100% |

(Note) Plan assets include 28% of corporate pension plans established as retirement benefit trusts.

(ii) Method of establishing expected long-term return on plan assets

(Corporate pensions)

Based on the expected rate of return for individual investment fiduciary institutions, deducting investment cost from the weighted average rate for the policy asset mix (medium- to long-term portfolio)

(Retirement benefit trusts)

Past dividend performance is converted to yield.

(7) Basis of actuarial calculation

The basis of actuarial calculations as of March 31, 2014

(i) Discount rate: 1.5%–2.0%

(ii) Expected long-term rate of return on plan assets: 1.6%–3.8%

Defined contribution plans

The required contribution to the consolidated subsidiaries' defined contribution plans is ¥157 million (\$1,525 million).

For the year ended March 31, 2013

Until the fiscal year ended March 31, 2013, the Banks and other subsidiaries had contributory funded defined benefit pension plans such as employee pension plans, tax qualified pension plans and lump-sum severance indemnity plans. The Banks also had retirement benefit trusts.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2013 were as follows:

| | Millions of yen |
|------------------------------------|-----------------|
| | 2013 |
| Projected benefit obligation | ¥(58,375) |
| Plan assets | 67,200 |
| Unrecognized actuarial differences | 14,037 |
| Unrecognized past service cost | 1 |
| Prepaid pension costs | (23,977) |
| Provision for retirement benefits | ¥ (1,114) |

(Note 1) Excludes premium retirement benefits paid in extraordinary circumstances.

(Note 2) Certain consolidated subsidiaries employ a simplified method of calculating retirement benefit obligations.

Retirement benefit expenses included in the consolidated statements of income for the year ended March 31, 2013 were comprised of the following:

| | Millions of yen |
|---|-----------------|
| | 2013 |
| Service costs—benefits earned during the year | ¥1,571 |
| Interest cost on projected benefit obligation | 1,152 |
| Expected return on plan assets | (1,547) |
| Past service cost | 1 |
| Amortization of actuarial differences | 2,786 |
| Other | 81 |
| Retirement benefit expenses | ¥4,044 |

(Note) Retirement benefit obligations of consolidated subsidiaries employing the simplified method are included as a lump sum in "past service cost."

The summary of assumptions is as follows:

| Year ended March 31, 2013 | |
|---|---|
| Discount rate | 1.5%—2.0% |
| Expected rate of return on plan assets | 1.5%—3.7% |
| Allocation of estimated amount of retirement benefits | Allocated to each period by the straight-line method |
| Period to amortize the past service cost | 2 years. (using the straight-line method within the employees' average remaining service period) |
| Period to amortize unrecognized net actuarial cost | Mainly 10—11 years (using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence) |

15. REVALUATION RESERVE FOR LAND

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

Revaluation date: March 31, 1998

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

Total difference between market value of land for business use revalued in accordance with Article 10 of the Law and the total post-revaluation book value of land at March 31, 2014 and 2013 were ¥23,419 million (\$228 million) and ¥23,459 million, respectively.

16. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

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

17. OTHER EXPENSES

Other expenses included ¥928 million (\$9,017 thousand) in loss on sale of stock and ¥135 million (\$1,312 thousand) in devaluation of stock for the year ended March 31, 2014. For the year ended March 31, 2013, other expenses included ¥653 million in loss on sale of stock, and ¥3,235 million in devaluation of stock.

18. LEASE TRANSACTIONS

1. Finance lease transactions

(1) Finance lease transactions that do not transfer ownership

(i) Content of lease assets

Tangible fixed assets

Mainly office equipment

Intangible fixed assets

Software

(ii) Depreciation method for lease assets

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

(2) The Banks and other consolidated subsidiaries lease certain equipment under noncancelable finance leases. Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the year ended March 31, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|--------|---------------------------|
| | 2014 | 2013 | 2014 |
| Equivalent amount: | | | |
| Acquisition cost | ¥69 | ¥1,003 | \$670 |
| Accumulated depreciation | 67 | (982) | 651 |
| Net book value | ¥ 2 | ¥ 21 | \$ 19 |

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------|-----------------|------|---------------------------|
| | 2014 | 2013 | 2014 |
| Lease payments | ¥21 | ¥219 | \$214 |
| Equivalent depreciation expense | 19 | 188 | 185 |
| Equivalent interest expense | ¥ 0 | ¥ 6 | \$ 0 |

Equivalent depreciation expense is computed using the straight-line method over the lease terms assuming no residual value. Equivalent interest expense is computed using the interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

Future minimum lease payments under non-cancelable finance leases having remaining terms in excess of one year at March 31, 2014 and 2013 were as follows:

At March 31, 2014

| | Millions of yen | Thousands of U.S. dollars |
|------------------------------|-----------------|---------------------------|
| 2015 | ¥ 2 | \$19 |
| 2016 and thereafter | — | — |
| Total minimum lease payments | ¥ 2 | \$19 |

At March 31, 2013

| | Millions of yen |
|------------------------------|-----------------|
| 2014 | ¥21 |
| 2015 and thereafter | 2 |
| Total minimum lease payments | ¥23 |

2. Operating leases

Future minimum lease payments at March 31, 2014 and 2013 were as follows:

At March 31, 2014

| | Millions of yen | Thousands of U.S. dollars |
|------------------------------|-----------------|---------------------------|
| 2015 | ¥ 52 | \$ 505 |
| 2016 and thereafter | 747 | 7,258 |
| Total minimum lease payments | ¥799 | \$7,763 |

At March 31, 2013

| | Millions of yen |
|------------------------------|-----------------|
| 2014 | ¥ 52 |
| 2015 and thereafter | 799 |
| Total minimum lease payments | ¥851 |

19. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Deferred tax assets: | | | |
| Allowance for loan losses | ¥ 24,891 | ¥ 28,832 | \$ 241,848 |
| Provision for bonuses | 1,148 | 1,146 | 11,154 |
| Provision for retirement benefits | — | 6,159 | — |
| Net defined benefit liability | 7,252 | — | 70,462 |
| Depreciation | 951 | 1,025 | 9,240 |
| Losses on devaluation of securities | 3,542 | 3,574 | 34,415 |
| Net operating losses carryforwards | 2,555 | 10,868 | 24,825 |
| Other | 4,605 | 4,320 | 44,745 |
| Deferred tax assets | 44,944 | 55,924 | 436,689 |
| Valuation allowance | (5,995) | (11,147) | (58,249) |
| Total deferred tax assets | 38,949 | 44,777 | 378,440 |
| Deferred tax liabilities: | | | |
| Unrealized gains on available-for-sale securities | (18,646) | (17,014) | (181,170) |
| Securities contributed to retirement benefit trusts | (5,160) | (5,160) | (50,136) |
| Other | (1,421) | (1,164) | (13,807) |
| Total deferred tax liabilities | (25,227) | (23,338) | (245,113) |
| Net deferred tax assets | ¥ 13,722 | ¥ 21,439 | \$ 133,327 |

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, 2014 and 2013 were as follows:

| | % | |
|--|---------|------|
| | 2014 | 2013 |
| Effective statutory tax rate | 37.75 | — |
| (Adjustments) | | |
| Revision of valuation allowances | (10.39) | — |
| Items permanently exempted from income such as dividend income | (1.60) | — |
| Non-deductible goodwill amortization | 3.73 | — |
| Inhabitant tax on per capita basis | 0.27 | — |
| Items permanently excluded from expense such as entertainment expenses | 0.31 | — |
| Stated difference of tax rates on special reconstruction surtax | 1.46 | — |
| Expiration of losses carried forward | 5.69 | — |
| Consolidation adjustment | (1.40) | — |
| Others | (0.39) | — |
| Actual tax rate after application of deferred income tax accounting | 35.43 | — |

(Note) Information for the year ended March 31, 2013 is omitted, as the difference between the effective statutory tax rate and the actual tax rate after application of deferred income tax accounting is 5% or less.

3. Revisions in amounts of deferred taxes assets and liabilities due to changes in the corporate tax rate
The “Act on Partial Revision of the Income Tax Act” (Act No. 10 of 2014) was promulgated on March 31, 2014, repealing the special reconstruction surtax from fiscal years beginning on or after April 1, 2014. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and liabilities was reduced from 37.75% to 35.38%, resulting in a temporary difference in assets or liabilities reversed in the fiscal year beginning April 1, 2014. This change in the tax rate had the effect of reducing deferred tax assets by ¥547 million (\$5 million) and increasing income tax adjustments by ¥547 million (\$5 million).

20. NET ASSETS

The Companies Act of Japan (the “Act”) became effective on May 1, 2006, replacing the Japanese Commercial Code (the “Code”). The Act is generally applicable to events and transactions occurring after April 30, 2006 and for the fiscal years ending after that date.

Under 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 the Company in accordance with the Act.

At the annual shareholders’ meeting, held on June 26, 2014, the shareholders approved cash dividends amounting to ¥1,772 million (\$17 million). Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2014 and to be recognized in the period in which they are approved by the shareholders.

21. CHANGES IN NET ASSETS

1. Type and number of shares issued and treasury shares were as follows:

| | Number of shares (in thousand) | | | |
|----------------------------|--------------------------------|--------------|------------|----------------|
| | March 31, 2013 | Increase | Decrease | March 31, 2014 |
| Shares issued | | | | |
| Common stock | 264,353 | — | — | 264,353 |
| Preferred stock (Type 3)*1 | 11 | — | 11 | — |
| Preferred stock (Type 4)*1 | 9 | — | 9 | — |
| Total | 264,373 | — | 20 | 264,353 |
| Treasury stock | | | | |
| Common stock*2,*3 | 2,749 | 9,042 | 492 | 11,299 |
| Preferred stock (Type 3)*1 | — | 11 | 11 | — |
| Preferred stock (Type 4)*1 | — | 9 | 9 | — |
| Total | 2,749 | 9,062 | 512 | 11,299 |

*1 Increases and decreases in the number of shares are due to acquisitions and extinguishments of Type 3 and Type 4 preferred stock.

*2 Of the increase in the number of shares, 9,000 thousand shares were acquired in the market, and 42 thousand shares were due to the acquisition of fractional shares. Of the decrease in the number of shares, 449 thousand shares were due to the sale of shares to the Group’s employee stock ownership program, 41 thousand shares were due to the exercise of stock options, and 1 thousand shares were in response to demand for the purchase of fractional shares.

*3 Treasury stock as of March 31, 2014 includes 1,400 thousand shares held by the ESOP Trust for Employee Shareholders.

| | Number of shares (in thousand) | | | |
|--------------------------|--------------------------------|-----------|------------|----------------|
| | March 31, 2012 | Increase | Decrease | March 31, 2013 |
| Shares issued | | | | |
| Common stock | 264,353 | — | — | 264,353 |
| Preferred stock (Type 3) | 11 | — | — | 11 |
| Preferred stock (Type 4) | 9 | — | — | 9 |
| Total | 264,373 | — | — | 264,373 |
| Treasury stock | | | | |
| Common stock*1,*2 | 3,366 | 25 | 642 | 2,749 |
| Preferred stock (Type 3) | — | — | — | — |
| Preferred stock (Type 4) | — | — | — | — |
| Total | 3,366 | 25 | 642 | 2,749 |

*1 The increase in the number of shares is a result of the acquisition of shares of less than a single trading unit.

The decrease in the number of shares is due to the sale of 622 thousand shares to the Group employees’ shareholding plan, 19 thousand shares due to the exercise of stock options, and the transfer through the sale of 2 thousand shares in response to demand for the purchase of fractional shares.

*2 Treasury stock as of March 31, 2013 includes 1,849 thousand shares held by the ESOP Trust for Employee Shareholders.

2. Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2014 and 2013.

| Type of shares | Aggregate amount of dividends (Millions of yen) | Cash dividends per share (Yen) | Record date | Effective date |
|--|---|--------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 10, 2013 | | | | |
| Common stock | ¥1,570* ¹ | ¥ 6.00 | Mar. 31, 2013 | Jun. 27, 2013 |
| Preferred stock (Type 3) | ¥ 127 | ¥11,500 | Mar. 31, 2013 | Jun. 27, 2013 |
| Preferred stock (Type 4) | ¥ 98 | ¥11,500 | Mar. 31, 2013 | Jun. 27, 2013 |
| Resolved at the board of directors meeting on November 8, 2013 | | | | |
| Common stock | ¥1,571* ² | ¥ 6.00 | Sep. 30, 2013 | Dec. 10, 2013 |

| Type of shares | Aggregate amount of dividends (Millions of yen) | Cash dividends per share (Yen) | Record date | Effective date |
|--|---|--------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 11, 2012 | | | | |
| Common stock | ¥1,305* | ¥ 5.00 | Mar. 31, 2012 | Jun. 29, 2012 |
| Preferred stock (Type 3) | ¥ 127 | ¥11,500 | Mar. 31, 2012 | Jun. 29, 2012 |
| Preferred stock (Type 4) | ¥ 98 | ¥11,500 | Mar. 31, 2012 | Jun. 29, 2012 |
| Resolved at the board of directors meeting on November 9, 2012 | | | | |
| Common stock | ¥1,568* | ¥ 6.00 | Sep. 30, 2012 | Dec. 10, 2012 |
| Preferred stock (Type 3) | ¥ 127 | ¥11,500 | Sep. 30, 2012 | Dec. 10, 2012 |
| Preferred stock (Type 4) | ¥ 98 | ¥11,500 | Sep. 30, 2012 | Dec. 10, 2012 |

* The total dividend amount on common stock does not include ¥13 million in dividends to ESOP Trust for employee shareholders. This is because shares held by ESOP trust are treated as treasury stock.

| Type of shares | Aggregate amount of dividends (Thousands of U.S. dollars) | Cash dividends per share (U.S. dollars) | Record date | Effective date |
|--|---|---|---------------|----------------|
| Resolved at the board of directors meeting on May 10, 2013 | | | | |
| Common stock | \$15,255* ¹ | \$ 0.06 | Mar. 31, 2013 | Jun. 27, 2013 |
| Preferred stock (Type 3) | \$ 1,234 | \$111.74 | Mar. 31, 2013 | Jun. 27, 2013 |
| Preferred stock (Type 4) | \$ 952 | \$111.74 | Mar. 31, 2013 | Jun. 27, 2013 |
| Resolved at the board of directors meeting on November 8, 2013 | | | | |
| Common stock | \$15,264* ² | \$ 0.06 | Sep. 30, 2013 | Dec. 10, 2013 |

*¹ The total dividend amount on common stock does not include ¥11 million (\$107 thousand) in dividends to ESOP Trust for employee shareholders. This is because shares held by ESOP trust are treated as treasury stock.

*² The total dividend amount on common stock does not include ¥10 million (\$97 thousand) in dividends to ESOP Trust for employee shareholders. This is because shares held by ESOP trust are treated as treasury stock.

(b) Dividends to be paid in the fiscal year ending March 31, 2015 and fiscal year ended March 31, 2014 are as follows: (Millions of yen, except per share amount)

| Type of shares | Aggregate amount of dividends (Millions of yen) | Source of dividends | Cash dividends per share (Yen) | Record date | Effective date |
|---|---|---------------------|--------------------------------|---------------|----------------|
| Resolved at the board of directors meeting on May 9, 2014 | | | | | |
| Common stock | ¥1,772 | Retained earnings | ¥ 7.00 | Mar. 31, 2014 | Jun. 27, 2014 |

(Thousands of U.S. dollars, except per share amount)

| Type of shares | Aggregate amount of dividends (Thousands of U.S. dollars) | Source of dividends | Cash dividends per share (U.S. dollars) | Record date | Effective date |
|---|---|---------------------|---|---------------|----------------|
| Resolved at the board of directors meeting on May 9, 2014 | | | | | |
| Common stock | \$17,217 | Retained earnings | \$ 0.07 | Mar. 31, 2014 | Jun. 27, 2014 |

(Note) The total dividend amount on common stock does not include ¥10 million (\$97 thousand) in dividends to ESOP Trust for employee shareholders. This is because shares held by ESOP trust are treated as treasury stock.

22. STOCK OPTIONS

At a Board of Directors meeting on September 22, 2011, a resolution was passed with regard to subscription requirements for the allotment of stock options as compensation to directors of YMFG's banking subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank. The details of this resolution are described below.

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

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|------|---------------------------|
| | 2014 | 2013 | 2014 |
| General and administrative expenses | ¥208 | ¥177 | \$2,021 |

2. The content of the stock options is as outlined below.

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

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

Note: Stated as the equivalent number of shares.

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

Note: Stated as the equivalent number of shares.

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

(a) Number of stock options

| | 2014 | 2013 | 2012 |
|--|---------|---------|---------|
| Prior to vesting | | | |
| As of the end of the previous consolidated fiscal year | — | 294,900 | — |
| Granted | 225,100 | — | — |
| Expired | — | 2,600 | — |
| Vested | — | 292,300 | — |
| Rights not yet determined | 225,100 | — | — |
| After vesting | | | |
| As of the end of the previous consolidated fiscal year | — | — | 170,100 |
| Rights determined | — | 292,300 | — |
| Rights exercised | — | 24,800 | 16,700 |
| Expiry | — | — | — |
| Amount unexercised | | 267,500 | 153,400 |

(b) Price information

| | Yen | | | U.S. dollars |
|---|------|------|------|--------------|
| | 2014 | 2013 | 2012 | 2014 |
| Exercise price | ¥ 1 | ¥ 1 | ¥ 1 | \$0.01 |
| Average share price at time of exercise | — | 930 | 931 | — |
| Fair value on date granted | 973 | 619 | 660 | 9.45 |

4. Method of estimating the fair value of stock options

The method employed to estimate the fair value of stock options granted during the consolidated fiscal year ended March 31, 2014 is as follows:

(a) Valuation method employed: Black-Scholes method

(b) Main base figures and estimation method

| | |
|--|------------|
| Volatility of stock price* ¹ | 24.78% |
| Expected number of years remaining* ² | 3.92 years |
| Forecast dividend* ³ | ¥12/share |
| Risk-free interest rate* ⁴ | 0.197% |

*1 Calculated on the basis of stock price performance during a period (August 2009 to July 2013) corresponding to the expected number of years remaining (3.92 years).

*2 The number of remaining years in service of current directors is estimated on the basis of the average number of years of service of directors retiring, excluding the current service period.

*3 Based on the actual dividend for the fiscal year ended March 31, 2013.

*4 Japanese government bond yields for the expected number of years remaining.

5. 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.

23. INVESTMENT AND RENTAL PROPERTY

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

24. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts of reclassification adjustments and tax effect amounts related to other comprehensive income in the consolidated fiscal year ended March 31, 2014 and 2013 were as follows.

| | Millions of Yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Unrealized gain (loss) on available-for-sale securities | | | |
| Amount generated during the year | 17,249 | 50,303 | 167,596 |
| Reclassification adjustments | (13,413) | (13,055) | (130,324) |
| Before tax effect adjustment | 3,836 | 37,248 | 37,272 |
| Tax effect amount | (1,632) | (13,191) | (15,857) |
| Unrealized gain (loss) on available-for-sale securities | 2,204 | 24,057 | 21,415 |
| Deferred gain (loss) on hedges: | | | |
| Amount generated during the year | (89) | (324) | (865) |
| Reclassification adjustments | 235 | 228 | 2,283 |
| Before tax effect adjustment | 146 | (96) | 1,418 |
| Tax effect amount | (52) | 34 | (505) |
| Deferred gain (loss) on hedges | 94 | (62) | 913 |
| Share of other comprehensive income in affiliated companies accounted for using the equity method | | | |
| Amount generated during the year | 4 | 7 | 39 |
| Reclassification adjustments | — | — | — |
| Before tax effect adjustment | 4 | 7 | 39 |
| Tax effect amount | — | — | — |
| Share of other comprehensive income in affiliated companies accounted for using the equity method | 4 | 7 | 39 |
| Total other comprehensive income | 2,302 | 24,002 | 22,367 |

25. SEGMENT INFORMATION

Business segment information is not presented, as the Bank and consolidated subsidiaries operate in one segment.

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.

26. RELATED PARTY TRANSACTIONS

There are no significant transactions that should indicate dealings with related parties.

27. PER SHARE DATA

| | Yen | | U.S. dollars |
|--------------------------------|-----------|-----------|--------------|
| | 2014 | 2013 | 2014 |
| Net assets per share | ¥2,040.39 | ¥1,901.30 | \$19.83 |
| Net income per share | 120.66 | 102.48 | 1.17 |
| Net income per share (diluted) | ¥ 116.55 | ¥ 102.18 | \$ 1.13 |

Net assets per share are calculated based on the following:

| | Millions of yen except number of shares | | Thousands of U.S. dollars |
|---|---|----------|---------------------------|
| | 2014 | 2013 | 2014 |
| Net assets | ¥521,562 | ¥521,423 | \$5,067,645 |
| Amounts excluded from net assets | ¥ 5,232 | ¥ 24,033 | \$ 50,846 |
| preferred stock issue price | — | 19,535 | — |
| dividends on preferred stock | — | 225 | — |
| stock options | 431 | 249 | 4,188 |
| minority interests | 4,801 | 4,024 | 46,658 |
| Net assets attributable to common stock at the fiscal year-end | 516,330 | 497,390 | 5,016,799 |
| Number of common stock at the fiscal year-end used for the calculation of net assets per share (in thousands) | 253,055 | 261,605 | |

Net income per share is calculated based on the following:

| | Millions of yen except number of shares | | Thousands of U.S. dollars |
|--|--|---------|------------------------------|
| | 2014 | 2013 | 2014 |
| Net income | ¥31,236 | ¥27,233 | \$303,498 |
| Amount not attributable to common shareholders | — | 450 | — |
| Preferred stock dividends | — | 225 | — |
| Interim preference stock dividends | — | 225 | — |
| Net income attributable to common stock | 31,236 | 26,783 | 303,498 |
| Average shares of common stock during the year (in thousands) | 258,870 | 261,356 | |

- (3) Early redemption price
¥100 for each ¥100 of face value
- (4) Scheduled date for early redemption
August 5, 2013
- (5) Method of providing redemption funds
Borrowings from Momiji Bank
- (6) Annual reduction in interest expense due to redemption
¥226 million

28. SUBSEQUENT EVENTS

For the year ended March 31, 2014

There were no significant subsequent events. Dividends were made in June 2014. Please refer to “20. NET ASSETS.”

For the year ended March 31, 2013

1. Acquisition and Cancellation of Preferred Stock

At a Board of Directors meeting on February 22, 2013, YMFG resolved to acquire all its issued Type 3 preferred stock and Type 4 preferred stock as provided in Article 16-1 of YMFG’s Articles of Incorporation and Articles 1-1 and 1-2 of the Supplementary Provisions to the Articles of Incorporation and cancel this stock in accordance with the acquisition conditions provided in Article 178 of the Companies Act, as described below, effective April 2, 2013. This cancellation was reflected in the consolidated financial statements as of the effective date by reducing additional paid-in capital.

| Type of stock acquired or canceled | Type 3 preferred stock | Type 4 preferred stock |
|---|---------------------------|---------------------------|
| Total number of shares acquired or cancelled | 11,000 shares | 8,535 shares |
| Total acquisition price | ¥11,000,000,000 | ¥8,535,000,000 |

2. Redemption of Callable Unsecured Debt Prior to Maturity

At a Board of Directors meeting on May 10, 2013, YMFG resolved to redeem on August 5, 2013, prior to maturity, all its No. 3 Redemption of Callable Unsecured Debt Prior to Maturity (Subordinated), which was issued on August 5, 2010.

(1) Name of issue for early redemption

Yamaguchi Financial Group Inc. No. 3 Redemption of
Callable Unsecured Debt Prior to Maturity (Subordinated)

(2) Early redemption amount

¥20,000 million



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Yamaguchi Financial Group, Inc. ("YMFG") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of YMFG and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 28 to the consolidated financial statements, which describes significant subsequent events. Effective April 2, 2013, the Company acquired and cancelled all of its issued Type 3 and Type 4 preferred stock, as resolved at the board of directors' meeting on February 22, 2013.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 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.

KPMG AZSA LLC

July 31, 2014
Tokyo, Japan

Yamaguchi Bank Financial Statements

■ NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2014 and 2013

| ASSETS | | Millions of yen | Millions of yen | Thousands of U.S. dollars |
|--------|---|--------------------|--------------------|------------------------------|
| | | 2014 | 2013 | 2014 |
| Assets | Cash and due from banks | ¥ 503,708 | ¥ 118,607 | \$ 4,894,170 |
| | Call loans and bills purchased | 288,125 | 503,996 | 2,799,504 |
| | Monetary claims bought | 8,296 | 6,949 | 80,606 |
| | Trading assets | 5,208 | 8,124 | 50,603 |
| | Money held in trust | 48,016 | 53,689 | 466,537 |
| | Securities | 1,358,088 | 1,368,835 | 13,195,569 |
| | Loans and bills discounted | 3,299,187 | 3,225,302 | 32,055,839 |
| | Foreign exchanges | 10,269 | 7,457 | 99,777 |
| | Other assets | 81,675 | 91,881 | 793,577 |
| | Tangible fixed assets | 46,497 | 47,431 | 451,779 |
| | Intangible fixed assets | 6,976 | 10,661 | 67,781 |
| | Prepaid pension cost | 17,986 | — | 174,757 |
| | Customers' liabilities for acceptances and guarantees | 27,680 | 26,573 | 268,947 |
| | Allowance for loan losses | (31,488) | (37,864) | (305,946) |
| | Total assets | ¥ 5,670,223 | ¥ 5,431,641 | \$ 55,093,500 |

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

| | | | | |
|--|--|--------------------|----------------------|-------------------|
| Liabilities: | Deposits | ¥ 5,134,128 | ¥ 4,917,287 | \$ 49,884,648 |
| | Call money and bills sold | 83,173 | 53,378 | 808,133 |
| | Payables under securities lending transactions | 4,566 | 3,083 | 44,365 |
| | Trading liabilities | 3,405 | 3,188 | 33,084 |
| | Borrowed money | 9,622 | 9,927 | 93,490 |
| | Foreign exchanges | 1,559 | 2,158 | 15,148 |
| | Other liabilities | 54,001 | 88,603 | 524,688 |
| | Provision for bonuses | 1,519 | 1,480 | 14,759 |
| | Provision for retirement benefits | 85 | 74 | 826 |
| | Provision for reimbursement of deposits | 765 | 806 | 7,433 |
| | Reserve for frequent users services | 40 | 50 | 389 |
| | Deferred tax liabilities | 7,366 | 2,845 | 71,570 |
| | Deferred tax liabilities for land revaluation | 8,632 | 8,883 | 83,871 |
| | Acceptances and guarantees | 27,680 | 26,573 | 268,947 |
| | Total liabilities | 5,336,541 | 5,118,335 | 51,851,351 |
| Net assets: | Capital stock | 10,006 | 10,006 | 97,221 |
| | Capital surplus | 380 | 380 | 3,692 |
| | Retained earnings | 277,885 | 260,866 | 2,700,010 |
| | Total shareholders' equity | 288,271 | 271,252 | 2,800,923 |
| | Net unrealized gains on securities | 30,167 | 26,444 | 293,111 |
| | Deferred gains or losses on hedges | (353) | (445) | (3,430) |
| | Revaluation reserve for land | 15,597 | 16,055 | 151,545 |
| | Total valuation and translation adjustments | 45,411 | 42,054 | 441,226 |
| Total net assets | 333,682 | 313,306 | 3,242,149 | |
| Total liabilities, and net assets | ¥ 5,670,223 | ¥ 5,431,641 | \$ 55,093,500 | |

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) Years ended March 31, 2014 and 2013

| | Millions of yen | Millions of yen | Thousands of |
|--------------------------------------|-----------------|-----------------|----------------|
| | 2014 | 2013 | U.S. dollars |
| | | | 2014 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 42,144 | ¥ 44,107 | \$ 409,483 |
| Interest and dividends on securities | 12,582 | 11,444 | 122,250 |
| Other interest income | 940 | 1,028 | 9,133 |
| Fees and commissions | 11,618 | 10,391 | 112,884 |
| Trading income | 98 | 42 | 952 |
| Other ordinary income | 4,666 | 10,545 | 45,336 |
| Other income | 11,660 | 4,256 | 113,293 |
| Total income | 83,708 | 81,813 | 813,331 |

| | | | |
|--|-----------------|-----------------|-------------------|
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 4,528 | 4,855 | 43,995 |
| Interest on borrowings and rediscounts | 487 | 475 | 4,732 |
| Other interest expense | 182 | 182 | 1,768 |
| Fees and commissions payments | 3,973 | 3,886 | 38,603 |
| Trading expenses | — | 23 | — |
| Other operating expenses | 3,960 | 1,519 | 38,476 |
| General and administrative expenses | 39,005 | 41,267 | 378,984 |
| Impairment losses | 447 | — | 4,343 |
| Other expenses | 1,095 | 3,104 | 10,640 |
| Total expenses | 53,677 | 55,311 | 521,541 |
| Income before income taxes and minority interests | 30,031 | 26,502 | 291,790 |
| Income taxes: | | | |
| Current | 8,387 | 7,877 | 81,490 |
| Deferred | 2,687 | 1,912 | 26,108 |
| Net income | ¥ 18,957 | ¥ 16,713 | \$ 184,192 |

| Amounts per share of common stock: | Yen | Yen | U.S. dollars |
|---------------------------------------|---------|---------|--------------|
| | 2014 | 2013 | 2014 |
| Net income | ¥ 94.79 | ¥ 83.56 | \$ 0.92 |
| Cash dividends applicable to the year | 13.00 | 11.98 | 0.13 |

Momiji Bank Financial Statements

■ NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2014 and 2013

| ASSETS | | Millions of yen | Millions of yen | Thousands of U.S. dollars |
|---------------------|---|--------------------|----------------------|------------------------------|
| | | 2014 | 2013 | 2014 |
| Assets | Cash and due from banks | ¥ 332,781 | ¥ 205,235 | \$ 3,233,395 |
| | Call loans and bills purchased | 27,144 | 162,650 | 263,739 |
| | Monetary claims bought | 573 | 714 | 5,567 |
| | Trading assets | 554 | 1,117 | 5,383 |
| | Securities | 691,112 | 756,790 | 6,715,041 |
| | Loans and bills discounted | 1,928,364 | 1,829,087 | 18,736,533 |
| | Foreign exchanges | 3,353 | 3,661 | 32,579 |
| | Other assets | 80,521 | 91,737 | 782,365 |
| | Tangible fixed assets | 34,424 | 34,975 | 334,473 |
| | Intangible fixed assets | 8,083 | 10,437 | 78,537 |
| | Prepaid pension cost | 6,827 | — | 66,333 |
| | Deferred tax assets | 17,770 | 20,463 | 172,658 |
| | Customers' liabilities for acceptances and guarantees | 12,329 | 12,487 | 119,792 |
| | Allowance for loan losses | (37,569) | (42,120) | (365,031) |
| Total assets | ¥ 3,106,266 | ¥ 3,087,233 | \$ 30,181,364 | |

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

| | | | | | |
|--|--|--------------------|----------------------|-------------------|---------|
| Liabilities: | Deposits | ¥ 2,845,348 | ¥ 2,820,253 | \$ 27,646,211 | |
| | Call money and bills sold | 875 | 1,007 | 8,502 | |
| | Payables under securities lending transactions | 8,703 | 1,247 | 84,561 | |
| | Borrowed money | 16,911 | 17,205 | 164,312 | |
| | Foreign exchanges | 105 | 51 | 1,020 | |
| | Other liabilities | 15,104 | 23,937 | 146,754 | |
| | Provision for bonuses | 1,050 | 873 | 10,202 | |
| | Provision for retirement benefits | 1,621 | — | 15,750 | |
| | Provision for reimbursement of deposits | 301 | 250 | 2,925 | |
| | Deferred tax liabilities for land revaluation | 5,204 | 5,228 | 50,564 | |
| | Acceptances and guarantees | 12,329 | 12,487 | 119,792 | |
| | Total liabilities | 2,907,551 | 2,882,538 | 28,250,593 | |
| | Net assets: | Capital stock | 87,466 | 87,466 | 849,844 |
| | | Capital surplus | 42,067 | 42,067 | 408,735 |
| Retained earnings | | 60,036 | 63,925 | 583,327 | |
| Total shareholders' equity | | 189,569 | 193,458 | 1,841,906 | |
| Net unrealized gains on securities | | 1,404 | 3,493 | 13,642 | |
| Deferred gains or losses on hedges | | (8) | (10) | (78) | |
| Revaluation reserve for land | | 7,750 | 7,754 | 75,301 | |
| Total valuation and translation adjustments | | 9,146 | 11,237 | 88,865 | |
| Total net assets | | 198,715 | 204,695 | 1,930,771 | |
| Total liabilities, and net assets | ¥ 3,106,266 | ¥ 3,087,233 | \$ 30,181,364 | | |

■ NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) Years ended March 31, 2014 and 2013

| | Millions of yen | Millions of yen | Thousands of |
|--------------------------------------|-----------------|-----------------|----------------|
| | 2014 | 2013 | U.S. dollars |
| | | | 2014 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 28,115 | ¥ 29,796 | \$ 273,173 |
| Interest and dividends on securities | 8,583 | 5,316 | 83,395 |
| Other interest income | 214 | 599 | 2,079 |
| Fees and commissions | 7,025 | 6,450 | 68,257 |
| Other ordinary income | 4,463 | 15,297 | 43,364 |
| Other income | 7,762 | 1,063 | 75,418 |
| Total income | 56,162 | 58,521 | 545,686 |

| | | | |
|--|-----------------|-----------------|-------------------|
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 2,120 | 2,107 | 20,599 |
| Interest on borrowings and rediscounts | 46 | 40 | 447 |
| Other interest expense | 86 | 94 | 836 |
| Fees and commissions payments | 3,175 | 3,222 | 30,849 |
| Other operating expenses | 1,444 | 1,075 | 14,030 |
| General and administrative expenses | 30,780 | 31,339 | 299,067 |
| Impairment losses | 95 | 21 | 923 |
| Other expenses | 1,264 | 3,594 | 12,281 |
| Total expenses | 39,010 | 41,492 | 379,032 |
| Income before income taxes and minority interests | 17,152 | 17,029 | 166,654 |
| Income taxes: | | | |
| Current | 251 | 325 | 2,439 |
| Deferred | 3,969 | 4,159 | 38,564 |
| Net income | ¥ 12,932 | ¥ 12,545 | \$ 125,651 |

| Amounts per share of common stock: | Yen | Yen | U.S. dollars |
|---------------------------------------|---------|---------|--------------|
| | 2014 | 2013 | 2014 |
| Net income | ¥ 21.76 | ¥ 21.11 | \$ 0.21 |
| Cash dividends applicable to the year | 27.84 | 20.32 | 0.27 |

Kitakyushu Bank Financial Statements

■ NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2014 and 2013

| ASSETS | | Millions of yen | Millions of yen | Thousands of U.S. dollars |
|--------|---|------------------|------------------|------------------------------|
| | | 2014 | 2013 | 2014 |
| Assets | Cash and due from banks | ¥ 78,810 | ¥ 23,489 | \$ 765,740 |
| | Call loans and bills purchased | 5,151 | 11,395 | 50,049 |
| | Securities | 22,694 | 18,689 | 220,501 |
| | Loans and bills discounted | 804,664 | 765,524 | 7,818,344 |
| | Foreign exchanges | 3,338 | 3,383 | 32,433 |
| | Other assets | 18,113 | 21,762 | 175,992 |
| | Tangible fixed assets | 18,128 | 17,813 | 176,137 |
| | Intangible fixed assets | 1,796 | 2,111 | 17,450 |
| | Prepaid pension cost | 890 | — | 8,647 |
| | Deferred tax assets | 1,865 | 3,953 | 18,121 |
| | Customers' liabilities for acceptances and guarantees | 8,070 | 5,745 | 78,410 |
| | Allowance for loan losses | (16,868) | (17,346) | (163,894) |
| | Total assets | ¥ 946,651 | ¥ 856,518 | \$ 9,197,930 |

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

| | | | | |
|--|---|------------------|---------------------|------------------|
| Liabilities: | Deposits | ¥ 829,939 | ¥ 727,200 | \$ 8,063,923 |
| | Call money and bills sold | 71 | 16,803 | 690 |
| | Borrowed money | 316 | 379 | 3,070 |
| | Foreign exchanges | 86 | 23 | 836 |
| | Other liabilities | 18,140 | 19,956 | 176,253 |
| | Provision for bonuses | 340 | 316 | 3,304 |
| | Provision for retirement benefits | 988 | 1,001 | 9,600 |
| | Provision for reimbursement of deposits | 42 | 30 | 408 |
| | Deferred tax liabilities for land revaluation | 4,038 | 4,054 | 39,234 |
| | Acceptances and guarantees | 8,070 | 5,745 | 78,410 |
| | Total liabilities | 862,030 | 775,507 | 8,375,728 |
| | Net assets: | Capital stock | 10,000 | 10,000 |
| Retained earnings | | 62,133 | 60,933 | 603,702 |
| Total shareholders' equity | | 72,133 | 70,933 | 700,865 |
| Net unrealized gains on securities | | 5,240 | 2,801 | 50,913 |
| Revaluation reserve for land | | 7,248 | 7,277 | 70,424 |
| Total valuation and translation adjustments | | 12,488 | 10,078 | 121,337 |
| Total net assets | | 84,621 | 81,011 | 822,202 |
| Total liabilities, and net assets | ¥ 946,651 | ¥ 856,518 | \$ 9,197,930 | |

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) Years ended March 31, 2014 and 2013

| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
|--------------------------------------|-----------------|-----------------|------------------------------|
| | 2014 | 2013 | 2014 |
| Income | | | |
| Interest income: | | | |
| Interest on loans and discounts | ¥ 10,406 | ¥ 10,520 | \$ 101,108 |
| Interest and dividends on securities | 273 | 290 | 2,653 |
| Other interest income | 67 | 106 | 651 |
| Fees and commissions | 1,421 | 1,232 | 13,807 |
| Other ordinary income | 274 | 173 | 2,662 |
| Other income | 377 | 460 | 3,662 |
| Total income | 12,818 | 12,781 | 124,543 |

| | | | |
|--|----------------|----------------|------------------|
| Expenses | | | |
| Interest expense: | | | |
| Interest on deposits | 963 | 930 | 9,357 |
| Interest on borrowings and rediscounts | 4 | 36 | 39 |
| Other interest expense | 15 | 16 | 146 |
| Fees and commissions payments | 569 | 515 | 5,529 |
| Other operating expenses | 1 | 1 | 10 |
| General and administrative expenses | 9,133 | 9,157 | 88,739 |
| Impairment losses | — | 161 | — |
| Other expenses | 54 | 46 | 523 |
| Total expenses | 10,739 | 10,862 | 104,343 |
| Income before income taxes and minority interests | 2,079 | 1,919 | 20,200 |
| Income taxes: | | | |
| Current | 237 | (102) | 2,303 |
| Deferred | 671 | 803 | 6,519 |
| Net income | ¥ 1,171 | ¥ 1,218 | \$ 11,378 |

| Amounts per share of common stock: | Yen | Yen | U.S. dollars |
|------------------------------------|---------------|---------------|--------------|
| | 2014 | 2013 | 2014 |
| Net income | ¥1,170,940.85 | ¥1,218,074.95 | \$ 11,377.19 |



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