

Notes to Consolidated Financial Statements

Years ended March 31, 2017 and 2016

1. BASIS OF PRESENTATION

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

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

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

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

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2017, which was ¥112.19 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) 16 consolidated subsidiaries at March 31, 2017 and 14 at March 31, 2016.

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

The scope of consolidation includes YM Life Planning Co., Ltd., due to its establishment in the fiscal year ended March 31, 2017. In addition, the newly established YM Life Planning Co., Ltd. acquired all shares in HOKEN HIROBA Co., Ltd. Accordingly, HOKEN HIROBA is included in YMFG’s scope of consolidation from the current fiscal year.

- (ii) Five unconsolidated subsidiaries at March 31, 2017 and 2016.

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 when excluded from the scope of consolidation.

(2) Application of the equity method

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

- (i) No unconsolidated subsidiaries were accounted for by the equity method at March 31, 2017 and 2016.
- (ii) As at March 31, 2017 and 2016, three affiliates accounted for by the equity method, and these affiliates at March 31, 2017 and 2016 were as follows:

YM Saison Co., Ltd.
Yamaguchi Capital Co., Ltd.
Momiji Card Co., Ltd.

- (iii) As at March 31, 2017 and 2016, five unconsolidated subsidiaries were not accounted for by the equity method.

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 when excluded from the scope of equity method.

- (iv) There were no affiliates that were not accounted for by the equity method as at March 31, 2017 and 2016.

(3) The balance sheet dates of consolidated subsidiaries

The balance sheet date of consolidated subsidiaries is as follows:

March 31 16 companies

(4) 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" in the consolidated statement of income.

Trading assets and trading liabilities are valued, in the case of securities and commercial paper, at the market

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

Securities

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

Money in trust

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, February 13, 2002). As for the hedge to offset

market fluctuation, the Banks assess the effectiveness of the hedge by grouping the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity.

Also, the Banks apply deferred hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

The Banks apply an exceptional treatment, as permitted if certain conditions are met, for certain interest rate swaps utilized as hedging instrument. In that treatment, the interest swap contracts are not recorded at fair values but the net interest to be paid or received under the contracts is added or deducted to the interest arising from their related hedged assets or liabilities.

Allowance for loan losses

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

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

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

Loans to normal borrowers and borrowers requiring caution are classified into certain groups, and an allowance is provided for each group using the rate of loan losses experienced for the Banks 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 collectability analysis for borrowers in danger of bankruptcy and certain other borrowers.

Tangible fixed assets (excluding lease assets)

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

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

Buildings: 7 to 50 years

Others: 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.

Intangible fixed assets (excluding lease assets)

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

Lease assets

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

Income taxes

Income taxes comprise corporate, enterprise and inhabitant taxes. The Group recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The asset and liability

approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

Foreign currency translation

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

Provision for bonuses

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

Method of accounting for retirement benefits

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through the year-end. 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

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

Provision for directors' retirement benefits

The provision for directors' retirement benefits for consolidated subsidiaries outside the banking business is provided for the estimated amount corresponding to

accrued retirement benefit payments to directors as of the end of the fiscal year.

Standards for recording provision for directors' stock benefits

To prepare for the provision of YMFG's shares distributed to directors of the Banks (excluding directors who are also Audit and Supervisory Committee members, part-time directors and outside directors; hereinafter, "Subject Directors"), the provision for directors' stock benefits is recorded based on the expected value of stock benefit obligations as of the balance sheet date, in accordance with directors' stock benefit regulations formulated by the Banks.

Provision for loss on interest repayment

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

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

Provision for reimbursement of deposits

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

Provision for customer point services

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

Reserves under special laws

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

Amounts per share of common stock

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

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

Amortization of goodwill

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

Consumption taxes

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

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

Adoption of Consolidated Tax Payment System

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

Changes in Accounting Principles

For the year ended March 31, 2017

(Adoption of the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016")

In line with revisions to the Corporation Tax Act, from the current fiscal year YMFG has adopted the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016), changing the method for the depreciation of fixtures and buildings acquired on or after April 1, 2016, from the declining-

balance method to the straight-line method.

As a result, ordinary income and income before income taxes for the year ended March 31, 2017, each increased by ¥18 million.

For the year ended March 31, 2016

(Adoption of the "Accounting Standard for Business Combinations")

YMFG has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), and other related standards from the fiscal year ended March 31, 2016. As a result, the accounting method has been changed to record the difference caused by changes in equity in subsidiaries YMFG continues to control as capital surplus, and to record acquisition-related costs for the fiscal year in which the costs were incurred. Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the accounting method was changed to reflect the revised acquisition cost allocation resulting from the finalization of the provisional accounting treatment in the consolidated financial statements of the year in which the business combination occurs. In addition, YMFG has changed its presentation of net income and related items, and renamed "minority interests" as "non-controlling interests." The consolidated financial statements for the fiscal year ended March 31, 2015, have been reclassified to reflect this change.

In the consolidated statements of cash flows for the fiscal year under review, cash flows for the purchase or sale of shares in subsidiaries without changing the scope of consolidation are listed under "cash flows from financing activities." Cash flows for expenses related to the purchase of shares in subsidiaries resulting in changes in the scope of consolidation and expenses related to the purchase or sale of shares in subsidiaries without changing the scope of consolidation are listed under "Cash flows from operating activities."

Adoption of the "Accounting Standard for Business Combinations" and other related standards is in accordance with the transitional measures provided for in Article 58-2 (4) of the "Accounting Standard for Business Combinations," Article 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements,"

and Article 57-4 (4) of the "Accounting Standard for Business Divestitures." YMFG has applied the standards prospectively from the beginning of the fiscal year ended March 31, 2016.

As a result, income before income taxes for the fiscal year ended March 31, 2016 decreased by ¥1,086 million. In addition, capital surplus as of March 31, 2016 increased by ¥1,084 million.

The ending balance of capital surplus in the consolidated statements of changes in net assets for the fiscal year ended March 31, 2016 increased by ¥1,084 million.

Information on the impact per share is provided in the relevant sections.

Additional Information

(Adoption of the "Guidance on Recoverability of Deferred Tax Assets")

YMFG adopted the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

(ESOP Trust)

To enhance its welfare benefits, YMFG has introduced the ESOP Trust for Group employees (hereinafter, "Employees")

1. ESOP Trust for Employees introduced in September 2011

(1) Overview of Transactions

Of those Employees enrolled in the Yamaguchi Financial Group Employee Stock Ownership Plan (hereinafter, "YMFG's ESOP"), YMFG has established the trust for those beneficiaries satisfying certain conditions. This trust acquired as a lump sum certain number of shares of YMFG corresponding to the number expected to be acquired by YMFG's ESOP over the five-year period beginning in September 2011. Thereafter, the trust has sold YMFG's shares to YMFG's ESOP each month on a specific date.

(2) Company Shares Residing in the Trust

YMFG's shares residing in the trust are recorded in treasury stock in the net assets section based on the book value of the trust (excluding ancillary expenses). During the current fiscal year, the trust sold all its holdings of YMFG's shares, so the trust held no shares as of March 31, 2017.

(3) Book Value of Borrowings Recorded by Applying the Gross Price Method

The book value of borrowings recorded by applying the gross price method was ¥210 million on March 31, 2016, and zero on March 31, 2017.

2. ESOP Trust for Employees introduced in March 2017

(1) Overview of Transactions

Of those Employees enrolled in YMFG's ESOP, YMFG has established a trust for those beneficiaries satisfying certain conditions. This trust acquired as a lump sum certain number of shares of YMFG corresponding to the number expected to be acquired by YMFG's ESOP over the five-year period beginning in March 2017. Thereafter, the trust will sell YMFG's shares to YMFG's ESOP each month on a specific date.

(2) Company Shares Residing in the Trust

YMFG's shares residing in the trust are recorded in treasury stock in the net assets section based on the book value of the trust (excluding ancillary expenses).

The book value and the number of shares of this treasury stock amounted to ¥2,084 million (\$19 million) and 1,619 thousand shares on March 31, 2017.

(3) Book Value of Borrowings Recorded by Applying the Gross Price Method

The book value of borrowings recorded by applying the gross price method was ¥2,099 million (\$19 million) on March 31, 2017.

(Board Benefit Trust (BBT))

YMFG has introduced a Board Benefit Trust ("BBT") to raise awareness among Subject Directors of Banks within YMFG toward raising operating performance at YMFG over the medium to long term and contributing to increases in corporate value.

(1) Overview of Transactions

Via the trust, YMFG acquires YMFG's common shares using funds provided by YMFG. YMFG's share and cash equivalent to fair value of YMFG's stock measured at the time of retirement are granted to be distributed via the trust to Subject Directors of Banks within YMFG according to Subject Directors' positions, and the level of achievement of operating performance in accordance with directors' stock benefit regulations established by Banks within YMFG.

(2) Company Shares Residing in the Trust

YMFG's shares residing in the trust are recorded as treasury stock in the net assets section based on the book value of the trust (excluding ancillary expenses).

The book value and the number of shares of this treasury stock amounted to ¥610 million (\$5 million) and 633 thousand shares on March 31, 2017.

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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and due from banks	¥960,386	¥1,174,642	\$8,560,353
Time deposits in other banks	(11,565)	(7,066)	(103,084)
Other	(11,255)	(8,869)	(100,321)
Cash and cash equivalents	¥937,566	¥1,158,707	\$8,356,948

HOKEN HIROBA Co., Ltd., was newly consolidated due to the acquisition of shares during the fiscal year ended March 31, 2017. A breakdown of assets and liabilities at the start of the consolidation is provided below, along with the acquiring cost of shares in HOKEN HIROBA Co., Ltd., and the (net) expenditure for the acquisition.

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Current assets	¥749	\$6,676
Fixed assets	687	6,124
Goodwill	3,393	30,243
Current liabilities	(391)	(3,485)
Non-current liabilities	(638)	(5,687)
Share acquisition cost	3,800	33,871
Cash and cash equivalents	(0)	(0)
Less: Expenditure for the acquisition	¥3,800	\$33,871

4. FINANCIAL INSTRUMENTS

Items pertaining to the status of financial instruments

(1) Policies on financial instruments

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

issue. To maintain and enhance the soundness of its operations, YMFG has created groupwide risk management regulations, which clarify the Group's fundamental stance on risk management.

(2) Content and risks of financial instruments

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

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

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

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

With regard to use of hedge accounting, the Group

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

(3) Risk management structure related to financial instruments

(i) Management of credit risk

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

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

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

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

(ii) Management of market risk

Qualitative information on the management of market risk

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

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

Quantitative information on the management of market risk

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

As of March 31, 2017, the market risk (estimated loss amount) of Yamaguchi Bank was ¥80,793 million (\$720 million), the market risk (estimated loss amount) of Momiji Bank was ¥25,142 million (\$224 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥17,293 million (\$154 million). Also, as of March 31, 2016, the market risk (estimated loss amount) of Yamaguchi Bank was ¥69,017 million, the market risk (estimated loss amount) of Momiji Bank was ¥17,205 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥14,574 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. However, the observation period for foreign bond funds is one year.

Yamaguchi Bank, Momiji Bank and Kitakyushu Bank conduct back-testing to compare the VaR calculated by the model with the actual losses. However, because of relatively large fluctuations in Japanese stock and foreign exchange market prices this year, instances arose in which they were unable to capture the risk on Japanese stocks and foreign bond funds. Consequently, the method for determining the amount of risk on Japanese stocks and foreign bond funds was revised beginning in fiscal 2016. Specifically, VaR is measured for observation periods of both one year and five years, with the larger number taken as the risk amount. Based on this revision, the observation period on VaR for foreign bond funds as of the end of fiscal 2016 was one year. However, as the practice of measuring market risk amount with a set risk probability calculated statistically on the basis of historical market fluctuations remains unchanged even after revising the measurement method to appropriately capture the market risk amount, in some cases it is not possible to capture market risk in the event of sudden changes in the market environment outside the normally expected scope.

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

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

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

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

Items pertaining to the fair value of financial instruments

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

	Millions of yen		
	2017		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 960,386	¥ 960,386	¥ —
(2) Call loans and bills purchased	278,732	278,732	—
(3) Money held in trust	46,953	46,953	—
(4) Securities			
Held-to-maturity debt securities	6,081	6,213	132
Available-for-sale securities	1,882,319	1,882,319	—
(5) Loans and bills discounted	6,751,378		
Allowance for loan losses (* 1)	(51,930)		
	6,699,448	6,772,806	73,358
Total assets	¥9,873,919	¥9,947,409	¥73,490
(1) Deposits	¥8,453,837	¥8,454,828	¥ 991
(2) Negotiable certificates of deposit	775,958	775,958	0
Total liabilities	¥9,229,795	¥9,230,786	¥991
Derivative transactions (* 2)			
Hedge accounting not applied	¥ 469	¥ 469	¥ —
Hedge accounting applied	(693)	(693)	—
Total derivative transactions	¥ (224)	¥ (224)	¥ —

	Millions of yen		
	2016		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 1,174,642	¥ 1,174,642	¥ —
(2) Call loans and bills purchased	356,719	356,719	—
(3) Money held in trust	47,655	47,655	—
(4) Securities			
Held-to-maturity debt securities	5,129	5,291	162
Available-for-sale securities	2,104,752	2,104,752	—
(5) Loans and bills discounted	6,448,887		
Allowance for loan losses (* 1)	(64,931)		
	6,383,956	6,492,550	108,594
Total assets	¥10,072,853	¥10,181,609	¥108,756
(1) Deposits	¥ 8,703,691	¥ 8,705,754	¥ 2,063
(2) Negotiable certificates of deposit	806,399	806,399	0
Total liabilities	¥ 9,510,090	¥ 9,512,153	¥ 2,063
Derivative transactions (* 2)			
Hedge accounting not applied	¥ 6,605	¥ 6,605	¥ —
Hedge accounting applied	983	983	—
Total derivative transactions	¥ 7,588	¥ 7,588	¥ —

	Thousands of U.S. dollars		
	2017		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	\$ 8,560,353	\$ 8,560,353	\$ —
(2) Call loans and bills purchased	2,484,464	2,484,464	—
(3) Money held in trust	418,513	418,513	—
(4) Securities			
Held-to-maturity debt securities	54,203	55,379	1,176
Available-for-sale securities	16,777,957	16,777,957	—
(5) Loans and bills discounted	60,178,073		
Allowance for loan losses (* 1)	(462,876)		
	59,715,197	60,369,071	653,874
Total assets	\$88,010,687	\$88,665,737	\$655,050
(1) Deposits	\$75,352,857	\$75,361,690	\$ 8,833
(2) Negotiable certificates of deposit	6,916,463	6,916,463	—
Total liabilities	\$82,269,320	\$82,278,153	\$ 8,833
Derivative transactions (* 2)			
Hedge accounting not applied	\$ 4,180	\$ 4,180	\$ —
Hedge accounting applied	(6,177)	(6,177)	—
Total derivative transactions	\$ (1,997)	\$ (1,997)	\$ —

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

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

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

(1) Assets

(i) Cash and due from banks

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

(ii) Call loans and bills purchased

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

(iii) Money held in trust

As for the securities held as trusted assets in money held in trust established independently for the purpose of investing mainly in the securities 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 prices received from information vendors. Fair values of investment trusts are determined by exchange prices or standard prices disclosed by investment trust management companies.

The fair value of private placement bonds guaranteed by Yamaguchi Bank and Momiji Bank is determined for each internal rating category and period by discounting 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.

(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.

(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
	2017	2016	U.S. dollars
	Consolidated balance sheet amount		
(1) Unlisted equity securities (*1, *2)	¥ 7,650	¥ 6,832	\$ 68,188
(2) Investments in partnerships, etc. (*3)	4,221	3,939	37,623
Total	¥11,871	¥10,771	\$105,811

(*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, 2016 and 2017, impairment losses of ¥15 million and ¥21 million (\$187 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				
	2017				
	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	¥ 862,527	¥ —	¥ —	¥ —	¥ —
(2) Call loans and bills purchased	278,732	—	—	—	—
(3) Securities	263,661	384,169	178,659	157,397	651,511
Held-to-maturity debt securities	416	894	610	1,380	2,781
Local government bond	—	—	100	500	1,200
Corporate bond	416	894	510	880	1,581
Others	—	—	—	—	—
Available-for-sale securities with maturities	263,245	383,275	178,049	156,017	648,730
Japanese government bond	68,224	120,931	13,174	9,433	301,624
Local government bond	1,420	4,511	13,834	156	17,042
Corporate bond	157,124	213,034	130,612	111,533	238,315
Others	36,477	44,799	20,429	34,895	91,749
(4) Loans and bills discounted (*)	2,077,007	918,513	841,537	599,167	2,315,154
Total	¥3,481,927	¥1,302,682	¥1,020,196	¥756,564	¥2,966,665

	Millions of yen				
	2016				
	Within one year	More than one year and within three years	More than three years and within five years	More than five years and within seven years	More than seven years
(1) Due from banks	¥1,079,667	¥ —	¥ —	¥ —	¥ —
(2) Call loans and bills purchased	356,719	—	—	—	—
(3) Securities	278,134	549,979	328,786	171,503	551,170
Held-to-maturity debt securities	476	772	289	230	3,362
Local government bond	—	—	—	—	1,400
Corporate bond	190	772	289	230	1,962
Others	286	—	—	—	—
Available-for-sale securities with maturities	277,658	549,207	328,497	171,273	547,808
Japanese government bond	58,209	169,310	114,541	33,081	239,983
Local government bond	2,731	3,362	6,856	7,300	10,411
Corporate bond	202,719	315,843	176,263	100,993	258,165
Others	13,999	60,692	30,837	29,899	39,249
(4) Loans and bills discounted (*)	2,230,165	1,099,315	818,895	553,191	1,747,321
Total	¥3,944,685	¥1,649,294	¥1,147,681	¥724,694	¥2,298,491

	Thousands of U.S. dollars				
	2017				
	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	\$ 7,688,092	\$ —	\$ —	\$ —	\$ —
(2) Call loans and bills purchased	2,484,464	—	—	—	—
(3) Securities	2,350,129	3,424,271	1,592,468	1,402,951	5,807,211
Held-to-maturity debt securities	3,708	7,969	5,437	12,301	24,788
Local government bond	—	—	891	4,457	10,696
Corporate bond	3,708	7,969	4,546	7,844	14,092
Others	—	—	—	—	—
Available-for-sale securities with maturities	2,346,421	3,416,302	1,587,031	1,390,650	5,782,423
Japanese government bond	608,111	1,077,912	117,426	84,081	2,688,511
Local government bond	12,657	40,209	123,309	1,390	151,903
Corporate bond	1,400,517	1,898,868	1,164,204	994,144	2,124,209
Others	325,136	399,313	182,092	311,035	817,800
(4) Loans and bills discounted (*)	18,513,299	8,187,120	7,500,988	5,340,645	20,636,021
Total	\$31,035,984	\$11,611,391	\$9,093,466	\$6,743,596	\$26,443,232

(*) 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			
	2017			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	¥7,815,897	¥464,555	¥140,370	¥33,015
Negotiable certificates of deposit	775,278	680	—	—
Total	¥8,591,175	¥465,235	¥140,370	¥33,015

	Millions of yen			
	2016			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	¥7,783,476	¥690,244	¥192,698	¥37,273
Negotiable certificates of deposit	806,119	280	—	—
Total	¥8,589,595	¥690,524	¥192,698	¥37,273

	Thousands of U.S. dollars			
	2017			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	\$69,666,610	\$4,140,788	\$1,251,181	\$294,278
Negotiable certificates of deposit	6,910,402	6,061	—	—
Total	\$76,577,012	\$4,146,849	\$1,251,181	\$294,278

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

5. SECURITIES

Securities held at March 31, 2017 include shares of unconsolidated subsidiaries and affiliates amounting to ¥92 million (\$1 million) and investments of ¥1,107 million (\$10 million). Corresponding figures at March 31, 2016, were ¥90 million and ¥1,078 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 ¥7,907 million (\$70 million) and ¥6,180 million as of March 31, 2017 and March 31, 2016 respectively.

Bonds included in securities also include securities lent through unsecured loan agreements (bond lending transactions) of ¥5,040 million (\$45 million) and ¥5,065 million, at March 31, 2017 and 2016 respectively.

6. FAIR VALUE INFORMATION

Securities

The following tables summarize book values, fair value and acquisition cost of securities with available fair values as of March 31, 2017 and 2016:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statement of income — ¥(31) million (\$276 thousand) and ¥17 million as at March 31, 2017 and 2016, respectively.

(b) Held-to-maturity debt securities:

	Type	Millions of yen		
		2017		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	¥1,400	¥1,446	¥ 46
	Corporate bonds	3,972	4,062	90
	Others	—	—	—
	Subtotal	5,372	5,508	136
Securities with fair value not exceeding book value	Local government bonds	400	399	(1)
	Corporate bonds	309	306	(3)
	Others	—	—	—
	Subtotal	709	705	(4)
Total		¥6,081	¥6,213	¥132

	Type	Millions of yen		
		2016		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	¥1,400	¥1,455	¥ 55
	Corporate bonds	3,337	3,441	104
	Others	286	289	3
	Subtotal	5,023	5,185	162
Securities with fair value not exceeding book value	Local government bonds	—	—	—
	Corporate bonds	106	106	(0)
	Others	—	—	—
	Subtotal	106	106	(0)
Total		¥5,129	¥5,291	¥162

	Type	Thousands of U.S. dollars		
		2017		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	\$12,479	\$12,898	\$ 419
	Corporate bonds	35,404	36,197	793
	Others	—	—	—
	Subtotal	47,883	49,095	1,212
Securities with fair value not exceeding book value	Local government bonds	3,565	3,556	(9)
	Corporate bonds	2,755	2,728	(27)
	Others	—	—	—
	Subtotal	6,320	6,284	(36)
Total		\$54,203	\$55,379	\$1,176

(c) Available-for-sale securities

	Type	Millions of yen		
		2017		
		Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	Shares	¥ 129,583	¥ 47,106	¥ 82,477
	Japanese government bonds	284,413	281,698	2,715
	Local government bonds	28,340	27,641	699
	Corporate bonds	740,235	726,320	13,915
	Others	50,534	49,522	1,012
	Subtotal	1,233,105	1,132,287	100,818
	Securities with book value not exceeding acquisition cost	Shares	10,549	11,876
Japanese government bonds	228,973	234,852	(5,879)	
Local government bonds	8,623	8,675	(52)	
Corporate bonds	110,385	111,832	(1,447)	
Others	290,684	303,431	(12,747)	
Subtotal	649,214	670,666	(21,452)	
Total	¥1,882,319	¥1,802,953	¥ 79,366	

	Type	Millions of yen		
		2016		
		Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	Shares	¥ 108,872	¥ 49,024	¥ 59,848
	Japanese government bonds	600,562	588,705	11,857
	Local government bonds	29,371	28,405	966
	Corporate bonds	1,031,214	1,011,984	19,230
	Others	117,964	116,084	1,880
Subtotal	1,887,983	1,794,202	93,781	
Securities with book value not exceeding acquisition cost	Shares	12,514	13,899	(1,385)
	Japanese government bonds	14,562	14,630	(68)
	Local government bonds	1,288	1,290	(2)
	Corporate bonds	22,760	22,853	(93)
	Others	165,645	180,808	(15,163)
Subtotal	216,769	233,480	(16,711)	
Total	¥2,104,752	¥2,027,682	¥ 77,070	

	Type	Thousands of U.S. dollars		
		2017		
		Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	Shares	\$ 1,155,032	\$ 419,877	\$ 735,155
	Japanese government bonds	2,535,101	2,510,901	24,200
	Local government bonds	252,607	246,377	6,230
	Corporate bonds	6,598,048	6,474,017	124,031
	Others	450,432	441,412	9,020
	Subtotal	10,991,220	10,092,584	898,636
Securities with book value not exceeding acquisition cost	Shares	94,028	105,856	(11,828)
	Japanese government bonds	2,040,939	2,093,342	(52,403)
	Local government bonds	76,861	77,324	(463)
	Corporate bonds	983,911	996,809	(12,898)
	Others	2,590,998	2,704,617	(113,619)
	Subtotal	5,786,737	5,977,948	(191,211)
Total	\$16,777,957	\$16,070,532	\$ 707,425	

(d) Held-to-maturity debt securities sold during the fiscal year
There were no held-to-maturity securities sold during the fiscal year ended March 31, 2017 and 2016.

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

	Millions of yen		
	2017		
	Sale amount	Total gain on sale	Total loss on sale
Shares	¥ 15,719	¥10,191	¥ 68
Japanese government bonds	917,543	9,255	2,608
Local government bonds	—	—	—
Corporate bonds	103,890	1,668	—
Others	289,024	3,624	1,691
Total	¥1,326,176	¥24,738	¥4,367

	Millions of yen		
	2016		
	Sale amount	Total gain on sale	Total loss on sale
Shares	¥ 6,724	¥ 3,575	¥ 115
Japanese government bonds	1,050,859	8,774	582
Local government bonds	—	—	—
Corporate bonds	161,673	2,074	4
Others	359,283	9,395	2,227
Total	¥1,578,539	¥23,818	¥2,928

	Thousands of U.S. dollars		
	2017		
	Sale amount	Total gain on sale	Total loss on sale
Shares	\$ 140,111	\$ 90,837	\$ 606
Japanese government bonds	8,178,474	82,494	23,246
Local government bonds	—	—	—
Corporate bonds	926,018	14,868	—
Others	2,576,201	32,302	15,073
Total	\$11,820,804	\$220,501	\$38,925

(f) Securities for which purpose of holding changed

There were no securities for which the purpose of holding changed at March 31, 2017 and 2016.

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, 2017, impairment losses were ¥103 million (\$918 thousand) on equity securities and during the fiscal year ended March 31, 2016, impairment losses totaled ¥682 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, 2017 and 2016 is as follows:

(a) Money held in trust classified as trading purposes

	Millions of yen	
	2017	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	¥9,873	¥—

	Millions of yen	
	2016	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	¥—	¥—

	Thousands of U.S. dollars	
	2017	
	Consolidated balance sheet amount	Unrealized gains (losses) included in profit (loss) for the fiscal year
Money held in trust classified as trading purposes	\$88,002	\$—

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

There are no corresponding transactions as at March 31, 2017 and 2016.

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

	Millions of yen		
	2017		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥37,080	¥37,559	¥(479)

	Millions of yen		
	2016		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥47,655	¥47,642	¥13

	Thousands of U.S. dollars		
	2017		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	\$330,511	\$334,780	\$(4,269)

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

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net unrealized gains	¥78,956	¥77,132	\$703,770
Available-for-sale securities	79,435	77,119	708,040
Available-for-sale money held in trust	(479)	13	(4,270)
Deferred tax liabilities	23,426	23,112	208,806
Unrealized gains on available- for-sale securities before following adjustment	55,530	54,020	494,964
Equivalent to non-controlling interests	6	(0)	54
YMFG's interest in net unrealized gains on valuation of available-for-sale securities held by affiliates accounted for by the equity method	0	0	0
Unrealized gains on available- for-sale securities	¥55,524	¥54,020	\$494,910

Valuation differences on investments in partnerships, etc., of ¥69 million (\$615 thousand) at March 31, 2017 and ¥49 million at March 31, 2016, for which market values are extremely difficult to determine, are recorded in available-for-sale securities of net unrealized gains in the list above.

Derivatives

(1) Derivative transactions at March 31, 2017 and 2016, to which hedge accounting is not applied

(a) Interest-rate-related:

Type	Millions of yen			
	2017			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥28,493	¥24,261	¥539	¥539
Receivable floating, payable fixed	28,519	24,255	(375)	(375)
Interest rate cap Sold	32	—	(0)	4
Total	¥ —	¥ —	¥164	¥168

Type	Millions of yen			
	2016			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥36,160	¥28,512	¥760	¥760
Receivable floating, payable fixed	36,219	28,571	(650)	(650)
Interest rate cap Sold	64	64	(0)	4
Total	¥ —	¥ —	¥110	¥114

Type	Thousands of U.S. dollars			
	2017			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	\$253,971	\$216,249	\$4,804	\$4,804
Receivable floating, payable fixed	254,203	216,196	(3,342)	(3,342)
Interest rate cap Sold	285	—	(0)	35
Total	\$ —	\$ —	\$1,462	\$1,497

(b) Currency-related:

Type	Millions of yen			
	2017			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	¥357,796	¥131,744	¥ (466)	¥(1,500)
Foreign exchange forward contracts:				
Sold	113,673	839	492	492
Bought	23,712	152	(106)	(106)
Currency options				
Sold	142,252	99,320	(4,993)	3,091
Bought	142,252	99,320	5,520	(843)
Total	¥ —	¥ —	¥ 447	¥ 1,134

Type	Millions of yen			
	2016			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	¥327,634	¥132,655	¥ 3,163	¥(1,319)
Foreign exchange forward contracts:				
Sold	148,196	1,292	2,621	2,621
Bought	36,781	860	(65)	(65)
Currency options				
Sold	158,874	114,263	(5,626)	4,138
Bought	158,874	114,263	6,583	(1,279)
Total	¥ —	¥ —	¥ 6,676	¥ 4,096

Type	Thousands of U.S. dollars			
	2017			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	\$3,189,197	\$1,174,294	\$ (4,154)	\$(13,370)
Foreign exchange forward contracts:				
Sold	1,013,219	7,478	4,385	4,385
Bought	211,356	1,355	(945)	(945)
Currency options				
Sold	1,267,956	885,284	(44,504)	27,552
Bought	1,267,956	885,284	49,202	(7,514)
Total	\$ —	\$ —	\$ 3,984	\$ 10,108

(c) Stock-related:

There were no stock-related transactions as at March 31, 2017 and 2016.

(d) Bond-related:

Type	Millions of yen			
	2017			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	¥126,996	¥—	¥(142)	¥(142)
Total	¥ —	¥—	¥(142)	¥(142)

Type	Millions of yen			
	2016			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	¥136,594	¥—	¥(182)	¥(182)
Total	¥ —	¥—	¥(182)	¥(182)

Type	Thousands of U.S. dollars			
	2017			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	\$1,131,973	\$—	\$(1,266)	\$(1,266)
Total	\$ —	\$—	\$(1,266)	\$(1,266)

(e) Commodity-related:

There were no commodity-related transactions as at March 31, 2017 and 2016.

(f) Credit-derivatives:

There were no credit related transactions as at March 31, 2017 and 2016.

(2) Derivative transactions as at March 31, 2017 and 2016, to which hedge accounting is applied

(a) Interest-rate-related:

Type	Millions of yen		
	2017		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥10,438	¥10,438	¥(274)
Interest rate swaps employing exceptional accounting:			
Interest rate swaps			
Receive floating, payable fixed	1,108	1,000	*
Total	¥ —	¥ —	¥(274)

Type	Millions of yen		
	2016		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥12,074	¥12,074	¥(460)
Interest rate swaps employing exceptional accounting:			
Interest rate swaps			
Receive floating, payable fixed	1,655	1,608	*
Total	¥ —	¥ —	¥(460)

Type	Thousands of U.S. dollars		
	2017		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	\$93,039	\$93,039	\$(2,442)
Interest rate swaps employing exceptional accounting:			
Interest rate swaps			
Receive floating, payable fixed	9,876	8,913	*
Total	\$ —	\$ —	\$(2,442)

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

(b) Currency-related:

Type	Millions of yen		
	2017		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥34,607	¥2,060	¥(419)
Total	¥ —	¥ —	¥(419)

Type	Millions of yen		
	2016		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥29,891	¥96	¥1,443
Total	¥ —	¥ —	¥1,443

Type	Thousands of U.S. dollars		
	2017		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	\$308,468	\$18,362	\$(3,735)
Total	\$ —	\$ —	\$(3,735)

(c) Stock-related:

There were no stock-related transactions at March 31, 2017 and 2016.

(d) Bond-related:

There were no bond-related transactions at March 31, 2017 and 2016.

7. LOANS AND BILLS DISCOUNTED

Loans at March 31, 2017 and 2016 include "Risk-Managed Loan Amounts" as follows:

- (1) Loans to borrowers in bankruptcy amounting to ¥14,652 million (\$131 million) and ¥18,738 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 ¥65,203 million (\$581 million) and ¥73,782 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 ¥471 million (\$4 million) and ¥552 million denote loans where payment of interest or principal has been delayed for three months or more excluding loans to borrowers in bankruptcy and other delinquent loans.

- (4) Restructured loans amounting to ¥10,039 million (\$89 million) and ¥12,286 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 ¥90,365 million (\$805 million) and ¥105,358 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, February 13, 2002, 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 ¥40,304 million (\$359 million) at March 31, 2017 and ¥41,223 million at March 31, 2016.

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 ¥917,600 million (\$8,179 million) at March 31, 2017 and ¥923,165 million at March 31, 2016. Of this amount, ¥834,969 million (\$7,442 million) at March 31, 2017, and ¥847,805 million at March 31, 2016, relates to loans for which the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore,

the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit amount when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the consolidated subsidiaries' credit. Consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral to the consolidated subsidiaries in the form of real estate, securities, etc., at entering into a loan agreement or in accordance with the consolidated subsidiaries' established internal procedures for confirming the obligor's financial condition, etc., at regular intervals.

9. PLEDGED ASSETS

At March 31, 2017 and 2016, the following assets were pledged as collateral for certain liabilities of the Banks.

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
Cash and due from banks	¥ 18	¥ 18	\$ 160
Securities	247,444	235,549	2,205,580

The collateral was pledged to secure the following:

	Millions of yen		Thousands of
	2017	2016	U.S. dollars
Deposits	¥36,332	¥38,656	\$323,843
Call money	11,219	—	100,000
Payables under securities lending transactions	32,861	32,001	292,905
Borrowed money	—	901	—

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 ¥104,578 million (\$932 million) and cash and due from banks ¥3 million (\$27 thousand) at March 31, 2017. The corresponding figures at March 31, 2016, were ¥104,750 million and ¥3 million.

Also, other assets included security deposits, collateral pledged for transactions involving public funds, collateral pledged for financial instruments and collateral pledged for

exchange settlements, as indicated below.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deposits	¥2,728	¥4,180	\$24,316
Collateral pledged for transactions involving public funds	1,189	1,199	10,598
Collateral pledged for financial instruments	2,335	43	20,813
Collateral pledged for exchange settlements	9,595	—	85,525

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥72,422 million (\$646 million) at March 31, 2017, and ¥73,571 million at March 31, 2016.

11. ADVANCED DEPRECIATION AMOUNT OF TANGIBLE FIXED ASSETS

At March 31, 2017 and 2016, advanced depreciation amount of tangible fixed assets were ¥7,813 million (\$70 million) and ¥8,154 million. Corresponding amount depreciated from certain tangible fixed assets in fiscal year ended March 31, 2017 were ¥108 million (\$1 million) and there were no amount in fiscal year ended March 31, 2016.

12. IMPAIRMENT LOSSES

During the fiscal year ended March 31, 2017 and 2016, impairment losses were recorded on the following assets.

Location	Primary use	Type	Impairment loss		
			Millions of yen		Thousands of U.S. dollars
			2017	2016	2017
Within Hiroshima Prefecture	Business-use and idle assets for sale	Land, buildings	¥50	¥ 17	\$446
Within Yamaguchi Prefecture	Business-use assets	Land, buildings	¥—	¥ 59	\$ —
Within Fukuoka Prefecture	Business-use assets	Land, buildings	¥—	¥ 42	\$ —
Other	Business-use assets	Buildings	¥19	¥ —	\$169
Total			¥69	¥118	\$615

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

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

In the fiscal year ended March 31, 2017 and 2016, the book values of the business-use and idle assets, which have problem in operating cash flow, and assets that are scheduled for sale are reduced to their recoverable values, and recognized the reduction of ¥69 million (\$615 thousand) and ¥118 million as impairment losses. This amount includes land of ¥31 million (\$276 thousand) and buildings of ¥38 million (\$339 thousand) in fiscal year ended March 31, 2017, and land of ¥92 million and buildings of ¥26 million in fiscal year ended March 31, 2016.

The recoverable amount used to estimate the impairment loss for the fiscal year ended March 31, 2017 and 2016, is the net selling price, which is calculated by deducting the expected disposal cost from the expected disposal value.

13. BORROWED MONEY

Payment schedule of borrowed money as of March 31, 2017 is as follows:

	Millions of yen	Thousands of U.S. dollars
2017	¥12,036	\$107,282
2018	5,568	49,630
2019	4,101	36,554
2020	2,952	26,313
2021	1,841	16,410
Thereafter	4,897	43,649
Total	¥31,395	\$279,838

14. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

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

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

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

Defined benefit plans

(1) Reconciliation of retirement benefit obligation balances at the beginning and the end of the fiscal year ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Retirement benefit obligations at the beginning of the fiscal year	¥63,038	¥60,381	\$561,886
Service cost	1,851	1,707	16,499
Interest cost	119	344	1,061
Actuarial differences	22	5,200	196
Retirement benefit payments	(3,323)	(3,447)	(29,620)
Past service cost	—	(1,139)	—
Others	2	(8)	18
Retirement benefit obligations at the end of the fiscal year	¥61,709	¥63,038	\$550,040

(2) Reconciliation of plan asset balances at the beginning and the end of the fiscal year ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance of plan assets at the beginning of the fiscal year	¥82,675	¥90,390	\$736,920
Expected return on plan assets	2,051	2,903	18,281
Actuarial differences	4,533	(7,497)	40,405
Contribution from employer	1,999	1,620	17,818
Retirement benefit payments	(2,126)	(2,220)	(18,951)
Partial returns of retirement benefit trust	—	(2,746)	—
Others	294	225	2,621
Balance of plan assets at the end of the fiscal year	¥89,426	¥82,675	\$797,094

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at the end of the fiscal year ended March 31, 2017 and 2016, and the carrying amounts of net defined benefit liability and net defined benefit asset

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Retirement benefit obligations of funded plans	¥ 61,638	¥ 62,979	\$ 549,407
Plan assets	(89,426)	(82,675)	(797,094)
	(27,788)	(19,696)	(247,687)
Retirement benefit obligations of unfunded plans	71	59	633
Net carrying amount of obligations and assets	¥(27,717)	¥(19,637)	\$(247,054)

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net retirement benefit liability	¥ 1,879	¥ 2,057	\$ 16,748
Net retirement benefit asset	(29,596)	(21,694)	(263,802)
Net carrying amount of obligations and assets	¥(27,717)	¥(19,637)	\$(247,054)

(4) Retirement benefit costs and their breakdowns

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost*	¥1,851	¥1,707	\$16,499
Interest cost	119	344	1,061
Expected return on plan assets	(2,051)	(2,903)	(18,281)
Recognized actuarial loss	2,200	571	19,610
Amortization of past service cost	(570)	(142)	(5,081)
Others	233	30	2,076
Retirement benefit costs on defined benefit plans	¥1,782	¥ (393)	\$15,884

* 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
	2017	2016	2017
Past service cost	¥ (570)	¥ 996	\$ (5,080)
Actuarial gain (loss)	6,711	(13,093)	59,818
Total	¥6,141	¥(12,097)	\$54,738

(6) Cumulative remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized past service cost	¥ (427)	¥ (997)	\$ (3,806)
Unrecognized actuarial gain (loss)	(978)	5,732	(8,717)
Total	¥(1,405)	¥4,735	\$(12,523)

(7) Plan assets

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

	2017	2016
Bonds	19%	21%
Shares	66%	65%
Others	15%	14%
Total	100%	100%

(Note) Plan assets include 46% of corporate pension plans established as retirement benefit trusts at the end of the fiscal year ended March 31, 2017, and 25% at March 31, 2016.

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

(Corporate pensions)

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

(Retirement benefit trusts)

Past dividend performance is converted to yield.

(8) Basis of actuarial calculation

The basis of actuarial calculations as of March 31, 2017 and 2016

	2017	2016
Discount rate	0.00%—1.21%	0.00%—0.63%
Expected long-term rate of return on plan assets	1.60%—3.10%	1.20%—3.00%
Expected rate of salary increase	0.80%—4.65%	0.80%—4.65%

Defined contribution plans

The required contribution to the consolidated subsidiaries' defined contribution plans at the end of the fiscal year ended March 31, 2017 and 2016 were ¥263 million (\$2 million) and ¥153 million, respectively.

15. REVALUATION RESERVE FOR LAND

Pursuant to the Law concerning Revaluation of Land (Law No. 34, promulgated March 31, 1998, the "Law"), YMFG revalued certain land used for banking operations by consolidated subsidiaries. The tax-equivalent portion of this revaluation amount was recorded in liabilities under "deferred tax liabilities for revaluation reserve for land," and the 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, 2017 and 2016 were ¥22,589 million (\$201 million) and ¥23,245 million, respectively.

16. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

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

17. OTHER INCOME

Other income for the fiscal year ended March 31, 2017 and 2016 included the gains on sale of stock of ¥11,802 million (\$105 million) and ¥10,392 million, respectively.

18. GENERAL AND ADMINISTRATIVE EXPENSES

Items included operating expenses for the year ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Salary and allowance	¥31,944	¥31,417	\$284,731
Depreciation	5,675	7,093	50,584

19. OTHER EXPENSES

Other expenses included ¥921 million (\$8,209 thousand) in loss on sale of stock, ¥124 million (\$1,105 thousand) devaluation of stock and ¥1,119 million (\$9,974 thousand) loss on investment in money held in trust for the year ended March 31, 2017. For the year ended March 31, 2016, other expenses included ¥1,779 million loss on sale of stock, ¥697 million devaluation of stock.

20. LEASE TRANSACTIONS

1. Finance lease transactions

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. Operating leases

Future minimum lease payments at March 31, 2017 and 2016 were as follows:

At March 31, 2017

	Millions of yen	Thousands of U.S. dollars
2018	¥ 98	\$ 874
2019 and thereafter	930	8,289
Total minimum lease payments	¥1,028	\$9,163

At March 31, 2016

	Millions of yen
2017	¥ 94
2018 and thereafter	1,003
Total minimum lease payments	¥1,097

21. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Allowance for loan losses	¥ 14,360	¥ 17,314	\$ 127,997
Net defined benefit liability	2,639	5,312	23,523
Losses on devaluation of securities	1,575	1,523	14,039
Provision for bonuses	1,100	1,118	9,805
Depreciation	636	752	5,669
Net operating losses carryforwards	269	304	2,407
Other	2,595	3,820	23,129
Deferred tax assets	23,174	30,143	206,569
Valuation allowance	(2,387)	(2,377)	(21,276)
Total deferred tax assets	20,787	27,766	185,293
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(23,426)	(23,166)	(208,806)
Securities contributed to retirement benefit trusts	(4,243)	(4,243)	(37,820)
Other	(1,350)	(2,077)	(12,042)
Total deferred tax liabilities	(29,019)	(29,486)	(258,668)
Net deferred tax assets (liabilities)	¥ (8,232)	¥ (1,720)	\$ (73,375)

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, 2017 and 2016 were as follows:

	%	
	2017	2016
Effective statutory tax rate	—	32.83
(Adjustments)		
Revision of valuation allowances	—	(2.61)
Items permanently exempted from income such as dividend income	—	(0.42)
Non-deductible goodwill amortization	—	3.15
Inhabitant tax on per capita basis	—	0.26
Items permanently excluded from expense such as entertainment expenses	—	0.27
Downward revision in deferred tax assets at the end of the fiscal year due to changes in tax rate	—	1.83
Consolidation adjustment	—	0.07
Others	—	0.35
Actual tax rate after application of deferred income tax accounting	—	35.73

(Note) Information for the year ended March 31, 2017 was 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 of the effective statutory tax rate.

3. Revisions in amounts of deferred tax assets and liabilities due to changes in the corporate tax rate

For the year ended March 31, 2017

The “Act for Partial Revision of Acts, Including Partial Revision of the Consumption Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security” and the “Act for Partial Revision of Acts, Including Partial Revision of the Local Tax Act and the Local Allocation Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security” were enacted by the Japanese government on November 18, 2016. In conjunction with these acts, the effective statutory rate used in calculating deferred tax assets and liabilities for the fiscal year ended March 31, 2017, has changed from that used for the fiscal year ended March 31, 2016.

As a result, deferred tax assets increased by ¥37 million and deferred income taxes decreased by the same amount.

For the year ended March 31, 2016

The “Act on Partial revision of Income Tax Act” (Law No. 15 of 2016) and the “Act on Partial Revision of the Local Tax Act” (Law No. 13 of 2016) were passed on March 29, 2016, lowering the corporate tax rate from the fiscal years beginning on or after April 1, 2016. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and liabilities was reduced from 32.38% to 30.69% applied for temporary differences that are expected to be deductible in the fiscal year beginning April 1, 2016 and 2017, and further to 30.46% applied for temporary differences that are expected to be deductible in the fiscal year beginning April 1, 2018.

This change in the tax rate had the effect of reducing deferred tax liabilities by ¥210 million, increasing unrealized gains on available-for-sale securities by ¥1,222 million, reducing deferred gains or losses on hedges by ¥7 million, decreasing remeasurements of defined benefit plans by ¥72 million and increasing deferred income taxes by ¥933 million. Deferred tax liabilities for land revaluation decreased by ¥571 million, and revaluation reserve for land increased by the same amount.

22. NET ASSETS

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

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

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

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

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

At the annual shareholders' meeting, held on June 28, 2017, the shareholders approved cash dividends amounting to ¥1,989 million (\$18 million). Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2017 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders' meeting, held on June 29, 2016, the shareholders approved cash dividends amounting to ¥1,970 million. Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2016 and to be recognized in the period in which they are approved by the shareholders.

23. CHANGES IN NET ASSETS

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

	Number of shares (in thousand)			
	March 31, 2016	Increase	Decrease	March 31, 2017
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353	—	—	264,353
Treasury stock				
Common stock*1, *2, *3	19,472	2,284	3,202	18,554
Total	19,472	2,284	3,202	18,554

*1 The increase in the number of shares is due to the acquisition of 1,631 thousand of YMFG's shares by the ESOP Trust for Employees, the acquisition of 633 thousand of YMFG's shares by the Board Benefit Trust (BBT), and 19 thousand shares were due to purchases of shares constituting less than one trading unit.

Of the decreases in the number of shares, 1,631 thousand shares were due to allocation to the ESOP Trust for Employees, 793 thousand shares were due to the sale of shares to the Group's employee stock ownership program, 663 thousand shares were due to allocation to the Board Benefit Trust (BBT), 144 thousand shares were due to the exercise of stock options, and 0 thousand shares were in response to demand for the purchase of fractional shares.

*2 Treasury stock as of beginning and ending of fiscal year ended March 31, 2017 include 781 thousand shares and 1,619 thousand shares held by the ESOP Trust for Employee Shareholders.

*3 Treasury stock held by the Board Benefit Trust (BBT) includes 633 thousand shares held as of March 31, 2017.

	Number of shares (in thousand)			
	March 31, 2015	Increase	Decrease	March 31, 2016
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353			264,353
Treasury stock				
Common stock*1, *2	20,857	27	1,412	19,472
Total	20,857	27	1,412	19,472

*1 The increase in the number of shares is due to purchases of shares constituting less than one trading unit.

Of the decreases in the number of shares, 1,037 thousand shares were due to a share exchange between YMFG and an affiliated company, 266 thousand shares were due to the sale of shares to the Group's employee stock ownership program, 103 thousand shares were due to the exercise of stock options, 3 thousand shares were due to the changes in ownership of YMFG's subsidiaries, and 1 thousand shares were in response to demand for the purchase of fractional shares.

*2 Treasury stock as of beginning and ending of fiscal year ended March 31, 2016 include 1,047 thousand shares and 781 thousand shares held by the ESOP Trust for Employee Shareholders.

2. Stock options

Stock options at March 31, 2017 and 2016 were ¥513 million (\$5 million) and ¥601 million, respectively.

3. Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2017 and 2016.

Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 13, 2016				
Common stock	¥1,970*1	¥8.00	Mar. 31, 2016	Jun. 30, 2016
Resolved at the board of directors meeting on November 11, 2016				
Common stock	¥2,471*2	¥10.00	Sep. 30, 2016	Dec. 9, 2016

*1 The total amount of dividend on common stock includes ¥6 million in dividends to ESOP Trust for employee shareholders.

*2 The total amount of dividend on common stock includes ¥12 million in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 8, 2015				
Common stock	¥1,712*1	¥7.00	Mar. 31, 2015	Jun. 29, 2015
Resolved at the board of directors meeting on November 6, 2015				
Common stock	¥1,713*2	¥7.00	Sep. 30, 2015	Dec. 10, 2015

*1 The total amount of dividend on common stock includes ¥7 million in dividends to ESOP Trust for employee shareholders.

*2 The total amount of dividend on common stock includes ¥6 million in dividends to ESOP Trust for employee shareholders.

Type of shares	Aggregate amount of dividends (Thousands of U.S. dollars)	Cash dividends per share (U.S. dollars)	Record date	Effective date
Resolved at the board of directors meeting on May 13, 2016				
Common stock	\$17,559* ¹	\$0.07	Mar. 31, 2016	Jun. 30, 2016
Resolved at the board of directors meeting on November 11, 2016				
Common stock	\$22,025* ²	\$0.09	Sep. 30, 2016	Dec. 9, 2016

*1 The total amount of dividend on common stock includes \$53 thousand in dividends to ESOP Trust for employee shareholders.

*2 The total amount of dividend on common stock includes \$107 thousand in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

(b) Dividends to be paid in the fiscal year ending March 31, 2018 and 2017 are as follows:

(Millions of yen, except per share amount)

Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 12, 2017					
Common stock	¥1,989*	Retained earnings	¥8.00	Mar. 31, 2017	Jun. 28, 2017

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

(Millions of yen, except per share amount)

Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Resolved at the board of directors meeting on May 13, 2016					
Common stock	¥1,970*	Retained earnings	¥8.00	Mar. 31, 2016	Jun. 30, 2016

* The total amount of dividend on common stock includes ¥6 million in dividends to ESOP Trust for employee shareholders.

(Thousands of U.S. dollars, except per share amount)					
Type of shares	Aggregate amount of dividends (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Resolved at the board of directors meeting on May 12, 2017					
Common stock	\$17,729*	Retained earnings	\$0.07	Mar. 31, 2017	Jun. 28, 2017

* The total amount of dividend on common stock includes \$160 thousand in dividends to ESOP Trust for employee shareholders and Board Benefit Trust (BBT).

24. STOCK OPTIONS

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

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
General and administrative expenses	¥42	¥172	\$374

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

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

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

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

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

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

Note: Stated as the equivalent number of shares.

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

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

(a) Number of stock options

	2016	2015	2014	2013	2012
Prior to vesting					
As of the end of the previous consolidated fiscal year	122,000	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	122,000	—	—	—	—
Rights not yet determined	—	—	—	—	—
After vesting					
As of the end of the previous consolidated fiscal year	—	160,400	144,400	170,800	99,400
Rights determined	122,000	—	—	—	—
Rights exercised	21,700	32,300	28,600	37,200	24,500
Expiry	—	—	—	—	—
Amount unexercised	100,300	128,100	115,800	133,600	74,900

(b) Price information

	Yen				
	2016	2015	2014	2013	2012
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at time of exercise	964	964	964	964	964
Fair value on date granted	1,377	1,015	973	619	660

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, 2016 is as follows:

- (a) Valuation method employed: Black-Scholes method
(b) Main base figures and estimation method

	2016
Volatility of stock price* ¹	27.87%
Expected number of years remaining* ²	3.40 years
Forecast dividend* ³	¥14/share
Risk-free interest rate* ⁴	0.015%

*1 Calculated on the basis of stock price performance during a period (March 2012 to August 2015) corresponding to the expected number of years remaining (3.40 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, 2015.

*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.

25. INVESTMENT AND RENTAL PROPERTY

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

26. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts of reclassification adjustments and tax effect amounts related to other comprehensive income in the consolidated fiscal year ended March 31, 2017 and 2016 were as follows.

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	2017
Unrealized gains (losses) on available- for-sale securities			
Amount generated during the year	¥13,692	¥(7,920)	\$122,043
Reclassification adjustments	(11,381)	(18,371)	(101,444)
Before tax effect adjustment	2,311	(26,291)	20,599
Tax effect amount	(801)	9,155	(7,139)
Unrealized gains (losses) on available-for-sale securities	1,510	(17,136)	13,460
Deferred gains on hedges			
Amount generated during the year	(503)	(352)	(4,483)
Reclassification adjustments	631	376	5,624
Before tax effect adjustment	128	24	1,141
Tax effect amount	(38)	(15)	(339)
Deferred gains on hedges	90	9	802
Revaluation reserve for land			
Amount generated during the year	—	—	—
Reclassification adjustment	—	—	—
Before adjustment for tax effects	—	—	—
Tax effect amount	—	571	—
Revaluation reserve for land	—	571	—
Remeasurements of defined benefit plans			
Amount generated during the year	4,511	(11,558)	40,209
Reclassification adjustment	1,630	(539)	14,529
Before adjustment for tax effects	6,141	(12,097)	54,738
Tax effect amount	(1,871)	3,805	(16,678)
Remeasurements of defined benefit plans	4,270	(8,292)	38,060
Share of other comprehensive income in affiliated companies accounted for using the equity method			
Amount generated during the year	0	(0)	0
Reclassification adjustments	—	—	—
Before tax effect adjustment	0	(0)	0
Tax effect amount	—	—	—
Share of other comprehensive income in affiliated companies accounted for using the equity method	0	(0)	0
Total other comprehensive income	5,870	(24,848)	52,322

27. SEGMENT INFORMATION

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

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

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

28. RELATED PARTY TRANSACTIONS

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

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

For the year ended March 31, 2017

Category:	Executive
Name:	Kazuo Tsukuda
Occupation or title:	Director and Audit and Supervisory Committee Member of YMFG
Relationship with related party:	Lender of funds
Content of transaction:	Lending of funds*
Transaction amount:	¥86 million (average balance)
Account name:	Loan
Year-end balance:	¥223 million

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

For the year ended March 31, 2016

Nothing to report.

29. PER SHARE DATA

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share	¥2,486.35	¥2,357.89	\$22.16
Net income per share	128.70	132.43	1.15
Net income per share (diluted)	¥ 106.64	¥ 109.39	\$ 0.95

Net assets per share are calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2017	2016	2017
Net assets	¥617,053	¥583,168	\$5,500,071
Amounts excluded from net assets	¥ 5,910	¥ 5,765	\$ 52,678
Stock options	513	601	4,573
Non-controlling interests	5,397	5,164	48,105
Net assets attributable to common stock at the fiscal year-end	611,143	577,403	5,447,393
Number of common stock at the fiscal year-end used for the calculation of net assets per share (in thousands)*	245,800	244,881	

* Shares of YMFG held by the ESOP trust and the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above number of common stock at the fiscal year-end used for the calculation of net assets per share. This number of shares held by the ESOP and the Board Benefit Trust (BBT) was 781 thousand as of March 31, 2016, and 2,252 thousand as of March 31, 2017.

(Note) As previously described in Changes in Accounting Principles, YMFG's adoption of the "Accounting Standard for Business Combinations" and other standards is in accordance with the transitional measures provided for in Article 58-2 (4) of the "Accounting Standard for Business Combinations," Article 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements," and Article 57-4 (4) of the "Accounting Standard for Business Divestitures."

As a result, net income per share and diluted net income per share decreased ¥4.44 (\$0.04) and ¥3.65 (\$0.03) respectively in the fiscal year ended March 31 2016. The impact on net assets per share was slight.

Net income per share is calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2017	2016	2017
Net income attributable to owners of the parent	¥ 31,587	¥ 32,296	\$281,549
Amount not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent for common stock	31,587	32,296	281,549
Average shares of common stock during the year* (in thousands)	245,428	243,872	—

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

	Millions of yen except number of shares		Thousands of U.S. dollars
	2017	2016	2017
Net income adjustment attributable to owners of the parent	¥ 68	¥ 6	\$606
Interest expenses (excluding tax amount)	68	6	606
Increase of shares of common stock	51,423	51,427	—
Bonds with warrant	50,826	50,728	—
Warrant	597	698	—
Dilutive shares not including calculation due to no dilutive effect	—	—	—

* Shares of YMFG held by the ESOP trust and the Board Benefit Trust (BBT) are shown on the balance sheets as treasury stock, so are not included in the above average shares of common stock during the year. The average number of shares was 907 thousand in the fiscal year ended March 31, 2016, and 893 thousand in the fiscal year ended March 31, 2017.

30. SUBSEQUENT EVENTS

There were no significant subsequent events. Dividends were made in June 2017 and 2016. Please refer to "23. NET ASSETS."

31. BUSINESS COMBINATIONS

For the year ended March 31, 2017

Business Combination due to Acquisition

1 Overview of the business combination

(1) Name and businesses of the acquired company

Name: HOKEN HIROBA Co., Ltd.

Business: Life insurance solicitation, non-life insurance agency business

(2) Principal reason for conducting the business combination

In order to provide one-stop financial services based on life planning

(3) Date of the business combination

October 3, 2016

(4) Legal form of the business combination

Conversion to subsidiary through the acquisition of shares

(5) Name of the company following the combination
The name of the company is unchanged following the combination.

(6) Percentage of voting rights acquired
100%

(7) Main reasons for deciding to acquire the company
YMFG's consolidated subsidiary, YM Life Planning Co., Ltd., acquired all shares of HOKEN HIROBA Co., Ltd., for cash consideration.

2 Period of the financial results of the acquired company included in the consolidated financial statements
From October 3, 2016, to March 31, 2017

3 Acquisition cost of the acquired company and breakdown thereof

Acquisition price	Cash	¥3,800 million
Acquisition cost		¥3,800 million

4 Content and amounts of principal acquisition-related expenses
Due diligence expenses of ¥8 million

5 Amount of goodwill, reasons for the goodwill and period of amortization

(1) Amount of goodwill
¥3,393 million

(2) Reasons for the goodwill

Mainly because of anticipation of excess earning power to be generated through future business development

(3) Method and period of amortization

Amortization over 10 years using the straight-line method

6 Amounts of assets received and liabilities assumed on the day of the business combination and breakdown thereof

Current assets	¥749 million
Fixed assets	¥687 million
Total assets	¥1,436 million
Current liabilities	¥391 million
Non-current liabilities	¥638 million
Total liabilities	¥1,029 million

7 Estimated impact on the consolidated financial statements in the fiscal year ended March 31, 2017, if the business combination had been concluded at the beginning of the fiscal year and method of calculation

Total income	¥2,159 million
Ordinary profit	¥347 million

(Method of calculating the estimated impact)

Calculated using information on ordinary income and profit and loss as if the business combination had been concluded at the beginning of the fiscal year

This note has not received an audit certification from KMPG AZCA LLC.

For the year ended March 31, 2016

Transaction under common control

Acquisition of additional shares in subsidiary

1 Overview of the transaction

(1) Name and business of combined company

Name: YM Guarantee Co., Ltd.
(hereinafter, "YM Guarantee")

Business: Credit guarantee business

(2) Date of the business combination

February 1, 2016

(3) Legal form of the business combination

Share exchange in which YMFG is the wholly owning parent company and YM Guarantee is the wholly owned subsidiary company

(4) Company name following the combination

No change

(5) Overview of other matters related to the transaction

The objective is to strengthen YMFG's internal control function of the Group.

2 Overview of accounting standards employed

The transaction is handled under common control transactions, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures (ASBJ Guidance No. 10, September 13, 2013)."

3 Matters related to acquisition of additional shares in subsidiary

(1) Acquisition cost and breakdown

Acquisition consideration	Treasury stock
	¥603 million
<hr/>	
Acquisition cost	¥603 million

The above-mentioned transaction is a transaction with non-controlling owners, and total amount being eliminated as transactions between consolidated companies.

Expenses directly required for the transaction were ¥2 million.

(2) Exchange ratio by type of shares, calculation method and number of shares delivered

1) Exchange ratio by type of shares 1,237 shares of YMFG's common stock: 1 share of YM Guarantee's common stock

2) Exchange ratio calculation method

To ensure the fairness and appropriateness of the share exchange ratio, YMFG selected Daiwa Institute of Research Ltd. as an independent calculation agent to calculate the share exchange ratio. Based on prudent negotiations and deliberations between YMFG and YM Guarantee of the share exchange ratio, referring to these calculation results, the above-stated share exchange ratio was judged to be appropriate, agreed and determined.

3) Number of shares delivered 466 thousand shares

4 Changes in YMFG's equity related to transaction with non-controlling owners

(1) Principal reason for changes in capital surplus

Acquisition of additional shares in subsidiary

(2) Amount of increase in capital surplus due to transaction with non-controlling owners

¥1,194 million