

These documents are partial translations of the Japanese originals for reference purpose only. In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for these translations or for direct, indirect or any other forms of damages arising from the translations.

(Securities Code: 8418)
June 7, 2017

Dear shareholders:

Takeshi Yoshimura
President
Yamaguchi Financial Group, Inc.
2-36, 4-chome Takezaki-cho,
Shimonoseki, Yamaguchi

NOTICE OF CONVOCAION OF THE 11th ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 11th Annual General Meeting of Shareholders of Yamaguchi Financial Group, Inc. (the “Company”), which will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or electromagnetically (via internet, etc.). Please review the Reference Documents for the Annual Meeting of Shareholders (described hereinafter) and exercise your voting rights by 5:30 p.m., June 26, 2017 Japan time, following the instructions described in the next page.

- 1. Date and Time:** 10:00 a.m., Tuesday, June 27, 2017
(The reception for attendees begins at 9:00 a.m.)
- 2. Place:** 8F hall, Head Office of Yamaguchi Bank,
2-36, 4-chome Takezaki-cho, Shimonoseki, Yamaguchi

3. Agenda:

Matters to be reported:

1. The Business Report, the Consolidated Financial Statements for the 11th Fiscal Year (from April 1, 2016 to March 31, 2017) , and the Audit Report on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
2. The Non-Consolidated Financial Statements for the 11th Fiscal Year (from April 1, 2016 to March 31, 2017)

Matters to be resolved:

- Proposal 1: Partial Amendments to the Articles of Incorporation
- Proposal 2: Election of Seven (7) Directors (Excluding Directors Who Serve as Audit and Supervisory Committee Members)
- Proposal 3: Election of Two (2) Directors Who Serve as Audit and Supervisory Committee Members
- Proposal 4: Determination of the Amounts of Performance-linked Bonuses for Directors
- Proposal 5: Determination of the Calculation Method and Details of Performance-linked Stock Compensation for Directors

- ~~~~~
- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception on the day of the Meeting. In the case of attendance by proxy, please present, to the receptionist at the Meeting, a document evidencing authority of the proxy to act as such, together with the Voting Rights Exercise Form. Please note that such proxy must be one shareholder of the Company entitled to exercise its own voting rights at the Meeting.

 - The following items are posted on the Company website (<http://www.ymfg.co.jp>) in accordance with laws and regulations as well as Article 17 of the Articles of Incorporation of the Company.
 - 1) Matters Concerning the Bank's Stock Acquisition Rights, etc. in the Business Report
 - 2) The Notes to the Consolidated Financial Statements
 - 3) The Notes to the Non-Consolidated Financial Statements

 - Any revisions to the Reference Documents for the Annual General Meeting of Shareholders, and Business Report, Non-Consolidated Financial Statements and Consolidated Financial Statements will be posted on the Company website (<http://www.ymfg.co.jp>).

GUIDANCE ON EXERCISE OF VOTING RIGHTS

1. Exercise of Voting Rights by Attending the Meeting

When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception on the day of the Meeting.

Date and Time: 10:00 a.m. on Tuesday, June 27, 2017

2. Exercise of Voting Rights by Mail

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it by 5:30 p.m. on Monday, June 26, 2017 Japan time.

If you do not indicate any approval or disapproval of the proposals on the said enclosed voting form, the Company shall deem that you have approved these proposals.

3. Exercise of Voting Rights via Internet, etc.

Please access the website for exercise of voting rights (<http://www.evotep.jp>) and follow the on-screen instructions to indicate your approval or disapproval of the proposals by 5:30 p.m. on Monday, June 26, 2017.

- (1) Please use your log-in ID and provisional password printed on your Voting Rights Exercise Form in the Voting Web Site (<http://www.evotep.jp>) and indicate your approval or disapproval of each proposal in accordance with the guidance on the Web Site. (Please be noted that the service is suspended from 2 a.m. to 5 a.m.).
- (2) In order to prevent any unauthorized access by a non-shareholder or unauthorized alteration of your voting, you will be required to change your provisional password. You will receive a new log-in ID and provisional password at each time of the Notice of Convocation is delivered.
- (3) Shareholders will be responsible for internet connection charges and the communication charges, etc. arising from accessing to voting web site.
- (4) Voting Right Exercised in Plural Times
 - (i) Please be noted in case that a voting right is exercised in both by mail and internet, only internet voting is treated as effective voting irrespective of the arrival date and hour of voting.
 - (ii) In case that a voting right is exercised by internet more than one time, last voting is treated as effective voting.
- (5) Voting from personal computer or smartphone may not be made depending on your internet using environment.

CONTACT ON SYSTEM INFORMATION

Help Desk: Security Agency, Mitsubishi UFJ Trust & Banking Corporation

Tel 0120-173-027 (9:00 – 21:00, toll free) (Japan Time)

【 The Electronic Voting Platform for Institutional Investors 】

Shareholders participating in the “Electronic Voting Platform” managed by ICJ, Inc. may place their votes through this platform.

REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References

Proposal 1: Partial Amendments to the Articles of Incorporation

1. Reason for the Proposal

Due to the enforcement of the Act for Partial Amendment of the Banking Act, etc. to Address Advances in Information and Communication Technology and Other Environmental Changes on April 1, 2017, there have been some additions to the scope of business in which a bank holding company is allowed to engage under the Banking Act. Following such additions, the Company proposes the following amendments to the provisions of the Article 2 (Purpose) of the current Articles of Incorporation in order to respond flexibly to future revisions of the Act.

2. Details of the Amendments

The Details of the proposed amendments are as follows.

(Underlines indicate changed sections.)

Current Articles	Proposed Amendments
<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following operations as a bank holding company:</p> <p style="padding-left: 40px;">(1) Administration of management of banks or other companies which the Company may own as its subsidiaries under the Banking Act; <u>and</u></p> <p style="padding-left: 40px;">(2) Any other <u>businesses</u> incidental or relating to the foregoing businesses mentioned in the preceding item.</p>	<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following operations as a bank holding company:</p> <p style="padding-left: 40px;">(1) Administration of management of banks or other companies which the Company may own as its subsidiaries under the Banking Act;</p> <p style="padding-left: 40px;">(2) Any other <u>operations</u> incidental or relating to the foregoing businesses mentioned in the preceding item; <u>and</u></p> <p style="padding-left: 40px;">(3) <u>In addition to the preceding two items, any other operations in which a bank holding company is allowed to engage under the Banking Act.</u></p>

Proposal 2: Election of Seven (7) Directors (Excluding Directors Who Serve as Audit and Supervisory Committee Members)

The term of office of all six (6) Directors (here and hereafter with regard to this proposal, excluding Directors who serve as Audit and Supervisory Committee Members) will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, to reinforce our management structure, the Company proposes that the number of Directors be increased by one (1) and that seven (7) Directors be elected.

This proposal was reviewed at the Audit and Supervisory Committee with no objections being raised.

The candidates for Directors are as follows:

Candidate No.	Name	Date of birth	Current position in the Company, etc.
1	Takeshi Yoshimura	April 3, 1960	President Reappointment
2	Hirohide Umemoto	November 14, 1957	Senior Managing Director Reappointment
3	Ichinari Koda	December 1, 1962	Director Reappointment
4	Mitsuru Katoh	April 2, 1961	Director Reappointment
5	Koji Oda	April 13, 1961	President of Momiji Bank, Ltd. New Appointment
6	Mitsuhiro Fujita	July 31, 1954	President of The Kitakyushu Bank, Ltd. New Appointment
7	Hiroaki Tamura	August 24, 1943	Director Reappointment Outside Independent

Reappointment: Reappointed Director candidate

New Appointment: Newly appointed Director candidate

Outside: Outside Director candidate

Independent: Independent Director registered with the Stock Exchanges

Candidate No.	Takeshi Yoshimura (Reappointment) (Date of birth: April 3, 1960)	Number of shares of the company owned	12,000 shares
1	Years as a Director	8 years	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1983	Joined The Yamaguchi Bank, Ltd.	June 2015	Managing Director of the said bank
January 2005	Deputy General Manager, Hiroshima Headquarters of the said bank	June 2016	President of the Company (present position)
April 2005	Deputy General Manager, Corporate Planning Department (Hiroshima) of the said bank	June 2016	President of the said bank (present position)
October 2006	Deputy General Manager, Corporate Planning Department of the said bank	In charge of Corporate Planning Department, Regional Development Department, and Customer Communication Department.	
October 2006	General Manager, Corporate Planning Department of the Company		
January 2007	General Manager, Corporate Planning Department of the said bank	(Status of material concurrent positions)	
June 2009	Director of the said bank	President of The Yamaguchi Bank, Ltd. (Representative Director)	
June 2009	Director of the Company		
June 2011	Managing Director and General Manager, Tokuyama Branch of the said bank		
June 2012	Managing Director and General Manager, Tokyo Headquarters of the said bank		
[Reasons for selection as candidate for Director] He has served to supervise the overall management of the Group, including banks, as President of the Company and President of The Yamaguchi Bank, Ltd., possessing knowledge and experience required for sound and appropriate operation of the Group, and as the Company has judged that he will appropriately execute the duties of Director of the Company, he has been made a candidate for Director.			

Candidate No.	Hirohide Umemoto (Reappointment) (Date of birth: November 14, 1957)	Number of shares of the company owned	17,000 shares
2	Years as a Director	9 years	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1980	Joined The Yamaguchi Bank, Ltd.	June 2011	Managing Director of the said bank
April 2005	General Manager, Higashishinkawa Branch of the said bank	June 2016	Senior Managing Director of the Company (present position)
April 2006	Senior Deputy General Manager, Corporate Planning Department (Hiroshima) of the said bank	June 2016	Senior Managing Director of the said bank (present position)
October 2006	General Manager, Audit and Inspection Department of the Company	In charge of IT Administration Department and Corporate Administration Department	
February 2008	General Manager, Systems Department of the said bank	(Status of material concurrent positions)	
June 2008	Director of the said bank	Senior Managing Director of The Yamaguchi Bank, Ltd.	
June 2008	Director of the Company		
[Reasons for selection as candidate for Director] He has served to supervise the IT Administration Department, Corporate Administration Department, Business Strategy Planning Department, Risk Administration Department, Corporate Planning Department, and Compliance Administration Department, etc., as Senior Managing Director of the Company and Senior Managing Director of The Yamaguchi Bank, Ltd., possessing knowledge and experience required for sound and appropriate operation of the Group, and as the Company has judged that he will appropriately execute the duties of Director of the Company, he has been made a candidate for Director.			

Candidate No.	Ichinari Koda (Reappointment) (Date of birth: December 1, 1962)	Number of shares of the company owned	7,000 shares
3	Years as a Director	1 year	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1985	Joined The Yamaguchi Bank, Ltd.	June 2016	Senior Managing Director of the said bank (present position)
October 2006	Deputy General Manager, Corporate Planning Department (Hiroshima) of the said bank		
April 2007	General Manager, Capital Markets and Treasury Department of the said bank		In charge of Overseas Strategy Planning Department and Retail Business Strategy Planning Department
December 2010	General Manager, Hiroshima Branch of the said bank		(Status of material concurrent positions)
April 2012	Director of Momiji Bank, Ltd.		Senior Managing Director of Momiji Bank, Ltd.
June 2014	Managing Director of the said bank		
June 2016	Director of the Company (present position)		
[Reasons for selection as candidate for Director] He has been in charge of supervising the Overseas Strategy Planning Department, Retail Strategy Planning Department, Corporate Administration Department, Financial Planning Business Department, and Capital Markets and Treasury Department, etc., as a Director of the Company and Senior Managing Director of Momiji Bank, Ltd., possessing knowledge and experience required for sound and appropriate operation of the Group, and as the Company has judged that he will appropriately execute the duties of Director of the Company, he has been made a candidate for Director.			

Candidate No.	Mitsuru Katoh (Reappointment) (Date of birth: April 2, 1961)	Number of shares of the company owned	3,000 shares
4	Years as a Director	1 year	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1984	Joined The Yamaguchi Bank, Ltd.	June 2016	Director of the Company (present position)
November 2006	Assistant General Manager, Corporate Administration Department of the said bank		
October 2008	General Manager, Moji Branch of the said bank		In charge of Compliance Administration Department, Risk Administration Department, Corporate Business Strategy Planning Department, and Customers Business Potentials Evaluation Department
July 2011	Deputy General Manager, Corporate Planning Department of the said bank		
October 2011	General Manager, Corporate Administration Department of The Kitakyushu Bank, Ltd.		
October 2011	Deputy General Manager, Corporate Administration Department of the Company		
[Reasons for selection as candidate for Director] He has been in charge of supervising the Compliance Administration Department, Risk Administration Department, Corporate Strategy Planning Department, and Customers Business Potentials Evaluation Department as a Director of the Company, possessing knowledge and experience required for sound and appropriate operation of the Group, and as the Company has judged that he will appropriately execute the duties of Director of the Company, he has been made a candidate for Director.			

Candidate No.	Koji Oda (New Appointment) (Date of birth: April 13, 1961)	Number of shares of the company owned	3,000 shares
5	Years as a Director	-	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1984	Joined Hiroshima Sogo Bank, Ltd. (renamed to Hiroshima-Sogo Bank, Ltd. on February 1989, and to Momiji Bank, Ltd. on May 2004 after business integration.)	April 2012 June 2014 June 2016	Director and General Manager, Kaita Branch of Momiji Bank, Ltd. Managing Director of the said bank President of the said Bank (present position)
August 2003	General Manager, Yamaguchi Branch of the said bank		
February 2005	Manager, Sales Promotion Department of the said bank	(Status of material concurrent positions)	
July 2008	General Manager, Takehara Branch of the said bank	President of Momiji Bank, Ltd. (Representative Director)	
June 2010	General Manager, Corporate Administration Department of the said bank		
June 2011	General Manager, Corporate Administration Department and Human Resource Development Office of the Company		
[Reasons for selection as candidate for Director] He has served to supervise the overall management of a bank as President of Momiji Bank, Ltd., possessing knowledge and experience required for sound and appropriate operation of the Group, and as the Company has judged that he will appropriately execute the duties of Director of the Company, he has been made a candidate for Director.			

Candidate No.	Mitsuhiro Fujita (New Appointment) (Date of birth: July 31, 1954)	Number of shares of the company owned	59,700 shares
6	Years as a Director	-	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1977	Joined The Yamaguchi Bank, Ltd.	June 2009	Director and General Manager, Tokyo Headquarters of the said bank
June 1998	General Manager, Kokura Minami Branch of the said bank	June 2010	Managing Director and General Manager, Tokyo Headquarters of the said bank
October 2000	Seconded to Chimakiya Co., Ltd.		
April 2003	General Manager, Nagasaki Branch of the said bank	June 2012	Senior Managing Director, General Manager, Yamaguchi Branch and Kencho-nai Branch of the said bank
June 2004	General Manager, Credit Supervision Department of the said bank	June 2015	Senior Managing Director, The Kitakyushu Bank, Ltd.
October 2004	General Manager, Credit Supervision Department I of the said bank	June 2016	President of the said bank (present position)
June 2005	Director of the said Bank		
November 2008	Director and General Manager, Tokyo Branch of the said bank	(Status of material concurrent positions)	
		President of The Kitakyushu Bank, Ltd. (Representative Director)	
[Reasons for selection as candidate for Director] He has served to supervise the overall management of a bank as President of The Kitakyushu Bank, Ltd., possessing knowledge and experience required for sound and appropriate operation of the Group, and as the Company has judged that he will appropriately execute the duties of Director of the Company, he has been made a candidate for Director.			

Candidate No.	Hiroaki Tamura (Reappointment) (Outside) (Independent) (Date of birth: August 24, 1943)	Number of shares of the company owned	- shares
7	Years as a Director	4 years	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1966	Joined Ube Industries, Ltd.	April 2010	Chairman of the Board of Directors of Ube Industries, Ltd.
June 1997	Director of Ube Industries, Ltd.	June 2013	Director of the Company (present position)
June 1999	Managing Director of Ube Industries, Ltd.	June 2014	Senior Advisor of Ube Industries, Ltd. (present position)
June 2001	Senior Managing Executive Officer of Ube Industries, Ltd.		
October 2002	President of Cement & Construction Materials Segment, Ube Industries, Ltd.		
June 2003	Director of Ube Industries, Ltd. (Senior-Managing-Director status), Senior Managing Executive Officer		(Status of material concurrent positions) Senior Advisor of Ube Industries, Ltd. Director, Audit and Supervisory Committee Member of The Chugoku Electric Power Co., Inc. (Outside Director)
April 2005	Special Assistant to the President of Ube Industries, Ltd.		
June 2005	President & Representative Director, Executive Officer, and Group CEO of Ube Industries, Ltd.		
<p>[Reasons for selection as candidate for Outside Director] Based on advanced insights and a wealth of experience as a corporate manager fostered by serving as President & Representative Director of Ube Industries, Ltd., the Company expects that he will strengthen the effectiveness of the decision-making functions and supervisory functions of the Board of Directors of the Company by providing pertinent recommendations toward overall management taking into account local economic conditions, etc., and also further strengthen corporate governance of the Group, and thus requests his election as a Director.</p> <p>[Independence of the candidate] With respect to transactional relationships, etc., between Ube Industries, Ltd., where Mr. Hiroaki Tamura served as a business executor, and the Group, as net sales of said company resulting from transactions with the Group as a proportion of consolidated net sales and income of the Group resulting from transactions with said company as a proportion of consolidated ordinary income are each less than 1%, etc., there is no effect on his independence.</p>			

(Notes)

1. The Group banks have business transactions including deposits and loans with Ube Industries, Ltd., where Mr. Hiroaki Tamura serves as Senior Advisor. No special interests exist between the Company and other candidates.
2. Mr. Takeshi Yoshimura is scheduled to be appointed Director of Momiji Bank, Ltd. as of the conclusion of the Annual General Meeting of Shareholders of the said bank to be held on June 26, 2017.
3. Mr. Takeshi Yoshimura is scheduled to be appointed Director of The Kitakyushu Bank Ltd. as of the conclusion of the Annual General Meeting of Shareholders of the said bank to be held on June 26, 2017.
4. Mr. Hirohide Umemoto is scheduled to retire from Senior Managing Director position of The Yamaguchi Bank, Ltd. as of the conclusion of the Annual General Meeting of Shareholders of the said bank to be held on June 27, 2017.
5. Mr. Ichinari Koda is scheduled to retire from Senior Managing Director position of Momiji Bank, Ltd. as of the conclusion of the Annual General Meeting of Shareholders of the said bank to be held on June 26, 2017.
6. The Company has registered Mr. Hiroaki Tamura as Independent Director as provided for the rules of Tokyo Stock Exchange, Inc. If he is elected at this Annual General Meeting of Shareholders, he is planned to remain in office as Independent Director.
7. With respect to liabilities of Article 423, Paragraph 1 of the Companies Act, as defined in the Articles of Incorporation, the Company may conclude liability limitation agreements with Directors (excluding Executive Directors) to limit their liability for damages to the minimum limit for liability as stipulated in Article 425, Paragraph 1 of the Companies Act, provided that duties were performed in good faith and without gross negligence. If the election of Mr. Hiroaki Tamura is approved at this Annual General Meeting of Shareholders, the Company plans to conclude said liability limitation agreement with him.

Proposal 3: Election of Two (2) Directors Who Serve as Audit and Supervisory Committee Members

The term of office of Directors who serve as Audit and Supervisory Committee Members Mr. Kazuo Tsukuda and Mr. Michiaki Kunimasa will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company proposes that two (2) Directors who serve as Audit and Supervisory Committee Members be elected. This proposal has received the approval of the Audit and Supervisory Committee.

The proposal was reviewed by each Director who serves as the Audit and Supervisory Committee with no objections being raised.

The candidates for Directors who serve as Audit and Supervisory Committee Members are as follows:

Candidate No.	Name	Date of birth	Current position in the Company, etc.
1	Kazuo Tsukuda	September 1, 1943	Director, Audit and Supervisory Committee Member Reappointment Outside Independent
2	Michiaki Kunimasa	July 12, 1943	Director, Audit and Supervisory Committee Member Reappointment Outside Independent

Candidate No.	Kazuo Tsukuda (Reappointment) (Outside) (Independent) (Date of birth: September 1, 1943)	Number of shares of the company owned	- shares
1	Years as a Director	Director who serves as Audit and Supervisory Committee: 2 years Outside Director: 2 years	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
March 1968	Joined Mitsubishi Heavy Industries Ltd.	June 2015	Director, Audit and Supervisory Committee Member of the Company (present position)
June 1999	Director of Mitsubishi Heavy Industries Ltd.		
June 2002	Managing Director of Mitsubishi Heavy Industries Ltd.		(Status of material concurrent positions)
June 2003	President of Mitsubishi Heavy Industries Ltd.		Advisor of Mitsubishi Heavy Industries Ltd.
April 2008	Chairman of the Board of Mitsubishi Heavy Industries Ltd.		Director of Mitsubishi Research Institute, Inc. (Outside Director)
April 2013	Director and Advisor of Mitsubishi Heavy Industries Ltd.		Director of Keihan Holdings Co., Ltd. (Outside Director)
June 2013	Advisor of Mitsubishi Heavy Industries Ltd.		Member of the Board of Fanuc Corporation (Outside Director)
June 2013	Audit and Supervisory Board Member of the Company		
<p>[Reasons for selection as candidate for Outside Director who serves as Audit and Supervisory Committee Member] He has been conducting corporate management supervision of the Company from a fair and objective standpoint, as an Outside Director who serves as Audit and Supervisory Committee Member. Based on advanced insights and a wealth of experience as a corporate manager fostered by serving as President of Mitsubishi Heavy Industries Ltd., the Company expects that he will provide pertinent recommendations toward overall management and further strengthen corporate governance of the Company, and thus he has been made a candidate for Director who serves as Audit and Supervisory Committee Member.</p> <p>[Independence of the candidate] With respect to transactional relationships, etc., between Mitsubishi Heavy Industries Ltd., where Mr. Kazuo Tsukuda served as a business executive, and the Group, as net sales of said company resulting from transactions with the Group as a proportion of consolidated net sales and income of the Group resulting from transactions with said company as a proportion of consolidated ordinary income are each less than 1%, etc., there is no effect on his independence.</p>			

Candidate No.	Michiaki Kunimasa (Reappointment) (Outside) (Independent) (Date of birth: July 12, 1943)	Number of shares of the company owned	- shares
2	Years as a Director	Director who serves as Audit and Supervisory Committee: 2 years Outside Director: 2 years	
Brief personal profile, position and principal duty in the Company, and important concurrent positions			
April 1972	Registered with Nagoya Bar Association	April 1998	President of Chugoku Federation of Bar Associations (Retired in March 1999)
March 1974	Registered with Hiroshima Bar Association		President of Hiroshima Bar Association (Retired in March 1999)
April 1984	Vice President of Hiroshima Bar Association (Retired in March 1985)	June 2014	Audit and Supervisory Board Member of the Company
April 1998	Governor of Japan Federation of Bar Associations (Retired in March 1999)	June 2015	Director, Audit and Supervisory Committee Member of the Company (present position)
<p>[Reasons for selection as candidate for Outside Director who serves as Audit and Supervisory Committee Member] Although he has not been involved directly in corporate management, he has been conducting corporate management supervision of the Company from a fair and objective standpoint, as an Outside Director who serves as Audit and Supervisory Committee Member. Based on a wealth of experience and professional knowledge as a lawyer, the Company has judged that he will provide pertinent recommendations and further strengthen corporate governance of the Company, and thus he has been made a candidate for Director who serves as Audit and Supervisory Committee Member.</p> <p>[Independence of the candidate] As Mr. Michiaki Kunimasa does not have any contractual relationship as a legal counsel with the Company and he does not receive any remuneration other than the remuneration for Directors, there is no risk of conflict of interest with general shareholders.</p>			

(Notes)

1. The Group banks have business transactions including deposits and loans with Mitsubishi Heavy Industries Ltd., where Mr. Kazuo Tsukuda serves as Advisor. Also, the Group banks have business transactions including deposits and loans with Mr. Kazuo Tsukuda.
2. No special interests exist between Mr. Michiaki Kunimasa and the Company.
3. The Company has registered Mr. Kazuo Tsukuda and Mr. Michiaki Kunimasa as Independent Directors as provided for the rules of Tokyo Stock Exchange, Inc. If they are elected at this Annual General Meeting of Shareholders, they are planned to remain in office as Independent Directors.
4. With respect to liabilities of Article 423, Paragraph 1 of the Companies Act, as defined in the Articles of Incorporation, the Company may conclude liability limitation agreements with Directors (excluding Executive Directors) to limit their liability for damages to the minimum limit for liability as stipulated in Article 425, Paragraph 1 of the Companies Act, provided that duties were performed in good faith and without gross negligence. If the election of Mr. Kazuo Tsukuda and Mr. Michiaki Kunimasa is approved at this Annual General Meeting of Shareholders, the Company plans to conclude said liability limitation agreement with them.

Proposal 4: Determination of the Amounts of Performance-linked Bonuses for Directors

The remuneration for the current Directors (excluding Directors who serve as Audit and Supervisory Committee Members) have been approved at the 9th Annual General Meeting of Shareholders on June 26, 2015 to be a total limit of 25 million yen per month (including a total limit of 2.5 million yen per month for Outside Directors but excluding employees' salaries). In addition to such remuneration and the performance-linked stock compensation presented in Proposal 5, for the purpose of providing the Company Directors (here and hereafter with regard to this proposal, excluding Directors who serve as Audit and Supervisory Committee Members, Part-time Directors, and Outside Directors) with incentive to further contribute to the Company's performance and increase corporate value, the Company proposes to provide the performance-linked bonuses to the Company Directors based on the Company's performance-linked bonus portion within a total limit of 70 million yen per year.

The amounts of performance-linked bonuses for Directors do not include the salaries paid as employees to Directors who serve concurrently as employees.

Note that currently the Company has five (5) Directors who are eligible for the abovementioned performance-linked bonuses, but if Proposal 2 is passed as originally proposed, the Company will have six (6) Directors to whom performance-linked bonuses are provided.

Proposal 5: Determination of the Calculation Method and Details of Performance-linked Stock Compensation for Directors

1. Reasons for the proposal and reasons to consider it appropriate

At the Board of Directors meeting held on May 13, 2016, the Company resolved to introduce a new stock compensation system referred to as “Board Benefit Trust (BBT)” (hereinafter, “the System”) to Directors of the banks within the Group (The Yamaguchi Bank, Ltd., Momiji Bank, Ltd., and The Kitakyushu Bank, Ltd., hereinafter collectively “the Group banks”), excluding Directors who serve as Audit and Supervisory Committee Members, Part-time Directors, and Outside Directors of the Group banks (hereinafter “Eligible Directors”). The introduction of the System is approved at the Annual General Meeting of Shareholders of the Group banks.

This proposal requests approval to introduce the System to Directors of the Company (excluding Directors who serve as Audit and Supervisory Committee Members, Part-time Directors, and Outside Directors. Hereinafter, the same applies within this proposal unless otherwise noted.)

The aim of this proposal is to raise awareness of contributing to improvement of performance and increase of corporate value over the medium- to long-term by clarifying the interrelationship between the remuneration of Directors of the Company and the Company’s performance as well as share price, so they share with the shareholders not only the benefit of the rise in share price but also the risk of falling share price. The Company deems the details of this proposal to be appropriate for that purpose.

The proposal asks for approval for the calculation method and details of remuneration, in order to pay new stock compensation to Directors of the Company, separate from the remuneration to Directors which are approved at the 9th Annual General Meeting of Shareholders held on June 26, 2015 (a total limit of 25 million yen per month including a total limit of 2.5 million yen per month for Outside Directors but excluding employees’ salaries) and the remuneration of the performance-linked bonuses which are proposed for approval in Proposal 4. The details of the System shall be determined by the Board of Directors at its discretion, within the framework set in Item 2 below.

Note that currently the Company has five (5) Directors who are eligible for the System, but if Proposal 2 is passed as originally proposed, the Company will have six (6) Directors eligible for the System.

2. Method and details of calculating the amount of remunerations concerning the System

(1) Overview of the System

The System is a performance-linked stock compensation system in which the Company’s common shares (hereinafter “the Company shares”) are acquired through a trust using the monetary contribution from the Company. According to the Directors’ Stock Benefit Regulation stipulated by the Company and the Group banks, the Company shares and monetary benefits equivalent to the amount of the Company shares converted into the cash with the market price (hereinafter “the Company shares, etc.”) are delivered to Directors of the Company and the Eligible Directors of the Group banks through the trust in accordance with the position, the degree of achieved performance, and other factors. In principle, Directors of the Company and the Eligible Directors of the Group banks receive the Company shares, etc. at the time of their retirement. The Group banks will pay the settlement money to the Company after the Company shares, etc. were delivered to the Eligible Directors.

(2) The persons eligible to the System

The Directors of the Company and the Eligible Directors of the Group banks

(3) Trust period

From August 10, 2016 until the trust is terminated. (No specific closing date will be stipulated for the trust period of the trust, and the trust will continue as long as the System continues. The System will be terminated with events such as delisting of Company shares and abolition of the Directors' Stock Benefit Regulation.)

(4) Trust amount

When the Company introduced the System for the Eligible Directors of the Group banks, the Company contributed the funds necessary for the trust to acquire in advance for a certain period of time the number of shares reasonably expected to be needed in delivery of the Company shares, etc. in accordance with Items (6) and (7) below.

To be specific, for the three business years from the business year ended March 31, 2017 to the business year ending March 31, 2019 (hereinafter, "the Initial Subject Period"; The Initial Subject Period for Directors of the Company shall be from the business year ending March 31, 2018 to March 31, 2019,) the Company has contributed 610.44 million yen to the trust as a fund to acquire shares for delivery according to the System to the Eligible Directors of the Group banks. Although now Directors of the Company are newly eligible to the System, since the shares that have already been acquired with said 610.44 million yen will be allocated, there is no additional contribution for the delivery of the Company shares, etc. to Directors of the Company in the Initial Subject Period.

After the Initial Subject Period and until the System ends, the Company will additionally contribute up to 1,150 million yen in each three business years in principle for the subsequent three business years (hereinafter, "the Subsequent Subject Period") to the trust as a fund to acquire shares for delivery to Directors of the Company and Eligible Directors of the Group banks according to the System. However, in making such additional contributions, when there are Company shares (excluding the Company shares that are equivalent to the number of points granted to Directors of the Company and Eligible Directors of the Group banks, and that have not yet been paid to them) and cash remaining in the trust (hereinafter, "the Residual shares, etc.") on the day immediately before the start of the Subsequent Subject Period, the Residual shares, etc. will be transferred to the funds for the delivery based on the System in the subject period thereafter, and the Company will decide the amount of additional contribution taking the Residual shares, etc. into consideration. When the Company decided to make additional contribution, it will be disclosed in a timely and appropriate manner.

(5) Method of acquiring Company shares and number of the shares to acquire

The trust will acquire Company shares by using the contribution as described in Item (4) above as funds through the markets, or by undertaking the disposition of treasury share of the Company. New shares will not be issued.

Acquisition of 633,240 shares has been completed for the Initial Subject Period without delay after setting up the trust.

- (6) Detailed calculation method of the number of Company shares, etc. to be delivered to Directors of the Company and the Eligible Directors of the Group banks

The number of points determined according to the Directors' Stock Benefit Regulation by considering the position, the degree of achieved performance and other factors in the subject business year will be granted in each business year to Directors of the Company and the Eligible Directors of the Group banks.

The total number of points per business year granted to Directors of the Company and the Eligible Directors of the Group banks is limited to 320,000 points (of which, 80,000 points are for Directors of the Company). This is determined based on comprehensive consideration over current level of the Company's share price and the remuneration to Directors of the Company and the Eligible Directors of the Group banks, as well as the trend in the number of members and future prospects. The Company deems it to be appropriate.

The points granted to Directors of the Company and the Eligible Directors of the Group banks will be converted to one Company Share per point upon the delivery of the Company shares, etc. as described in (7) that follows. (However, if events such as share split, allotment of shares without contribution, reverse share split are carried out with respect to the Company shares, the conversion ratio will be adjusted reasonably according to such ratio.)

The number of points for Directors of the Company and the Eligible Directors of the Group banks, that is the basis for calculating the number of shares to be delivered, is calculated by multiplying the total number of points granted to Directors of the Company and the Eligible Directors of the Group banks by predetermined coefficient (not exceeding one (1)) set by reason of retirement (Hereinafter, the points calculated in such manner are referred to as "Confirmed Points").

- (7) Method of delivering Company shares, etc. and method of calculating amount of remunerations

If Directors of the Company and the Eligible Directors of the Group banks meet the beneficiary requirements prescribed in the Directors' Stock Benefit Regulation, they can execute after their retirement, the prescribed beneficiary determination procedure to receive benefits from the trust, in respect to the number of Company shares in accordance with the "Confirmed Points" determined pursuant to the description in Item (6) above. However, if Directors of the Company and the Eligible Directors of the Group banks meet requirements stipulated separately in the Directors' Stock Benefit Regulation, with respect to a certain percentage of the points granted to Directors of the Company and the Eligible Directors of the Group banks, instead of delivering the Company shares, the Company will pay cash equivalent to the amount calculated by converting the Company shares at the market price. It is noted that the Company may sell the Company shares from the trust in order to make cash payment.

The amount of remunerations to be paid to Directors of the Company is based on the total number of points granted to Directors of the Company multiplied by the book value per share of the Company shares held by the trust at the time of granting point. However, if share splits, allotment of shares without contribution, or reverse share splits are executed with respect to the Company shares, reasonable adjustments will be made according to such ratio. In an exceptional case where cash are granted pursuant to the provisions of the Directors' Stock Benefit Regulation and if it is deemed reasonable, the amount shall be added with such amount.

(8) Exercising voting rights

Pursuant to the trust caretaker's order, any voting right related to the Company shares in the trust account shall not be exercised. In this way, the Company intends to ensure neutrality to the management of the Company, in respect to exercise of voting rights related to the Company shares in the trust account.

(9) Handling of dividends

Dividends pertaining to the Company shares in the trust account will be received by the trust and will be used for the purchase of the Company shares and the trust fee for trustees of the trust. In the event that the trust is terminated, the dividends remaining in the trust will be paid to Directors of the Company and the Eligible Directors of the Group banks who are in office as of that time, pursuant to the provisions of the Directors' Stock Benefit Regulation.

(10) Handling at the end of trust

The trust will be terminated when the Company shares are delisted, the Directors' Stock Benefit Regulation is abolished, or other event occurs.

Of the residual assets of the trust at the end of the trust, the Company plans to cancel all of the Company shares by resolution of the Board of Directors after acquiring them without compensation. Except for the cash to be paid to Directors of the Company and the Eligible Directors of the Group banks pursuant to the above (9), cash in the residual assets of the trust at the end of the trust will be delivered to the Company.

End of document