

YMFG Medium-Term Management Plan 2013

Our Goal

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

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

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

Core Objective

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

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

Priority Measures for Achieving the Core Objective

Transforming into “One YMFG”

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

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

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

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

Achieving Mutual Prosperity between the Region and YMFG

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

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

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

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

Reinforcing the Management Foundation to Support “One YMFG”

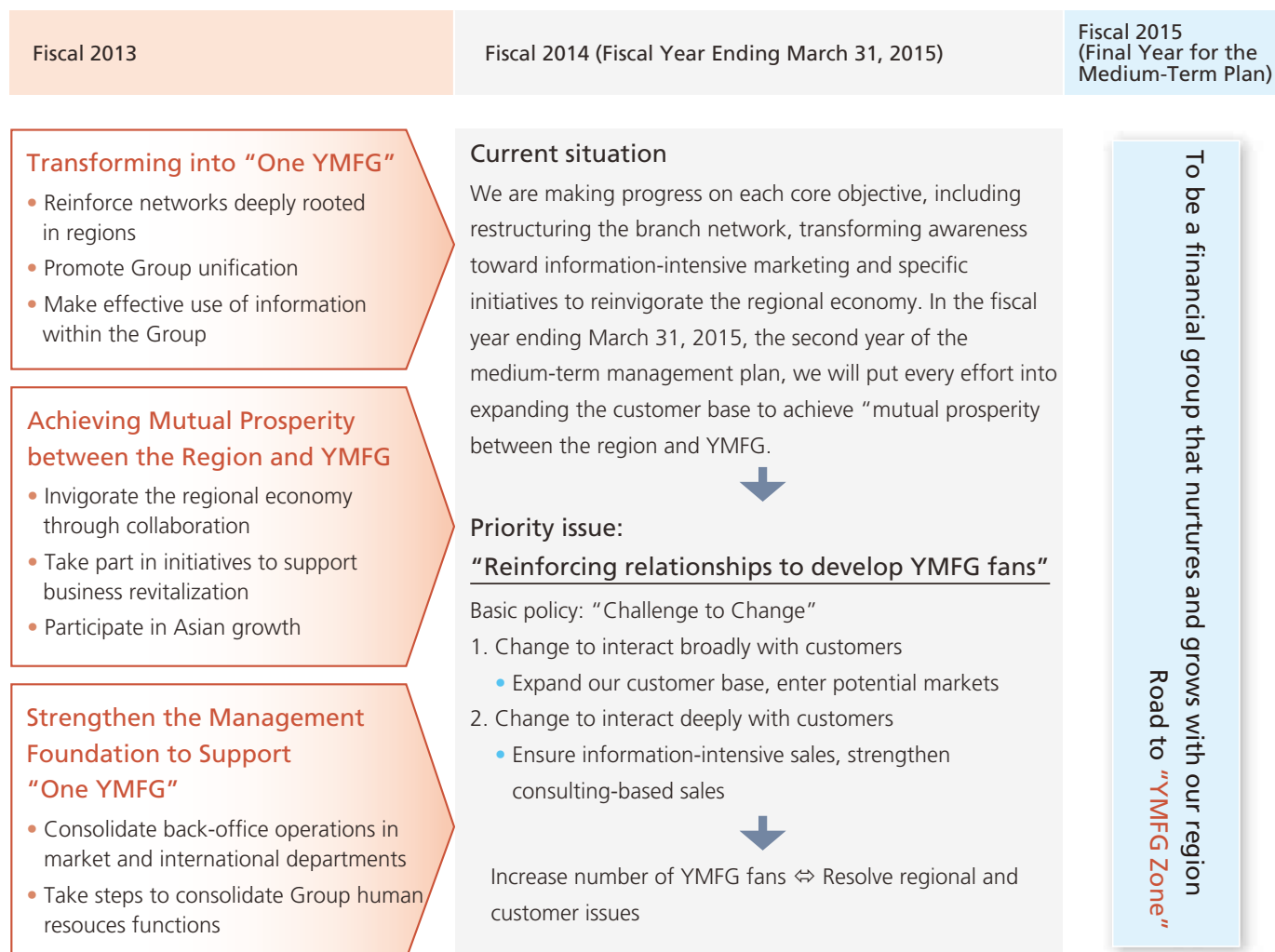
To transform ourselves into “One YMFG,” we will build a robust management foundation that can adapt to all manner of changes in the environment.

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

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

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

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



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

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

Leverage Broad Financial Network

Joint business matching fairs

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

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

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

The Yamagin Regional Enterprise Support Foundation

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

Results of fiscal 2013 initiatives

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

Provide Support via Funds

Yamaguchi Dream Creation Industry Support Fund

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

Hiroshima Innovation Network, Inc.

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

Initiatives in Growth Fields

Initiatives targeting environmental, medical and agricultural sectors

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

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

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



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

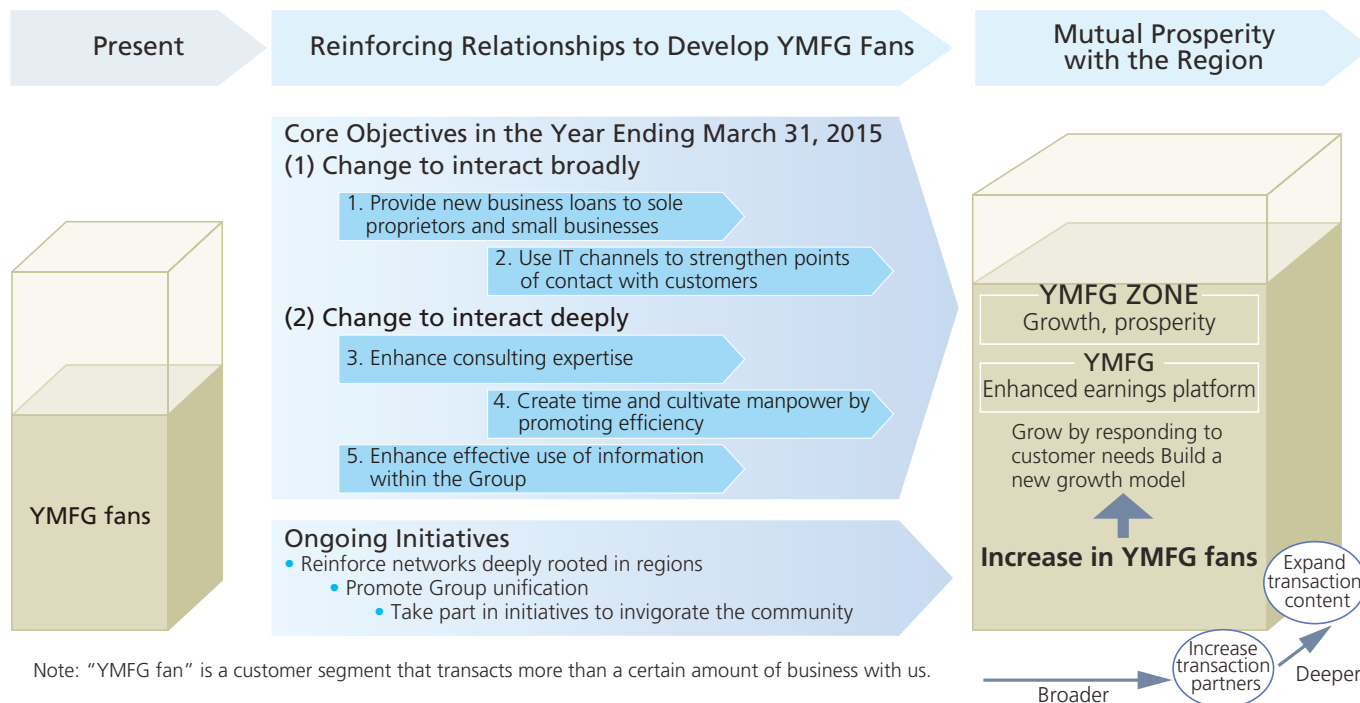
- Established: September 30, 2013
- Total fund amount: ¥3.0 billion
- Duration: 8 years (may be extended)

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

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

■ Reinforcing Relationships to Develop YMFG Fans

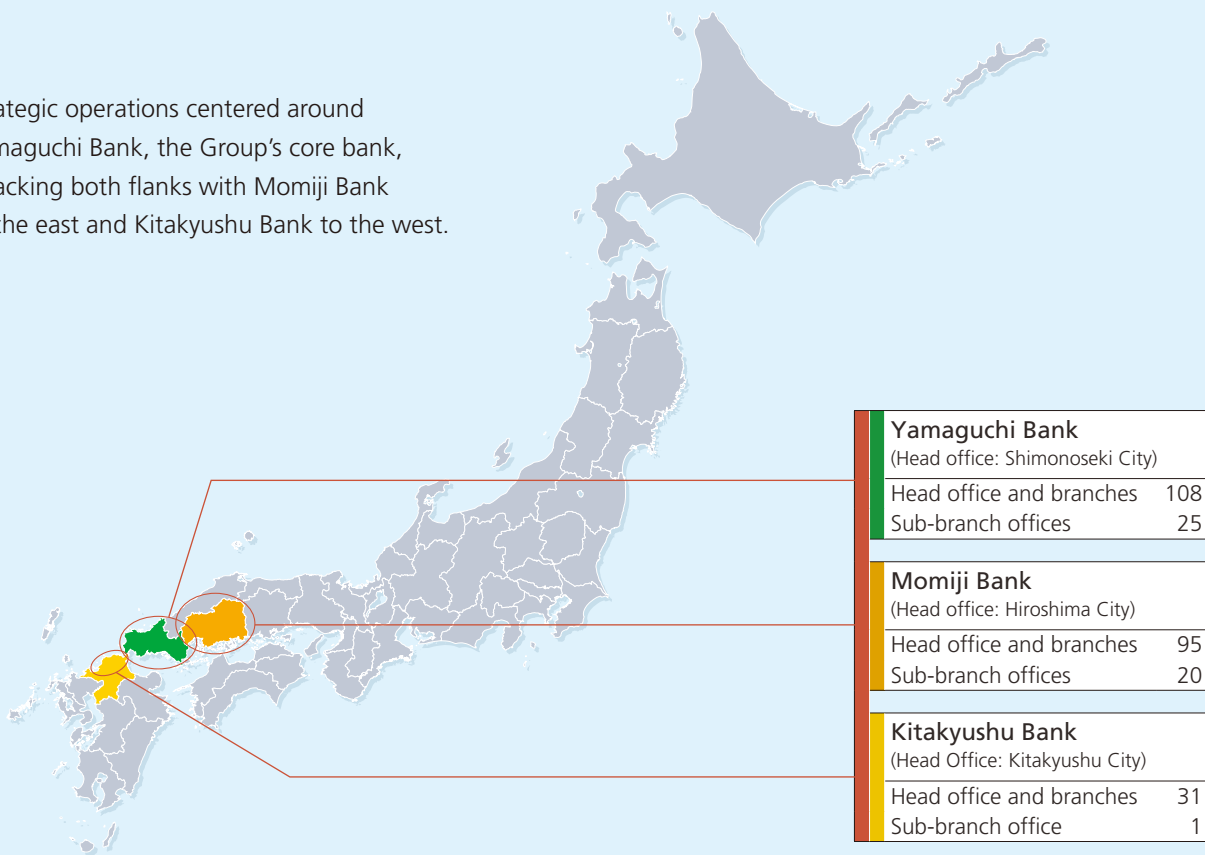
We will further accelerate our initiatives of the fiscal year ended March 31, 2014. At the same time, through five core objectives we will reinforce relationships to increase the number of YMFG fans even more. We will promote initiatives aimed at a “YMFG Zone” of prosperity with the region.



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

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

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



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

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

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

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

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

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

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

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