YMFG Notes to Consolidated Financial Statements

Years ended March 31, 2014 and 2013

1. BASIS OF PRESENTATION

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation and equity method

(1) Scope of consolidation

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

(i) 12 consolidated subsidiaries at March 31, 2014 and 2013.
The names of the consolidated subsidiaries are listed on page 1.

(ii) Six unconsolidated subsidiaries at March 31, 2014, and four at March 31, 2013.
Name of major subsidiary:
Yamaguchi Capital 2nd Investment Business Limited Liability Association
The unconsolidated subsidiaries are excluded from the scope of consolidation because their total assets, ordinary income, net income (in proportion to ownership), retained earnings (in proportion to ownership) and accumulated other comprehensive income are so immaterial that they do not hinder a rational judgment of YMFG's consolidated financial position and results of operations.

(2) Application of the equity method

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

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

(ii) As at March 31, 2014 and 2013, the four affiliates accounted for by the equity method were as follows:
YM Saison Co., Ltd.
Yamaguchi Lease Co., Ltd.
Yamaguchi Capital Co., Ltd.
Momiji Card Co., Ltd.

(iii) As at March 31, 2014, six unconsolidated subsidiaries were not accounted for by the equity method, and four at March 31, 2013.
Name of major subsidiary:
Yamaguchi Capital 2nd Investment Business Limited Liability Association

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

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

(3) The balance sheet dates of consolidated subsidiaries

The balance sheet date of consolidated subsidiaries is as follows:

March 31 12 companies

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

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

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

(5) Accounting Policies

Trading assets, trading liabilities and transactions for trading purposes

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

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

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

Securities

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

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

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

Derivatives

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

Method of hedge accounting

The subsidiaries that conduct banking business ("the Banks") apply deferred hedge accounting in accordance with "Treatments of Accounting and Audit on Application of Accounting Standard for Financial Instruments in Banking Industry"(The Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No.24). As for the hedge to offset market fluctuation, the Banks assess the effectiveness of the hedge by grouping the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. The Banks apply exceptional treatments permitted for interest rate swaps to certain assets and liabilities.

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

Allowance for loan losses

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

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

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

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

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

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

Tangible fixed assets (excluding lease assets)

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

Depreciation of tangible fixed assets of the Banks is computed by using the declining-balance method except for buildings (excluding fixtures) acquired after March 31, 1998, which are depreciated using the straight-line method.

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

Buildings: 7 to 50 years

Others: 3 to 15 years

Other consolidated subsidiaries depreciate their tangible fixed assets using mainly the declining-balance method over the useful lives of the respective assets provided by the tax act in Japan.

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

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

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

Intangible fixed assets (excluding lease assets)

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

Lease assets

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

Accounting for certain lease transactions

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

Income taxes

Income taxes comprise corporate, enterprise and inhabitant taxes. The Group recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

Foreign currency translation

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

Provision for bonuses

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

Method of accounting for retirement benefits

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

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

Provision for directors' retirement benefits

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

Provision for loss on interest repayment

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

In accordance with "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments," issued by JICPA in 2006, the amount of such provision is rationally estimated and booked based on actual historical repayment claims by debtors.

Provision for reimbursement of deposits

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

Provision for customer point services

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

Reserves under special laws

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

Amounts per share of common stock

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

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

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

Amortization of goodwill

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

Consumption tax

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

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

Adoption of Consolidated Tax Payment System

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

Changes in Accounting Principles

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

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

YMFG adopted the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) from the fiscal year ended March 31, 2014. This adoption had no impact on the consolidated financial statements.

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

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

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

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

Accounting Standards Not Applied

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

(i) Overview

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

(ii) Effective Dates

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

(iii) Effects of Adoption of the Accounting Standard

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

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

(i) Overview

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

(ii) Effective Dates

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

(iii) Effects of Adoption of the Accounting Standard

The Group is currently evaluating the effects.

"Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Dec. 25, 2013)
(i) Overview
This standard clarifies the practical treatment of transactions of delivering the company stock to employees or employee stock ownership plans through trusts.
(ii) Effective Dates
The accounting standard will be applied to the Group's consolidated financial statements from the beginning of the fiscal year commencing April 1, 2014.
(iii) Effects of Adoption of the Accounting Standard
The Group is currently evaluating the effects.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS AND CASH EQUIVALENTS

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

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2014 and 2013 were as follows:

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

4. FINANCIAL INSTRUMENTS

Items pertaining to the status of financial instruments
(1) Policies on financial instruments
YMFG provides community-based integrated financial services centered on the banking business and including the securities and credit card businesses. Accordingly, the Group is subject to a variety of risks, including credit risk, market risk and liquidity risk. Due to changes in economic, social and financial conditions, these risks have grown more diverse and complex. Under these conditions, the Group considers strengthening its risk management structure as a priority issue. To maintain and enhance the soundness of its operations, YMFG has created groupwide risk management regulations, which clarify the Group's fundamental stance on risk management.
(2) Content and risks of financial instruments
Of financial assets held by the Group, principally loans and bills discounted extended to business partners are subject to the credit risk of breach of contract. The Group holds securities, principally debt securities, equity securities and investment trusts, for trading purposes, for holding to maturity, for purely investment purposes and to promote positive business relations. These securities are subject to issuer credit risk, interest rate fluctuation risk and market price fluctuation risk.

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

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

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

With regard to use of hedge accounting, the Group applies deferred hedge accounting after it ensured in advance that the established conditions are satisfied. As for hedging methods, the Group employees portfolio hedge where certain group of assets with similar risk is identified and such risk is hedged comprehensively. In addition, for certain individual hedge and interest swap contracts, exceptional treatments are applied as permitted under Japanese generally accepted accounting principles. Under the exceptional treatment, hedging instruments are treated as off-balance items and not re-measured at fair value. Net receipts or payments related to the swap contracts are recognized and included in interest expense or income.

(3) Risk management structure related to financial instruments

(i) Management of credit risk

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

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

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

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

(ii) Management of market risk

Qualitative information on the management of market risk

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

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

Quantitative information on the management of market risk

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

As of March 31, 2014, the market risk (estimated loss amount) of Yamaguchi Bank was ¥63,526 million ($617 million), the market risk (estimated loss amount) of Momiji Bank was ¥18,079 million ($176 million) and the maket risk (estimated loss amount) of Kitakyushu Bank was ¥11,439 million ($111 million). Also, as of March 31, 2013, the market risk (estimated loss amount) of Yamaguchi Bank was ¥62,592 million, the market risk (estimated loss amount) of Momiji Bank was ¥22,930 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥9,445 million.

Assumptions used in calculating VaR include a holding period of three months (however, one year for a holding period for shares held for the purpose of strategic investment), a confidence interval of 99.9% and an observation period of five years.

Yamaguchi Bank, Momiji Bank and Kitakyushu Bank conduct back-testing to compare the VaR calculated by the model with the actual losses. Based on the results for the year ended March 31, 2014, the measurement model is considered to have captured market risk to an acceptable degree of accuracy. However, as measurements of market risk employ certain probabilities of occurrence which is statistically calculated on the basis of historical market fluctuations, it is possible that this method may not adequately capture market risk in the event of sudden changes in the market environment outside the normally expected scope.

(iii) Management of liquidity risk related to fundraising

The majority of funds is raised through deposits, which constitute a stable base for procuring funds. The Group manages funds on the basis of elaborate forecasts, confirming cash flows primarily through cash controls in financial markets.

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

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

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

Items pertaining to the fair value of financial instruments

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

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

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

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

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

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

(1) Assets

(i) Cash and due from banks

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

(ii) Call loans and bills purchased

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

(iii) Money held in trust

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

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

(iv) Securities

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

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

As of March 31, 2013, the fair value of floating-rate Japanese government bonds was determined after taking market conditions into consideration. If the Group continuously determined that conditions were such that market prices of floating-rate Japanese government bonds were not fair value, the fair values of securities in question were determined in accordance with the "Practical Solution on Measurement of Fair Value for Financial Assets" (ASBJ PITF No. 25, October 28, 2008), calculated on a rational basis and recorded on the consolidated balance sheet at the end of the fiscal year. Consequently, on the consolidated balance sheet as of March 31, 2013, securities had increased by ¥1,373 million, deferred tax assets had decreased by ¥356 million, deferred tax liabilities had increased by ¥130 million and the unrealized gains on available-for-sale securities had increased by ¥887 million compared with the market prices indicated by their consolidated balance sheet amounts.

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

(v) Loans and bills discounted

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

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

With regard to loans to legally bankrupt obligors, substantially bankrupt obligors or obligors who are in danger of bankruptcy, the estimated collectible amount is based on either the present value of estimated future cash flows or the expected amounts recoverable from the disposal of collateral and/or under guarantees. As the fair value is essentially equivalent to the amount after deducting the allowance for possible loan losses from the book value as of the consolidated balance sheet date, this amount is taken as fair value.

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

(2) Liabilities

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

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

(iii) Bonds payable

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

(3)Derivative transactions

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

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

(Note 2) The consolidated balance sheet amounts of financial instruments for which market prices are not readily available

Financial instruments for which market prices are not readily available are not included in "Assets (4) Available-for-sale securities."

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

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

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

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

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

	Millions of yen				
	2014				
	Within one year	More than one year and within three years	More than three years and within five years	More than five years and within seven years	More than seven years
(1) Due from banks	**¥819,863**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
(2) Call loans and bills purchased	**315,198**	**—**	**—**	**—**	**—**
(3) Securities	**102,685**	**522,639**	**644,212**	**189,964**	**411,702**
Held-to-maturity debt securities	**260**	**1,139**	**692**	**—**	**1,080**
Japanese government bond	**—**	**—**	**—**	**—**	**—**
Corporate bond	**260**	**470**	**692**	**—**	**580**
Others	**—**	**669**	**—**	**—**	**500**
Available-for-sale securities with maturities	**102,425**	**521,500**	**643,520**	**189,964**	**410,622**
Japanese government bond	**26,716**	**139,128**	**216,876**	**64,575**	**126,004**
Local government bond	**7,976**	**19,262**	**3,345**	**3,631**	**10,157**
Corporate bond	**58,230**	**335,503**	**328,065**	**100,976**	**260,711**
Others	**9,503**	**27,607**	**95,234**	**20,782**	**13,750**
(4) Loans and bills discounted (*)	**2,040,816**	**1,148,253**	**819,357**	**502,276**	**1,453,431**
Total	**¥3,278,562**	**¥1,670,892**	**¥1,463,569**	**¥692,240**	**¥1,865,133**

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

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

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

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

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

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

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

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

5. SECURITIES

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

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

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

6. FAIR VALUE INFORMATION

Securities

The following tables summarize book values, fair value and acquisition cost of securities with available fair values as of March 31, 2014 and 2013:

(a) Trading securities

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

(b) Held-to-maturity debt securities:

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

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

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

(c) Available-for-sale securities

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

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

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

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

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

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

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

(Reason for sale)

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

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

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

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

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

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

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

Impairment losses on securities

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

During the fiscal year ended March 31, 2014, impairment losses totaled ¥113 million ($1 million) (of which, ¥113 million ($1 million) on equity securities) and during the fiscal year ended March 31, 2013, impairment losses totaled ¥3,225 million (of which, ¥3,225 million on equity securities). The basis for determining whether the market value has fallen significantly is as follows.

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

Money held in trust

Information on money held in trust as of March 31, 2014 and 2013 is as follows:

(a) Money held in trust classified as trading purposes
There are no corresponding amounts as at March 31, 2014 and 2013

(b) Money held in trust classified as held-to-maturity
There are no corresponding transactions as at March 31, 2014 and 2013.

(c) Other money held in trust

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

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

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

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

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

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

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

Derivatives

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

(a) Interest-rate-related:

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

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

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

(b) Currency-related:

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

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

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

(c) Stock-related:

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

(d) Bond-related:

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

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

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

(e) Commodity-related:

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

(f) Credit-derivatives:

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

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

(a) Interest-rate-related:

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

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

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

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

(b) Currency-related:

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

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

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

(c) Stock-related:
There were no stock-related transactions at March 31, 2014 and 2013.

(d) Bond-related:
There were no bond-related transactions at March 31, 2014 and 2013.

7. LOANS AND BILLS DISCOUNTED

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

(1) Loans to borrowers in bankruptcy amounting to ¥25,936 million ($252 million) and ¥27,087 million denote loans subject to Article 96-1-3 and 96-1-4 of "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 of 1965) on which interest accrual has stopped as there is doubt about the collectability of either principal or interest because they have been contractually past due for a considerable period of time or for other reasons.

(2) Other delinquent loans amounting to ¥91,479 million ($889 million) and ¥103,588 million denote loans on which the Banks have stopped accruing interest excluding loans to borrowers in bankruptcy and loans on which interest payments are deferred in order to promote recovery of borrowers in economic difficulty.

(3) Loans past due for three months or more amounting to ¥448 million ($4 million) and ¥1,174 million denote loans where payment of interest or principal has been delayed for three months or more excluding loans to borrowers in bankruptcy and other delinquent loans.

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

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

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

Commercial bills

Bills discounted are accounted for as financing transactions in accordance with the Industry Audit Committee Report No. 24 of the JICPA, although the Banks have the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥47,896 million ($465 million) at March 31, 2014 and ¥50,502 million at March 31, 2013.

Loan participation

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

8. COMMITMENT LINES

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

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

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

9. PLEDGED ASSETS

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

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

The collateral was pledged to secure the following:

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

In addition, securities not included in the above schedules were pledged as collateral for operating transactions, such as foreign exchange contracts and forward exchange contracts. These securities amounted to ¥106,203 million ($1,032 million), cash and due from banks ¥3 million ($29 thousand) and net other assets ¥1,201 million ($12 million) including security deposits of ¥2,997 million ($29 million) at March 31, 2014. The corresponding figures at March 31, 2013, were ¥111,629 million, ¥3 million and ¥1,191 million, including security deposits of ¥2,579 million.

10. ACCUMULATED DEPRECIATION

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

11. IMPAIRMENT LOSSES

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

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

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

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

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

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

12. BORROWED MONEY

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

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

13. BONDS PAYABLE

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

14. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

For the year ended March 31, 2014

Overview of severance payments and pension plans

Some consolidated subsidiaries employ funded and unfunded defined benefit and defined contribution plans as employee retirement benefits.

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

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

Defined benefit plans

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

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

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

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

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

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

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

(4) **Retirement benefit costs and their breakdowns**

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

* Excludes employee contribution portion of defined benefit corporate pensions

(5) **Remeasurements of defined benefit plans**

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

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

(6) **Plan assets**

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

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

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

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

(Corporate pensions)

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

(Retirement benefit trusts)

Past dividend performance is converted to yield.

(7) **Basis of actuarial calculation**

The basis of actuarial calculations as of March 31, 2014

(i) Discount rate: 1.5%–2.0%

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

Defined contribution plans

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

For the year ended March 31, 2013

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

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

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

(Note 1) Excludes premium retirement benefits paid in extraordinary circumstances.
(Note 2) Certain consolidated subsidiaries employ a simplified method of calculating retirement benefit obligations.

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

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

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

The summary of assumptions is as follows:

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

15. REVALUATION RESERVE FOR LAND

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

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

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

16. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

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

17. OTHER EXPENSES

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

18. LEASE TRANSACTIONS

1. Finance lease transactions
(1) Finance lease transactions that do not transfer ownership
(i) Content of lease assets
Tangible fixed assets
Mainly office equipment
Intangible fixed assets
Software
(ii) Depreciation method for lease assets
As described in “Lease assets under” (5) Accounting Policies, in “2. SIGNIFICANT ACCOUNTING POLICIES.”
(2) The Banks and other consolidated subsidiaries lease certain equipment under noncancelable finance leases. Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the year ended March 31, 2014 and 2013 were as follows:

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

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

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

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

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

At March 31, 2013

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

2. Operating leases

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

At March 31, 2014

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

At March 31, 2013

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

19. INCOME TAXES

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

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

2. Significant differences between the statutory effective tax rate and the actual income tax rate after application of deferred income tax accounting for the year ended March 31, 2014 and 2013 were as follows:

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

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

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

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

20. NET ASSETS

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

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

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

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

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

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

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

21. CHANGES IN NET ASSETS

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

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

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

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

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

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

*1 The increase in the number of shares is a result of the acquisition of shares of less than a single trading unit.
The decrease in the number of shares is due to the sale of 622 thousand shares to the Group employees' shareholding plan, 19 thousand shares due to the exercise of stock options, and the transfer through the sale of 2 thousand shares in response to demand for the purchase of fractional shares.

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

2. Information on dividends is as follows:

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

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

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

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

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

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

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

(b) Dividends to be paid in the fiscal year ending March 31, 2015 and fiscal year ended March 31, 2014 are as follows:

(Millions of yen, except per share amount)

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

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

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

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

22. STOCK OPTIONS

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

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

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

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

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

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

Note: Stated as the equivalent number of shares.

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

Note: Stated as the equivalent number of shares.

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

(a) Number of stock options

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

(b) Price information

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

4. Method of estimating the fair value of stock options

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

(a) Valuation method employed: Black-Scholes method

(b) Main base figures and estimation method

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

*1 Calculated on the basis of stock price performance during a period (August 2009 to July 2013) corresponding to the expected number of years remaining (3.92 years).
*2 The number of remaining years in service of current directors is estimated on the basis of the average number of years of service of directors retiring, excluding the current service period.
*3 Based on the actual dividend for the fiscal year ended March 31, 2013.
*4 Japanese government bond yields for the expected number of years remaining.

5. Method for estimating the number of rights determined for stock options

Due to the difficulty of rationally estimating the future number of rights that will expire, in general a method is employed that reflects only the number of rights that have actually expired.

23. INVESTMENT AND RENTAL PROPERTY

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

24. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

25. SEGMENT INFORMATION

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

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

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

26. RELATED PARTY TRANSACTIONS

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

27. PER SHARE DATA

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

Net assets per share are calculated based on the following:

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

Net income per share is calculated based on the following:

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

28. SUBSEQUENT EVENTS

For the year ended March 31, 2014

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

For the year ended March 31, 2013

1. Acquisition and Cancellation of Preferred Stock

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

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

2. Redemption of Callable Unsecured Debt Prior to Maturity

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

(1) Name of issue for early redemption
Yamaguchi Financial Group Inc. No. 3 Redemption of Callable Unsecured Debt Prior to Maturity (Subordinated)

(2) Early redemption amount
¥20,000 million

(3) Early redemption price
¥100 for each ¥100 of face value

(4) Scheduled date for early redemption
August 5, 2013

(5) Method of providing redemption funds
Borrowings from Momiji Bank

(6) Annual reduction in interest expense due to redemption
¥226 million