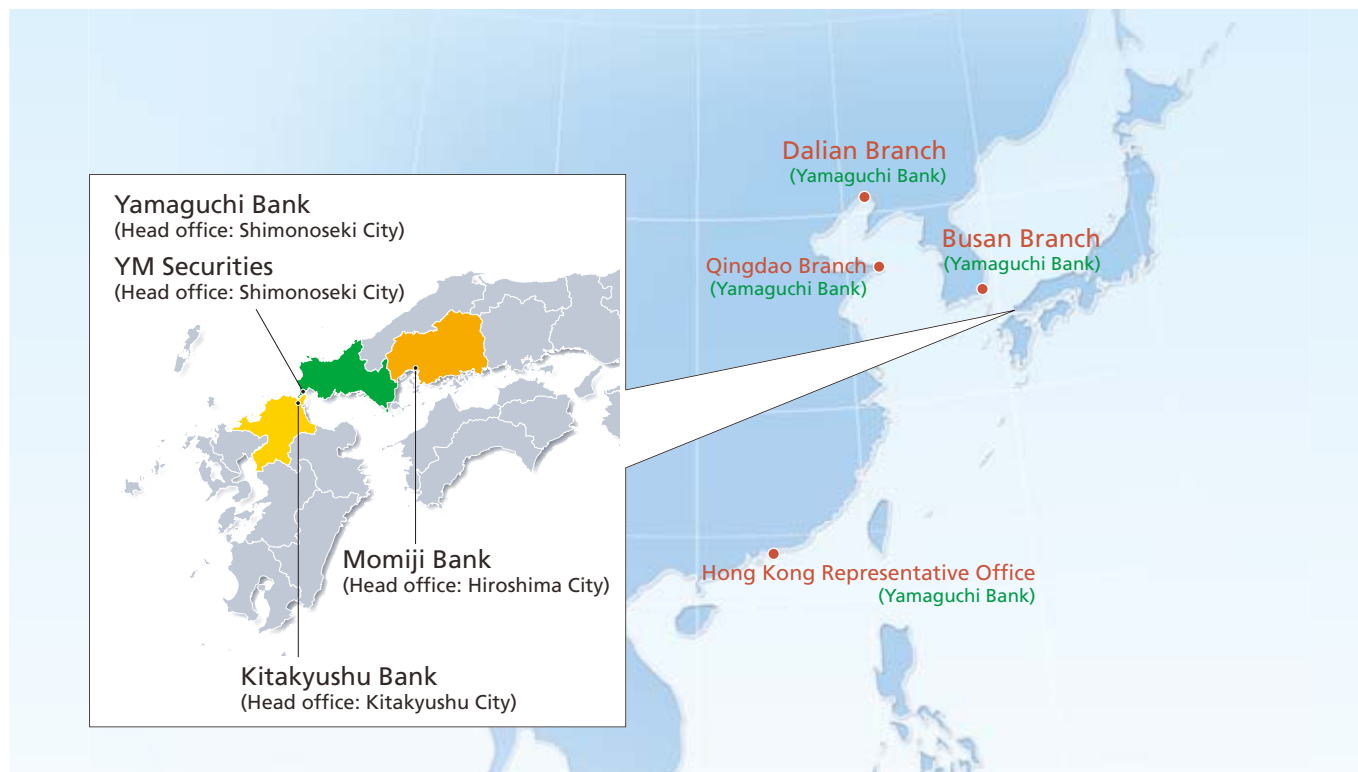


To be a financial group that nurtures and grows with our region



YMFG Networks



● Yamaguchi Bank

Networks in Japan: 134 (109 head office and branch offices, 25 sub-branch offices)
Networks in overseas: 4 (3 branch offices, 1 representative office)



● Momiji Bank

Networks in Japan: 114 (96 head office and branch offices, 18 sub-branch offices)



● Kitakyushu Bank

Networks in Japan: 34 (33 head office and branch offices, 1 sub-branch office)



● YM Securities

Networks in Japan: 18 offices

Contents

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Disclaimer Regarding Forward-Looking Statements

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

YMFG Financial Highlights (For the fiscal year ended March 31, 2015)

¥10
trillion

Total Assets (Consolidated)

We reached total assets of ¥10 trillion, a goal we have had since our establishment.

¥30
billion

Net Income (Consolidated)

Net income was down ¥0.7 billion year on year, to ¥30.5 billion.

¥9
trillion

Deposit Balance (Three Banks)

Liquid deposits and time and savings deposits both rose favorably.

¥6
trillion

Balance of Loans (Three Banks)

Principal contributors to the increase were rises in housing loans and loans to regional government bodies.

13.43
%

Capital Ratio (Basel 3) (Consolidated)

This represented a year-on-year increase of 0.74 percentage point.

11.73
%

Tier 1 Ratio (Basel 3) (Consolidated)

This ratio was up 0.63 percentage point.

1.84
%

Non-Performing Loan Ratio (Three Banks)

Our non-performing loan ratio improved substantially, dropping by 0.47 percentage point.

A
(Stable)
R & I

Credit Rating (YMFG)

Date of rating announcement: June 30, 2014

Message from the President



Strengthening the Group's management base, bolster operating performance and contribute to the region

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

This annual report provides an overview of the Group and its business results for the fiscal year ended March 31, 2015, and is designed to help you understand more about YMFG.

In line with their mission of contributing to regional economic development, regional financial institutions face vigorous requests to deliver stronger financial soundness and profitability, supply funding more flexibly and further enhance their financial services. Amid these conditions, supported by its shareholders and business partners all YMFG's officers and employees were united in their efforts to strengthen the Group's management base, bolster operating performance and contribute to the region.

In accordance with our aim of being a financial group with strong operations in Asia, in March 2015 we signed a memorandum of understanding involving a business tie-up with Vietcombank, a leading bank in Vietnam. This move was part of our ongoing measures to further enhance our Asian network.

In March 2015, we issued \$300 million in US dollar-denominated convertible bonds to meet the dollar funding needs of customers conducting business overseas.

Moving forward, we will continue working to provide overseas business opportunities to our

clients, support their funding needs and augment our consulting function.

The fiscal year ended March 31, 2014, marked the start of "YMFG Medium-Term Management Plan 2013." In the fiscal year ended March 31, 2015, the second year for this plan, we strengthened regional relations as a financial group comprising three banks: Yamaguchi Bank, Momiji Bank and Kitakyushu Bank. In collaboration with YM Securities, YM Consulting and other Group companies, we are working together to leverage our comprehensive Group strengths as "One YMFG."

In the fiscal year ending March 31, 2016, the final year of our medium-term management plan, we will undertake a variety of measures to bring the plan to completion.

We will do our utmost to foster relationships of mutual prosperity among the region, our customers and the YMFG Group as we work to invigorate the region by providing diverse financial services.

We look forward to your continued patronage and support.

August 2015

A handwritten signature in black ink that reads "K. Fukuda". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Koichi Fukuda
President

Yamaguchi Financial Group, Inc.

Establishing a New Company Dedicated to Regional Revitalization —YMFG ZONE PLANNING—

YMFG has established an entirely new company, YMFG Zone Planning (“YM-ZOP”), dedicated to regional revitalization. Operating throughout YMFG’s business area (the “YMFG Zone”), the new company will promote new directions in business, focusing in particular on utilizing the strength of the private sector.

Linking the regional relationships, expertise and Group networks possessed by Group companies, particularly Yamaguchi Bank, Momiji Bank and Kitakyushu Bank, the new company will strive to address broad-ranging issues, including those related to the region, economic layout and business environment.

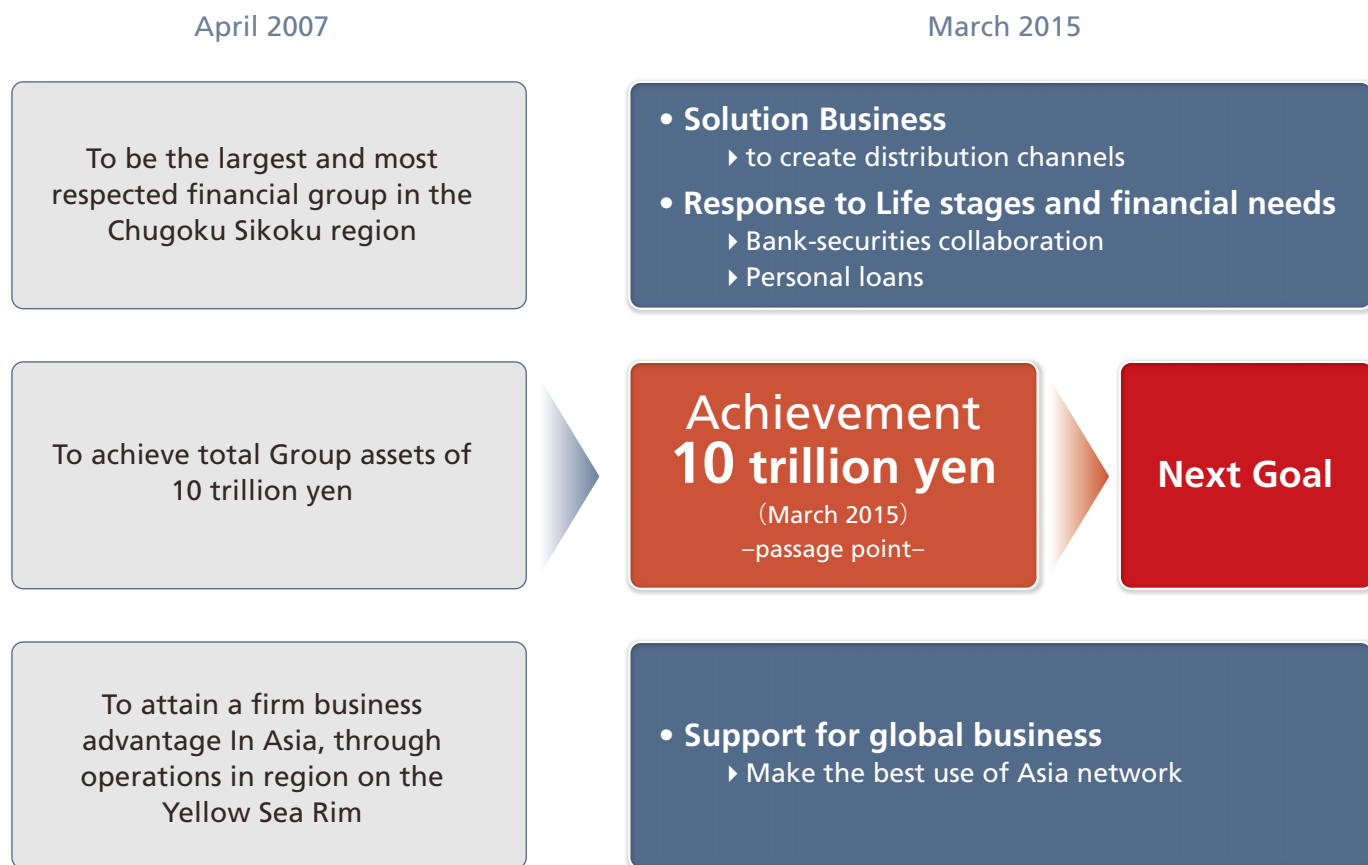
Five Pillars of Business



Goals, Strategies and Achievements

Three Goals — Group strategies

- We formulated our first plan (the First Medium-Term Management Plan) in October 2006, at the time of YMFG's establishment. The Group's vision aligned with this plan is as described below.
 - Management policy: Maintain a sound and proactive enterprising spirit
 - Slogan: Look to a future that extends beyond our region
 - Goals: The three goals outlined below
- ◆ We are preparing our next medium-term management plan (for fiscal 2016–2018) as a milestone marking YMFG's 10th anniversary of establishment in fiscal 2016.



Succeeding as a Frontrunner through a Management Merger

- YMFG was formed in October 2006 through the first management merger of regional banks in adjoining prefectures.
- We have made steady progress on clearing the hurdles related to the integration of our people, physical items and money.

Human resources

Personnel systems

Employee integration

- Commence personnel exchanges (headquarters organization)
- Unify personnel system platforms
- Conduct joint training for new employees of the three banks
- Commence personnel exchanges (operating branches)

Unified Group personnel systems in 2016

- Integrate personnel systems
- Unify employment at YMFG

Physical items

Restructuring of branch networks

Reorganization of Group companies

- Consolidate branches in overlapping areas
(Centered on Momiji Bank in Yamaguchi Prefecture)
(Centered on Yamaguchi Bank in Hiroshima Prefecture)
- Proactively open new branches in strategic regions
(Kitakyushu Bank, Yamaguchi Bank Toyosu Branch)
- Revise capital relationships among Group companies
➔ All under direct control of the holding company
(Reinforce holding company's internal control function and strengthen operating relationships)

Money

Commonalize systems

Amortize consolidated goodwill

- Depreciate systems commonization
Completed in 2015 for Yamaguchi Bank, in 2016 for Momiji Bank and Kitakyushu Bank

Notes: In addition to integrating the core systems, this combination included the integration of peripheral systems (operating office networks, ATMs, data centers, etc.)
Going forward, we will consider integrating financing systems and terminals.

- Amortize goodwill
Complete in the fiscal year ending March 31, 2017

We have cleared the hurdles to management integration, and are now at the stage where we can benefit from the merger.

➔YMFG moves on to the next phase

Our Goal

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

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

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

Core Objective

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

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

Priority Measures for Achieving the Core Objective

Transforming into “One YMFG”

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

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

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

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

Achieving Mutual Prosperity between the Region and YMFG

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

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

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

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

Reinforcing the Management Foundation to Support “One YMFG”

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

YMFG Forecast for the Fiscal Year Ending March 31, 2016

- We expect total income to fall and other income and profit categories to increase during the fiscal year ending March 31, 2016. One positive factor for profits is expected to be a decrease in expenses (reduced system costs, etc.).
- In the final year of our medium-term management plan (2013–2016), we expect consolidated ordinary profits for the YMFG Group to amount to ¥50.0 billion, up ¥2.6 billion year on year. We also anticipate profit attributable to owners of parent of ¥31.5 billion, up ¥1.0 billion.

(Billions of yen)

YMFG (Consolidated)			
	Fiscal Year Ending March 31, 2016	Year-on-Year Change	Compared with Medium- Term Management Plan
Total income	156.0	(3.0)	—
Business profits from core operations	34.5	3.1	(8.5)
Ordinary profits	50.0	2.6	8.5
Profit attributable to owners of parent	31.5	1.0	6.5

Yamaguchi Bank (Non-Consolidated)		
	Fiscal Year Ending March 31, 2016	Year-on-Year Change
Total income	79.5	(5.5)
Business profits from core operations	26.6	4.1
Ordinary profits	35.0	3.7
Profit attributable to owners of parent	23.5	3.4

Momiji Bank (Non-Consolidated)		
	Fiscal Year Ending March 31, 2016	Year-on-Year Change
Total income	48.5	(3.1)
Business profits from core operations	8.4	(0.9)
Ordinary profits	14.5	(0.9)
Profit attributable to owners of parent	10.0	(0.6)

Kitakyushu Bank (Non-Consolidated)		
	Fiscal Year Ending March 31, 2016	Year-on-Year Change
Total income	14.5	0.5
Business profits from core operations	2.2	0.3
Ordinary profits	3.0	0.0
Profit attributable to owners of parent	2.0	0.5

Note: Figures have been rounded off below the stated amounts.

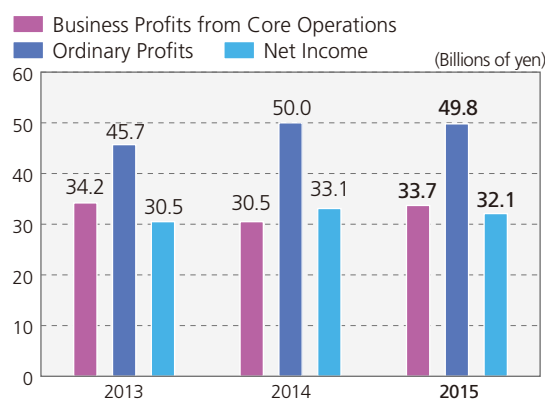
Performance Highlights (YMFG)

Performance during the fiscal year ended March 31, 2015

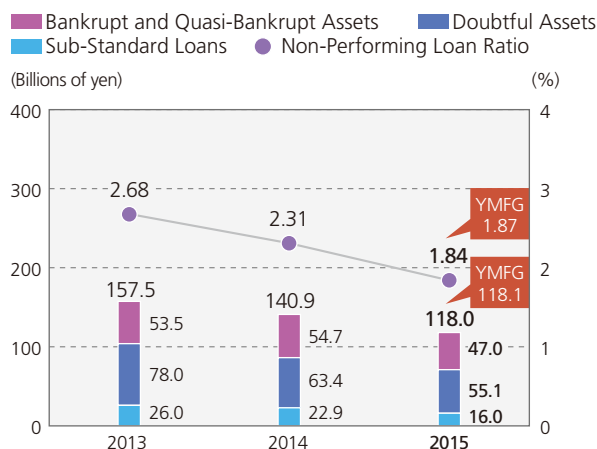
Business Profits from Core Operations/ Ordinary Profits/Net Income (Three Banks)

Business profits from core operations increased ¥3.2 billion year on year, to ¥33.7 billion. This outcome stemmed from higher interest income and a decrease in expenses compared with the previous fiscal year.

Ordinary profits decreased ¥0.2 billion, to ¥49.8 billion, and net income amounted to ¥32.1 billion.

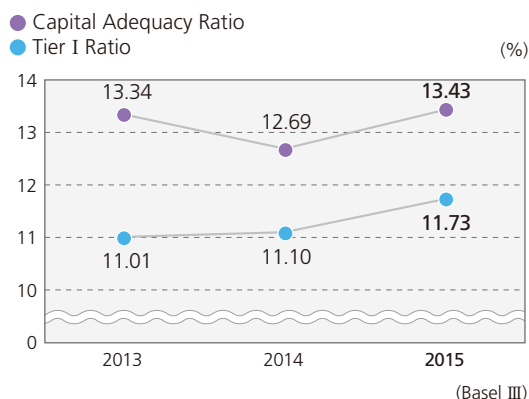


Non-Performing Assets Based on the Financial Revitalization Law (Three Banks)



Capital Adequacy Ratio (YMFG)

YMFG's consolidated capital adequacy ratio (uniform international standard) under Basel III was 13.43%. The total Tier 1 capital adequacy ratio was 11.73%, and consolidated common equity Tier I capital adequacy ratio was 11.73%.



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

Euro-dollar convertible bonds issued (Mar. 2015)

- Amount \$300 million
- Maturity 5 years
- Coupon Three-month U.S. dollar LIBOR -0.5% (however, with 0% as minimum)
- Objective

To meet the growing needs of the Group's corporate customers as they move into overseas markets and expand their businesses and transactions overseas, YMFG aims to augment its foreign-denominated lending. We have issued these convertible bonds to facilitate stable U.S. dollar fundraising.

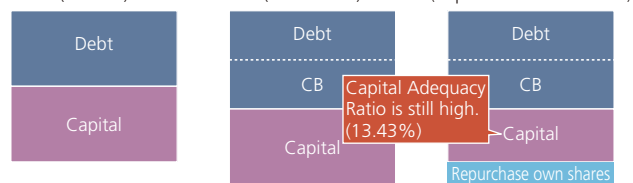
By attaching contingent conversion and call conditions, we aim to restrain convertibility to common stock, thereby providing a debt product that gives ample consideration to existing shareholders. Rather than being zero-coupon, the bonds have a variable interest rate to further restrain potential dilution.

Purchase of treasury stock (Mar. 2015)

- Amount 10 million shares
- Objective

To offset the impact of dilution by raising capital efficiency.

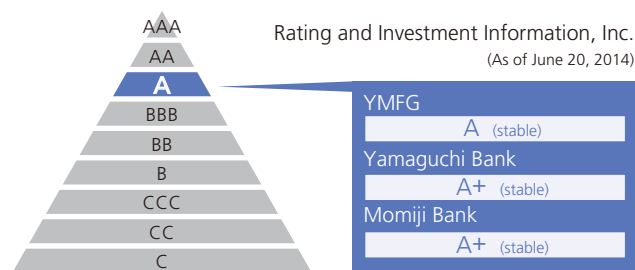
Diagram of scheme (Before)



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

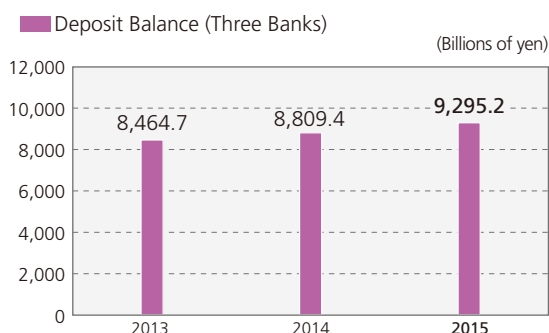
Ratings for YMFG, Yamaguchi Bank and Momiji Bank

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



Deposit Balance (Three Banks)

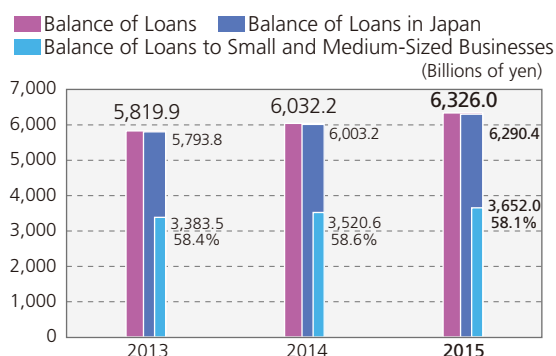
The total deposit balance at term-end was ¥8,522.7 billion, or ¥9,295.2 billion including Negotiable Certificates of Deposit (NCDs). This came about because of the expansion of products and services and steady marketing efforts based on solid community relationships.



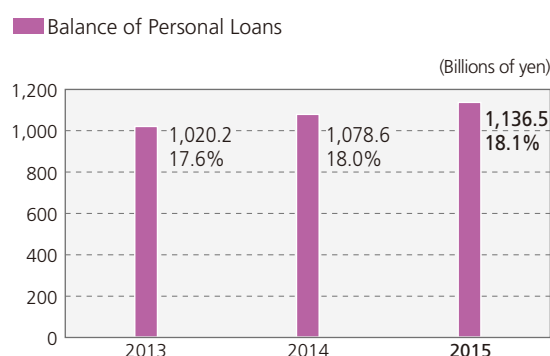
Note: The deposit balance includes the NCD balance.

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

The balance of loans at term-end was ¥6,326.0 billion, as a result of active efforts to live up to the trust placed in us by our customers by meeting healthy demand for funds.



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



Dividend Policy (YMFG)

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

In the year ended March 31, 2015, the dividend per share at term-end was ¥7. Combined with the interim dividend of ¥7 per share, the full-year dividend amounted to ¥14 per share.

	FY2012	FY2013	FY2014	FY2015 (Forecast)
Annual dividend per share (Interim dividend)	12.0 (6.0)	13.0 (6.0)	14.0 (7.0)	15.0 (7.0)

(Yen)

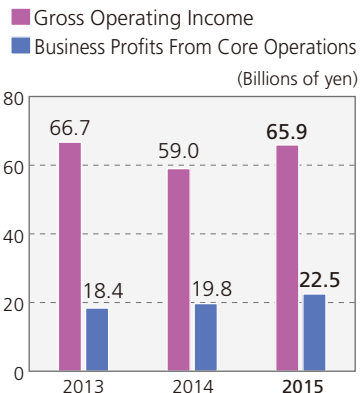
Expected Performance for the Fiscal Year Ending March 31, 2016 (YMFG)

YMFG aims to achieve its consolidated ordinary profits of ¥50.0 billion and profit attributable to owners of parent of ¥31.5 billion.

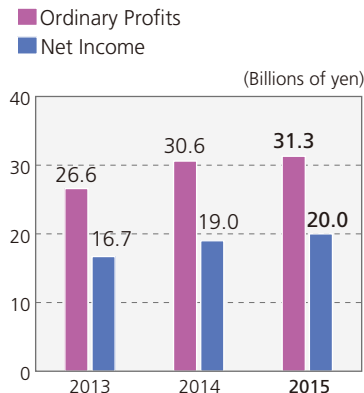
Performance Highlights (Three Banks)

Yamaguchi Bank (Non-consolidated)

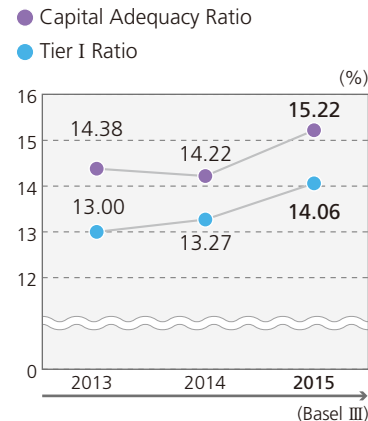
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income

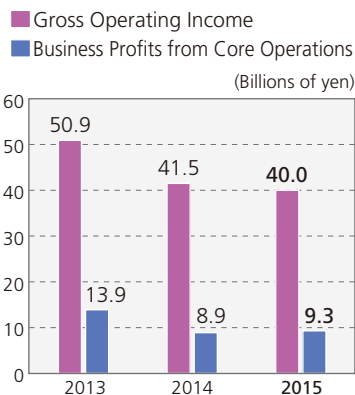


Capital Adequacy Ratio

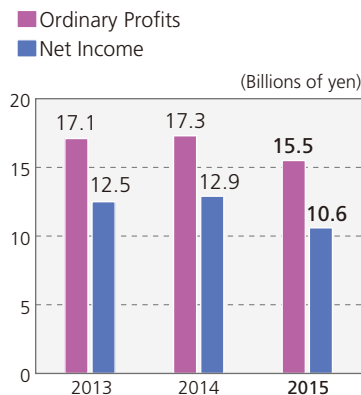


Momiji Bank (Non-Consolidated)

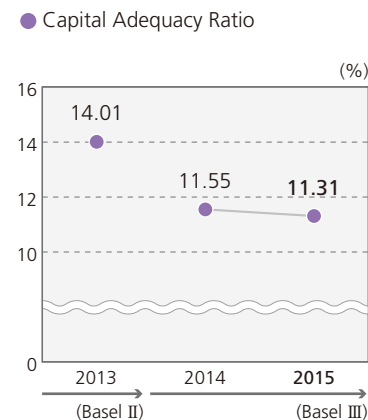
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income

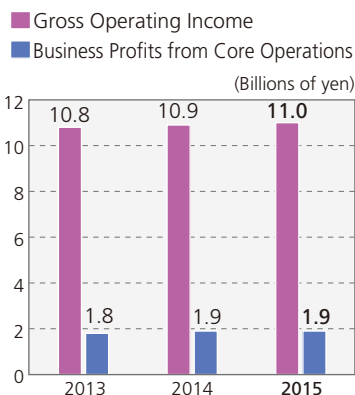


Capital Adequacy Ratio

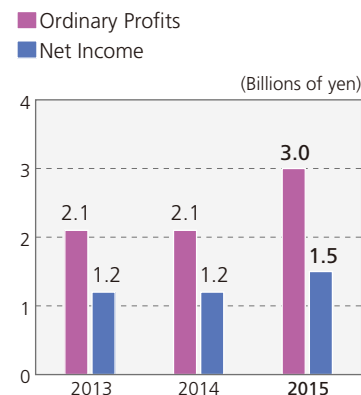


Kitakyushu Bank (Non-Consolidated)

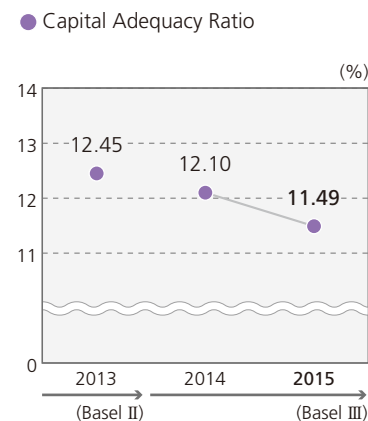
Gross Operating Income/Business Profits From Core Operations



Ordinary Profits/Net Income



Capital Adequacy Ratio



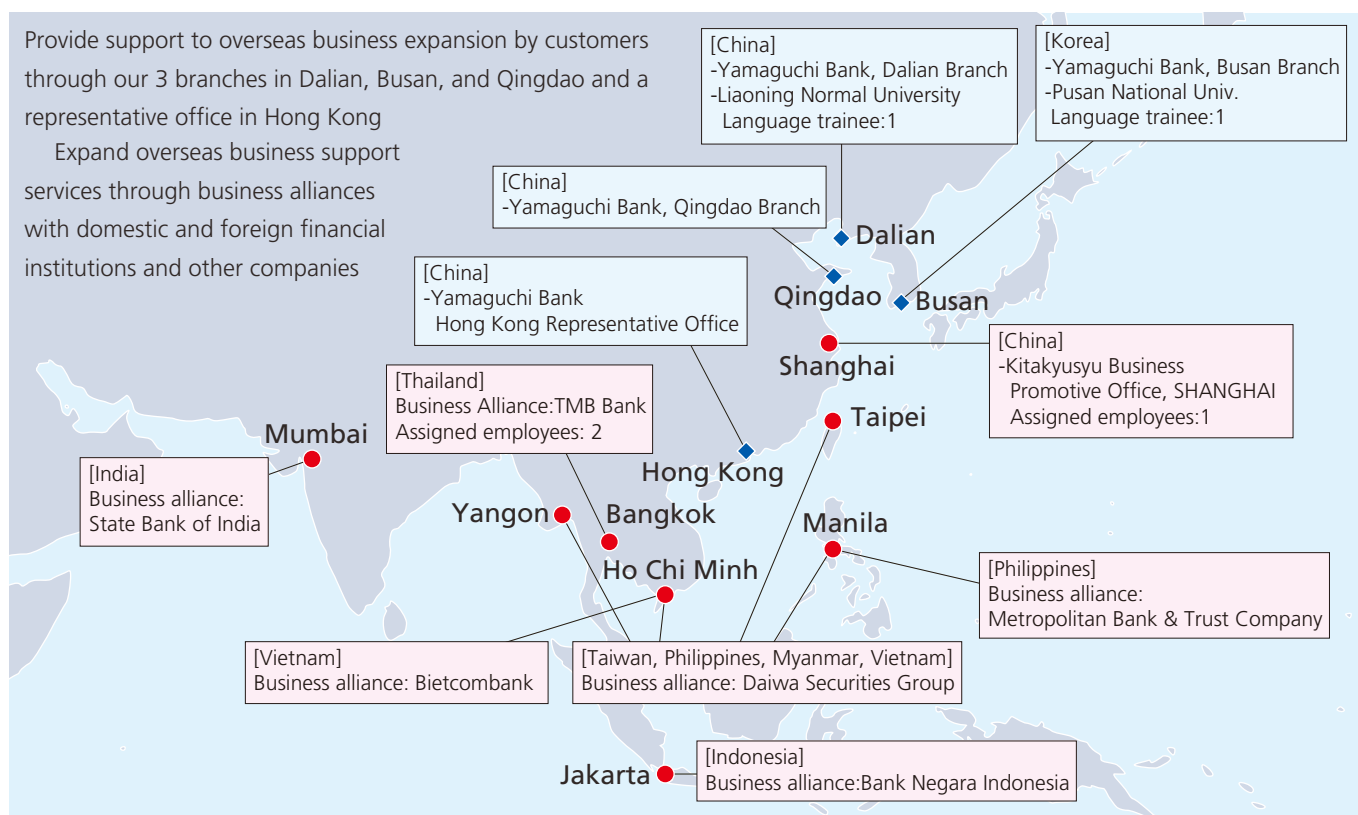
Economies and Industries of Yamaguchi Prefecture, Hiroshima Prefecture, and Kitakyushu City (Reference)

Yamaguchi Prefecture			
<p>Excellent industrial concentration</p> <ul style="list-style-type: none"> • Many plants of major corporations located owing to the excellent transportation network • Concentration of primary material industries such as cement and chemicals owing to the rich mineral resources • Increasing entries of processing and assembly industries such as transportation machinery and more recently the pharmaceutical industry 	<p>Gateway to exchanges with Asia</p> <ul style="list-style-type: none"> • Excellent harbor conditions with 2 international harbors and 4 major harbors in the prefecture • The largest export and import center in the Chugoku region such as auto parts and chemicals • Serves as the production center in western Japan for many global enterprises 	<p>Rich industrial human resources</p> <ul style="list-style-type: none"> • Excellent historical background that has traditionally nurtured the social climate encouraging study and education • Excellent support system under the industry-academic coordination such as joint research between a university and a private-sector company, R&D to develop next generation industries, etc. 	<p>Major companies and plants in Yamaguchi Prefecture</p> <ul style="list-style-type: none"> • Ube Industries Ltd. (cement, chemicals) • Tokuyama Corporation (cement, chemicals) • Chofu Seisakusho Co., Ltd. (metal products) • Mitsubishi Heavy Industries, Ltd. (shipbuilding) • Bridgestone Corporation (rubber) • Nippon Steel & Sumikin Stainless Steel Corporation (steel pipes) • Tosoh Corporation (chemicals)

Hiroshima Prefecture			
<p>The largest industrial prefecture in the Chugoku and Shikoku regions</p> <ul style="list-style-type: none"> • Growth of heavy industries, particularly transportation machinery such as automobiles and shipbuilding, leveraging the technological strength developed through military manufacturing • Ranks No. 12 in Japan in terms of nominal gross prefectural product with a share of 2.3% in Japan. 	<p>Manufacturing industry centered around Mazda Motor Corporation</p> <ul style="list-style-type: none"> • The formation of a group of broad-based automobile-related companies with Mazda Motor Corporation on top of the hierarchy • The shipbuilding industry encompassing middle-ranking and small and medium-sized shipbuilding companies and related manufacturers such as pumps and turbines, which holds the No. 1 share in Japan • Additional concentration of traditional industries such as the fiber industry and the manufacturing of furniture for newlywed couples 	<p>Home of many No. 1 enterprises</p> <ul style="list-style-type: none"> • Many local enterprises in a variety of industries with nationwide reputation and a large domestic market share through leveraging excellent technologies (Refer to the right section) 	<p>Major companies and plants in Hiroshima Prefecture</p> <ul style="list-style-type: none"> • Mazda Motor Corporation (automobile) • Tsuneishi Holdings Corporation (shipbuilding) • Ryobi Limited (non-ferrous metal) • JMS Co., Ltd. (medical equipment) • Molten Corporation (athletic balls) • Aoyama Trading Co., Ltd. (menswear)

Kitakyushu City			
<p>Concentration of a variety of industries</p> <ul style="list-style-type: none"> • Kitakyushu City was born in 1963 through a merger of 5 cities. • Mainly heavy and chemical industries (steel in the main) • New concentration of increasingly diverse industries such as auto-related industries due to the proximity to Asia and the highly developed logistics infrastructure 	<p>City of manufacturing</p> <ul style="list-style-type: none"> • Steel accounts for approximately 40% of the total manufacturing industry • Concentration of auto assembly plants including Nissan Motor Kyushu Co., Ltd., Toyota Motor Kyushu, Inc., and Daihatsu Motor Kyushu Co., Ltd. • Recent concentration of semiconductor design companies owing to the development of Kitakyushu Science and Research Park 	<p>Environmental and energy industries</p> <ul style="list-style-type: none"> • A forerunner of the eco-town business leveraging the concentration of industrial technology with broad manufacturing bases • Research and development is conducted on new energy sources such as the technology to reduce the oxygen content under the promotion system developed through the industry-academic-public coordination 	<p>Major companies and plants in Kitakyushu City</p> <ul style="list-style-type: none"> • Nippon Steel & Sumitomo Metal Corporation (iron manufacturing, steel) • TOTO Ltd. (construction equipment) • Mitsubishi Chemical Corporation (petrochemical functional products) • Yasukawa Electric Corporation (industrial robots) • Mitsui High-tec, Inc. (semiconductor-related products) • Zenrin Co., Ltd. (information and communication)

Overseas Networks



International Department

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

Overseas Offices

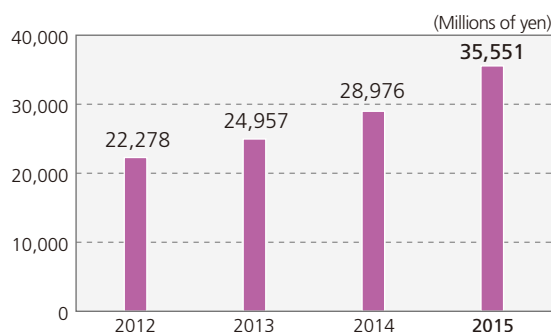
BUSAN BRANCH
4F, Postal Insurance Busan Bldg., Jungang-Dong 3-Ga, 63,
Jungang-Daero, Jung-Gu, Busan, Republic of Korea
SWIFT Address: YMBKCR2P

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

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

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

Loans of overseas branches (As of March 31)



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

Corporate Governance

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

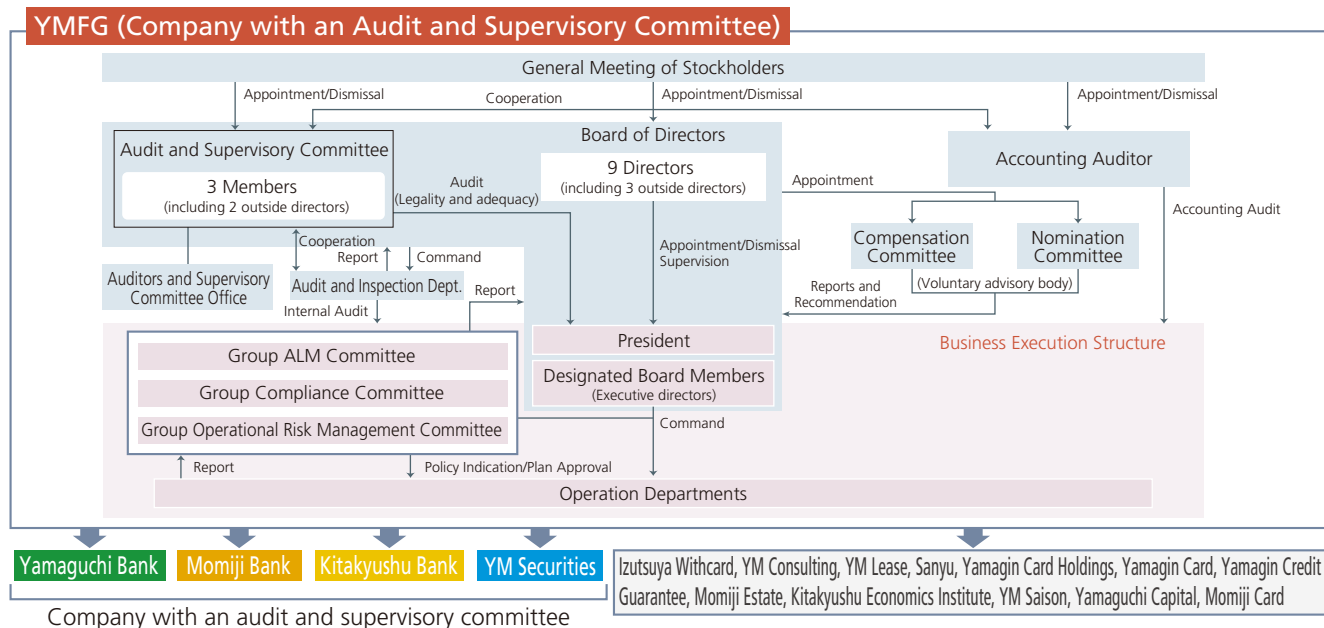
The Board of Directors, consisting of nine directors (including three outside directors), makes decisions about important matters related to the Group's management and supervises the directors. The Board of Directors meeting is held once a month in principle and is presided over by the president. Materials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

Both guarantee the objectivity and transparency of decision-making processes.

YMFG has adopted an audit and supervisory committee system. The Audit and Supervisory Committee comprises three directors, of whom two are outside directors. In principle, the committee meets monthly to audit the execution of operations by directors, configure, audit and verify the operation of internal control systems at YMFG and its subsidiaries, and prepare audit reports. Committee members, centering on outside directors, exercise the right to decide on the content of proposals made by the Board of Directors for submission to the General Meeting of Shareholders with regard to the selection, appointment, or decision not to reappoint accounting auditors, thereby supervising the execution of operations by directors.

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

YMFG Corporate Governance Structure



YMFG Board of Directors and Corporate Auditors (As of July 1, 2015)

President
Koichi Fukuda

Senior Managing Director
Fumio Nosaka

Senior Managing Director
Toshio Kato

Director
Hirohide Umemoto

Director
Takeshi Yoshimura

Director
Hiroaki Tamura*

Director
Audit and Supervisory Committee Member
Mitsuhiro Hirozane

Director
Audit and Supervisory Committee Member
Kazuo Tsukuda*

Director
Audit and Supervisory Committee Member
Michiaki Kunimasa*

* Hiroaki Tamura, Kazuo Tsukuda and Michiaki Kunimasa are outside directors under Article 15 of Section 2 of the Companies Act.

Internal Audits and Compliance System

Internal Audits

Principles of Internal Audits

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

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

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

Implementation of Internal Audits

YMFG's Audit and Inspection Dept. plans audit processes

for the whole Group, implements audits and supervises each Group company's internal audits.

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

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

Compliance System

YMFG's Attitude toward Compliance

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

Compliance System

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

The Group Compliance Committee, chaired by the president, acts as a deliberative body. This committee formulates Group compliance programs for each fiscal year and monitors the status of program implementation. The

committee discusses ways to create and reinforce compliance systems, reports the results of these deliberations to the Board of Directors and reflects these results in Group operations.

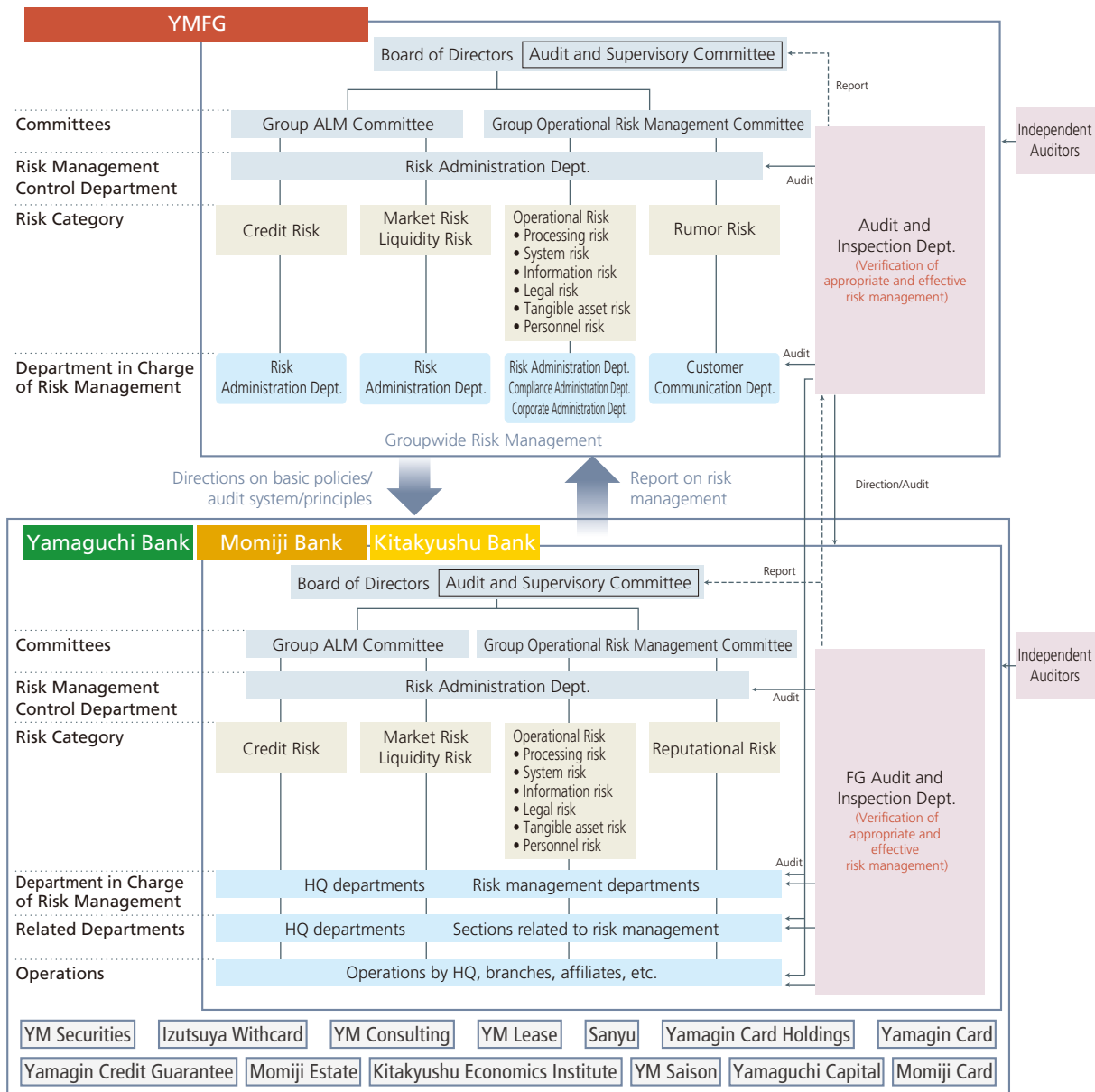
YMFG's Compliance Administration Department communicates with compliance personnel at each Group company and, in accordance with the deliberations of the Group Compliance Committee, ensures the appropriateness of compliance systems for the entire Group.

Efforts to Prevent Money Laundering

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

Risk Management System

YMFG Risk Management System



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

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

The subsidiaries have organized risk management sections, risk management departments and Group Operational Risk Management committee to cope with risks. Risk amounts are

measured by a uniform method, capital is allocated on the basis of these methods, and risks are collectively managed.

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

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

Contributions to the Community and the Environment

Invitation of Foreign Students to Attend Shimonoseki City University

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

Since 1986, The Yamaguchi Bank has invited students from China, Thailand and Turkey to attend Shimonoseki City University. The bank has invited a total of 156 students, offering them housing and financial and lifestyle support to ensure a comfortable study environment.



Foreign students to Shimonoseki City University in fiscal 2015

Japan–China Elementary School Exchanges

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

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

Yamaguchi Bank Cup Japanese Speech Contest

Advancing grassroots international exchange through Japanese language education

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

Efforts on Environmental Issues

Implementing Groupwide Initiatives for the Environment

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

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

Early Lights-Out Campaign Implementation

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

Distributing Eco-Goods

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

Cool Biz Implementation

Period: From June 1 to September 30, 2015
Participants: All Group companies
Actions: As a general rule, indoor temperatures are set to 28°C and suit jackets and neckties are not worn.

Warm Biz Implementation

Period: From December 1, 2014 to March 31, 2015
Participants: All Group companies
Actions: As a general rule, indoor temperatures are set to 20°C.

Financial Section

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YMFG Business Situation

Summary of Business Results

■ Performance

During the fiscal year ended March 31, 2015, despite some signs of weakness the Japanese economy remained in a state of gradual recovery. Manufacturing activity was lackluster in some areas, affected by a backlash in demand following the consumption tax hike, but began to rebound in the second half of the year thanks to the impact of overseas economic recovery, particularly in the United States. The employment situation also continued to improve steadily, leading to firm personal consumption.

Meanwhile, the region continued to enjoy a modest recovery. Overall production activity was solid, with strong performance centering on the automotive sector, and employment and income conditions improved. Affected by the consumption tax hike, however, personal consumption was sluggish, as demonstrated by home electronics sales and unit sales of new passenger cars.

Under these circumstances, in line with their mission of contributing to regional economic development, regional financial institutions face vigorous requests to deliver stronger financial soundness and profitability, supply funding more flexibly and further enhance their financial services.

■ YMFG Performance

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

Based on the "YMFG Medium-Term Management Plan 2013," which commenced in the fiscal year ended March 31, 2014, as a financial Group with three banks—Yamaguchi Bank, Momiji Bank and Kitakyushu Bank—we worked to strengthen ties with the banks' regions. Furthermore, in collaboration with YM Securities, YM Consulting and other Group companies, we are working

together to leverage our comprehensive Group strengths as "One YMFG."

YMFG will also put forth every effort toward developing mutually beneficial relationships with local communities and customers, aiming to provide a variety of financial services that invigorate our region.

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

In deposits, we ran an integrated three-bank campaign under the name of "YMFG Thanksgiving," stressing our appreciation for customer support of our operations to date.

In June 2014, we set up the Information Strategy Group within YMFG's Business Strategy Planning Department and established Solution Operating Departments at each of our three Group banks. These organizations are designed to share and make use of information throughout the Group in order to offer the best possible solutions to the issues customers face. These departments will step up efforts to provide information in a timely manner and support the expansion of our networks.

In May 2014, we set up a regional invigoration fund through the collaboration of our three banks, Nishi-Chugoku Shinkin Bank, Daiwa Securities Group's headquarters, Yamaguchi Capital and REVIC Capital, a fund-operating subsidiary of the Regional Economy Vitalization Corporation of Japan (REVIC). By supporting our business partners, this fund is intended to have economic effects for the entire region and help increase employment.

In international operations, in March 2015 we signed a memorandum of understanding involving a business tie-up with Vietcombank, a leading bank in Vietnam. This move was aimed at strengthening our Asian network.

In March 2015, we issued \$300 million in US dollar-denominated convertible bonds to meet the dollar funding needs of clients conducting business overseas.

■ Financial Results

YMFG's consolidated operating performance for the year ended March 31, 2015, is outlined below.

Total income amounted to ¥161,437 million, up ¥257 million from the preceding fiscal year. The main reasons for this increase were higher interest and dividends on securities.

Total expenses, meanwhile, rose ¥533 million, to ¥112,122 million, due to such factors as an increase in other operating expenses. As a result, income before income taxes decreased ¥276 million, to ¥49,315 million, and net income fell ¥719 million, to ¥30,523 million.

Although interest rates remained low, due to the expansion of products and services to meet increasingly diverse customer needs and steady marketing efforts based on solid community relationships, the Group succeeded in boosting deposits ¥444 billion year on year, to ¥9,209 billion, including negotiable certificates of deposit (NCDs).

Loans and bills discounted increased ¥264 billion, to ¥6,228 billion as of March 31, 2015, due to the Group's efforts to fulfill its role as a regional financial institution through its function as a financial intermediary and aggressive efforts to meet demand from business partners with whom the Group has developed trust-based relationships.

The Group's holdings of securities came to ¥2,324 billion at year-end, up ¥252 billion, due to increases in Japanese

bonds. This change reflected investment decisions made in consideration of market fluctuations.

Total assets amounted to ¥10,195 billion at fiscal year-end, up ¥560 billion from one year earlier. This rise was attributable to growth in loans and bills discounted, based on the increase in deposits, including NCDs.

At the end of the fiscal year, the consolidated capital adequacy ratio for the Yamaguchi Financial Group (uniform international standard) was 13.43%. Our consolidated total Tier 1 capital adequacy ratio was 11.73%, and our consolidated common equity Tier I capital adequacy ratio was 11.73%.

Net cash provided by operating activities was ¥227 billion, ¥299 billion lower than in the preceding fiscal year, mainly due to the net change in loans and bills discounted. Net cash used in investing activities was ¥177 billion, a ¥232 billion change from cash provided by these activities in the previous year, principally because of increased purchases of securities. Net cash provided by financing activities amounted to ¥19 billion, a change of ¥39 billion from the cash used in these activities in the fiscal year ended March 31, 2014. The main changes were in the categories of subordinated bonds payable and purchases of treasury stock. As a result of these cash flows, cash and cash equivalents at the end of the fiscal year came to ¥943 billion, up ¥69 billion.

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

	Millions of yen 2015	Millions of yen 2014	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars*1 2015
Consolidated total income	161,437	161,180	158,452	156,095	1,343,405
Consolidated net income	30,523	31,242	27,233	17,919	253,999
Consolidated comprehensive income	75,211	34,322	51,743	29,120	625,872
Consolidated total net assets	578,388	521,470	521,423	472,405	4,813,081
Consolidated total assets	10,195,184	9,635,044	9,327,236	9,115,427	84,839,677
Net assets per share	2,346.56 yen	2,040.02 yen	1,901.30 yen	1,720.56 yen	19.53 U.S. dollars
Current term net income per share (current term net loss per share)	120.88 yen	120.68 yen	102.48 yen	66.99 yen	1.01 U.S. dollars
Current term net income per share after stock adjustment	108.24 yen	116.57 yen	102.18 yen	66.88 yen	0.90 U.S. dollars
Capital ratio*2	13.43%	12.69%	13.34%	11.75%	
Earnings on equity - increase	5.61%	6.04%	5.52%	3.92%	
Group price earnings ratio	11.44 times	7.70 times	9.28 times	11.22 times	

*1 US dollar amounts have been translated, for convenience only, at the rate of ¥120.17 = US\$1.00 as of March 31, 2015.

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

YMFG Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

March 31, 2015 and 2014

ASSETS		Millions of yen	Millions of yen	Thousands of
		2015	2014	U.S. dollars (Note 1)
				2015
Assets	Cash and due from banks (Notes 3, 4 and 9)	¥ 965,275	¥ 915,056	\$ 8,032,579
	Call loans and bills purchased (Note 4)	283,251	315,198	2,357,086
	Monetary claims bought	8,362	8,869	69,585
	Trading assets (Notes 4 and 6)	6,244	5,753	51,960
	Money held in trust (Notes 4 and 6)	48,096	49,996	400,233
	Securities (Notes 4, 5, 6 and 9)	2,323,985	2,071,990	19,339,145
	Loans and bills discounted (Notes 4 and 7)	6,228,014	5,964,133	51,826,696
	Foreign exchanges	14,281	15,497	118,840
	Lease receivables and investment assets	13,349	—	111,084
	Other assets	185,284	171,199	1,541,846
	Tangible fixed assets (Notes 10, 15 and 20)	87,999	89,348	732,288
	Intangible fixed assets (Note 20)	16,886	28,098	140,518
	Net defined benefit asset	33,476	22,882	278,572
	Deferred tax assets (Note 21)	2,880	15,639	23,966
	Customers' liabilities for acceptances and guarantees (Note 16)	52,293	48,079	435,159
	Allowance for loan losses	(74,491)	(86,693)	(619,880)
	Total assets	¥ 10,195,184	¥ 9,635,044	\$ 84,839,677

LIABILITIES AND NET ASSETS

Liabilities	Deposits (Notes 4 and 9)	¥ 9,209,080	¥ 8,764,966	\$ 76,633,769
	Call money and bills sold (Note 9)	75,071	78,897	624,707
	Payables under securities lending transactions (Note 9)	24,028	13,269	199,950
	Trading liabilities (Notes 4 and 6)	5,424	3,188	45,136
	Borrowed money (Notes 9 and 12)	39,822	29,769	331,381
	Foreign exchanges	309	287	2,571
	Bonds payable (Notes 4 and 13)	25,000	45,000	208,039
	Bonds with warrants	72,102	30,876	600,000
	Other liabilities	81,218	75,812	675,858
	Provision for bonuses	3,015	3,093	25,089
	Net defined benefit liability	3,467	4,479	28,851
	Provision for directors' retirement benefits	36	28	300
	Provision for loss on interest repayments	37	62	308
	Provision for reimbursement of deposits	1,357	1,108	11,292
	Provision for customers point services	71	67	591
	Reserves under special laws	12	7	100
	Deferred tax liabilities (Note 21)	12,991	1,917	108,105
	Deferred tax liabilities for land revaluation (Notes 15 and 21)	11,463	12,670	95,390
	Acceptances and guarantees (Note 16)	52,293	48,079	435,159
	Total liabilities	9,616,796	9,113,574	80,026,596
Net Assets (Notes 20 and 21)	Capital stock	50,000	50,000	416,077
	Capital surplus	59,686	59,713	496,680
	Retained earnings	386,187	361,184	3,213,672
	Treasury stock	(24,320)	(10,393)	(202,380)
	Total shareholders' equity	471,553	460,504	3,924,049
	Unrealized gains (losses) on available-for-sale securities	71,146	36,706	592,045
	Deferred gains (losses) on hedges	(316)	(352)	(2,630)
	Revaluation reserve for land (Note 15)	23,994	22,845	199,667
	Remeasurements of defined benefit plans	5,003	(3,465)	41,633
	Total accumulated other comprehensive income	99,827	55,734	830,715
	Stock options	512	431	4,261
Minority interests	6,496	4,801	54,056	
Total net assets	578,388	521,470	4,813,081	
Total liabilities and net assets	¥ 10,195,184	¥ 9,635,044	\$ 84,839,677	

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2015 and 2014

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Income			
Interest income:			
Interest on loans and discounts	¥ 78,181	¥ 80,457	\$ 650,587
Interest and dividends on securities	25,326	21,324	210,751
Other interest income	1,289	1,191	10,726
Trust fees	1	1	8
Fees and commissions	24,348	24,782	202,613
Trading income	2,574	2,330	21,420
Other ordinary income	14,580	11,461	121,328
Recoveries of written-off claims	321	21	2,671
Negative goodwill generated	2,391	—	19,897
Other income (Note 17)	12,426	19,613	103,404
Total income	161,437	161,180	1,343,405
Expenses			
Interest expense:			
Interest on deposits	6,859	7,606	57,077
Interest on borrowings and rediscounts	684	519	5,692
Interest on bonds payable	418	581	3,478
Other interest expense	283	287	2,355
Fees and commissions payments	7,465	7,331	62,120
Other operating expenses	7,318	5,321	60,897
General and administrative expenses (Note 18)	85,423	87,387	710,851
Impairment losses (Note 11)	132	46	1,098
Losses related to staged acquisition	200	—	1,664
Other expenses (Note 19)	3,340	2,511	27,796
Total expenses	112,122	111,589	933,028
Income before income taxes	49,315	49,591	410,377
Income taxes (Note 21):			
Current	11,244	9,908	93,567
Deferred	6,992	7,663	58,184
Income before minority interests	31,079	32,020	258,626
Minority interests in income	556	778	4,627
Net income	¥ 30,523	¥ 31,242	\$ 253,999

	Yen 2015	Yen 2014	U.S. dollars (Note 1) 2015
Amounts per share of common stock:			
Net income (Note 29)	¥ 120.88	¥ 120.68	\$ 1.01

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Years ended March 31, 2015 and 2014

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Income before minority interests	¥ 31,079	¥ 32,020	\$ 258,626
Other comprehensive income (Note 26)	44,132	2,302	367,246
Unrealized gains (losses) on available-for-sale securities	34,454	2,204	286,709
Deferred gains (losses) on hedges	36	94	300
Revaluation reserve for land	1,187	—	9,878
Remeasurements of defined benefit plans	8,468	—	70,467
Share of other comprehensive income in affiliated companies accounted for using equity method	(13)	4	(108)
Comprehensive income (Note 26)	75,211	34,322	625,872
Total comprehensive income attributable to owners of the parent	74,645	33,544	621,162
Total comprehensive income attributable to minority interests	566	778	4,710

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2015 and 2014

	Millions of yen												
	Shareholders' Equity					Accumulated other comprehensive income					Stock options	Minority Interests	Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at 31st March 2013	¥50,000	¥ 79,628	¥332,868	¥ (2,731)	¥459,765	¥34,498	¥(446)	¥23,333	¥ —	¥57,385	¥249	¥4,024	¥521,423
Cumulative effects of changes in accounting policies		(367)	(27)	398	4								4
Restated balance	50,000	79,261	332,841	(2,333)	459,769	34,498	(446)	23,333	—	57,385	249	4,024	521,427
Changes of items during the year													
Dividend paid			(3,387)		(3,387)								(3,387)
Net income			31,242		31,242								31,242
Purchase of treasury stock				(27,972)	(27,972)								(27,972)
Disposal of treasury stock		(13)		377	364								364
Retirement of treasury stock		(19,535)		19,535	—								—
Reversal of revaluation reserve for land			488		488								488
Net changes in terms other than shareholders' equity						2,208	94	(488)	(3,465)	(1,651)	182	777	(692)
Total changes of items during the year	—	(19,548)	28,343	(8,060)	735	2,208	94	(488)	(3,465)	(1,651)	182	777	43
Balance at 31st March 2014	¥50,000	¥ 59,713	¥361,184	¥(10,393)	¥460,504	¥36,706	¥(352)	¥22,845	¥(3,465)	¥55,734	¥431	¥4,801	¥521,470
Cumulative effects of changes in accounting policies			(1,994)		(1,994)								(1,994)
Restated balance	50,000	59,713	359,190	(10,393)	458,510	36,706	(352)	22,845	(3,465)	55,734	431	4,801	519,476
Changes of items during the year													
Dividend paid			(3,564)		(3,564)								(3,564)
Net income			30,523		30,523								30,523
Purchase of treasury stock				(14,320)	(14,320)								(14,320)
Disposal of treasury stock		(27)		407	380								380
Increase in treasury stock associated with an increase in consolidated subsidiaries				(29)	(29)								(29)
Decrease in treasury stock associated with a decrease in affiliates accounted for under the equity method				15	15								15
Reversal of revaluation reserve for land			38		38								38
Net changes in terms other than shareholders' equity						34,440	36	1,149	8,468	44,093	81	1,695	45,869
Total changes of items during the year	—	(27)	26,997	(13,927)	13,043	34,440	36	1,149	8,468	44,093	81	1,695	58,912
Balance at 31st March 2015	¥50,000	¥ 59,686	¥386,187	¥(24,320)	¥471,553	¥71,146	¥(316)	¥23,994	¥ 5,003	¥99,827	¥512	¥6,496	¥578,388

	Thousands of U.S. dollars (Note 1)												
	Shareholders' Equity					Accumulated other comprehensive income					Stock options	Minority Interests	Total Net Assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at 31st March 2014	\$416,077	\$496,904	\$3,005,609	\$ (86,486)	\$3,832,104	\$305,451	\$(2,930)	\$190,106	\$(28,834)	\$463,793	\$3,587	\$39,960	\$4,339,444
Cumulative effects of changes in accounting policies			(16,594)		(16,594)								(16,594)
Restated balance	416,077	496,904	2,989,015	(86,486)	3,815,510	305,451	(2,930)	190,106	(28,834)	463,793	3,587	39,960	4,322,850
Changes of items during the year													
Dividend paid			(29,658)		(29,658)								(29,658)
Net income			253,999		253,999								253,999
Purchase of treasury stock				(119,165)	(119,165)								(119,165)
Disposal of treasury stock		(224)		3,387	3,163								3,163
Increase in treasury stock associated with an increase in consolidated subsidiaries				(241)	(241)								(241)
Decrease in treasury stock associated with a decrease in affiliates accounted for under the equity method				125	125								125
Reversal of revaluation reserve for land			316		316								316
Net changes in terms other than shareholders' equity						286,594	300	9,561	70,467	366,922	674	14,096	381,692
Total changes of items during the year	—	(224)	224,657	(115,894)	108,539	286,594	300	9,561	70,467	366,922	674	14,096	490,231
Balance at 31st March 2015	\$416,077	\$496,680	\$3,213,672	\$(202,380)	\$3,924,049	\$592,045	\$(2,630)	\$199,667	\$ 41,633	\$830,715	\$4,261	\$54,056	\$4,813,081

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2015 and 2014

	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes	¥ 49,315	¥ 49,591	\$ 410,377
Depreciation	10,518	10,786	87,526
Impairment losses	132	46	1,098
Amortization of goodwill	4,935	4,950	41,067
Negative goodwill generated	(2,391)	—	(19,897)
Losses related to staged acquisition	200	—	1,664
Equity in earnings of affiliates	(44)	(31)	(366)
Net change in allowance for loan losses	(12,203)	(11,459)	(101,548)
Net change in provision for bonuses	(78)	181	(649)
Net change in defined benefit asset	(10,594)	(11,476)	(88,158)
Net change in defined benefit liability	(1,012)	1,899	(8,421)
Net change in provision for directors' retirement benefits	9	6	75
Net change in provision for loss on interest repayments	(25)	(24)	(208)
Net change in provision for reimbursement of deposits	250	22	2,080
Net change in provision for customers point services	3	(8)	25
Net change in reserves under special laws	5	3	42
Interest income	(104,797)	(102,971)	(872,073)
Interest expenses	8,244	8,993	68,603
Net gains related to securities transactions	(12,936)	(13,646)	(107,647)
Net losses (gains) from money held in trust	1,162	(677)	9,670
Net exchange gains	(13,554)	(8,479)	(112,790)
Net losses from disposition of fixed assets	70	203	583
Net change in trading assets	(492)	3,479	(4,094)
Net change in trading liabilities	2,236	227	18,607
Net change in loans and bills discounted	(263,881)	(152,167)	(2,195,897)
Net change in deposits	294,519	278,468	2,450,853
Net change in negotiable certificates of deposits	149,596	33,440	1,244,870
Net change in borrowed money excluding subordinated loans	10,053	532	83,656
Net change in deposits with bank	18,559	(7,002)	154,440
Net change in call loans and bills purchased	32,454	333,440	270,067
Net change in call money and bills sold	(3,826)	35,906	(31,838)
Net change in payables under securities lending transactions	10,759	8,939	89,531
Net change in foreign exchanges (asset account)	1,216	(2,758)	10,119
Net change in foreign exchanges (liability account)	22	(182)	183
Net change in lease receivables and investment assets	(13,349)	—	(111,084)
Net change in issuance and redemption of unsubordinated bonds payable	(20,000)	(30,000)	(166,431)
Interest received	97,621	101,712	812,357
Interest paid	(11,091)	(8,118)	(92,294)
Other, net	15,000	13,390	124,820
Subtotal	236,605	537,215	1,968,918
Income taxes paid	(10,385)	(11,028)	(86,419)
Income taxes refunds	994	18	8,272
Net cash provided by operating activities	227,214	526,205	1,890,771
Cash flows from investing activities:			
Purchases of securities	(3,063,268)	(2,758,575)	(25,491,121)
Proceeds from sales of securities	2,775,634	2,723,138	23,097,562
Proceeds from maturity of securities	113,275	88,616	942,623
Purchases of money held in trust	(11,000)	(9,480)	(91,537)
Proceeds from sales of money held in trust	11,574	15,638	96,314
Purchases of tangible fixed assets	(1,936)	(2,897)	(16,111)
Proceeds from sales of tangible fixed assets	37	141	308
Purchases of intangible fixed assets	(1,367)	(1,716)	(11,376)
Purchases of shares in subsidiaries associated with changes in the scope of consolidation	(94)	—	(782)
Net cash provided by (used in) investing activities	(177,145)	54,865	(1,474,120)
Cash flows from financing activities:			
Proceeds from issuance of bonds with warrants	36,051	30,876	300,000
Decrease in subordinated bonds payable	—	(20,000)	—
Dividends paid	(3,564)	(3,386)	(29,658)
Dividends paid to minority shareholders	(1)	(1)	(8)
Purchases of treasury stock	(14,319)	(27,972)	(119,156)
Proceeds from disposal of treasury stock	508	364	4,227
Net cash provided by (used in) financing activities	18,675	(20,119)	155,405
Effect of exchange rate changes on cash and cash equivalents	33	28	275
Net change in cash and cash equivalents	68,777	560,979	572,331
Cash and cash equivalents at the beginning of fiscal year	874,205	313,226	7,274,736
Cash and cash equivalents at the end of fiscal year (Note 3)	¥ 942,982	¥ 874,205	\$ 7,847,067

See accompanying notes.

YMFG Notes to Consolidated Financial Statements

Years ended March 31, 2015 and 2014

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 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, 2015, which was ¥120.17 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) 13 consolidated subsidiaries at March 31, 2015 and 12 at March 31, 2014.

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

YM Lease Co., Ltd., formerly accounted for by the equity method, was excluded from the scope of application of equity-method affiliates and included in the scope of consolidation from the fiscal year ended March 31, 2015, as YMFG acquired additional shares in YM Lease, increasing its percentage of voting rights.

- (ii) Five unconsolidated subsidiaries at March 31, 2015, and six at March 31, 2014.

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, 2015 and 2014.
- (ii) As at March 31, 2015, three affiliates accounted for by the equity method and four at March 31, 2014. Affiliates accounted for by the equity method at March 31, 2015 were as follows:

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

YM Lease Co., Ltd., formerly accounted for by the equity method, was included in the scope of consolidation and excluded from the scope of application of equity-method affiliates from the fiscal year ended March 31, 2015, as YMFG acquired additional shares in YM Lease, increasing its percentage of voting rights.

- (iii) As at March 31, 2015, five unconsolidated subsidiaries were not accounted for by the equity method, and six at March 31, 2014.

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, 2015 and 2014.

(3) The balance sheet dates of consolidated subsidiaries

The balance sheet date of consolidated subsidiaries is as follows:

March 31, 2015	13 companies
March 31, 2014	12 companies

(4) Accounting Policies

Trading assets, trading liabilities and transactions for trading purposes

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

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

The income or losses on these transactions are recorded as "Trading income" and "Trading expenses" 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.

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.

The Banks apply exceptional treatments permitted for interest rate swaps to certain assets.

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.

Intangible fixed assets (excluding lease assets)

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

Lease assets

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

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 benefit formula method is used for attributing expected retirement benefits to periods through the year-end. The methods for recognizing past service cost and actuarial gains or losses are as follows:

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

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

Provision for directors' retirement benefits

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

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”)

For the year ended March 31, 2014

From the year ended March 31, 2014, YMFG 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 and net defined benefit liability of ¥4,479 million. Furthermore, deferred tax assets increased by ¥1,897 million and accumulated other comprehensive income decreased by ¥3,465 million.

For the year ended March 31, 2015

YMFG 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, March 26, 2015), applying 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 from the fiscal year ended March 31, 2015. Accordingly, the Company reviewed the method for calculating retirement benefit obligations and current service costs, and changed a method of attributing expected benefit to periods from the straight-line method to the benefit formula method. In addition, YMFG has changed its method of determining discount rates from a method of using a single discount rate based on the average remaining service period and average benefit period to a method of using multiple discount rates for each expected retirement benefit period.

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, from the beginning of the fiscal year ended March 31, 2015, changes in amounts resulting from the method of calculating retirement benefit obligations and past services costs were recorded in retained earnings.

As a result, at the beginning of the fiscal year ended March 31, 2015, retirement benefit liabilities increased ¥3,086 million (\$26 million), and retained earnings decreased ¥1,994 million (\$17 million). Also, the income before income taxes for the fiscal year ended March 31, 2015 increased by ¥368 million (\$3 million).

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

YMFG adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30, issued March 26, 2015) from the fiscal year ended March 31, 2015. Accordingly, the Company recognized at the time of disposal the difference arising from the disposal of treasury shares by the Company to the trust, and posts as liabilities the differences arising from the net amount of gain or loss from sales of shares sold by the trust to the employee stock ownership plan (ESOP), dividends paid by the Company for the shares held by the trust and miscellaneous expenses related to the trust.

These accounting policies have been applied retroactively, and the consolidated financial statements for the fiscal year ended March 31, 2014, reflect this retroactive application.

Compared with the figures before retroactive application, as of March 31, 2014, other liabilities increased ¥92 million, and treasury stock, capital surplus and retained earnings decreased by ¥301 million, ¥351 million and ¥42 million, respectively.

Due to the reflection of the cumulative effect on net assets as of April 1, 2013, after retroactive adjustment to the consolidated statements of changes in net assets, treasury stock, capital surplus and retained earnings decreased by ¥398 million, ¥367 million and ¥27 million, respectively.

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.

Additional Information

(ESOP Trust)

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

(1) Overview of Transactions

Of those Employees enrolled in the Yamaguchi Financial Group Employee Stock Ownership Plan (hereinafter, the “Company’s ESOP”), the Company has established the trust for those beneficiaries satisfying certain conditions.

This trust acquired as a lump sum a number of shares in the Company corresponding to the number expected to be acquired by the Company's ESOP over the five-year period beginning in September 2011. Thereafter, the trust has sold the Company's shares to the Company's ESOP each month on a specific date.

(2) Company Shares Residing in the Trust

Company shares residing in the trust are recorded in treasury stock in the net assets section according to the book value of the trust (excluding ancillary expenses). The book value and the number of shares of this treasury stock amounted to ¥1,050 million and 1,400 thousand shares on March 31, 2014, and ¥785 million (\$7 million) and 1,047 thousand shares on March 31, 2015.

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

The book value of borrowings recorded by applying the gross price method was ¥1,050 million on March 31, 2014, and ¥630 million (\$5 million) on March 31, 2015.

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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and due from banks	¥965,275	¥915,056	\$8,032,579
Time deposits in other banks	(13,393)	(7,497)	(111,450)
Other	(8,900)	(33,354)	(74,062)
Cash and cash equivalents	¥942,982	¥874,205	\$7,847,067

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 employs the portfolio hedge where certain group of assets with similar risk is identified and such risk is hedged comprehensively. In addition, for certain interest swap contracts, exceptional treatments are applied.

(3) Risk management structure related to financial instruments

(i) Management of credit risk

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

The Group conducts self assessments according to stringent standards that are consistent throughout the Group. 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, 2015, the market risk (estimated loss amount) of Yamaguchi Bank was ¥73,513 million (\$612 million), the market risk (estimated loss amount) of Momiji Bank was ¥21,416 million (\$178 million) and the market risk (estimated loss amount) of Kitakyushu Bank was ¥12,536 million (\$104 million). Also, as of March 31, 2014, the market risk (estimated loss amount) of Yamaguchi Bank was ¥63,526 million, the market risk (estimated loss amount) of Momiji Bank was ¥18,079 million and the market risk (estimated loss amount) of Kitakyushu Bank was ¥11,439 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, 2015 and 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		
	Consolidated balance sheet amount	Fair value	Difference
	2015		
(1) Cash and due from banks	¥ 965,275	¥ 965,275	¥ —
(2) Call loans and bills purchased	283,251	283,251	—
(3) Money held in trust	48,096	48,096	—
(4) Securities			
Held-to-maturity debt securities	4,447	4,519	72
Available-for-sale securities	2,310,718	2,310,718	—
(5) Loans and bills discounted	6,228,014		
Allowance for loan losses (* 1)	(71,801)		
	<u>6,156,213</u>	<u>6,210,677</u>	<u>54,464</u>
Total assets	<u>¥9,768,000</u>	<u>¥9,822,536</u>	<u>¥54,536</u>
(1) Deposits	¥8,441,552	¥8,443,962	¥ 2,410
(2) Negotiable certificates of deposit	767,528	767,528	—
Total liabilities	<u>¥9,209,080</u>	<u>¥9,211,490</u>	<u>¥ 2,410</u>
Derivative transactions (* 2)			
Hedge accounting not applied	¥ (8,761)	¥ (8,761)	¥ —
Hedge accounting applied	(1,326)	(1,326)	—
Total derivative transactions	<u>¥ (10,087)</u>	<u>¥ (10,087)</u>	<u>¥ —</u>

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
	2014		
(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)		
	<u>5,878,981</u>	<u>5,910,384</u>	<u>31,403</u>
Total assets	<u>¥9,223,520</u>	<u>¥9,254,939</u>	<u>¥31,419</u>
(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	<u>¥8,809,966</u>	<u>¥8,812,495</u>	<u>¥ 2,529</u>
Derivative transactions (* 2)			
Hedge accounting not applied	¥ (2,145)	¥ (2,145)	¥ —
Hedge accounting applied	(974)	(974)	—
Total derivative transactions	<u>¥ (3,119)</u>	<u>¥ (3,119)</u>	<u>¥ —</u>

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
	2015		
(1) Cash and due from banks	\$ 8,032,579	\$ 8,032,579	\$ —
(2) Call loans and bills purchased	2,357,086	2,357,086	—
(3) Money held in trust	400,233	400,233	—
(4) Securities			
Held-to-maturity debt securities	37,006	37,605	599
Available-for-sale securities	19,228,743	19,228,743	—
(5) Loans and bills discounted	51,826,696		
Allowance for loan losses (* 1)	(597,497)		
	<u>51,229,199</u>	<u>51,682,425</u>	<u>453,226</u>
Total assets	<u>\$81,284,846</u>	<u>\$81,738,671</u>	<u>\$453,825</u>
(1) Deposits	\$70,246,751	\$70,266,806	\$ 20,055
(2) Negotiable certificates of deposit	6,387,018	6,387,018	—
Total liabilities	<u>\$76,633,769</u>	<u>\$76,653,824</u>	<u>\$ 20,055</u>
Derivative transactions (* 2)			
Hedge accounting not applied	\$ (72,905)	\$ (72,905)	\$ —
Hedge accounting applied	(11,034)	(11,034)	—
Total derivative transactions	<u>\$ (83,939)</u>	<u>\$ (83,939)</u>	<u>\$ —</u>

(* 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 prices received from information vendors. Fair values of investment trusts are determined by exchange prices or standard prices disclosed by investment trust management companies.

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

(v) Loans and bills discounted

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

For loans and bills discounted bearing fixed interest rates, fair value is determined for each internal rating category and period by discounting to present value the total amount of interest and principal, using as the

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

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

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

(2) Liabilities

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

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

(iii) Bonds payable

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

(3) Derivative transactions

The fair value of derivative transactions, comprising interest-rate-related transactions (such as interest rate futures, interest rate options and interest rate swaps) currency-related transactions (such as currency futures, currency options and currency swaps), bond-related transactions (such as bond futures and bond options) is taken as their value on exchanges, discounted present

value or price as calculated using option pricing models.

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

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

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

Category	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
	Consolidated balance sheet amount		
(1) Unlisted equity securities (*1, *2)	¥6,057	¥6,090	\$50,404
(2) Investments in partnerships, etc. (*3)	2,762	1,611	22,984
Total	¥8,819	¥7,701	\$73,388

(*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, 2014 and 2015, impairment losses of ¥22 million and ¥15 million (\$125 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					
	2015					
	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	¥869,860	¥ —	¥ —	¥ —	¥ —	¥ —
(2) Call loans and bills purchased	283,251	—	—	—	—	—
(3) Securities	242,598	564,180	531,630	338,247	376,982	
Held-to-maturity debt securities	546	885	723	30	2,263	
Local government bond	—	—	—	—	900	
Corporate bond	110	570	723	30	1,363	
Others	436	315	—	—	—	
Available-for-sale securities with maturities	242,052	563,295	530,907	338,217	374,719	
Japanese government bond	80,170	151,197	237,361	170,809	96,770	
Local government bond	16,418	4,163	4,273	9,676	4,961	
Corporate bond	131,735	353,197	253,978	135,888	226,843	
Others	13,729	54,738	35,295	21,844	46,145	
(4) Loans and bills discounted (*)	2,146,945	1,126,783	808,102	555,296	1,590,889	
Total	¥3,542,654	¥1,690,963	¥1,339,732	¥893,543	¥1,967,871	

	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
Local government bond	—	—	—	—	500
Corporate bond	260	470	692	—	580
Others	—	669	—	—	—
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

	Thousands of U.S. dollars				
	2015				
	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	\$ 7,238,579	\$ —	\$ —	\$ —	\$ —
(2) Call loans and bills purchased	2,357,086	—	—	—	—
(3) Securities	2,018,789	4,694,850	4,423,982	2,814,738	3,137,072
Held-to-maturity debt securities	4,543	7,364	6,016	250	18,831
Local government bond	—	—	—	—	7,489
Corporate bond	915	4,743	6,016	250	11,342
Others	3,628	2,621	—	—	—
Available-for-sale securities with maturities	2,014,246	4,687,486	4,417,966	2,814,488	3,118,241
Japanese government bond	667,138	1,258,193	1,975,210	1,421,395	805,276
Local government bond	136,623	34,643	35,558	80,519	41,283
Corporate bond	1,096,239	2,939,145	2,113,489	1,130,798	1,887,684
Others	114,246	455,505	293,709	181,776	383,998
(4) Loans and bills discounted (*)	17,865,898	9,376,575	6,724,657	4,620,920	13,238,654
Total	\$29,480,352	\$14,071,425	\$11,148,639	\$7,435,658	\$16,375,726

(*) 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			
	2015			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	¥7,359,032	¥563,053	¥484,617	¥34,850
Negotiable certificates of deposit	766,740	788	—	—
Total	¥8,125,772	¥563,841	¥484,617	¥34,850

	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

	Thousands of U.S. dollars			
	2015			
	Within one year	More than one year and within two years	More than two years and within three years	Three years or more
Deposits (*)	\$61,238,512	\$4,685,471	\$4,032,762	\$290,006
Negotiable certificates of deposit	6,380,461	6,557	—	—
Total	\$67,618,973	\$4,692,028	\$4,032,762	\$290,006

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

5. SECURITIES

Securities held at March 31, 2015 include shares of unconsolidated subsidiaries and affiliates amounting to ¥86 million (\$1 million) and investments of ¥853 million (\$7 million). Corresponding figures at March 31, 2014, were ¥355 million and ¥700 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 ¥4,785 million (\$40 million) and ¥3,301 million as of March 31, 2015 and March 31, 2014 respectively.

Bonds included in securities also include securities lent through unsecured loan agreements (bond lending transactions) of ¥18,561 million (\$154 million) and ¥15,015 million, at March 31, 2015 and March 31, 2014 respectively.

6. FAIR VALUE INFORMATION

Securities

The following tables summarize book values, fair value and acquisition cost of securities with available fair values as of March 31, 2015 and 2014:

(a) Trading securities

Amount of unrealized gain (loss) on trading securities included in the consolidated statement of income — ¥14 million (\$117 thousand) and ¥(73) million as at March 31, 2015 and 2014, respectively.

(b) Held-to-maturity debt securities:

	Type	Millions of yen		
		2015		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	¥ 900	¥ 915	¥15
	Corporate bonds	2,686	2,727	41
	Others	751	767	16
	Subtotal	4,337	4,409	72
Securities with fair value not exceeding book value	Local government bonds	—	—	—
	Corporate bonds	110	110	(0)
	Others	—	—	—
	Subtotal	110	110	(0)
Total		¥4,447	¥4,519	¥72

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

	Type	Thousands of U.S. dollars		
		2015		
		Book value	Fair value	Difference
Securities with fair value exceeding book value	Local government bonds	\$ 7,489	\$ 7,614	\$125
	Corporate bonds	22,352	22,693	341
	Others	6,250	6,383	133
	Subtotal	36,091	36,690	599
Securities with fair value not exceeding book value	Local government bonds	—	—	—
	Corporate bonds	915	915	(0)
	Others	—	—	—
	Subtotal	915	915	(0)
Total		\$37,006	\$37,605	\$599

(c) Available-for-sale securities

		Millions of yen		
		2015		
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	Shares	¥ 133,436	¥ 56,513	¥ 76,923
	Japanese government bonds	678,753	674,788	3,965
	Local government bonds	35,752	35,088	664
	Corporate bonds	1,054,576	1,041,975	12,601
	Others	223,373	210,685	12,688
	Subtotal	2,125,890	2,019,049	106,841
Securities with book value not exceeding acquisition cost	Shares	5,695	6,355	(660)
	Japanese government bonds	57,556	57,858	(302)
	Local government bonds	3,739	3,759	(20)
	Corporate bonds	47,056	47,346	(290)
	Others	70,782	72,682	(1,900)
	Subtotal	184,828	188,000	(3,172)
	Total	¥2,310,718	¥2,207,049	¥103,669

		Millions of yen		
		2014		
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	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 book value not exceeding acquisition cost	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

		Thousands of U.S. dollars		
		2015		
Type	Book value	Acquisition cost	Difference	
Securities with book value exceeding acquisition cost	Shares	\$ 1,110,394	\$ 470,275	\$640,119
	Japanese government bonds	5,648,273	5,615,278	32,995
	Local government bonds	297,512	291,986	5,526
	Corporate bonds	8,775,701	8,670,841	104,860
	Others	1,858,809	1,753,226	105,583
	Subtotal	17,690,689	16,801,606	889,083
Securities with book value not exceeding acquisition cost	Shares	47,391	52,883	(5,492)
	Japanese government bonds	478,955	481,468	(2,513)
	Local government bonds	31,114	31,281	(167)
	Corporate bonds	391,579	393,992	(2,413)
	Others	589,015	604,826	(15,811)
	Subtotal	1,538,054	1,564,450	(26,396)
	Total	\$19,228,743	\$18,366,056	\$862,687

(d) Held-to-maturity debt securities sold during the fiscal year
There were no held-to-maturity securities sold during the fiscal year ended March 31, 2015 and 2014.

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

		Millions of yen		
		2015		
	Sale amount	Total gain on sale	Total loss on sale	
Shares	¥ 4,677	¥ 760	¥ 92	
Japanese government bonds	1,759,555	6,757	913	
Local government bonds	4,477	23	—	
Corporate bonds	358,538	1,641	42	
Others	330,695	6,482	846	
Total	¥2,457,942	¥15,663	¥1,893	

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

	Thousands of U.S. dollars		
	2015		
	Sale amount	Total gain on sale	Total loss on sale
Shares	\$ 38,920	\$ 6,324	\$ 766
Japanese government bonds	14,642,215	56,229	7,598
Local government bonds	37,256	191	—
Corporate bonds	2,983,590	13,656	350
Others	2,751,893	53,940	7,039
Total	\$20,453,874	\$130,340	\$15,753

(f) Securities for which purpose of holding changed

There were no securities for which the purpose of holding changed at March 31, 2015 and 2014.

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, 2015, impairment losses were ¥16 million (\$133 thousand) on equity securities and during the fiscal year ended March 31, 2014, impairment losses totaled ¥113 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, 2015 and 2014 is as follows:

(a) Money held in trust classified as trading purposes

There are no corresponding amounts as at March 31, 2015 and 2014.

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

There are no corresponding transactions as at March 31, 2015 and 2014.

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

	Millions of yen		
	2015		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	¥48,096	¥48,273	¥(177)

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

	Thousands of U.S. dollars		
	2015		
	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Available-for-sale money held in trust	\$400,233	\$401,706	\$(1,473)

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains	¥103,611	¥55,338	\$862,204
Available-for-sale securities	103,788	55,355	863,677
Available-for-sale money held in trust	(177)	(17)	(1,473)
Deferred tax liabilities	32,455	(18,646)	270,076
Unrealized gains on available-for-sale securities before following adjustment	71,156	36,692	592,128
Equivalent to minority interests	10	—	83
YMFG's interest in net unrealized gains on valuation of available-for-sale securities held by affiliates accounted for by the equity method	0	14	0
Unrealized gains on available-for-sale securities	¥ 71,146	¥36,706	\$592,045

Valuation differences on investments in partnerships, etc., of ¥120 million (\$999 thousand) at March 31, 2015 and ¥324 million at March 31, 2014, for which market values are extremely difficult to determine, are recorded in available-for-sale securities of net unrealized gains in the list above.

Derivatives

(1) Derivative transactions at March 31, 2015 and 2014, to which hedge accounting is not applied

(a) Interest-rate-related:

Type	Millions of yen			
	2015			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	¥50,546	¥37,556	¥ 582	¥ 582
Receivable floating, payable fixed	50,637	37,648	(466)	(466)
Interest rate cap				
Sold	96	96	(0)	4
Total	¥ —	¥ —	¥ 116	¥ 120

Type	Millions of yen			
	2014			
	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)
Interest rate cap				
Sold	128	128	(0)	4
Total	¥ —	¥ —	¥ 141	¥ 144

Type	Thousands of U.S. dollars			
	2015			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Interest rate swaps:				
Receivable fixed, payable floating	\$420,621	\$312,524	\$ 4,843	\$ 4,843
Receivable floating, payable fixed	421,378	313,290	(3,878)	(3,878)
Interest rate cap				
Sold	799	799	(0)	33
Total	\$ —	\$ —	\$ 965	\$ 998

(b) Currency-related:

Type	Millions of yen			
	2015			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	¥261,656	¥141,121	¥(10,093)	¥ (1,732)
Foreign exchange forward contracts:				
Sold	158,367	7,268	(929)	(929)
Bought	25,690	3,059	774	774
Currency options				
Sold	174,828	130,634	(4,767)	6,847
Bought	174,828	130,634	6,413	(3,169)
Total	¥ —	¥ —	¥(8,602)	¥ 1,791

Type	Millions of yen			
	2014			
	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

Type	Thousands of U.S. dollars			
	2015			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Over-the-counter:				
Currency swaps	\$2,177,382	\$1,174,345	\$(83,989)	\$(14,413)
Foreign exchange forward contracts:				
Sold	1,317,858	60,481	(7,731)	(7,731)
Bought	213,780	25,456	6,441	6,441
Currency options				
Sold	1,454,839	1,087,077	(39,669)	56,978
Bought	1,454,839	1,087,077	53,366	(26,371)
Total	\$ —	\$ —	\$(71,582)	\$ 14,904

(c) Stock-related:

There were no stock-related transactions as at March 31, 2015 and 2014.

(d) Bond-related:

Type	Millions of yen			
	2015			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	¥111,318	¥—	¥(275)	¥(275)
Total	¥ —	¥—	¥(275)	¥(275)

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	Thousands of U.S. dollars			
	2015			
	Contract amounts	Over one year	Fair value	Realized gains (losses)
Listed:				
Bond futures				
Sold	\$926,338	\$—	\$(2,288)	\$(2,288)
Total	\$ —	\$—	\$(2,288)	\$(2,288)

(e) Commodity-related:

There were no commodity-related transactions as at March 31, 2015 and 2014.

(f) Credit-derivatives:

There were no credit related transactions as at March 31, 2015 and 2014.

(2) Derivative transactions as at March 31, 2015 and 2014, to which hedge accounting is applied

(a) Interest-rate-related:

Type	Millions of yen		
	2015		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	¥13,710	¥13,710	¥(499)
Interest rate swaps employing exceptional accounting:			
Interest rate swaps			
Receive floating, payable fixed	275	242	*
Total	¥ —	¥ —	¥(499)

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

Type	Thousands of U.S. dollars		
	2015		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Interest rate swaps			
Receive floating, payable fixed	\$114,088	\$114,088	\$(4,152)
Interest rate swaps employing exceptional accounting:			
Interest rate swaps			
Receive floating, payable fixed	2,288	2,014	*
Total	\$ —	\$ —	\$(4,152)

(*) 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		
	2015		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	¥32,730	¥—	¥(828)
Total	¥ —	¥—	¥(828)

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

Type	Thousands of U.S. dollars		
	2015		
	Contract amounts	Over one year	Fair value
Principal accounting procedure:			
Currency swaps	\$272,364	\$—	\$(6,890)
Total	\$ —	\$—	\$(6,890)

(c) Stock-related:

There were no stock-related transactions at March 31, 2015 and 2014.

(d) Bond-related:

There were no bond-related transactions at March 31, 2015 and 2014.

7. LOANS AND BILLS DISCOUNTED

Loans at March 31, 2015 and 2014 include "Risk-Managed Loan Amounts" as follows:

- (1) Loans to borrowers in bankruptcy amounting to ¥21,398 million (\$178 million) and ¥25,936 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 ¥80,077 million (\$666 million) and ¥91,479 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 ¥692 million (\$6 million) and ¥448 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 ¥15,260 million (\$127 million) and ¥22,435 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 ¥117,427 million (\$977 million) and ¥140,298 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 ¥45,680 million (\$380 million) at March 31, 2015 and ¥47,896 million at 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 ¥898,025 million (\$7,473 million) at March 31, 2015 and came to ¥860,659 million at March 31, 2014. Of this amount, ¥831,960 million (\$6,923 million) at March 31, 2015, and ¥802,427 million at March 31, 2014, relates to loans for which the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the consolidated subsidiaries either to decline the request for a loan draw-down or to reduce the agreed limit amount when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the consolidated subsidiaries' credit. Consolidated subsidiaries take various measures

to protect their credit. Such measures include having the obligor pledge collateral to the consolidated subsidiaries in the form of real estate, securities, etc., at entering into a loan agreement or in accordance with the consolidated subsidiaries' established internal procedures for confirming the obligor's financial condition, etc., at regular intervals.

9. PLEDGED ASSETS

At March 31, 2015 and 2014, the following assets were pledged as collateral for certain liabilities of the Banks.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and due from banks	¥ 18	¥ 18	\$ 150
Securities	231,785	222,558	1,928,809
Lease receivables and investment assets	1,955	—	16,269

The collateral was pledged to secure the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deposits	¥40,055	¥27,600	\$333,319
Payables under securities lending transactions	24,028	13,269	199,950
Borrowed money	5,580	3,823	46,434

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 ¥107,910 million (\$898 million), cash and due from banks ¥3 million (\$25 thousand) and net other assets ¥1,197 million (\$10 million) including security deposits of ¥3,229 million (\$27 million) at March 31, 2015. The corresponding figures at March 31, 2014, were ¥106,203 million, ¥3 million and ¥1,201 million, including security deposits of ¥2,997 million.

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of tangible assets was ¥74,452 million (\$620 million) at March 31, 2015, and ¥72,993 million at March 31, 2014.

11. IMPAIRMENT LOSSES

During the fiscal year ended March 31, 2015 and 2014, impairment losses were recorded on the following assets.

Location	Primary use	Type	Impairment loss		
			Millions of yen		Thousands of U.S. dollars
			2015	2014	2015
Within Hiroshima Prefecture	Asset scheduled for sale	Land, buildings	¥ 20	¥—	\$ 166
Within Fukuoka Prefecture	Business-use assets, idle asset	Land, buildings	¥112	—	\$ 932
Within Yamaguchi Prefecture	Asset scheduled for sale	Land, buildings	¥ —	¥46	\$ —
Total			¥132	¥46	\$1,098

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.

In the fiscal year ended March 31, 2015, the book values of the business-use and idle assets, which have problem in operating cash flow, and assets that are scheduled for sale are reduced to their recoverable values, and recognized the reduction of ¥132 million (\$1,098 thousand) as impairment losses. This amount includes land of ¥67 million (\$558 thousand) and buildings of ¥65 million (\$541 thousand).

In the fiscal year ended March 31, 2014, 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 as impairment losses. This amount includes land of ¥34 million and buildings of ¥12 million.

The recoverable amount used to estimate the impairment loss for the fiscal year ended March 31, 2015 and 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, 2015 is as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥19,599	\$163,094
2016	6,027	50,154
2017	4,651	38,704
2018	3,199	26,621
2019	1,767	14,704
Thereafter	4,579	38,104
Total	¥39,822	\$331,381

13. BONDS PAYABLE

Bonds payable include subordinated bonds of ¥25,000 million (\$208 million) as of March 31, 2015 and ¥25,000 million as of March 31, 2014.

14. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

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 simplified method for calculating retirement benefit obligations.

Defined benefit plans

(1) Reconciliation of retirement benefit obligation balances at the beginning and the end of the fiscal year ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations at the beginning of the fiscal year	¥57,979	¥58,375	\$482,475
Cumulative effects of changes in accounting policies	3,086	—	25,680
Restated balance	61,065	58,347	508,155
Service cost	1,555	1,556	12,940
Interest cost	634	1,042	5,276
Actuarial differences	627	645	5,218
Retirement benefit payments	(3,742)	(3,878)	(31,139)
Others	242	239	2,013
Retirement benefit obligations at the end of the fiscal year	¥60,381	¥57,979	\$502,463

(2) Reconciliation of plan asset balances at the beginning and the end of the fiscal year ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance of plan assets at the beginning of the fiscal year	¥76,382	¥67,200	\$635,616
Expected return on plan assets	2,805	1,919	23,342
Actuarial differences	11,714	7,480	97,479
Contribution from employer	1,629	1,941	13,556
Retirement benefit payments	(2,368)	(2,396)	(19,705)
Others	228	238	1,896
Balance of plan assets at the end of the fiscal year	¥90,390	¥76,382	\$752,184

(3) Reconciliation of the balances of retirement benefit obligations and plan assets at the end of the fiscal year ended March 31, 2015 and 2014, and the carrying amounts of net defined benefit liability and net defined benefit asset

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations of funded plans	¥60,328	¥57,935	\$502,022
Plan assets	(90,390)	(76,382)	(752,184)
	(30,062)	(18,447)	(250,162)
Retirement benefit obligations of unfunded plans	53	44	441
Net carrying amount of obligations and assets	¥(30,009)	¥(18,403)	\$(249,721)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net retirement benefit liability	¥3,467	¥4,479	\$28,851
Net retirement benefit asset	(33,476)	(22,882)	(278,572)
Net carrying amount of obligations and assets	¥(30,009)	¥(18,403)	\$(249,721)

(4) Retirement benefit costs and their breakdowns

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost*	¥1,555	¥1,556	\$12,940
Interest cost	634	1,042	5,276
Expected return on plan assets	(2,805)	(1,919)	(23,342)
Recognized actuarial loss	1,637	1,840	13,622
Amortization of past service cost	0	1	0
Others	57	64	475
Retirement benefit costs on defined benefit plans	¥1,078	¥2,584	\$8,971

* 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
	2015	2014	U.S. dollars
Past service cost	¥ 0	¥—	\$ 0
Actuarial gain (loss)	12,723	—	105,875
Total	¥12,723	¥—	\$105,875

(6) Cumulative remeasurements of defined benefit plans

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

	Millions of yen		Thousands of
	2015	2014	U.S. dollars
Unrecognized past service cost	¥ —	¥ 0	\$ —
Unrecognized actuarial gain (loss)	(7,361)	5,362	(61,255)
Total	¥(7,361)	¥5,362	\$(61,255)

(7) Plan assets

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

	2015	2014
Bonds	20%	25%
Shares	64%	59%
Others	16%	16%
Total	100%	100%

(Note) Plan assets include 30% of corporate pension plans established as retirement benefit trusts at the end of the fiscal year ended March 31, 2015, and 28% at March 31, 2014.

(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.

(8) Basis of actuarial calculation

The basis of actuarial calculations as of March 31, 2015 and 2014

	2015	2014
Discount rate	0.03%—1.64%	1.50%—2.00%
Expected long-term rate of return on plan assets	1.50%—6.20%	1.60%—3.80%
Expected rate of salary increase	0.80%—4.65%	0.94%—4.65%

Defined contribution plans

The required contribution to the consolidated subsidiaries' defined contribution plans at the end of the fiscal year ended March 31, 2015 and 2014 were ¥153 million (\$1,273 million) and ¥157 million, respectively.

15. REVALUATION RESERVE FOR LAND

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

Revaluation date: March 31, 1998

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

Total difference between market value of land for business use revalued in accordance with Article 10 of the Law and the total post-revaluation book value of land at March 31, 2015 and 2014 were ¥23,409 million (\$195 million) and ¥23,419 million, respectively.

16. CONTINGENT LIABILITIES — ACCEPTANCES AND GUARANTEES

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

17. OTHER INCOME

Other income for the fiscal year ended March 31, 2015 and 2014 included the gains on sale of stock of ¥5,150 million (\$43 million) and ¥8,597 million, respectively.

18. GENERAL AND ADMINISTRATIVE EXPENSES

Items included operating expenses for the year ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Salary and allowance	¥30,988	¥31,436	\$258
Retirement benefit costs	897	2,596	7
Depreciation	10,518	10,786	88

19. OTHER EXPENSES

Other expenses included ¥616 million (\$5,126 thousand) in loss on sale of stock, ¥31 million (\$258 thousand) in devaluation of stock and ¥1,199 million (\$9,978 thousand) in loss on investment of money held in trust for the year ended March 31, 2015. For the year ended March 31, 2014, other expenses included ¥928 million in loss on sale of stock, and ¥135 million in devaluation of stock and there are no loss on investment of money held in trust.

20. 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, 2015 and 2014 were as follows:

Equivalent amount:	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Acquisition cost	¥11	¥69	\$92
Accumulated depreciation	11	67	92
Net book value	¥—	¥ 2	\$—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease payments	¥2	¥21	\$17
Equivalent depreciation expense	2	19	17
Equivalent interest expense	¥0	¥ 0	\$ 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, 2015 and 2014 were as follows:

At March 31, 2015

	Millions of yen	Thousands of U.S. dollars
2016	¥—	\$—
2017 and thereafter	—	—
Total minimum lease payments	¥—	\$—

At March 31, 2014

	Millions of yen
2015	¥ 2
2016 and thereafter	—
Total minimum lease payments	¥ 2

2. Operating leases

Future minimum lease payments at March 31, 2015 and 2014 were as follows:

At March 31, 2015

	Millions of yen	Thousands of U.S. dollars
2016	¥ 84	\$ 699
2017 and thereafter	1,097	9,129
Total minimum lease payments	¥1,181	\$9,828

At March 31, 2014

	Millions of yen
2015	¥ 52
2016 and thereafter	747
Total minimum lease payments	¥799

21. INCOME TAXES

1. Significant components of the deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for loan losses	¥ 19,703	¥ 24,891	\$ 163,959
Provision for bonuses	1,035	1,148	8,613
Net defined benefit liability	4,357	7,252	36,257
Depreciation	941	951	7,831
Losses on devaluation of securities	2,775	3,542	23,092
Net operating losses carryforwards	406	2,555	3,379
Other	4,374	4,605	36,398
Deferred tax assets	33,591	44,944	279,529
Valuation allowance	(3,873)	(5,995)	(32,229)
Total deferred tax assets	29,718	38,949	247,300
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(32,447)	(18,646)	(270,009)
Securities contributed to retirement benefit trusts	(4,676)	(5,160)	(38,912)
Other	(2,706)	(1,421)	(22,518)
Total deferred tax liabilities	(39,829)	(25,227)	(331,439)
Net deferred tax assets (liabilities)	¥(10,111)	¥ 13,722	\$ (84,139)

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, 2015 and 2014 were as follows:

	%	
	2015	2014
Effective statutory tax rate	—	37.75
(Adjustments)		
Revision of valuation allowances	—	(10.39)
Items permanently exempted from income such as dividend income	—	(1.60)
Non-deductible goodwill amortization	—	3.73
Inhabitant tax on per capita basis	—	0.27
Items permanently excluded from expense such as entertainment expenses	—	0.31
Stated difference of tax rates on special reconstruction surtax	—	1.46
Expiration of losses carried forward	—	5.69
Consolidation adjustment	—	(1.40)
Others	—	(0.39)
Actual tax rate after application of deferred income tax accounting	—	35.43

(Note) Information for the year ended March 31, 2015 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
For the year ended March 31, 2014

The "Act on Partial revision of Income Tax Act" (Law No. 10 of 2014) was promulgated on March 31, 2014, repealing the special reconstruction surtax from the 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%, applied for temporary differences that are expected to be deductible 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 and increasing income tax adjustments by ¥547 million.

For the year ended March 31, 2015

The "Act on Partial revision of Income Tax Act" (Law No. 9 of 2015) and the "Act on Partial Revision of the Local Tax Act" (Law No. 2 of 2015) were promulgated on March 31, 2015, lowering the corporate tax rate from the fiscal years beginning on or after April 1, 2015. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and liabilities was reduced from 35.38% to 32.38% applied for temporary differences that are expected to be deductible in the fiscal year beginning April 1, 2015, and further to 32.06% applied for temporary differences that are expected to be deductible in the fiscal year beginning April 1, 2016.

This change in the tax rate had the effect of reducing deferred tax liabilities by ¥1,358 million (\$11 million),

increasing unrealized gains on available-for-sale securities by ¥3,364 million (\$28 million), reducing deferred gains or losses on hedges by ¥16 million (\$133 thousand), increasing remeasurements of defined benefit plans by ¥273 million (\$2 million) and raising deferred income taxes by ¥2,263 million (\$19 million). Deferred tax liabilities for land revaluation decreased ¥1,187 million (\$10 million), and revaluation reserve for land increased by the same amount.

22. 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, 2015, the shareholders approved cash dividends amounting

to ¥1,712 million (\$14 million). Such appropriations have not been accrued in the Consolidated Financial Statements as of March 31, 2015 and to be recognized in the period in which they are approved by the shareholders.

At the annual shareholders' meeting, held on June 26, 2014, the shareholders approved cash dividends amounting to ¥1,772 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.

23. CHANGES IN NET ASSETS

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

	Number of shares (in thousand)			
	March 31, 2014	Increase	Decrease	March 31, 2015
Shares issued				
Common stock	264,353	—	—	264,353
Total	264,353			264,353
Treasury stock				
Common stock*1, *2	11,299	10,062	504	20,857
Total	11,299	10,062	504	20,857

*1 Of the increase in the number of shares, 10,000 thousand shares were acquired in the market, 35 thousand shares were due to the acquisition of fractional shares and 27 thousand shares were due to the transition of a company from an equity-method affiliate to a consolidated subsidiary. Of the decrease in the number of shares, 353 thousand shares were due to the sale of shares to the Group's employee stock ownership program ESOP Trust for Employee Shareholders, 150 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.

*2 Treasury stock as of beginning and ending of fiscal year ended March 31, 2015 include 1,400 thousand shares and 1,047 thousand shares held by the ESOP Trust for Employee Shareholders.

	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 beginning and ending of fiscal year ended March 31, 2014 include 1,849 thousand shares and 1,400 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, 2015 and 2014.

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 9, 2014 Common stock	¥1,781* ¹	¥ 7.00	Mar. 31, 2014	Jun. 27, 2014
Resolved at the board of directors meeting on November 7, 2014 Common stock	¥1,782* ²	¥ 7.00	Sep. 30, 2014	Dec. 10, 2014

*1 The total amount of dividend on common stock includes ¥10 million in dividends to ESOP Trust for employee shareholders.

*2 The total amount of dividend on common stock includes ¥8 million in dividends to ESOP Trust for employee shareholders.

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	¥1,581* 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	¥1,581* ²	¥ 6.00	Sep. 30, 2013	Dec. 10, 2013

*1 The total amount of dividend on common stock include ¥11 million in dividends to ESOP Trust for employee shareholders. This is because shares held by ESOP trust are treated as treasury stock.

*2 The total amount of dividend on common stock include ¥10 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 9, 2014 Common stock	\$14,821* ¹	\$0.06	Mar. 31, 2014	Jun. 27, 2014
Resolved at the board of directors meeting on November 7, 2014 Common stock	\$14,829* ²	\$0.06	Sep. 30, 2014	Dec. 10, 2014

*1 The total amount of dividend on common stock includes \$83 thousand in dividends to ESOP Trust for employee shareholders.

*2 The total amount of dividend on common stock includes \$67 thousand in dividends to ESOP Trust for employee shareholders.

(b) Dividends to be paid in the fiscal year ending March 31, 2016 and 2015 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 8, 2015 Common stock	¥1,712	Retained earnings	¥ 7.00	Mar. 31, 2015	Jun. 29, 2015

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

(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	¥1,781	Retained earnings	¥ 7.00	Mar. 31, 2014	Jun. 27, 2014

(Note) The total amount of dividend on common stock includes ¥10 million in dividends to ESOP Trust for employee shareholders.

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

Type of shares	Aggregate amount of dividends (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Resolved at the board of directors meeting on May 8, 2015 Common stock	\$14,246	Retained earnings	\$0.06	Mar. 31, 2015	Jun. 29, 2015

(Note) The total amount of dividend on common stock includes \$58 thousand in dividends to ESOP Trust for employee shareholders.

24. 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
	2015	2014	2015
General and administrative expenses	¥194	¥208	\$1,614

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

2015	
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	182,900 shares of YMFG's common stock
Grant date	July 29, 2014
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	July 30, 2014—July 29, 2044
2014	
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	225,100 shares of YMFG's common stock
Grant date	July 23, 2013
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	July 24, 2013—July 23, 2043
2013	
Category and number of persons to be granted stock options	27 directors (excluding outside directors) of YMFG's subsidiaries, Yamaguchi Bank, Momiji Bank and Kitakyushu Bank.
Number of stock options by class of stock*	294,900 shares of YMFG's common stock
Grant date	July 30, 2012
Vesting conditions	No vesting conditions set
Target length of service period	No target length of service period set
Period for exercise of rights	July 31, 2012—July 30, 2042

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

Note: Stated as the equivalent number of shares.

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

(a) Number of stock options

	2015	2014	2013	2012
Prior to vesting				
As of the end of the previous consolidated fiscal year	—	225,100	—	—
Granted	182,900	—	—	—
Expired	—	—	—	—
Vested	—	225,100	—	—
Rights not yet determined	182,900	—	—	—
After vesting				
As of the end of the previous consolidated fiscal year	—	—	267,500	153,400
Rights determined	—	—	—	—
Rights exercised	—	54,200	62,100	33,700
Expiry	—	—	—	—
Amount unexercised	—	170,900	205,400	119,700

(b) Price information

	Yen				U.S. dollars
	2015	2014	2013	2012	2015
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	\$0.01
Average share price at time of exercise	—	1,075	1,075	1,075	—
Fair value on date granted	1,015	973	619	660	8.45

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, 2015 and 2014 are as follows:

(a) Valuation method employed: Black-Scholes method

(b) Main base figures and estimation method

	2015
Volatility of stock price* ¹	24.89%
Expected number of years remaining* ²	3.69 years
Forecast dividend* ³	¥13/share
Risk-free interest rate* ⁴	0.101%

*1 Calculated on the basis of stock price performance during a period (November 2010 to July 2014) corresponding to the expected number of years remaining (3.69 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, 2014.

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

	2014
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.

25. INVESTMENT AND RENTAL PROPERTY

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

26. 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, 2015 and 2014 were as follows.

	Millions of Yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gains (losses) on available-for-sale securities			
Amount generated during the year	¥61,429	¥17,249	\$511,184
Reclassification adjustments	(12,951)	(13,413)	(107,772)
Before tax effect adjustment	48,478	3,836	403,412
Tax effect amount	(14,024)	(1,632)	(116,703)
Unrealized gains (losses) on available-for-sale securities	34,454	2,204	286,709
Deferred gains (losses) on hedges:			
Amount generated during the year	(170)	(89)	(1,415)
Reclassification adjustments	250	235	2,080
Before tax effect adjustment	80	146	665
Tax effect amount	(44)	(52)	(365)
Deferred gains (losses) on hedges	36	94	300
Revaluation reserve for land			
Amount generated during the year	—	—	—
Reclassification adjustment	—	—	—
Before adjustment for tax effects	—	—	—
Tax effect amount	1,187	—	9,878
Revaluation reserve for land	1,187	—	9,878
Remeasurements of defined benefit plans			
Amount generated during the year	11,086	—	92,253
Reclassification adjustment	1,637	—	13,622
Before adjustment for tax effects	12,723	—	105,875
Tax effect amount	(4,255)	—	(35,408)
Remeasurements of defined benefit plans	8,468	—	70,467
Share of other comprehensive income in affiliated companies accounted for using the equity method			
Amount generated during the year	(13)	4	(108)
Reclassification adjustments	—	—	—
Before tax effect adjustment	(13)	4	(108)
Tax effect amount	—	—	—
Share of other comprehensive income in affiliated companies accounted for using the equity method	(13)	4	(108)
Total other comprehensive income	44,132	2,302	367,246

27. 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.

28. RELATED PARTY TRANSACTIONS

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

29. PER SHARE DATA

	Yen		U.S. dollars
	2015	2014	2015
Net assets per share	¥2,346.56	¥2,040.02	\$19.53
Net income per share	120.88	120.68	1.01
Net income per share (diluted)	¥ 108.24	¥ 116.57	\$ 0.90

Net assets per share are calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2015	2014	2015
Net assets	¥578,388	¥521,470	\$4,813,081
Amounts excluded from net assets	¥ 7,008	¥ 5,232	\$ 58,317
stock options	512	431	4,261
minority interests	6,496	4,801	54,056
Net assets attributable to common stock at the fiscal year-end	571,380	516,238	4,754,764
Number of common stock at the fiscal year-end used for the calculation of net assets per share (in thousands)*	243,497	253,055	

* Shares of the Company held by the ESOP trust are shown on the balance sheets as treasury stock, so are not included in the above number of common stock at the fiscal year-end used for the calculation of net assets per share. This number of shares held by the ESOP was 1,400 thousand as of March 31, 2014, and 1,047 thousand as of March 31, 2015.

Net income per share is calculated based on the following:

	Millions of yen except number of shares		Thousands of U.S. dollars
	2015	2014	2015
Net income	¥30,523	¥31,242	\$253,999
Amount not attributable to common shareholders	—	—	—
Net income attributable to common stock	30,523	31,242	253,999
Average shares of common stock during the year* (in thousands)	252,514	258,870	

* Shares of the Company held by the ESOP trust are shown on the balance sheets as treasury stock, so are not included in the above average shares of common stock during the year. The average number of shares was 1,598 thousand in the fiscal year ended March 31, 2014, and 1,193 thousand in the fiscal year ended March 31, 2015.

(Note) As previously described in Changes in Accounting Principles, YMFG 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, March 26, 2015), applying 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 from the fiscal year ended March 31, 2015, and in accordance with the transitional treatment stipulated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, at the beginning of the fiscal year ended March 31, 2015, net assets per share decreased ¥7.88 (\$0.07), and net income per share and diluted net income per share increased ¥0.94 (\$0.01) and ¥0.84 (\$0.01) respectively.

In the fiscal year ended March 31, 2014, as previously described in Changes in Accounting Principles, YMFG adopted the "Accounting Standard for Retirement Benefits" and in accordance with the transitional treatment stipulated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share decreased ¥13.69 in the fiscal year ended March 31, 2014.

30. SUBSEQUENT EVENTS

There were no significant subsequent events. Dividends were made in June 2015 and 2014. Please refer to "21. NET ASSETS."

31. BUSINESS COMBINATIONS

Business combinations due to acquisition

1. Overview of business combination

(1) Name and business of acquired company

Name of acquired company YM Lease Co., Ltd.

Business Leasing

(2) Principal reasons for business combination

YM Lease Co., Ltd. has been operating as a leasing

company, and the business combination was executed to further enhance the financial services of the financial group including three banks; Yamaguchi Bank, Momiji Bank and Kitakyushu Bank

(3) Date of corporate combination

December 5, 2014

(4) Legal form of the business combination
 YM Lease Co., Ltd. became a subsidiary of the Group through the acquisition of shares in YM Lease Co., Ltd.

(5) Company name following the combination
 The company's name remains unchanged following the combination.

(6) Percentage of voting rights acquired
 Percentage of voting rights immediately prior to acquisition
 21.1% (Note)

Percentage of voting rights acquired on the date of the business combination
 28.9%

Total percentage of voting rights following the acquisition
 50.0%

(Note) This figure includes shares owned by YMFG subsidiaries The Yamaguchi Bank Co., Ltd., and Yamagin Card Co., Ltd.

(7) Key factors leading to the corporate acquisition decision
 Owning 40% or more of the shares in YM Lease Co., Ltd., enables YMFG to convert the company to a subsidiary on the basis of a controlling interest.

2. Period for which acquired company's operating performance is included in the consolidated statements of income for the period under review
 April 1, 2014 to March 31, 2015
 As the acquisition date is deemed to have been December 31, 2014, income of the acquired company for the period from April 1, 2014, through December 31, 2014, is recorded as equity method investment income.

3. Acquisition cost for the acquired company and its breakdown

Fair value of common stock in YM Lease Co., Ltd., owned immediately prior to the business combination	¥104 million (\$866 thousand)
Fair value of additional common stock in YM Lease Co., Ltd., acquired on the date of the business combination	¥94 million (\$782 thousand)
<u>Acquisition cost</u>	<u>¥198 million (\$1,648 thousand)</u>

4. Difference between the acquisition cost of the acquired company and total acquisition cost for individual transactions leading up to the transaction Loss related to staged acquisition
 ¥200 million (\$1,664 thousand)

5. Negative goodwill generated and reason for generation
 (1) Amount of negative goodwill generated
 ¥2,331 million (\$19,398 thousand)

(2) Reason for generation
 The fair value of net assets exceeded the acquisition cost at the time of acquisition.

6. Amount and general breakdown of assets acquired and obligations assumed on the date of the corporate combination

(1) Assets

Current assets	¥21,692 million (\$180,511 thousand)
Noncurrent assets	¥644 million (\$5,359 thousand)
<u>Total assets</u>	<u>¥22,336 million (\$185,870 thousand)</u>

(2) Liabilities

Current liabilities	¥5,968 million (\$49,663 thousand)
Long-term liabilities	¥12,591 million (\$104,777 thousand)
<u>Total liabilities</u>	<u>¥18,559 million (\$154,440 thousand)</u>

7. Impact on the consolidated statements of income for the fiscal year under review based on the assumption that the corporate combination was concluded on the starting day of the fiscal year under review
 This information has been omitted, as its impact is negligible.



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Yamaguchi Financial Group, Inc. ("YMFG") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of YMFG and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 31, 2015
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Yamaguchi Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2015 and 2014

ASSETS		Millions of yen	Millions of yen	Thousands of
		2015	2014	U.S. dollars
Assets	Cash and due from banks	¥ 531,489	¥ 503,708	\$ 4,422,809
	Call loans and bills purchased	263,224	288,125	2,190,430
	Monetary claims bought	7,769	8,296	64,650
	Trading assets	5,563	5,208	46,293
	Money held in trust	44,306	48,016	368,694
	Securities	1,584,517	1,358,088	13,185,629
	Loans and bills discounted	3,450,436	3,299,187	28,712,957
	Foreign exchanges	8,272	10,269	68,836
	Other assets	91,574	81,675	762,037
	Tangible fixed assets	45,337	46,497	377,274
	Intangible fixed assets	3,269	6,976	27,203
	Prepaid pension cost	17,382	17,986	144,645
	Customers' liabilities for acceptances and guarantees	30,541	27,680	254,148
	Allowance for loan losses	(29,067)	(31,488)	(241,882)
	Total assets	¥ 6,054,612	¥ 5,670,223	\$ 50,383,723

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 5,454,733	¥ 5,134,128	\$ 45,391,803	
	Call money and bills sold	76,790	83,173	639,011	
	Payables under securities lending transactions	12,329	4,566	102,596	
	Trading liabilities	5,631	3,405	46,859	
	Borrowed money	9,765	9,622	81,260	
	Foreign exchanges	3,052	1,559	25,397	
	Other liabilities	57,855	54,001	481,444	
	Provision for bonuses	1,554	1,519	12,932	
	Provision for retirement benefits	106	85	882	
	Provision for reimbursement of deposits	933	765	7,764	
	Reserve for frequent users services	43	40	358	
	Deferred tax liabilities	18,099	7,366	150,612	
	Deferred tax liabilities for land revaluation	7,820	8,632	65,074	
	Acceptances and guarantees	30,541	27,680	254,148	
	Total liabilities	5,679,251	5,336,541	47,260,140	
	Net assets:	Capital stock	10,006	10,006	83,265
		Capital surplus	380	380	3,162
Retained earnings		293,793	277,885	2,444,812	
Total shareholders' equity		304,179	288,271	2,531,239	
Net unrealized gains on securities		55,083	30,167	458,376	
Deferred gains or losses on hedges		(303)	(353)	(2,521)	
Revaluation reserve for land		16,402	15,597	136,489	
Total valuation and translation adjustments		71,182	45,411	592,344	
Total net assets		375,361	333,682	3,123,583	
Total liabilities, and net assets	¥ 6,054,612	¥ 5,670,223	\$ 50,383,723		

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2015 and 2014

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Income			
Interest income:			
Interest on loans and discounts	¥ 41,408	¥ 42,144	\$ 344,579
Interest and dividends on securities	16,014	12,582	133,261
Other interest income	1,002	940	8,338
Fees and commissions	11,833	11,618	98,469
Trading income	54	98	449
Other ordinary income	8,962	4,666	74,578
Other income	5,789	11,660	48,173
Total income	85,062	83,708	707,847

Expenses			
Interest expense:			
Interest on deposits	4,171	4,528	34,709
Interest on borrowings and rediscounts	586	487	4,876
Other interest expense	165	182	1,373
Fees and commissions payments	4,045	3,973	33,661
Other operating expenses	4,481	3,960	37,289
General and administrative expenses	37,990	39,005	316,135
Impairment losses	0	447	0
Other expenses	2,296	1,095	19,107
Total expenses	53,734	53,677	447,150
Income before income taxes and minority interests	31,328	30,031	260,697
Income taxes:			
Current	9,764	8,387	81,251
Deferred	1,557	2,687	12,957
Net income	¥ 20,007	¥ 18,957	\$ 166,489

	Yen 2015	Yen 2014	U.S. dollars 2015
Amounts per share of common stock:			
Net income	¥ 100.03	¥ 94.79	\$ 0.83
Cash dividends applicable to the year	14.00	13.00	0.12

Momiji Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2015 and 2014

ASSETS		Millions of yen	Millions of yen	Thousands of
		2015	2014	U.S. dollars
		2015	2014	2015
Assets	Cash and due from banks	¥ 355,974	¥ 332,781	\$ 2,962,253
	Call loans and bills purchased	20,092	27,144	167,196
	Monetary claims bought	593	573	4,935
	Trading assets	696	554	5,792
	Securities	708,923	691,112	5,899,334
	Loans and bills discounted	2,006,372	1,928,364	16,696,114
	Foreign exchanges	3,366	3,353	28,010
	Other assets	76,365	80,521	635,475
	Tangible fixed assets	33,738	34,424	280,752
	Intangible fixed assets	5,612	8,083	46,701
	Prepaid pension cost	7,337	6,827	61,055
	Deferred tax assets	10,271	17,770	85,471
	Customers' liabilities for acceptances and guarantees	12,816	12,329	106,649
	Allowance for loan losses	(28,126)	(37,569)	(234,052)
	Total assets	¥ 3,214,029	¥ 3,106,266	\$ 26,745,685

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 2,945,565	¥ 2,845,348	\$ 24,511,650
	Call money and bills sold	1,122	875	9,337
	Payables under securities lending transactions	11,699	8,703	97,354
	Borrowed money	17,291	16,911	143,888
	Foreign exchanges	61	105	508
	Other liabilities	12,470	15,104	103,768
	Provision for bonuses	942	1,050	7,839
	Provision for retirement benefits	2,096	1,621	17,442
	Provision for reimbursement of deposits	353	301	2,938
	Deferred tax liabilities for land revaluation	4,709	5,204	39,186
	Acceptances and guarantees	12,816	12,329	106,649
	Total liabilities	3,009,124	2,907,551	25,040,559
Net assets:	Capital stock	87,466	87,466	727,852
	Capital surplus	42,067	42,067	350,062
	Retained earnings	58,538	60,036	487,127
	Total shareholders' equity	188,071	189,569	1,565,041
	Net unrealized gains on securities	8,632	1,404	71,832
	Deferred gains or losses on hedges	(21)	(8)	(175)
	Revaluation reserve for land	8,223	7,750	68,428
	Total valuation and translation adjustments	16,834	9,146	140,085
	Total net assets	204,905	198,715	1,705,126
	Total liabilities, and net assets	¥ 3,214,029	¥ 3,106,266	\$ 26,745,685

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2015 and 2014

	Millions of yen	Millions of yen	Thousands of
	2015	2014	U.S. dollars
			2015
Income			
Interest income:			
Interest on loans and discounts	¥ 26,721	¥ 28,115	\$ 222,360
Interest and dividends on securities	9,027	8,583	75,119
Other interest income	241	214	2,005
Fees and commissions	7,134	7,025	59,366
Other ordinary income	2,778	4,463	23,117
Other income	5,737	7,762	47,741
Total income	51,638	56,162	429,708

Expenses			
Interest expense:			
Interest on deposits	1,791	2,120	14,904
Interest on borrowings and rediscounts	55	46	458
Other interest expense	111	86	924
Fees and commissions payments	3,251	3,175	27,053
Other operating expenses	678	1,444	5,642
General and administrative expenses	29,449	30,780	245,061
Impairment losses	28	95	233
Other expenses	892	1,264	7,423
Total expenses	36,255	39,010	301,698
Income before income taxes and minority interests	15,383	17,152	128,010
Income taxes:			
Current	195	251	1,623
Deferred	4,557	3,969	37,921
Net income	¥ 10,631	¥ 12,932	\$ 88,466

Amounts per share of common stock:	Yen	Yen	U.S. dollars
	2015	2014	2015
Net income	¥ 17.89	¥ 21.76	\$ 0.15
Cash dividends applicable to the year	2.65	27.84	0.02

Kitakyushu Bank Financial Statements

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, 2015 and 2014

ASSETS		Millions of yen	Millions of yen	Thousands of
		2015	2014	U.S. dollars
Assets	Cash and due from banks	¥ 76,871	¥ 78,810	\$ 639,685
	Call loans and bills purchased	2,841	5,151	23,642
	Securities	30,306	22,694	252,193
	Loans and bills discounted	869,186	804,664	7,232,970
	Foreign exchanges	5,494	3,338	45,719
	Other assets	13,350	18,113	111,092
	Tangible fixed assets	18,677	18,128	155,421
	Intangible fixed assets	1,349	1,796	11,226
	Prepaid pension cost	864	890	7,190
	Deferred tax assets	316	1,865	2,630
	Customers' liabilities for acceptances and guarantees	8,936	8,070	74,361
	Allowance for loan losses	(15,369)	(16,868)	(127,894)
	Total assets	¥ 1,012,821	¥ 946,651	\$ 8,428,235

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)

Liabilities:	Deposits	¥ 894,880	¥ 829,939	\$ 7,446,784	
	Call money and bills sold	65	71	541	
	Borrowed money	1,154	316	9,603	
	Foreign exchanges	47	86	391	
	Other liabilities	13,578	18,140	112,991	
	Provision for bonuses	356	340	2,962	
	Provision for retirement benefits	1,145	988	9,528	
	Provision for reimbursement of deposits	71	42	591	
	Deferred tax liabilities for land revaluation	3,643	4,038	30,315	
	Acceptances and guarantees	8,936	8,070	74,361	
	Total liabilities	923,875	862,030	7,688,067	
	Net assets:	Capital stock	10,000	10,000	83,215
		Retained earnings	63,539	62,133	528,743
Total shareholders' equity		73,539	72,133	611,958	
Net unrealized gains on securities		7,816	5,240	65,041	
Revaluation reserve for land		7,591	7,248	63,169	
Total valuation and translation adjustments		15,407	12,488	128,210	
Total net assets	88,946	84,621	740,168		
Total liabilities, and net assets		¥ 1,012,821	¥ 946,651	\$ 8,428,235	

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Years ended March 31, 2015 and 2014

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Income			
Interest income:			
Interest on loans and discounts	¥ 10,384	¥ 10,406	\$ 86,411
Interest and dividends on securities	355	273	2,954
Other interest income	63	67	524
Fees and commissions	1,496	1,421	12,449
Other ordinary income	257	274	2,139
Other income	1,361	377	11,326
Total income	13,916	12,818	115,803

Expenses			
Interest expense:			
Interest on deposits	907	963	7,548
Interest on borrowings and rediscounts	2	4	17
Other interest expense	10	15	83
Fees and commissions payments	627	569	5,218
Other operating expenses	—	1	—
General and administrative expenses	9,255	9,133	77,016
Impairment losses	112	—	932
Other expenses	136	54	1,131
Total expenses	11,049	10,739	91,945
Income before income taxes and minority interests	2,867	2,079	23,858
Income taxes:			
Current	476	237	3,961
Deferred	884	671	7,356
Net income	¥ 1,507	¥ 1,171	\$ 12,541

	Yen 2015	Yen 2014	U.S. dollars 2015
Amounts per share of common stock:			
Net income	¥ 1,506,950	¥ 1,170,940.85	\$ 12,540.15



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