CONSOLIDATED BALANCE SHEETS

The Chugoku Bank, Ltd. and Consolidated Subsidiaries
March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
ASSETS:			
Cash and due from banks	¥ 120,508	¥ 390,726	$ 904,375
Call loans	88,712	224,761	665,756
Commercial paper and other debt purchased	168,429	99,298	1,264,008
Trading account securities	41,620	51,149	312,345
Money trusts (Note 7)	64,559	59,370	484,495
Securities (Note 6)	1,581,669	1,314,324	11,869,936
Loans and bills discounted (Note 9)	3,217,823	2,932,259	24,148,765
Foreign exchanges	2,634	2,113	19,767
Other assets	68,253	70,670	512,219
Premises and equipment (Note 11)	50,208	51,830	376,796
Deferred income tax assets (Note 13)	13,500	4,341	101,313
Customers' liabilities for acceptances and guarantees	67,483	67,948	506,439
Reserve for possible loan losses	(49,064)	(50,804)	(368,210)
Total assets	¥5,436,334	¥5,217,985	$40,798,004
LIABILITIES, MINORITY INTEREST, AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits	¥4,826,105	¥4,650,721	$36,218,424
Call money	54,623	73,205	409,929
Payables under repurchase agreements	668	—	5,013
Borrowed money	25,696	32,427	192,841
Foreign exchanges	36	75	270
Other liabilities	130,689	59,459	980,781
Accrued employee bonuses	1,790	1,900	13,433
Liability for employees' severance and retirement benefits (Note 14)	14,936	15,834	112,090
Acceptances and guarantees	67,483	67,948	506,439
Total liabilities	5,122,026	4,901,569	38,439,220
Minority interests	7,705	7,018	57,824
Shareholders' equity (Notes 18 and 19):			
Common stock	15,149	15,149	113,689
Capital surplus	6,287	6,287	47,182
Retained earnings	265,816	261,685	1,994,867
Net unrealized holding gains on securities (Note 8)	20,258	27,147	152,029
Less: Common stock in treasury	(42)	(5)	(315)
Common stock held by a subsidiary	(865)	(865)	(6,492)
Total shareholders' equity	306,603	309,398	2,300,960
Total liabilities, minority interest, and shareholders' equity	¥5,436,334	¥5,217,985	$40,798,004

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

The Chugoku Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
Income:			
Interest and dividends on:			
Loans and discounts	¥ 57,912	¥ 62,629	$ 434,612
Securities	27,104	27,568	203,407
Other	4,135	6,045	31,032
Fees and commissions	12,034	11,090	90,311
Other operating income (Note 5)	22,929	2,075	172,075
Other income:			
Gain on securities contributed to employee retirement benefit trust	—	7,900	—
Other (Note 5)	3,519	20,761	26,409
Total income	127,633	138,068	957,846
Expenses:			
Interest on:			
Deposits	6,148	12,848	46,139
Borrowings and rediscounts	389	547	2,919
Other	9,835	10,672	73,809
Fees and commissions	2,565	2,458	19,250
Other operating expenses (Note 5)	22,401	2,385	168,113
General and administrative expenses (Note 5)	53,475	70,124	401,313
Other expenses:			
Expense of change of accounting for retirement benefits	—	16,276	—
Other	21,560	12,526	161,800
Total expenses	116,373	127,836	873,343
Income before income taxes	11,260	10,232	84,503
Income taxes:			
Current	8,674	5,941	65,096
Deferred	(4,131)	(1,902)	(31,002)
Minority interests in net income	839	538	6,296
Net income	¥5,878	¥5,655	$444,113

	Yen		U. S. Dollars
	2002	2001	2002
Net income per share	¥24.17	¥23.25	$0.18
Cash dividends applicable to the year	7.00	7.00	0.05

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

The Chugoku Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
Balance at the beginning of the year	¥261,685	¥257,489	$1,963,865
Appropriations:			
Cash dividends	(1,701)	(1,419)	(12,766)
Bonuses to directors and statutory auditors	(46)	(40)	(345)
Net income	5,878	5,655	44,113
Balance at the end of the year	¥265,816	¥261,685	$1,994,867

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Chugoku Bank, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes	¥ 11,260	¥ 10,232	$ 84,503
Depreciation	15,339	15,725	115,114
Increase (decrease) in reserve for possible loan losses	13,570	10,217	101,839
Transfer to reserve for residual losses on loans sold	—	(416)	—
Increase in accrued employee bonuses	1,790	—	13,433
Increase (decrease) in reserve for retirement allowances	—	(8,743)	—
Increase in liability for severance and retirement benefits	(897)	15,834	(6,732)
Interest and dividend income	(89,151)	(96,242)	(669,051)
Interest expense	16,373	24,067	122,874
Losses (gains) on sale of securities, net	4,615	(1,159)	34,634
Losses (gains) on money trusts, net	466	890	3,497
Foreign exchanges (gains), net	(12,530)	(19,549)	(94,034)
Losses (gains) on disposal of premises and equipment, net	282	(89)	2,116
Decrease (increase) in trading account securities, excluding foreign exchange contracts	9,528	(36,365)	71,505
Decrease (increase) in call loans, commercial paper and other debt purchased	66,920	(185,604)	502,214
Decrease (increase) in due from banks, excluding the Bank of Japan	280,043	(24,735)	2,101,636
Increase in foreign exchanges assets	(521)	(181)	(3,910)
Decrease (increase) in loans and bills discounted	(300,874)	160,065	(2,257,966)
Increase in other assets	(8,925)	(15,010)	(66,978)
Increase in deposits, call money and borrowed money	150,740	118,084	1,131,257
Increase (decrease) in foreign exchanges liabilities	(39)	25	(293)
Increase in other liabilities	67,017	14,682	502,943
Interest and dividends received	92,889	96,081	697,103
Interest paid	(18,760)	(26,627)	(140,788)
Payment of bonuses to directors and statutory auditors	(49)	(44)	(368)
Income taxes paid	(6,323)	(9,865)	(47,452)
Net cash provided by operating activities	292,763	41,273	2,197,096
Cash flows from investing activities:			
Purchases of securities	(1,059,405)	(615,192)	(7,950,506)
Proceeds from sales of securities	589,859	278,907	4,426,709
Proceeds from redemption of securities	197,666	218,846	1,483,422
Purchases of money trusts	(30,050)	(54,749)	(225,516)
Proceeds from money trusts	24,395	34,387	183,077
Proceeds from sales of premises and equipment	161	421	1,208
Purchases of premises and equipment	(3,659)	(4,540)	(27,460)
Net cash used in investing activities	(281,033)	(141,920)	(2,109,066)
Cash flows from financing activities:			
Cash dividends paid	(1,701)	(1,419)	(12,765)
Cash dividends, paid to minority shareholders	(9)	(9)	(68)
Purchases of treasury stock	(75)	(943)	(563)
Proceeds from sales of common stock	39	946	293
Net cash used in financing activities	(1,746)	(1,425)	(13,103)
Effect of exchange rate changes cash and cash equivalents	10	23	75
Net increase (decrease) in cash and cash equivalents	9,994	(102,049)	75,002
Cash and cash equivalents at beginning of year	76,054	178,103	570,762
Cash and cash equivalents at end of year	¥ 86,048	¥ 76,054	$ 645,764

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

The Chugoku Bank, Ltd. (the "Bank") and its subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code, the Securities and Exchange Law, the Japanese Banking Law, and the Japanese Uniform Rules For Bank Accounting and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

In preparing the accompanying consolidated financial statements, certain 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.

2. Yen and U.S. Dollar Amounts

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to US$1.00. The convenience 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.

3. Significant Accounting Policies

(a) Principles of Consolidation

(1) Consolidated Subsidiaries and an Affiliate

The consolidated financial statements include the accounts of the Bank and its eight (nine in 2001) significant subsidiaries after the elimination of all significant intercompany transactions, balances, and unrealized profit.

Investments in an unconsolidated subsidiary and an affiliate are not accounted for under the equity method, since they would have no significant effect on the consolidated financial statements.

(2) Balance Sheet Date of Subsidiaries

All consolidated subsidiaries have fiscal years ending March 31, which is the same as the fiscal year of the Bank.

(b) Trading Account Securities

Prior to April 1, 2000, trading account securities which are listed on stock exchanges were stated at the lower of moving average cost or market value. Recoveries of write-downs were recorded in subsequent periods.

Effective April 1, 2000, trading account securities are stated at fair market value as a result of adopting the new accounting standard for financial instruments (Note 3 (c))

(c) Securities and Money Trusts

Prior to April 1, 2000, listed Japanese and foreign securities that were convertible bonds, bonds with warrants, shares and certain other investments were stated at the lower of moving average cost or market value. Recoveries of write-downs were recorded in subsequent periods. Other securities were stated at moving average cost. Securities held in separately managed money trusts were also stated using the above methods.

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (1) securities held for trading purposes (hereafter, "trading securities"), (2) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (3) equity securities issued by subsidiaries and affiliated companies, and (4) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost based on book value at April 1, 2000.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

Securities held for trading purpose in separately managed money trusts are stated at fair market value.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments that are also related to Notes 3 (b), (d) and (g), in the year ended March 31, 2001, income before income taxes increased by ¥1,878 million .

(d) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and the changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

The Bank adopted "macro hedge" accounting, which is the method to manage aggregate interest rate risks arising from numerous financial assets and liabilities such as loans and deposits by using derivatives. The hedge accounting method is a type of the deferral hedge accounting method and based on the risk management strategy called the risk-adjusted approach defined in the "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" published by The Japanese Institute of Certified Public Accountants ("JICPA").

The effectiveness of hedges is evaluated by examining whether risk exposures of derivatives, serving as the means to adjust risks, are within risk limits determined in the risk-management policy and also whether hedged interest rate risk exposure is reduced.

For certain assets and liabilities, the deferral hedge accounting method or the mark-to-market method is applied.

(e) Premises and Equipment

Premises and equipment owned by the Bank and consolidated subsidiaries are generally stated at cost less accumulated depreciation and deferred gains on sale of real estate. Depreciation is computed on the declining balance method over the estimated useful lives of properties.

The estimated useful lives at the Bank are mainly as follows:

Buildings .... From 4 years to 40 years

Premises .... From 2 years to 20 years

At consolidated subsidiaries, useful lives are based on the Corporation Tax Law of Japan.

Leased assets, included in other assets, are depreciated over the lease term using the straight-line method.

(f) Foreign Currency Translation

Assets and liabilities in foreign currencies of the Bank are translated into Japanese yen at the exchange rates prevailing at the end of each fiscal year.

(g) Reserve for Possible Loan Losses

The Bank writes off loans and makes provisions for possible losses on loans in accordance with the Uniform Accounting Standard for Banks issued by the Bankers' Association of Japan.

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to the existence of security interests or guarantees.

For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances, but for which there is a high probability of so becoming, the reserve for possible loan losses is provided for estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition.

For other loans such as normal loans and loans requiring special attention. The reserve for possible loan losses is provided based the Bank's actual rate of loan losses in the past.

The specific reserve for loans to certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans to such countries.

The self-assessment and classification has been made by each business department and credit supervision department and has been audited by the Credit Administration Department, an independent department. The above reserve for possible loan losses is provided based on such auditing results.

Reserves for possible loan losses of consolidated subsidiaries are provided for general claims by the amount deemed necessary based on the historical loan-less ratio, and for doubtful claims by the amount deemed uncollectable based on the individual assessments.

(h) Accrued Employee Bonuses

Accrued employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses which are attributable to the fiscal year.

At March 31, 2002 accrued employee bonuses are separately disclosed in the consolidated balance sheet. In prior years it was included in other liabilities. However the prior year has been restated to conform to the current year presentation.

(i) Liability for Employees' Severance and Retirement Benefits

The Bank and its consolidated subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

At March 31, 2000, the Bank and its consolidated subsidiaries accrued liabilities for lump-sum severance and retirement payments equal to 100% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Bank and its consolidated subsidiaries recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for employees' severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank and its consolidated subsidiaries provided the liabilities for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liability for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥17,484 million, of which ¥10,000 million was recognized as an expense as a result of the contribution of investment securities worth ¥10,000 million to the employee retirement benefit trust in September 2000. The remaining net transition obligation amounting to ¥7,484 million was recognized in expenses in the year ended March 31, 2001. Prior service costs are recognized in expenses when they arise, and the prior service costs amounting to ¥1,208 million were offset against the remaining net transition obligation in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over ten years, within the average of the estimated remaining service lives commencing with the following period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, employees' severance and retirement benefit expenses increased by ¥16,911 million and income before income taxes decreased by ¥9,011 million, after consideration of the gain on contributed securities referred to above, compared with what would have been recorded under the previous accounting standard.

(j) Finance Leases

Finance leases, which do not transfer ownership, are accounted for in the same manner as operating leases under Japanese GAAP.

(k) Income Taxes

Deferred income taxes are recognized for timing differences between income for financial and tax reporting. Income taxes in Japan applicable to the Bank and consolidated subsidiaries consist of corporation tax (national), inhabitants taxes (local), and enterprise taxes (local).

(l) Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

The differences between "cash and cash equivalents" in the consolidated statement of cash flows and "cash and due from banks" in the consolidated balance sheet are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Cash and due from banks	**¥ 120,508**	¥ 390,726	**$ 904,375**
Deposits with banks	**(20,006)**	(264,636)	**(150,139)**
Due from banks excluding the Bank of Japan	**(14,454)**	(50,036)	**(108,472)**
Cash and cash equivalents	**¥ 86,048**	¥ 76,054	**$ 645,764**

(m) Net Income per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding "treasury stock"), retroactively adjusted for stock splits.

4. Additional Information

(a) Accounting Standards for Financial Instruments

In accordance with the application of accounting standards for financial instruments ("Opinion Concerning the Establishment of Accounting Standard for Financial Instruments" issued by Business Accounting Deliberation Council on January 22, 1999) , the Bank accounts for certain financial instruments as follows, effective April 1, 2001.

(1) The gross amount of gains or losses on derivatives that were the hedging instruments were included in other interest and dividend income and other interest expenses. From this fiscal year, gains or losses on derivatives that are the hedging instruments are offset against each other. This change had no impact on net income.

(2) Securities under resale or repurchase agreements were recognized as trading account securities. These transactions are recorded as cash lending/borrowing and recorded in "Receivables under resale agreements" or "Payables under repurchase agreements" in accordance with the revision of the accounting standards for financial instruments.

Consequently, trading account securities and payables under repurchase agreements increased by ¥668 million (US$ 5,013 thousand) as compared with the former accounting method.

(b) Accounting Standards for Foreign Currency Transactions

Formerly, the Bank applied the accounting standards for foreign currency transactions in the banking industry introduced in 1990. From this fiscal year, the Bank applies the revised accounting standard for foreign currency transactions ("Opinion Concerning Revision of Accounting Standard for Foreign Currency Transactions" issued by Business Accounting Deliberation Council on October 22, 1999), with the exception of "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.20).

In order to hedge the risk arising from changes in exchange rates for securities denominated in foreign currencies, the Bank applies fair value hedge accounting to "available-for-sale securities" other than debt securities.

Pursuant to the JICPA Industry Audit Committee Report No.20, the above methods are applied on the conditions that the hedged security is specified in advance and that enough on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged security.

Financial swap transactions are accounted for pursuant to the Industry Audit Committee Report No.20 as follows:

(1) Initial exchange cash flows are assumed as principal of claim and debt and are reported on the balance sheet at the exchange rate prevailing at the balance sheet date in the net amount.
(2) The difference of the initial and final exchange cash flows by currency, which is the reflection of the difference in the yield between the currencies, is assumed as interest and is accounted for on an accrual basis on the balance sheet and the statement of income.

Financial swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold. The spot foreign exchange bought or sold is the swap transaction for borrowing or lending the principal equivalent of the fund. The forward foreign exchange bought or sold is the swap transaction of the foreign currency equivalent including the principal and corresponding interest to be paid or received, the amount and due date of which are predetermined.

This change has no impact on the financial statements.

5. Change in Method of Presentation

Through the fiscal year ended March 31, 2001, the operating income of subsidiaries was included in other income and operating expenses of subsidiaries were included in general and administrative expenses. For the fiscal year ended March 31, 2002, the operating income of subsidiaries in the amount of ¥18,391 million (US$138,019 thousand) is included in other operating income and the operating expenses of subsidiaries in the amount of ¥16,062 million (US$120,540) are included in other operating expenses.

This change has no impact on the financial statements about income before income taxes.

6. Securities

Securities at March 31, 2002 and 2001, include shares of unconsolidated subsidiaries and an affiliate of ¥56 million (US$420 thousand) and ¥130 million, respectively.

Lent securities which are included in "Securities" at March 31, 2002, amount to ¥577 million (US$4,330 thousand).

In addition to the securities account in the consolidated balance sheets, certificates of deposits bought are included in cash and due from banks and commercial paper and trust certificates are included in commercial paper and other debt purchased.

(1) The following tables summarizes acquisition costs, book values (fair values) of securities with available fair values as of March 31, 2002 and 2001:

Available-for-sale securities

	Millions of Yen				
	2002				
Type	Acquisition Cost	Book Value	Net Unrealized Gain	Unrealized Gain	Unrealized Loss
Equity securities	¥ 51,024	¥ 62,572	¥11,548	¥14,632	¥3,084
Bonds:	1,244,937	1,270,388	25,451	25,946	495
Japanese government bonds	501,750	506,560	4,810	4,983	173
Japanese local government bonds	363,265	377,561	14,296	14,345	49
Japanese corporate bonds	379,922	386,267	6,345	6,618	273
Others	256,097	254,209	(1,888)	1,405	3,293
Total	¥1,552,058	¥1,587,169	¥35,111	¥41,983	¥6,872

	Millions of Yen				
	2001				
Type	Acquisition Cost	Book Value	Net Unrealized Gain	Unrealized Gain	Unrealized Loss
Equity securities	¥ 59,320	¥ 77,733	¥18,413	¥23,112	¥4,699
Bonds:	930,685	960,598	29,913	30,027	114
Japanese government bonds	289,956	295,610	5,654	5,749	95
Japanese local government bonds	344,869	360,974	16,105	16,106	1
Japanese corporate bonds	295,860	304,014	8,154	8,172	18
Others	528,661	527,504	(1,157)	2,099	3,256
Total	¥1,518,666	¥1,565,835	¥47,169	¥55,238	¥8,069

Type	Thousands of U.S. Dollars				
	2002				
	Acquisition Cost	Book Value	Net Unrealized Gain	Unrealized Gain	Unrealized Loss
Equity securities	$ 382,919	$ 469,583	$ 86,664	$109,808	$23,144
Bonds:	9,342,867	9,533,869	191,002	194,717	3,715
Japanese government bonds	3,765,479	3,801,576	36,097	37,395	1,298
Japanese local government bonds	2,726,191	2,833,479	107,288	107,656	368
Japanese corporate bonds	2,851,197	2,898,814	47,617	49,666	2,049
Others	1,921,929	1,907,760	(14,169)	10,544	24,713
Total	$11,647,715	$11,911,212	$263,497	$315,069	$51,572

(2) Impairment loss of ¥6,069 million ($45,546 thousand) for shares included in available-for-sale securities was recognized in the year ended March 31, 2002. Impairment loss of ¥1,277 million ($9,583 thousand) for securities investment trust included in available-for-sale securities was recognized in the year ended March 31, 2002.

Impairment losses are recognized for the full amount of the loss when the loss is 50% or more of the acquisition cost. For losses of 30% to 50% of acquisition cost, the impairment is determined based on the possibility of recovery, past market values and fluctuations in profits of the investee and the investee's industry.

(3) The following table summarizes book values of securities with no available fair values as of March 31, 2002 and 2001:

Type	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
	Book Value	Book Value	Book Value
Non-listed equity securities	¥ 5,644	¥ 5,431	$ 42,356
Enterprise bonds	9,036	8,179	67,812
Trust certificates	166,586	97,232	1,250,176
Investments in subsidiaries	38	113	285
Investments in related companies	18	17	135
Total	¥181,322	¥110,972	$1,360,764

(4) Available-for-sale securities with maturities mature as follows:

Type	Millions of Yen			
	2002			
	Within 1 Year	Over 1 Year but Within 5 Years	Over 5 Years but Within 10 years	Over 10 Years
Bonds:	¥125,819	¥761,637	¥363,157	¥28,811
Japanese government bonds	87,629	323,473	66,648	28,811
Japanese local government bonds	4,113	136,212	237,235	—
Japanese corporate bonds	34,077	301,952	59,274	—
Others	193,189	166,144	44,711	6,958
Total	¥319,008	¥927,781	¥407,868	¥35,769

Type	Millions of Yen			
	2001			
	Within 1 Year	Over 1 Year but Within 5 Years	Over 5 Years but Within 10 years	Over 10 Years
Bonds:	¥ 76,890	¥500,655	¥390,233	¥ 1,000
Japanese government bonds	40,298	210,679	43,633	1,000
Japanese local government bonds	2,747	87,925	270,303	—
Japanese corporate bonds	33,845	202,051	76,297	—
Others	372,495	95,584	75,757	34,781
Total	¥449,385	¥596,239	¥465,990	¥35,781

Type	Thousands of U.S. Dollars 2002 Within 1 Year	Over 1 Year but Within 5 Years	Over 5 Years but Within 10 years	Over 10 Years
Bonds	$ 944,233	$5,715,850	$2,725,381	$216,218
Japanese government bonds	657,629	2,427,565	500,173	216,218
Japanese local government bonds	30,867	1,022,229	1,780,375	—
Japanese corporate bonds	255,737	2,266,056	444,833	—
Others	1,449,823	1,246,859	335,542	52,217
Total	$2,394,056	$6,962,709	$3,060,923	$268,435

(5) Total sales of available-for-sale securities sold in the year ended March 31, 2002 amounted to ¥596,934 million (US$4,479,805 thousand) and the related gains and losses amounted to ¥5,520 million (US$41,426 thousand) and ¥3,197 million (US$23,992 thousand), respectively. Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥283,413 million and the related gains and losses amounted to ¥1,999 million and ¥486 million, respectively.

7. Money Trusts

The following tables summarize acquisition costs, book values and fair value of money trusts with available fair values as of March 31, 2002 and 2001:

(1) Money trusts classified as trading account securities

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Book value (fair value)	¥64,559	¥59,270	$484,495
Amount of net unrealized gain or losses included in the income statement	—	98	—

(2) Money trusts classified as held to maturity

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Book value	¥—	¥100	$—
Fair value	—	102	—
Net unrealized gains:	—	2	—
Unrealized gains	—	2	—
Unrealized losses	—	—	—

8. Net Unrealized Holding Gains on Securities

Net unrealized holding gains are as follows:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Net unrealized holding gains on available-for-sale securities	¥ 35,111	¥ 47,169	$ 263,497
Deferred tax liabilities	(14,641)	(19,670)	(109,876)
Net unrealized holding gains, net of taxes (before the following adjustment)	20,470	27,499	153,621
Minority interests	(212)	(352)	(1,592)
Net unrealized holding gains, net of taxes	¥ 20,258	¥ 27,147	$ 152,029

9. Loans and Bills Discounted

Loans and bills discounted include the following:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Loans to bankrupt customers	¥ 24,340	¥ 38,059	$182,664
Loans past due six months or more	53,052	39,893	398,139
Loans past due three months or more	725	815	5,441
Restructured loans	35,915	42,428	269,531
Total	¥114,032	¥121,195	$855,775

Loans to bankrupt customers are loans to customers undergoing bankruptcy, similar proceedings, or in similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest are uncollectible.

Loans past due six months or more are loans, not included in the above category or in restructured loans, for which payments are past due six months or more. Interest is not being accrued on these loans.

Loans past due three months or more are loans, not included in the above categories, or in restructured loans, for which payments are past due three months or more.

Restructured loans are loans, not included in the above categories, for which the Bank has granted concessions, such as reduced interest rates, and deferral or waiver of interest or principal payments in support of customers in financial difficulties.

The face values of bank acceptances, bills of exchange and bills of lading which the Bank has issued at March 31, 2002 and 2001, are ¥139,159 million (US$1,044,345 thousand) and ¥170,180 million, respectively.

10. Commitment Line

Loan agreements and commitment line agreements are agreements, which oblige the Bank and its consolidated subsidiaries to lend funds up to a certain limit, agreed in advance. The Bank and its 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 agreements. The unused commitment balance relating to these loan agreements at March 31, 2002 and 2001 amounted to ¥1,067,920 million (US$8,014,409 thousand) and ¥1,009,026 million, respectively Of this amount, ¥1,066,504 million (US$8,003,782 thousand) and ¥1,006,732 million, respectively, relates to loans where 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 flow. Conditions are included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions, or when it is necessary to do so in order to protect the Bank and its consolidated subsidiaries' credit. The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral to the Bank and its consolidated subsidiaries in the form of real estate, securities etc. on signing the loan agreements, or in accordance with the Bank and its consolidated subsidiaries' established internal procedures confirming the obligor's financial condition etc. at regular intervals.

11. Premises and Equipment

Premises and equipment at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Acquisition value	¥120,039	¥121,101	$900,856
Less accumulated depreciation	69,831	69,271	524,060
Net book value	¥ 50,208	¥ 51,830	$376,796

12. Pledged Assets

Pledged assets at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Assets:			
Trading account securities	¥ 668	¥ —	$ 5,013
Securities	109,952	31,039	825,156
Other assets	1,950	2,659	14,634
Future lease receipts	15,519	17,875	116,465
Liabilities secured by the above were as follows:			
Deposits	¥ 22,262	¥25,747	$167,069
Call money	6,984	—	52,413
Payables under repurchase agreements	668	—	5,013
Borrowed money	14,585	16,634	109,456
Other liabilities	71,225	40	534,522

At March 31, 2002, certain trading account securities, aggregating ¥210 million (US$1,576 thousand) and certain securities, aggregating ¥196,188 million (US$1,472,330 thousand), were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2001, certain securities, aggregating ¥198,575 million and deposits with banks of ¥1,807 million were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

13. Deferred Income Tax Assets

Significant components of deferred income taxes assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred income tax assets:			
Reserve for possible loan losses	¥10,977	¥10,352	$82,379
Severance and retirement benefits	5,413	6,548	40,623
Depreciation	5,326	4,726	39,970
Write-off of securities	3,472	530	26,056
Other	3,002	1,872	22,529
Total	28,190	24,028	211,557
Deferred income tax liabilities:			
Net unrealized holding gains on securities	14,641	19,669	109,876
Other	49	18	368
Total	14,690	19,687	110,244
Net deferred income tax assets	¥13,500	¥ 4,341	$101,313

14. Liability for Employees' Severance and Retirement Benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2002 and 2001 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligation	¥ 48,734	¥ 43,350	$ 365,734
Unrecognized actuarial differences	(12,014)	(5,229)	(90,161)
Less fair value of pension assets	(21,784)	(22,287)	(163,483)
Liability for severance and retirement benefits	¥ 14,936	¥ 15,834	$ 112,090

Included in the consolidated statements of income for the years ended March 31, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service costs — benefits earned during the year	¥2,011	¥2,168	$15,092
Interest cost on projected benefit obligation	1,297	1,264	9,734
Expected return on plan assets	(839)	(578)	(6,296)
Prior service costs	—	(1,208)	—
Amortization of net actuarial loss	523	—	3,924
Net transition obligation	—	17,484	—
Severance and retirement benefit expenses	¥2,992	¥19,130	$22,454

The discount rate used by the Bank is 2.50% (3.00% in 2001). The rates of expected return on plan assets used by the Bank are 3.864%, 5.430% and 0.464%. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized in expenses when they arise. Actuarial gains and losses are recognized in expenses using the straight-line method over ten years, within the average of the estimated remaining service lives, commencing with the following period.

15. Derivative Transactions

The Bank enters into various contracts, including swaps, futures and options covering interest rates, foreign currencies, stocks and bonds in order to meet customers' needs and manage risk of market fluctuations related to the Bank's assets, liabilities and interest rates. The Bank has established procedures and controls to minimize market and credit risk including limits on transaction levels, hedging exposed positions, reporting to management, and outside review of trading department activities.

Beginning on April 1, 2000, the Bank adopted "macro hedge" accounting, which is the method to manage aggregate interest rate risks arising from numerous financial assets and liabilities such as loans and deposits by using derivatives. The hedge accounting method is a type of the deferral hedge accounting method and based on the risk management strategy called the risk-adjusted approach defined in the "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" published by the JICPA.

The effectiveness of hedges is evaluated by examining whether risk exposures of derivatives, serving as the means to adjust risks, are within risk limits determined in the risk-management policy and also whether hedged interest rate risk exposure is reduced.

For certain assets and liabilities, the ordinary deferral hedge accounting method is applied.

Credit risk is the potential loss to the Bank should counter parties to transactions not perform in accordance with the agreements. Total credit risk, including offsetting positions, at March 31, 2002 and 2001 were ¥8,674 million (US$65,096 thousand) and ¥5,323 million, respectively. Those amounts at March 31, 2002 and 2001 were calculated using the current exposure method.

The following tables summarize market value information as of March 31, 2002 and 2001 of derivative transactions for which hedge accounting has not been applied:

Interest Rate Derivatives:

	Millions of Yen			
	2002			
Type	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swap:				
Pay fixed, receive variable	¥10,500	¥—	¥(88)	¥(88)

	Millions of Yen			
	2001			
Type	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swap:				
Pay variable, receive fixed	¥ 2,279	¥ —	¥ 23	¥ 23
Pay fixed, receive variable	10,000	10,000	(235)	(235)
Pay variable, receive variable	1,217	1,217	(7)	(7)
Total			¥(219)	¥(219)

	Thousands of U.S. Dollars			
	2002			
Type	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swap:				
Pay fixed, receive variable	$78,799	$—	$(660)	$(660)

Note: 1. The above transactions are valued at market value and the gains (losses) are recognized in the consolidated statements of income.
2. Derivative transactions to which hedge accounting was applied are not included in the figures above.

Currency Derivatives:

Type	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
	Millions of Yen			
	2002			
Over-the-counter transactions:				
Currency swaps	¥219,373	¥78,816	¥(215)	¥(215)

Type	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
	Millions of Yen			
	2001			
Over-the-counter transactions:				
Currency swaps	¥40,728	¥11,549	¥(234)	¥(234)

Type	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
	Thousands of U.S. Dollars			
	2002			
Over-the-counter transactions:				
Currency swaps	$1,646,326	$591,490	$(1,614)	$(1,614)

Note: 1. The above transactions are valued at market value and the gains (losses) are recognized in the consolidated statements of income.
2. Derivative transactions to which hedge accounting was applied are not included in the figures above.
3. Currency swap transactions which adopt accrual accounting accordance with "Tentative Accounting and Auditing Treatment relating to Adoption of 'Accounting for Foreign Currency Transaction' for banks" (JICPA Industry Audit Committee Report No.20), are excluded from the above table.
Market value information as of March 31, 2002 and 2001 of such currency swaps are as follows:

Type	Contract Amount	Market Value	Unrealized Gains (Losses)
	Millions of Yen		
	2002		
Currency swaps	¥77,992	¥(922)	¥(922)

Type	Contract Amount	Market Value	Unrealized Gains (Losses)
	Millions of Yen		
	2001		
Currency swaps	¥219,729	¥(5,746)	¥(5,746)

Type	Contract Amount	Market Value	Unrealized Gains (Losses)
	Thousands of U.S. Dollars		
	2002		
Currency swaps	$585,306	$(6,919)	$(6,919)

4. Forward foreign exchange and currency options which are of the following types are not included in the figures above.
(a) Those that are revalued at the consolidated balance sheet date and revalued gains (losses) are accounted for in the consolidated statements of income.
(b) Those that were allotted to financial assets/liabilities by foreign currency and whose market values are already reflected in the amount of the financial assets/liabilities in the consolidated balance sheet.

The contract amounts of currency derivatives which are revaluated at the consolidated balance sheet date are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
	Contract Amount	Contract Amount	Contract Amount
Over-the-counter transactions:			
Currency futures:			
Sell futures	¥14,235	¥11,317	$106,829
Buy futures	13,975	10,188	104,878

Bond Derivatives:

Type	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
	Millions of Yen			
	2001			
Transactions listed on exchange:				
Bond futures:				
Sell futures	¥10,980	¥—	¥(19)	¥(19)
Buy futures	6,969	—	(1)	(1)
Total			¥(20)	¥(20)

Note: 1. The above transactions are valued by market value and the gains (losses) are recognized for in the consolidated statements of income.
2. Derivative transactions to which hedge accounting was applied are not included in the figures above.

16. Lease Transactions

Information for finance leases at March 31, 2002 and 2001 is as follows:

(1) The Bank, and subsidiaries as lessee under non-capitalized leases :

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Original lease obligations for equipment (including finance charges)	¥42	¥46	$315
Payments remaining:			
Payments due within one year	¥ 8	¥ 9	$ 60
Payments due after one year	7	15	53
Total	¥15	¥24	$113

Lease payments for such leases for the years ended March 31, 2002 and 2001 were ¥10 million (US$75 thousand) and ¥9 million, respectively.

(2) Subsidiary as lessor :

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Original lease obligations for equipment (including finance charges)	¥57,561	¥83,513	$431,977
Payments remaining:			
Payments due within one year	¥10,566	¥11,031	$ 79,295
Payments due after one year	21,378	23,053	160,435
Total	¥31,944	¥34,084	$239,730

Lease payments received for such leases for the years ended March 31, 2002 and 2001 were ¥10,880 million (US$ 81,651 thousand) and ¥11,263 million, respectively. Depreciation of leased assets for the years ended March 31, 2002 and 2001 were ¥9,332 million (US$ 70,034) and ¥10,584 million, respectively.

17. Segment Information

Segment information at March 31, 2002 and 2001is as follows:

(a) Segment Information by Type of Business

	Millions of Yen					
	2002					
	Banking	Leases, Installment Sales	Securities Investment Advisor	Total	Elimination or Corporate	Consolidated
Recurring income:						
Recurring income from outside customers	¥ 109,537	¥17,833	¥ 132	¥ 127,502	¥ —	¥ 127,502
Inter-segments	322	693	72	1,087	(1,087)	—
	109,859	18,526	204	128,589	(1,087)	127,502
Recurring expenses	99,623	17,371	78	117,072	(1,080)	115,992
Recurring profit	¥ 10,236	¥ 1,155	¥ 126	¥ 11,517	¥ (7)	¥11,510
Assets	¥5,410,883	¥42,139	¥501	¥5,453,523	¥(17,189)	¥5,436,334
Depreciation	4,341	10,998	0	15,339	—	15,339
Capital expenditure	3,097	9,635	0	12,732	—	12,732

	Millions of Yen					
	2001					
	Banking	Leases, Installment Sales	Securities Investment Advisor	Total	Elimination or Corporate	Consolidated
Recurring income:						
Recurring income from outside customers	¥ 111,919	¥17,896	¥ 37	¥ 129,852	¥ —	¥ 129,852
Inter-segments	341	744	60	1,145	(1,145)	—
	112,260	18,640	97	130,997	(1,145)	129,852
Recurring expenses	94,831	17,586	78	112,495	(1,128)	111,367
Recurring profit	¥ 17,429	¥ 1,054	¥ 19	¥ 18,502	¥ (17)	¥ 18,485
Assets	¥5,188,036	¥46,391	¥370	¥5,234,797	¥(16,812)	¥5,217,985
Depreciation	4,530	11,198	0	15,728	—	15,728
Capital expenditure	4,125	10,322	—	14,447	—	14,447

	Banking	Leases, Installment Sales	Securities Investment Advisor	Total	Elimination or Corporate	Consolidated
	Thousands of U.S. Dollars					
	2002					
Recurring income:						
Recurring income from outside customers	$ 822,041	$133,831	$ 991	$ 956,863	$ —	$ 956,863
Inter-segments	2,417	5,201	540	8,158	(8,158)	—
	824,458	139,032	1,531	965,021	(8,158)	956,863
Recurring expenses	747,640	130,364	585	878,589	(8,105)	870,484
Recurring profit	$ 76,818	$ 8,668	$ 946	$ 86,432	$ (53)	$ 86,379
Assets	$40,607,002	$316,240	$3,760	$40,927,002	$(128,998)	$40,798,004
Depreciation	32,578	82,537	0	115,115	—	115,115
Capital expenditure	23,242	72,308	0	95,550	—	95,550

As a result of adopting the new accounting standard for financial instruments, in the year ended March 31, 2001, recurring profit of Banking increased by ¥2,066 million and that of Leases, Installment Sales decreased by ¥188 million compared with what would have been recorded under the previous accounting standard.

By adopting the new accounting standard for employees' severance and retirement benefits, in the year ended March 31, 2001, recurring profit of Banking decreased by ¥635 million compared with what would have been recorded under the previous accounting standard.

Recurring income represents total income excluding gains on disposal of premises and equipment and collection of written-off claims. Recurring expenses represents total expenses excluding losses on disposal of premises and equipment.

(b) Segment Information by Location

Segment information by location is not disclosed, since recurring income and assets in Japan of the Bank and consolidated subsidiaries are more than 90 percent of the consolidated amounts.

(c) Recurring Income from International Operations

Recurring income from international operations is not disclosed since it is less than 10 percent of the consolidated recurring income.

18. Shareholders' Equity

(a) Common Stock and Capital Surplus

At March 31, 2002 and 2001 the authorized share capital of the Bank consisted of 400 million common shares, of which 244,272,106 shares were issued and outstanding.

Under the Japanese Commercial Code, at least 50 percent of the issue price of new shares is required to be designated as stated capital. The remaining portion is credited to capital surplus.

As a result of a stock split on November 20, 2000, outstanding common stock increased by 40,712,017 shares to 244,272,106 shares.

(b) Legal Reserve

The Japanese Banking Law provides that an amount equivalent to at least 20 percent of cash dividends and other cash appropriations of retained earnings must be appropriated to a legal reserve until the total amount of legal reserve and capital surplus equals the amount of the Bank's stated capital. The legal reserve may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and capital surplus remains being equal to or exceeding the amount of common stock, they are available for distributions and certain other purposes by the resolution of shareholders. The legal reserve is included in consolidated retained earnings.

(c) Cash Dividends

Cash dividends are paid semiannually. An interim dividend may be approved by the Board of Directors and a year-end dividend may be approved by the shareholders after the end of each fiscal year. The year-end dividends and the related appropriations of retained earnings are not reflected in the financial statements at the fiscal year-end but are recorded at the time they are approved.

However, dividends per share shown in the accompanying statement of income include dividends approved by the shareholders after the end of the fiscal year.

19. Subsequent Events

The following appropriations of the retaining earnings of the Bank at March 31, 2002 were approved at the shareholders' meeting held on June 27, 2002.

	Millions of Yen	Thousands of U.S. Dollars
	2002	2002
Cash dividends (¥3.50 per share)	¥855	$6,416
Bonuses to directors and statutory auditors	23	173

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
The Chugoku Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Chugoku Bank, Ltd. and subsidiaries at March 31, 2002 and 2001, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of The Chugoku Bank, Ltd. and subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis except for the new accounting policies in the following paragraph.

As explained in Note 3, The Chugoku Bank, Ltd. and subsidiaries prospectively adopted new Japanese accounting standards for financial instruments and employees' severance and retirement benefits in the year ended March 31, 2001.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 2.

Asahi & Co.

Okayama, Japan
June 27, 2002

NON-CONSOLIDATED BALANCE SHEETS

The Chugoku Bank, Ltd.
March 31, 2002 and 2001

	Millions of Yen		Thousands of U. S. Dollars (Note 2)
	2002	2001	2002
ASSETS			
Cash and due from banks	¥ 120,172	¥ 390,169	$ 901,854
Call loans	88,712	224,761	665,756
Commercial paper and other debt purchased	168,416	99,299	1,263,910
Trading account securities (Note 5)	41,620	51,149	312,345
Money trusts	64,283	59,102	482,424
Securities (Note 6)	1,578,071	1,312,223	11,842,934
Loans and bills discounted (Note 7)	3,230,738	2,943,694	24,245,689
Foreign exchanges (Note 10)	2,634	2,113	19,767
Other assets (Note 11)	29,189	29,077	219,054
Premises and equipment (Note 12)	48,794	50,279	366,184
Deferred income tax assets (Note 13)	12,303	3,703	92,330
Customers' liabilities for acceptances and guarantees (Note 17)	67,483	67,973	506,439
Reserve for possible loan losses	(46,029)	(48,521)	(345,433)
Total assets	¥5,406,386	¥5,185,021	$40,573,253
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits (Note 14)	¥4,832,113	¥4,657,866	$36,263,512
Call money	54,623	73,205	409,929
Payables under repurchase agreements	668	—	5,013
Borrowed money (Note 15)	7,835	9,702	58,799
Foreign exchanges (Note 10)	36	75	270
Other liabilities (Note 16)	120,299	48,956	902,807
Accrued employee bonuses	1,686	1,799	12,653
Liability for employees' severance and retirement benefits	14,843	15,727	111,392
Acceptances and guarantees (Note 17)	67,483	67,973	506,439
Total liabilities	5,099,586	4,875,303	38,270,814
Shareholders' equity (Notes 20 and 21):			
Common stock	15,149	15,149	113,689
Capital surplus	6,287	6,287	47,182
Legal reserve	15,149	15,149	113,689
Retained earnings:			
General reserve	243,325	239,300	1,826,078
Unappropriated retained earnings	6,691	6,718	50,214
Net unrealized holding gains on securities	20,241	27,120	151,902
Treasury stock	(42)	(5)	(315)
Total shareholders' equity	306,800	309,718	2,302,439
Total liabilities and shareholders' equity	¥5,406,386	¥5,185,021	$40,573,253

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME AND UNAPPROPRIATED RETAINED EARNINGS

The Chugoku Bank, Ltd.
For the years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
Income:			
Interest and dividends on:			
Loans and discounts	¥ 57,002	¥ 61,798	$427,782
Securities	27,086	27,542	203,272
Other	4,109	6,018	30,837
Fees and commissions	12,085	11,138	90,694
Other operating income			
Gains on sales and redemptions of other securities	4,197	1,614	31,497
Other	354	456	2,657
Other income:			
Gains on sales of shares	1,515	654	11,370
Gains on money trusts	258	216	1,936
Gain on securities contributed to employee retirement benefit trust	—	7,900	—
Other	1,080	1,187	8,105
Total income	107,686	118,523	808,150
Expenses:			
Interest on:			
Deposits	6,151	12,856	46,161
Borrowings and rediscounts	46	71	345
Other	9,835	10,672	73,809
Fees and commissions	2,634	2,515	19,767
Other operating expenses:			
Losses on sales, redemptions and write-down of bonds	4,373	385	32,818
Other	1,964	2,000	14,739
General and administrative expenses (Note 19)	52,811	53,530	396,330
Other expenses:			
Losses on sales and write-down of shares	6,207	455	46,582
Losses on money trusts	736	1,091	5,523
Expense of change of accounting for retirement benefits	—	16,245	—
Other	13,318	9,411	99,948
Total expenses	98,075	109,231	736,022
Income before income taxes	9,611	9,292	72,128
Income taxes:			
Current	7,538	5,044	56,571
Deferred	(3,680)	(1,400)	(27,617)
Net income	5,753	5,648	43,174
Unappropriated retained earnings:			
Balance at the beginning of the year	6,718	6,735	50,417
Appropriations:			
Cash dividends (Note 20)	(1,710)	(1,425)	(12,833)
Bonuses to directors and statutory auditors	(45)	(40)	(338)
Transfer to general reserve	(4,025)	(4,200)	(30,206)
Balance at the end of the year	¥ 6,691	¥ 6,718	$ 50,214

	Yen		U. S. Dollars
	2002	2001	2002
Per share of common stock:			
Net income	¥23.55	¥23.12	$0.18
Cash dividends applicable to the year (Note 20)	7.00	7.00	0.05

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

The Chugoku Bank, Ltd.

1. Basis of Presenting Non-Consolidated Financial Statements

The Chugoku Bank, Ltd. (the "Bank") maintains its official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code, the Securities and Exchange Law, the Japanese Banking Law, and the Japanese Uniform Rules For Bank Accounting and in conformity with accounting principles and practices generally accepted in Japan (" Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English with some expanded descriptions from the non-consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language non-consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

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

2. Yen and U.S. Dollar Amounts

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to US$1.00. The convenience 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.

3. Significant Accounting Policies

(a) Trading Account Securities

Prior to April 1, 2000, trading account securities listed on stock exchanges were stated at the lower of moving average cost or market value. Recoveries of write-downs were recorded in subsequent periods. Other trading account securities were stated at moving average cost.

Effective April 1, 2000, trading account securities are stated at fair market value as a result of adopting the new accounting standard for financial instruments (Notes 3 (b)).

(b) Securities and Money Trusts

Prior to April 1, 2000, listed Japanese and foreign securities that were convertible bonds, bonds with warrants, shares and certain other investments were stated at the lower of moving average cost or market value. Recoveries of write-downs were recorded in subsequent periods. Other securities were stated at moving average cost. Securities held in separately managed money trusts were also stated using the above methods.

Effective April 1, 2000, the Bank adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (1) securities held for trading purposes (hereafter, "trading securities"), (2) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (3) equity securities issued by subsidiaries and affiliated companies, and (4) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost based on book value at April 1, 2000.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

Securities held for trading purpose in separately managed money trusts are stated at fair market value.

If the market value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by subsidiaries and affiliated companies is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments that are also related to Notes 3 (a) and (c), in the year ended March 31, 2001, income before income taxes increased by ¥2,084 million .

(c) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and the changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

The Bank adopted "macro hedge" accounting, which is the method to manage aggregate interest rate risks arising from numerous financial assets and liabilities such as loans and deposits by using derivatives. The hedge accounting method is a type of the deferral hedge accounting method and based on the risk management strategy called the risk-adjusted approach defined in the "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" published by The Japanese Institute of Certified Public Accountants ("JICPA").

The effectiveness of hedges is evaluated by examining whether risk exposures of derivatives, serving as the means to adjust risks, are within risk limits determined in the risk-management policy and also whether hedged interest rate risk exposure is reduced.

For certain assets and liabilities, the deferral hedge accounting method or the mark-to-market method is applied.

(d) Premises and Equipment
Premises and equipment are generally stated at cost less accumulated depreciation and deferred gains on sale of real estate. Depreciation is computed on the declining balance method over the estimated useful lives of properties.

The estimated useful lives are mainly as follows:

Buildings .... From 4 years to 40 years
Premises .... From 2 years to 20 years

(e) Stock Issue Expenses
Stock issue expenses are recognized in expenses when they arise.

(f) Foreign Currency Translation
Assets and liabilities in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of each fiscal year.

(g) Reserve for Possible Loan Losses
The Bank writes off loans and makes provisions for possible losses on loans in accordance with the Uniform Accounting Standard for Banks issued by the Bankers' Association of Japan.

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to the existence of security interests or guarantees.

For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances, but for which there is a high probability of so becoming, the reserve for possible loan losses is provided for estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition.

For other loans such as normal loans and loans requiring special attention. The reserve for possible loan losses is provided based the Bank's actual rate of loan losses in the past.

The specific reserve for loans to certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans to such countries.

The self-assessment and classification has been made by each business department and credit supervision department and has been audited by the Credit Administration Department, an independent department. The above reserve for possible loan losses is provided based on such auditing results.

(h) Accrued Employee Bonuses
Accrued employee bonuses is provided for payment of bonuses to employees, in the amount of estimated bonuses which are attributable to the fiscal year.

At March 31, 2002 accrued employee bonuses are separately disclosed in the consolidated balance sheet. In prior years it was included in other liabilities. However the prior year has been restated to conform to the current year presentation.

(i) Liability for Employees' Severance and Retirement Benefits
The Bank provides two types of post-employment benefit plans, an unfunded lump-sum payment plan and a funded non-contributory pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

At March 31, 2000, the Bank accrued liabilities for lump-sum severance and retirement payments equal to 100% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Bank recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective April 1, 2000, the Bank adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liability and expenses for employees' severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank provided the liability for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liability for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥17,442 million, of which ¥10,000 million was recognized as an expense as a result of the contribution of investment securities worth ¥10,000 million to the employee retirement benefit trust in September 2000. The remaining net transition obligation amounting to ¥7,442 million was recognized in expenses in the year ended March 31, 2001. Prior service costs are recognized in expenses when they arise, and the prior service costs amounting to ¥1,197 million were offset against the remaining net transition obligation in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over ten years, within the average of the estimated remaining service lives commencing with the following period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, employees' severance and retirement benefit expenses increased by ¥16,879 million and income before income taxes decreased by ¥8,979 million, after consideration of the gain on contributed securities referred to above, compared with what would have been recorded under the previous accounting standard.

(j) Finance Leases
Finance leases, which do not transfer ownership, are accounted for in the same manner as operating leases under Japanese GAAP.

(k) Income Taxes
Deferred income taxes are recognized for timing differences between income for financial and tax reporting. Income taxes in Japan applicable to the Bank consist of corporation tax (national), inhabitants taxes (local), and enterprise taxes (local).

(l) Net Income per Share
Net income per share is based on the weighted average number of shares of common stock outstanding during the year, (excluding "treasury stock"), retroactively adjusted for stock splits.

4. Additional Information

(a) Accounting Standards for Financial Instruments
In accordance with the application of accounting standards for financial instruments ("Opinion Concerning the Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999), the Bank accounts for certain financial instruments as follows, effective April 1, 2001.

(1) The gross amount of gains or losses on derivatives that were the hedging instruments were included in other interest and dividend income and other interest expenses. From this fiscal year, gains or losses on derivatives that are hedging instruments are offset against each other. This change had no impact on net income.
(2) Securities under resale or repurchase agreements were recognized as trading account securities. These transactions are recorded as cash lending/borrowing and recorded in "Receivables under resale agreements" or "Payables under repurchase agreements" in accordance with the revision of the accounting standards for financial instruments.

Consequently, trading account securities and payables under repurchase agreements increased by ¥668 million (US$5,013 thousand) as compared with the former accounting method.

(b) Accounting Standards for Foreign Currency Transactions

Formerly, the Bank applied the accounting standards for foreign currency transactions in the banking industry introduced in 1990. From this fiscal year, the Bank applies the revised accounting standard for foreign currency transactions ("Opinion Concerning Revision of Accounting Standard for Foreign Currency Transactions" issued by Business Accounting Deliberation Council on October 22, 1999), with the exception of "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.20).

In order to hedge the risk arising from changes in exchange rates for securities denominated in foreign currencies, the Bank applies fair value hedge accounting to "available-for-sale securities" other than debt securities.

Pursuant to the JICPA Industry Audit Committee Report No.20, the above methods are applied on the conditions that the hedged security is specified in advance and that enough on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged security.

Financial swap transactions are accounted for pursuant to the Industry Audit Committee Report No.20 as follows:

(1) Initial exchange cash flows are assumed as principal of claim and debt and are reported on the balance sheet at the exchange rate prevailing at the balance sheet date in the net amount.
(2) The difference of the initial and final exchange cash flows by currency, which is the reflection of the difference in the yield between the currencies, is assumed as interest and is accounted for on an accrual basis on the balance sheet and the statement of income.

Financial swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold. The spot foreign exchange bought or sold is the swap transaction for borrowing or lending the principal equivalent of the fund. The forward foreign exchange bought or sold is the swap transaction of the foreign currency equivalent including the principal and corresponding interest to be paid or received, the amount and due date of which are predetermined.

This change has no impact on the financial statements.

5. Trading Account Securities

Trading account securities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
National government bonds	¥15,103	¥13,369	$113,343
Local government bonds	1	—	8
Other trading account securities	26,516	37,780	198,994
Total	¥41,620	¥51,149	$312,345

6. Securities

Securities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
National government bonds	¥ 504,835	¥ 295,610	$ 3,788,630
Local government bonds	377,561	360,975	2,833,478
Corporate bonds	395,244	312,130	2,966,184
Shares	66,459	81,254	498,754
Other securities	233,972	262,254	1,755,888
Total	¥1,578,071	¥1,312,223	$11,842,934

Lent securities which were included in "Securities" at March 31 2002 and 2001, were ¥577 million (US$4,330 thousand) and ¥5,260 million, respectively.

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Bills discounted	¥ 139,159	¥ 170,180	$ 1,044,345
Loans on bills	498,554	486,939	3,741,493
Loans on deeds	2,090,081	1,771,237	15,685,411
Overdrafts	502,944	515,338	3,774,440
Total	¥3,230,738	¥2,943,694	$24,245,689

Loans and bills discounted include the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loans to bankrupt customers	¥ 23,915	¥ 37,664	$179,475
Loans past due six months or more	51,814	38,632	388,848
Loans past due three months or more	725	815	5,441
Restructured loans	35,898	42,410	269,403
Total	¥112,352	¥119,521	$843,167

Loans to bankrupt customers are loans to customers undergoing bankruptcy, similar proceedings, or in similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest are uncollectible.

Loans past due six months or more are loans, not included in the above category or in restructured loans, for which payments are past due six months or more. Interest is not being accrued on these loans.

Loans past due three months or more are loans, not included in the above categories, or in restructured loans, for which payments are past due three months or more.

Restructured loans are loans, not included in the above categories, for which the Bank has granted concessions, such as reduced interest rates, and deferral or waiver of interest or principal payments in support of customers in financial difficulties.

The face values of bank acceptances, bills of exchange and bills of lading which the Bank has issued at March 31, 2002 and 2001, were ¥139,159 million (US$1,044,345 thousand) and ¥170,180 million, respectively.

Loan participation agreements, under which the Bank has acquired economic benefits and risks of the underlying loans from the original lender, at March 31, 2002 and 2001 were ¥78,093 million (US$586,064 thousand) and ¥95,038 million, respectively.

8. Commitment Lines

Loan agreements and commitment line agreements are agreements, which oblige the Bank to lend funds up to a certain limit, agreed in advance. The Bank makes 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 agreements. The unused commitment balance relating to these loan agreements at March 31, 2002 and 2001 amounted to ¥1,040,486 million (US$7,808,525 thousand) and ¥981,405 million, respectively. Of this amount, ¥1,039,069 million (US$7,797,891 thousand) and ¥979,111 million, respectively, relates to loans where 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 flow. Conditions are included in certain loan agreements which allow the Bank either to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions, or when it is necessary to do so in order to protect the Bank's credit. The Bank takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank in the form of real estate, securities etc. on signing the loan agreements, or in accordance with the Bank's established internal procedures confirming the obligor's financial condition etc. at regular intervals.

9. Pledged Assets

Pledged assets at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Pledged assets:			
Trading account securities	¥ 668	¥ —	$ 5,013
Securities	109,913	30,999	824,863
Total	¥110,581	¥30,999	$829,876
Liabilities secured by the above were as follows:			
Deposits	¥ 22,263	¥25,747	$167,077
Call money	6,984	—	52,413
Payables under repurchase agreements	668	—	5,013
Pledged money for securities lending transactions	71,185	—	534,221
Total	¥101,100	¥25,747	$758,724

At March 31, 2002, certain trading account securities, aggregating ¥210 million (US$1,576 thousand), and certain securities, aggregating ¥196,163 million (US$1,472,143 thousand), were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2001, certain securities, aggregating ¥198,575 million and deposits with banks of ¥1,807 million were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

10. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Assets:			
Due from foreign banks	¥ 906	¥ 462	$ 6,799
Foreign exchange bills purchased	439	500	3,295
Foreign exchange bills receivable	1,289	1,151	9,673
Total	¥2,634	¥2,113	$19,767
Liabilities:			
Foreign exchange bills sold	¥ 27	¥ 37	$ 203
Foreign exchange bills payable	9	38	67
Total	¥ 36	¥ 75	$ 270

11. Other Assets

Other assets at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Domestic exchange settlement account debit	¥ 3	¥ 3	$ 23
Prepaid expenses	77	83	578
Accrued income	10,060	10,730	75,497
Deposit margin paid on futures contracts	63	58	473
Variation margin on futures	2	13	15
Derivative financial instruments	421	204	3,159
Deferred hedge losses	5,637	6,584	42,304
Other	12,926	11,402	97,005
Total	¥29,189	¥29,077	$219,054

12. Premises and Equipment

Premises and equipment at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Land, buildings and equipment	¥112,626	¥113,640	$845,223
Construction in progress	163	—	1,223
Other	815	832	6,116
Total	113,604	114,472	852,562
Less accumulated depreciation	64,810	64,193	486,378
Net book value	¥ 48,794	¥ 50,279	$366,184

13. Defferred Income Tax Assets

Significant components of deferred income tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred income tax assets:			
Reserve for possible loan losses	¥10,067	¥ 9,800	$ 75,550
Severance and retirement benefits	6,277	6,514	47,107
Depreciation	5,108	4,581	38,334
Securities	3,467	530	26,019
Other	1,911	1,694	14,341
Total deferred income tax assets	26,830	23,119	201,351
Deferred income tax liabilities:			
Net unrealized holding gains on securities	14,478	19,398	108,653
Other	49	18	368
Total deferred income tax liabilities	14,527	19,416	109,021
Net deferred income tax assets	¥12,303	¥ 3,703	$ 92,330

14. Deposits

Deposits at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current deposits	¥ 183,820	¥ 188,034	$ 1,379,512
Ordinary deposits	1,721,425	1,233,339	12,918,762
Savings deposits	336,536	373,988	2,525,598
Deposits at notice	28,030	58,514	210,356
Time deposits	2,332,156	2,565,163	17,502,109
Installment time deposits	16,019	17,529	120,218
Other deposits	77,816	100,584	583,985
Sub-total	4,695,802	4,537,151	35,240,540
Negotiable certificates of deposit	136,311	120,715	1,022,972
Total	¥4,832,113	¥4,657,866	$36,263,512

15. Borrowed Money

Borrowed money at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loans from banks and insurance companies	¥7,835	¥7,802	$58,799
Bills rediscounted	—	1,900	—
Total	¥7,835	¥9,702	$58,799

16. Other Liabilities

Other liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Domestic exchange settlement account credit	¥ 104	¥ 144	$ 780
Income taxes payable	4,990	2,694	37,448
Accrued expenses	4,729	7,144	35,490
Unearned income	2,109	2,413	15,827
Employees' deposits	2,583	2,608	19,385
Reserve for interest on installment savings	10	16	75
Variation margin on futures	0	17	0
Pledged money for securities lending transactions	71,185	4,847	534,221
Derivative financial instruments	6,335	7,220	47,542
Deferred hedge gains	27	41	203
Other	28,227	21,812	211,836
Total	¥120,299	¥48,956	$902,807

17. Acceptances and Guarantees (Contingent Liabilities)

All contingent liabilities arising in compliance with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees".

As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the assets side, representing the contingent claim of the Bank's right of indemnity from customers.

18. Leases Transactions

Information for non-capitalized finance leases as lessee, at March 31, 2002 and 2001 were as follows:

	Millions of Yen		U.S. Dollars
	2002	2001	2002
Original lease obligations for equipment			
(including finance charges)	¥2,732	¥2,962	$20,503
Payments remaining:			
Payments due within one year	¥ 491	¥ 536	$ 3,685
Payments due after one year	760	880	5,703
Total	¥1,251	¥1,416	$9,388

Lease payments for such leases for the years ended March 31, 2002 and 2001 were ¥579 million (US$4,345 thousand) and ¥618 million, respectively.

19. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Salaries and allowances	¥21,863	¥22,812	$164,075
Severance and retirement benefits	2,935	2,811	22,026
Depreciation	4,337	4,525	32,548
Rental expenses	1,430	1,541	10,732
Taxes other than income taxes	2,839	2,945	21,306
Other expenses	19,407	18,896	145,643
Total	¥52,811	¥53,530	$396,330

20. Shareholders' Equity

(a) Common Stock and Capital Surplus

At March 31, 2002 and 2001, the authorized share capital of the Bank consisted of 400 million common shares, of which 244,272,106 shares were issued and outstanding.

Under the Japanese Commercial Code, at least 50 percent of the issue price of new shares is required to be designated as stated capital. The remaining portion is credited to capital surplus.

As a result of a stock split on November 20, 2000, outstanding common stock increased by 40,712,017 shares to 244,272,106 shares.

(b) Legal Reserve

The Japanese Banking Law provides that an amount equivalent to at least 20 percent of cash dividends and other cash appropriations of retained earnings must be appropriated to a legal reserve until the total amount of legal reserve and capital surplus equals the amount of the Bank's stated capital. The legal reserve may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and capital surplus remains being equal to or exceeding the amount of common stock, they are available for distributions and certain other purposes by the resolution of shareholders.

(c) Cash Dividends

Cash dividends are paid semiannually. An interim dividend may be approved by the Board of Directors and a year-end dividend may be approved by the shareholders after the end of each fiscal year. The year-end dividends and the related appropriations of retained earnings are not reflected in the financial statements at the fiscal year-end but are recorded at the time they are approved.

However, dividends per share shown in the accompanying statements of income and unappropriated retained earnings include dividends approved by shareholders after the end of the fiscal year.

21. Subsequent Events

The ordinary shareholders' meeting, which was held on June 27, 2002, approved the following year-end appropriation of unappropriated retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Unappropriated retained earnings at March 31, 2002	¥6,691	$50,214
Transfer from general reserve	25	188
	6,716	50,402
Appropriations:		
Cash dividends (¥3.50 per share)	855	6,416
Bonuses to directors and statutory auditors	23	173
Transfer to general reserve	4,069	30,537
	4,947	37,126
Unappropriated retained earnings carried forward	¥1,769	$13,276

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
The Chugoku Bank, Ltd.

We have audited the accompanying non-consolidated balance sheets of The Chugoku Bank, Ltd. at March 31, 2002 and 2001, and the related non-consolidated statements of income and unappropriated retained earnings for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of The Chugoku Bank, Ltd. at March 31, 2002 and 2001, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis, except for the new accounting policies in the following paragraph.

As explained in Note 3, The Chugoku Bank, Ltd. adopted new Japanese accounting standards for financial instruments and employees' severance and retirement benefits in the year ended March 31, 2001.

Also, in our opinion, the U. S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 2.

Asahi & Co.

Asahi & Co.

Okayama, Japan
June 27, 2002