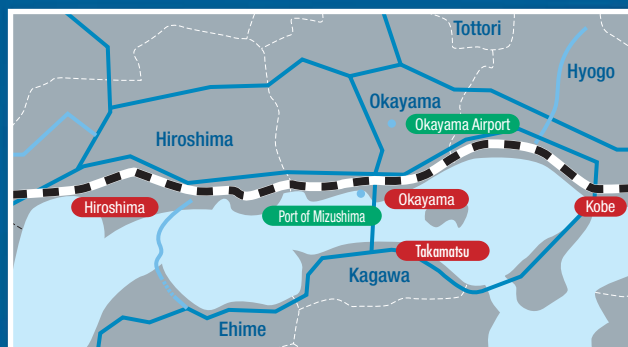


Profile

Okayama Prefecture, home to the head office of Chugoku Bank, is situated approximately 700 kilometers west of Tokyo. Facing the Seto Inland Sea, the prefecture is known throughout Japan as “the sunny land” due to its mild climate and consistently fine weather.

With a population of 1.95 million people, Okayama Prefecture yields a gross prefectural product of over ¥7,275 billion (U.S.\$68,843 million), or an impressive 1.5 percent of Japan’s GDP. Manufacturing is the core industry in Okayama, having evolved around the Mizushima Waterfront Industrial District – the world’s leading petrochemical complex – which was constructed in the 1960s. Given the Prefecture’s ever-improving highways, airports, and harbors, there is further growth anticipated, with the area serving as an important economic and cultural center for the Eastern Setouchi region. Moreover, with the prefecture’s establishment of the Okayama Information Highway, increasingly more information distributed worldwide will originate here. Accordingly, the new industries brought forth by the increasing numbers of new offices established to serve the information service industry will spur even more growth.



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Consolidated Financial Highlights

The Chugoku Bank, Limited and Consolidated Subsidiaries
March 31, 2005 and 2004

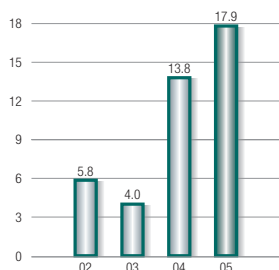
	Millions of Yen (except per share amounts)		Thousand of U.S. Dollars (Note 2)
	2005	2004	2005
For the year:			
Total income	¥ 127,426	¥ 122,974	\$ 1,186,572
Total expenses	96,471	95,707	898,324
Net income	17,923	13,770	166,896
Per share of common stock (yen/U.S dollars):			
Net income	¥ 75.86	¥ 57.30	\$ 0.71
At year-end:			
Deposits	¥4,847,226	¥4,883,012	\$45,136,661
Loans and bills discounted	3,029,956	3,000,583	28,214,508
Securities	2,316,807	2,168,680	21,573,769
Total assets	5,653,849	5,618,354	52,647,816
Shareholders' equity	350,170	326,338	3,260,731
For the year:			
Cash flows from operating activities	162,376	205,632	1,512,022
Cash flows used in investing activities	(157,672)	(193,257)	(1,468,219)
Cash flows used in financing activities	(4,184)	(7,596)	(38,961)
Cash and cash equivalents at the end of year	80,545	80,022	750,023

Notes: 1. The Japanese yen amounts are rounded up or down to the nearest one million yen.

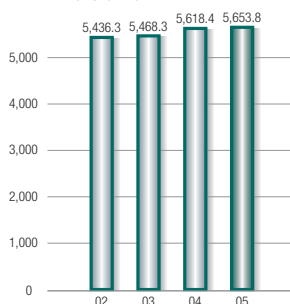
2. U.S. dollar amounts represent translations from yen, for convenience only, at the rate of ¥107.39 = U.S.\$1.00 in effect on March 31, 2005.

3. Net income per share is based on the weighted average number of shares of common stock outstanding during the year (excluding treasury stock).

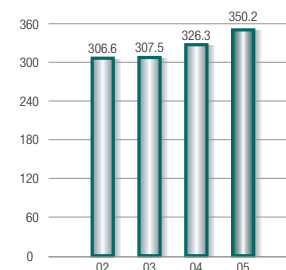
Net Income
Billions of Yen



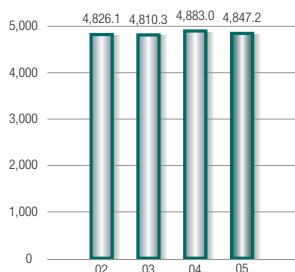
Total Assets
Billions of Yen



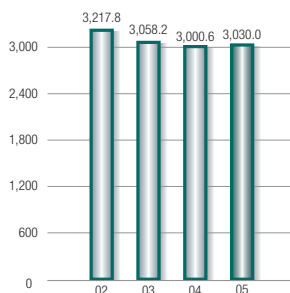
Shareholders' Equity
Billions of Yen



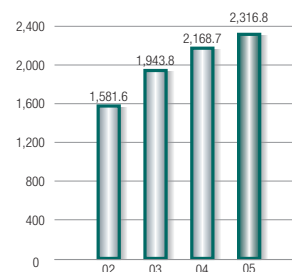
Deposits
Billions of Yen



Loans and Bills Discounted
Billions of Yen



Securities
Billions of Yen



Message from the Management



The Business Climate and Performance

The Bank's Medium Term Managerial Plan, Powerful Step 21 — Challenge R, which came to a close on March 31, 2005, sought improvement of managerial efficiency through the consolidation of branches and reduction of employees in order to build a highly profitable financial structure within a financial environment that continues to be stagnant. Marketing ramped up its functionality as a regional financial institution with the managerial improvement consulting business for regional companies as its cornerstone. As a result, initial management goals were achieved.

With the economy heading into a recovery combined with changes in the way the economy is structured, the Bank aims for further growth by carrying out drastic independent reform without being held to previous traditions. To this end, the Bank is rising to the challenge of reform by establishing its new medium term plan, named Integrity and Innovation. The Bank revised its conventional management philosophy to become a Bank with independently sound management that offers comprehensive financial services of the highest reliability in order to develop with the regional community. This new philosophy expresses the commitment of all staff and management of the Bank to fulfill its social responsibilities as a leading regional bank. To fulfill this philosophy the Bank chose four topics for its management policy.

Actively Ascertaining Risk while Maintaining Sound Management — Addressing Customer Needs and Contributing to the Development of the Regional Community

The Bank's fundamental policy is one of independent sound management. As a prerequisite to this policy the Bank will effectively utilize self-owned capital built up over the years to thoroughly manage risk and take on more calculated risk than previously in response to the needs of the region's corporations. The Bank is offering support for management improvement and

in order to maximize the possibility of further regional development we are also supporting firms utilizing venture capital.

Seriously Undertaking Management Issues of Corporate Customers as a Financial Institution that Provides Solutions

Companies do not merely require finance. Their needs include the liquidation of liabilities, business matching services and asset management. We provide a wide range of solutions as part of our efforts to bolster functionality to become a problem solving financial institution to truly contribute to the business activities of our customers.

Offering Fund Procurement and Asset Management According to the Life Stages of Customers

In this age of low interest rates customers have been investing their financial assets in comparably higher risk products such as shares and bonds while use of loans and credit cards have increased in line with diversifying lifestyles. Against this backdrop we offer a variety of financial products for asset management such as investment trusts, government bonds and insurance, as well as improving the convenience of various loans and credit card services. For this we are ramping up our training of specialist staff.

Using IT for Safe and Stable Services to Improve Customer Convenience

The Bank is actively investing in IT to improve customer services; however there are risk factors such as forged cash cards and system instability. We place a high priority on IT investment in order to secure a stable user environment and offer services with the highest safety.

In December 2004 the Financial Services Agency (FSA) announced its Financial Reform Program stipulating guidelines for financial governance. In these guidelines the FSA emphasizes the transfer to approaches for the future undertaken by private corporations. We firmly believe our role is to be a planner of the future for the regional community. In order for the regional community to continue to develop, we are evolving our services with integrity and actively offering new proposals. This is the most important reason for the Bank's CSR activities.

September, 2005

Akira Nagashima
President

New Medium Term Management Plan – Integrity and Innovation

Undertaking Bold Independent Reforms

In fiscal 2005 the Bank launched its new medium term management plan, called Integrity and Innovation. In the plan the Bank will bolster its corporate social responsibility (CSR) activities to contribute to the development of the regional community.

1. Naming the New Medium Term Management Plan Integrity and Innovation

The Bank is fulfilling its social responsibilities with integrity as a regional financial institution that provides comprehensive financial services to the region's customers. To this end, we are creating bold independent innovations as outlined in the new medium term management plan. Through the plan the Bank will raise its brand value and contribute to the regional community. The words Integrity and Innovation embody this goal in a clear format.

2. New Medium Term Management Plan Dates

The three years from April 2005 through March 2008.

3. Main Theme

Raising the Bank's brand value

The management plan embodies three main points: 1. rebuilding the Bank's business portfolio; 2. rebuilding the Bank's human resource portfolio and; 3. reforming the Bank's corporate culture. We are undertaking these three points with the aim of carrying out independent reform, bolster profitability and improve soundness and greatly raise the Bank's brand value. The Bank's brand is synonymous with reliability, the source of which is the efforts of all staff wishing to make the Bank the one chosen by the region's customers. In the management plan will build a corporate culture wherein customer satisfaction and convenience leads directly to staff job satisfaction. We wish to establish a brand built on trust to develop with the regional community.

4. Fundamental Policies

The Bank is undertaking the following three issues in efforts to create a firm base in which to establish a brand built on trust.

1) Rebuilding the Bank's Business Portfolio

In the management plan the Bank will review its business portfolio. The individual retail business and the management support business will be aligned as part of the Bank's important business with the corporate finance business. These business areas will be utilized in the Bank's efforts to create new added-value. The Bank will undergo a drastic realignment of managerial resources including human resources, assets and cash to expand into new areas with potential markets.

2) Rebuilding the Bank's Human Resource Portfolio

In order to rebuild the Bank's business portfolio it is necessary to position skilled personnel suited to new business areas. Conventional personnel training methods worked towards cultivating all-round sales personnel well-versed in finance and entrusted financial products. However, in the future the Bank will transfer to methods that clarify the career path of staff and train professional staff for each business area.

3) Reforming the Bank's Corporate Culture

In the management plan all staff will share the goals of the management philosophy with the aim of becoming a bank chosen and trusted by the region's customers and the corporate culture of the Bank will be reformed accordingly.

5. Planned Results

Specific goals to be achieved over the three years of the management plan are outlined below. However, these goals are merely provisional and the Bank anticipates to exceed these results. Specifically, the Bank has a long term vision of extended growth to post ¥100.0 billion for core business profit and an overhead ratio (OHR) of 55%.

