

Consolidated Balance Sheets

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

	Millions of Yen		Thousand of U.S. Dollars (Note 2)
	2005	2004	2005
ASSETS:			
Cash and due from banks	¥ 97,194	¥ 135,439	\$ 905,056
Call loans	5,637	87,748	52,491
Other debt purchased	54,602	46,557	508,446
Trading account securities	3,436	14,069	31,996
Money trusts (Note 7)	34,646	43,483	322,618
Securities (Notes 6, 8, and 12)	2,316,807	2,168,680	21,573,769
Loans and bills discounted (Note 9)	3,029,956	3,000,583	28,214,508
Foreign exchanges	3,978	2,896	37,043
Other assets (Note 12)	65,607	75,654	610,921
Premises and equipment (Note 11)	48,709	47,510	453,571
Deferred income tax assets (Note 13)	1,994	8,214	18,568
Customers' liabilities for acceptances and guarantees	43,157	42,448	401,872
Reserve for possible loan losses	(51,669)	(54,927)	(481,134)
Reserve for possible losses on securities	(205)	(—)	(1,909)
Total assets	¥5,653,849	¥5,618,354	\$52,647,816
LIABILITIES, MINORITY INTEREST, AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits (Note 12)	¥4,847,226	¥4,883,012	\$45,136,661
Call money (Note 12)	156,677	90,354	1,458,953
Payables for securities			
lending transactions (Note 12)	148,893	149,871	1,386,470
Borrowed money (Notes 12 and 14)	24,438	21,550	227,563
Foreign exchanges	204	43	1,900
Other liabilities (Note 12)	57,801	79,530	538,234
Accrued employee bonuses	1,942	1,895	18,084
Liability for employees' severance and retirement benefits (Note 15)	13,703	14,802	127,600
Acceptances and guarantees	43,157	42,448	401,872
Total liabilities	5,294,041	5,283,505	49,297,337
Minority interest	9,638	8,511	89,748
Shareholders' equity (Notes 19 and 20):			
Common stock	15,149	15,149	141,065
Capital surplus	6,289	6,288	58,562
Retained earnings	290,173	276,759	2,702,049
Net unrealized holding gains on securities (Note 8)	41,056	30,926	382,307
Less: Common stock in treasury	(2,497)	(2,784)	(23,252)
Total shareholders' equity	350,170	326,338	3,260,731
Total liabilities, minority interest, and shareholders' equity	¥5,653,849	¥5,618,354	\$52,647,816

See notes to consolidated financial statements.

Consolidated Statements of Income

The Chugoku Bank, Limited and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of Yen		Thousand of U.S. Dollars (Note 2)	
	2005	2004	2005	
Income:				
Interest and dividends on:				
Loans and discounts	¥ 54,549	¥ 55,100	\$ 507,952	
Securities	26,539	25,536	247,127	
Other	1,372	689	12,776	
Fees and commissions	15,938	14,571	148,412	
Other operating income	20,623	20,543	192,038	
Other income	8,405	6,535	78,267	
Total income	127,426	122,974	1,186,572	
Expenses:				
Interest on:				
Deposits	2,667	2,254	24,835	
Borrowings and rediscounts	196	231	1,825	
Other	5,610	4,991	52,240	
Fees and commissions	3,086	2,968	28,736	
Other operating expenses	18,273	22,433	170,156	
General and administrative expenses	53,393	53,984	497,188	
Provision of reserve for possible loan losses	10,059	6,271	93,668	
Other expenses	3,187	2,575	29,676	
Total expenses	96,471	95,707	898,324	
Income before income taxes	30,955	27,267	288,248	
Income taxes				
Current	13,038	9,872	121,408	
Deferred	(855)	2,556	(7,962)	
Minority interest in net income	849	1,069	7,906	
Net income	¥ 17,923	¥ 13,770	\$ 166,896	
		Yen	U.S. dollars	
		2005	2004	2005
Net income per share	¥ 75.86	¥ 57.30	\$ 0.71	
Cash dividends applicable to the year	8.00	7.00	0.07	

See notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

The Chugoku Bank, Limited and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of Yen		Thousand of U.S. Dollars (Note 2)
	2005	2004	2005
Retained earnings at the beginning of the year	¥276,759	¥268,082	\$2,577,139
Net income	17,923	13,770	166,896
Cash dividends	(1,647)	(1,687)	(15,337)
Bonuses to directors and statutory auditors	(46)	(12)	(428)
Retirement of treasury stock	(2,816)	(3,394)	(26,221)
Balance at the end of the year	¥290,173	¥276,759	\$2,702,049

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Chugoku Bank, Limited and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of Yen		Thousand of U.S. Dollars (Note 2)
	2005	2004	2005
Cash flows from operating activities			
Income before income taxes	¥ 30,955	¥ 27,267	\$ 288,248
Depreciation	12,995	13,369	121,008
Amortization of goodwill	(—)	(81)	(—)
Increase in reserve for possible loan losses	10,059	6,271	93,668
Reserve for possible losses on securities	205	—	1,909
Increase in accrued employee bonuses	48	126	447
Decrease in liability for severance and retirement benefits	(1,100)	(666)	(10,243)
Interest and dividend income	(82,459)	(81,326)	(767,846)
Interest expense	8,473	7,476	78,899
Losses on sale of securities, net	167	3,192	1,555
Gains on money trusts, net	(554)	(457)	(5,159)
Foreign exchange losses (gains), net	(4,728)	29,333	(44,026)
Losses on disposal of premises and equipment, net	378	430	3,520
Decrease in trading account securities, excluding foreign exchange contracts	10,634	8,306	99,022
Decrease (increase) in call loans and other debt purchased	74,066	(29,475)	689,692
Decrease (increase) in due from banks, excluding the Bank of Japan	38,766	(36)	360,983
Increase in foreign exchange assets	(1,082)	(150)	(10,075)
Decrease (increase) in loans and bills discounted	(42,689)	49,524	(397,514)
Increase in other assets	(4,608)	(15,928)	(42,909)
Increase in deposits, call money and borrowed money	33,425	82,410	311,249
Increase (decrease) in foreign exchange liabilities	161	(42)	1,499
Increase in other liabilities	9,730	35,327	90,604
Interest and dividends received	88,018	87,192	819,611
Interest paid	(8,022)	(8,586)	(74,700)
Payment of bonuses to directors and statutory auditors	(49)	(15)	(456)
Income taxes paid	(10,413)	(7,829)	(96,964)
Net cash provided by operating activities	162,376	205,632	1,512,022
Cash flows from investing activities			
Purchases of securities	(966,038)	(1,081,378)	(8,995,605)
Proceeds from sales of securities	533,727	547,695	4,969,988
Proceeds from redemption of securities	270,667	325,493	2,520,412
Purchases of money trusts	(4,856)	(13,824)	(45,218)
Proceeds from money trusts	14,246	31,434	132,657
Purchases of premises and equipment	(5,616)	(3,004)	(52,295)
Proceeds from sales of premises and equipment	198	327	1,842
Net cash used in investing activities	(157,672)	(193,257)	(1,468,219)
Cash flows from financing activities			
Cash dividends paid	(1,647)	(1,687)	(15,337)
Cash dividends, paid to minority shareholders	(9)	(9)	(84)
Purchases of treasury stock	(2,539)	(5,904)	(23,643)
Proceeds from sales of common stock	11	4	103
Net cash used in financing activities	(4,184)	(7,596)	(38,961)
Effect of exchange rate changes on cash and cash equivalents	3	(15)	28
Net increase (decrease) in cash and cash equivalents	523	4,764	4,870
Cash and cash equivalents at beginning of year	80,022	75,258	745,153
Cash and cash equivalents at end of year	¥ 80,545	¥ 80,022	\$ 750,023

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Chugoku Bank, Limited and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The Chugoku Bank, Limited (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 Japanese Securities and Exchange Law and its related regulations, the Japanese Banking Law, the Japanese Uniform Rules For Bank Accounting, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In the year ended March 31, 2005, the Bank and its subsidiaries did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

The Bank and its subsidiaries cannot currently estimate the effect of adoption of the new standard, because the Bank and its subsidiaries has not yet completed their analysis of possible impairment of fixed assets. However, adoption of the new standard could have a material effect on the consolidated financial statements.

The accompanying consolidated 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 consolidated financial statements.

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 readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S.\$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 significant subsidiaries after the elimination of all significant intercompany transactions, balances, and unrealized profit.

Investments in 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) Securities and Money Trusts

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.

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.

(c) Derivatives and Hedge Accounting

The Bank applies the deferred method of hedge accounting to hedge the interest rate risks associated with various financial assets and liabilities as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The effectiveness of the hedges is assessed for each identified group of hedged loans and the corresponding group of hedging instruments such as interest rate swaps in the same maturity bucket.

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25). The effectiveness of the currency-swap transactions, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments. In addition to the above methods, the Bank applies the fair-value hedge method to portfolio hedges of the foreign exchange risks associated with foreign securities (except for bonds) identified as hedged items in advance, as long as the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the amount of acquisition cost of the hedged foreign securities in foreign currency.

(d) 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.

(e) 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.

(f) 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 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-loss ratio, and for doubtful claims by the amount deemed uncollectable based on the individual assessments.

(g) Reserve for Possible Losses on Securities

This reserve is provided to cover any future potential losses on investments. It is booked as the amount deemed necessary taking into consideration the financial situation and other relevant factors of the investment securities' issuers.

(h) Accrued Employee Bonuses

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

(i) Liability for Severance and Retirement Benefits

The Bank and its consolidated subsidiaries provide unfunded lump-sum payment plans, a funded non-contributory pension plan, and a cash balance 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. In this fiscal year, the Bank and a consolidated subsidiary revised their defined benefit funded pension plan and introduced a cash balance pension plan.

The Bank and its consolidated subsidiaries provide the liabilities for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

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.

Prior service costs of unfunded lump-sum payment plans are recognized in expenses when they arise.

For this consolidated fiscal year, prior service costs of cash balance pension plan are recognized in expenses using the straight-line method over ten years, within the average of the estimated remaining service lives, commencing with the period when they arise, whereas in the prior year they were recognized in expenses when they arose. The effect of this change decreased income before income taxes by ¥2,866 million (U.S.\$26,688 thousand).

Based on the new Defined Benefit Corporate Pension Law, the Bank and a consolidated subsidiary were permitted by the Minister of Health, Labor and Welfare on August 13, 2003 to be released from their future obligation for payments for the substitutional portion of the welfare pension insurance scheme. As a result, the Bank and consolidated subsidiary recognized gain on release from the substitutional portion of the government's welfare pension insurance scheme as other income, in the amount of ¥1,388 million for the year ended March 31, 2004.

Upon the final approval from the Japanese government, with the transfer to the Japanese government of the assets of the pension plans in the year ended March 31, 2005, the Bank and a consolidated subsidiary were released from all past obligations under the substitutional portion of the welfare pension insurance scheme. As a result, the Bank and a consolidated subsidiary recognized gain on release from the substitutional portion of the government's welfare pension insurance scheme as other income, in the amount of ¥4,450 million (U.S.\$41,437 thousand) through these transactions for the year ended March 31, 2005.

(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 loss carry forwards and timing differences between income for financial and tax reporting purposes. 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.

Notes to Consolidated Financial Statements

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

	Millions of Yen		Thousands of U.S.Dollars
	2005	2004	2005
Cash and due from banks	¥ 97,194	¥135,439	\$ 905,056
Deposits with banks	(537)	(50,001)	(5,000)
Due from banks excluding the Bank of Japan	(16,112)	(5,416)	(150,033)
Cash and cash equivalents	¥ 80,545	¥ 80,022	\$ 750,023

(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"). Diluted net income per share of common stock is not disclosed because no dilutive securities are issued by the Bank.

4. Change in Method of Presentation

Investments in limited partnerships and similar partnerships were formerly presented as "Other Assets", but from this fiscal year they are regarded as securities and presented as "Securities" due to the implementation of the "Revision of the Securities and Exchange Law " (Legislation No. 97, June 2004). As a result, "Securities" increased by ¥5,325 million (U.S.\$49,586 thousand), and "Other assets" decreased by the same amount.

5. Additional Information

With the enactment of "Revision of Law regarding Regional Taxation, etc." (Law No.9 of March 2003) on March 31, 2003, certain parts of the basis of the enterprise taxes imposed on banks were changed effective for the consolidated fiscal year beginning April 1, 2004 to "added value" and "amount of capital, etc." As a result, effective this consolidated fiscal year, the Bank and certain consolidated subsidiaries included the enterprise taxes based on "added value" and "amount of capital, etc." in "General and administrative expenses" on the Consolidated Statement of Income, in accordance with "Practical Treatment of Presentation of External Standards Taxation portion of Enterprise Taxes on the Statement of Operations " (the Accounting Standards Board of Japan (the "ASBJ") Report of Practical Issues No. 12). As a result, general and administrative expenses increased by ¥258 million (U.S.\$2,402 thousand), and income before income taxes decreased by the same amount.

6. Securities

Securities at March 31, 2005 and 2004, include shares of an affiliate of ¥32 million (U.S.\$298 thousand) and ¥32 million, respectively.

Lent securities which are included in Securities at March 31, 2005 and 2004, amount to ¥6 million (U.S.\$56 thousand) and ¥150 million, respectively.

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 available-for-sale securities with available fair values as of March 31, 2005 and 2004:

Available-for-sale securities

Type	Millions of Yen				
	2005				
	Acquisition Cost	Book Value	Net Unrealized Gains	Unrealized Gains	Unrealized Losses
Equity securities	¥ 96,260	¥ 130,770	¥ 34,510	¥ 35,857	¥ 1,347
Bonds	1,646,920	1,672,073	25,153	25,700	547
Japanese government bonds	699,518	709,566	10,048	10,373	325
Japanese local government bonds	442,929	452,095	9,166	9,211	45
Japanese corporate bonds	504,473	510,412	5,939	6,116	177
Other	466,920	477,014	10,094	13,376	3,282
Total	¥ 2,210,100	¥ 2,279,857	¥ 69,757	¥ 74,933	¥ 5,176

Type	Millions of Yen				
	2004				
	Acquisition Cost	Book Value	Net Unrealized Gains	Unrealized Gains	Unrealized Losses
Equity securities	¥ 62,097	¥ 88,568	¥ 26,471	¥ 27,127	¥ 656
Bonds	1,664,685	1,679,367	14,682	19,506	4,824
Japanese government bonds	676,826	678,591	1,765	5,321	3,556
Japanese local government bonds	398,947	407,254	8,307	8,651	344
Japanese corporate bonds	588,912	593,522	4,610	5,534	924
Other	418,603	429,713	11,110	11,798	688
Total	¥ 2,145,385	¥ 2,197,648	¥ 52,263	¥ 58,431	¥ 6,168

Type	Thousands of U.S. Dollars				
	2005				
	Acquisition Cost	Book Value	Net Unrealized Gains	Unrealized Gains	Unrealized Losses
Equity securities	\$ 896,359	\$ 1,217,711	\$321,352	\$333,895	\$12,543
Bonds	15,335,879	15,570,100	234,221	239,315	5,094
Japanese government bonds	6,513,809	6,607,375	93,566	96,592	3,026
Japanese local government bonds	4,124,491	4,209,843	85,352	85,772	420
Japanese corporate bonds	4,697,579	4,752,882	55,303	56,951	1,648
Other	4,347,891	4,441,885	93,994	124,555	30,561
Total	\$20,580,129	\$21,229,696	\$649,567	\$697,765	\$48,198

(2) The following tables summarize book values, market values of held-to-maturity debt securities with available fair values as of March 31, 2005.

Held-to-maturity securities

Type	Millions of Yen				
	2005				
	Book Value	Market Value	Net Unrealized Gains	Unrealized Gains	Unrealized Losses
Japanese local government bonds	¥ 9,931	¥ 10,233	¥ 302	¥ 302	¥ —
Japanese corporate bonds	1,986	2,089	103	103	—
Total	¥ 11,917	¥ 12,322	¥ 405	¥ 405	¥ —

Type	Thousands of U.S. Dollars				
	2005				
	Book Value	Market Value	Net Unrealized Gains	Unrealized Gains	Unrealized Losses
Japanese local government bonds	\$ 92,476	\$ 95,288	\$2,812	\$2,812	\$ —
Japanese corporate bonds	18,493	19,452	959	959	—
Total	\$110,969	\$114,740	\$3,771	\$3,771	\$ —

(3) Impairment losses of ¥97 million (U.S.\$903 thousand) and ¥49 million for shares included in available-for-sale securities were recognized in the years ended March 31, 2005 and 2004, respectively.

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.

(4) The following table summarizes book values of securities with no available fair values as of March 31, 2005 and 2004:

Type	Millions of Yen		U. S. Dollars
	2005	2004	2005
	Book Value	Book Value	Book Value
Non-listed equity securities	¥ 4,791	¥ 5,134	\$ 44,613
Enterprise bonds	18,065	16,015	168,219
Trust certificates	47,013	42,691	437,778
Other securities	2,682	—	24,974
Investments in related companies	32	32	298
	¥72,583	¥63,872	\$675,882

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

Type	Millions of Yen			
	2005			
	Within 1 Year	Over 1 Year but Within 5 Years	Over 5 Years but Within 10 years	Over 10 Years
Bonds	¥ 186,743	¥ 961,399	¥ 337,370	¥ 216,543
Japanese government bonds	50,250	328,765	114,312	216,238
Japanese local government bonds	38,954	256,030	167,042	—
Japanese corporate bonds	97,539	376,604	56,016	305
Other	54,462	232,240	111,479	52,717
Total	¥ 241,205	¥ 1,193,639	¥ 448,849	¥ 269,260

Type	Millions of Yen			
	2004			
	Within 1 Year	Over 1 Year but Within 5 Years	Over 5 Years but Within 10 years	Over 10 Years
Bonds	¥ 157,029	¥ 1,049,961	¥ 300,158	¥ 188,233
Japanese government bonds	33,583	313,136	143,931	187,942
Japanese local government bonds	17,653	283,231	106,370	—
Japanese corporate bonds	105,793	453,594	49,857	291
Other	109,612	265,734	24,268	16,772
Total	¥ 266,641	¥ 1,315,695	¥ 324,426	¥ 205,005

Type	Thousands of U.S. Dollars			
	2005			
	Within 1 Year	Over 1 Year but Within 5 Years	Over 5 Years but Within 10 years	Over 10 Years
Bonds	\$1,738,924	\$ 8,952,407	\$3,141,540	\$2,016,417
Japanese government bonds	467,921	3,061,412	1,064,456	2,013,577
Japanese local government bonds	362,734	2,384,114	1,555,471	—
Japanese corporate bonds	908,269	3,506,881	521,613	2,840
Other	507,142	2,162,585	1,038,076	490,893
Total	\$2,246,066	\$11,114,992	\$4,179,616	\$2,507,310

(6) Total sales of available-for-sale securities in the year ended March 31, 2005 amounted to ¥529,770 million (U.S.\$4,933,141 thousand) and the related gains and losses amounted to ¥3,812 million (U.S.\$35,497 thousand) and ¥3,957 million (U.S.\$36,847 thousand), respectively. Total sales of available-for-sale securities in the year ended March 31, 2004 amounted to ¥545,888 million and the related gains and losses amounted to ¥5,175 million and ¥8,178 million, respectively.

7. Money Trusts

Money trusts, a type of trading account securities, at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Book value (fair value)	¥34,646	¥43,483	\$322,618
Amount of net unrealized gain or losses included in the income statement	—	—	—

8. Net Unrealized Holding Gains on Securities

Net unrealized holding gains are as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Net unrealized holding gains on available-for-sale securities	¥69,757	¥52,263	\$649,566
Deferred tax liabilities	(28,194)	(21,120)	(262,538)
Net unrealized holding gains, net of taxes (before the following adjustment)	41,563	31,143	387,028
Minority interests	(507)	(217)	(4,721)
Net unrealized holding gains, net of taxes	¥41,056	¥30,926	\$382,307

9. Loans and Bills Discounted

Loans and bills discounted include the following:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Loans to bankrupt customers	¥ 10,910	¥ 16,068	\$ 101,592
Loans past due six months or more ..	79,538	83,052	740,646
Loans past due three months or more	98	116	913
Restructured loans	62,881	67,844	585,539
Total	¥153,427	¥167,080	\$1,428,690

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.

Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Industry Audit Committee Report No. 24), issued by the JICPA. The Bank has rights to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions, and their total face amounts at March 31, 2005 and 2004 were ¥91,230 million (U.S. \$849,520 thousand) and ¥97,929 million, respectively.

10. Commitment Lines

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 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, 2005 and 2004 amounted to ¥1,278,432 million (U.S.\$11,904,572 thousand) and ¥1,147,520 million, respectively. Of this amount, ¥1,261,765 million (U.S.\$11,749,371 thousand) and ¥1,142,435 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, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Acquisition value	¥119,507	¥118,395	\$1,112,832
Less accumulated depreciation	70,798	70,885	659,261
Net book value	¥ 48,709	¥ 47,510	\$ 453,571

12. Pledged Assets

Pledged assets at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Securities	¥224,739	¥182,509	\$2,092,737
Other assets	1,995	2,137	18,577
Future lease receipts	13,303	12,901	123,876
Liabilities secured by the above were as follows:			
Deposits	¥ 32,619	¥ 28,263	\$ 303,743
Call money	156,677	6,412	1,458,953
Payables for securities lending transactions	148,893	149,871	1,386,470
Borrowed money	13,058	12,101	121,594
Other liabilities	25	25	233

At March 31, 2005, certain trading account securities, aggregating ¥200 million (U.S.\$1,862 thousand) and certain securities, aggregating ¥277,410 million (U.S.\$2,583,201 thousand), were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2004, certain trading securities, aggregating ¥200 million and certain securities, aggregating ¥243,559 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, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Deferred income tax assets:			
Reserve for possible loan losses	¥17,164	¥15,098	\$159,829
Severance and retirement benefits	6,302	6,543	58,683
Depreciation	5,249	5,104	48,878
Write-off of securities	1,108	1,065	10,318
Accrued employee bonuses	868	846	8,083
Other	1,650	1,838	15,365
Subtotal	32,341	30,494	301,156
Valuation allowance	1,146	1,048	10,673
Total deferred tax assets	31,195	29,446	290,483

Deferred income tax liabilities:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Net unrealized holding gains on securities	28,194	21,120	262,538
Prepaid pension cost	840	—	7,822
Other	167	112	1,555
Total	29,201	21,232	271,915
Net deferred income tax assets	¥ 1,994	¥ 8,214	\$ 18,568

The differences between the statutory tax rate and the effective tax rate are not required to be disclosed, for the year ended March 31, 2005, since the total difference was less than 5 percent of the statutory tax rate.

For the year ended March 31, 2004 differences between the statutory tax rate and the effective tax rate are as follows:

	2004
Statutory tax rate	41.7%
Increase (decrease) in taxes resulting from:	
Permanently nontaxable dividends received	(1.1)
Permanently nondeductible expenses	0.3
Change of aggregate statutory income tax rate	1.3
Per capita inhabitants' taxes	0.2
Valuation allowance	3.8
Other	(0.7)
Effective income tax rate	45.5%

14. Borrowed Money

Borrowed money classified by maturity at March 31, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Less than one year	¥ 9,222	¥ 9,603	\$ 85,874
One-two years	5,128	4,792	47,751
Two-three years	4,324	3,197	40,264
Three-four years	2,993	2,392	27,870
Four-five years	1,358	909	12,645
Over five years	1,413	657	13,159
Total borrowed money	¥24,438	¥21,550	\$227,563

15. Liability for Employees' Severance and Retirement Benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2005 and 2004 consists of the following:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Projected benefit obligation	¥39,926	¥56,497	\$371,785
Unrecognized actuarial differences ...	(7,242)	(14,082)	(67,436)
Less fair value of pension assets	(23,935)	(27,651)	(222,879)
Unrecognized prior service cost	2,878	—	26,800
Prepaid pension costs	2,076	38	19,330
Liability for severance and retirement benefits	¥13,703	¥14,802	\$127,600

Included in the consolidated statements of income for the years ended March 31, 2005 and 2004 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Service costs - benefits earned during the year	¥ 1,698	¥ 1,771	\$ 15,812
Interest cost on projected benefit obligation	945	1,266	8,800
Expected return on plan assets	(44)	(33)	(410)
Amortization of prior service cost	(8,197)	(1,387)	(76,329)
Amortization of net actuarial loss	5,818	1,802	54,176
Severance and retirement benefit expenses	¥ 220	¥ 3,419	\$ 2,049

The discount rate used by the Bank is 2.00% at March 31, 2005 and 2004. The rates of expected return on plan assets used by the Bank are 4.691%, 0.0% and 0.816% at March 31, 2005. The rates of expected return on plan assets used by the Bank are 4.050%, 0.0% and 0.464% at March 31, 2004. 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. Actuarial

gains and losses are recognized in expenses using the straight-line method over ten years which is within the average of the estimated remaining service lives, commencing with the following period. Prior service costs of unfunded lump-sum payment plans are recognized in expenses when they arise. Prior service costs of cash balance pension plan are recognized in expenses using the straight-line method over ten years, within the average of the estimated remaining service lives, commencing with the period when they arise.

16. 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.

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, 2005 and 2004 were ¥23,348 million (U.S.\$217,413 thousand) and ¥31,700 million, respectively. These amounts at March 31, 2005 and 2004 were calculated using the current exposure method.

The following tables summarize market value information as of March 31, 2005 and 2004 of derivative transactions for which hedge accounting has not been applied:

Interest Rate Derivatives:

Type	Millions of Yen			
	2005			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swap				
Pay fixed, receive variable	¥6,138	¥2,638	¥(49)	¥(49)

Type	Millions of Yen			
	2004			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swap				
Pay fixed, receive variable	¥3,875	¥3,868	¥(181)	¥(181)

Type	Thousands of U. S. Dollars			
	2005			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swap				
Pay fixed, receive variable	\$57,156	\$24,565	\$(456)	\$(456)

Note: The above transactions are valued at market value and the gains (losses) are recognized in the consolidated statements of income.

Currency Derivatives:

Type	Millions of Yen			
	2005			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Currency swaps	¥263,536	¥257,539	¥ 192	¥192
Forward foreign exchange				
Sold	16,930	3,674	(219)	(219)
Bought	17,518	3,632	322	322
Currency options				
Sold	26,211	11,189	990	143
Bought	26,211	11,189	990	60
Total			¥2,275	¥498

Type	Millions of Yen			
	2004			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Currency swaps	¥252,655	¥248,879	¥205	¥205
Forward foreign exchange				
Sold	11,162	127	229	229
Bought	11,684	—	(193)	(193)
Currency options				
Sold	6,312	3,802	292	61
Bought	6,312	3,802	292	(11)
Total			¥825	¥291

Type	Thousands of U. S. Dollars			
	2005			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Currency swaps	\$2,454,009	\$2,398,166	\$ 1,788	\$1,788
Forward foreign exchange				
Sold	157,650	34,212	(2,039)	(2,039)
Bought	163,125	33,821	2,998	2,998
Currency options				
Sold	244,073	104,190	9,219	1,332
Bought	244,073	104,190	9,219	559
Total			\$21,185	\$4,638

Note: 1. The above transactions are valued at market value and the gains (losses) are recognized in the consolidated statements of income.

2. The following types of forward foreign exchange and currency options are not included in the above amounts.

- Derivative transactions to which deferred hedge accounting is applied
- Those that are allotted to financial assets/liabilities denominated in foreign currency and whose market value are already reflected in the amount of the financial assets/liabilities on the consolidated balance sheet.

Credit Derivative Transactions:

Type	Millions of Yen			
	2005			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Credit default options	¥7,443	¥7,443	¥ (62)	¥ (62)
Inflation-indexed bonds	6,000	6,000	225	225
Total			¥163	¥163

Type	Millions of Yen			
	2004			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Credit default options	¥1,000	¥1,000	¥1	¥1

Type	Thousands of U. S. Dollars			
	2005			
	Contract Amount	Over 1 Year	Market Value	Recognized Gains (Losses)
Over-the-counter transactions				
Credit default options	\$69,308	\$69,308	\$ (577)	\$ (577)
Inflation-indexed bonds	55,871	55,871	2,095	2,095
Total			\$1,518	\$1,518

Note: The above transactions are valued at market value and the gains (losses) are recognized in the consolidated statements of income.

17. Lease Transactions

Information for finance leases at March 31, 2005 and 2004 were as follows:

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

	Thousands of U. S. Dollars		
	Millions of Yen	2004	2005
Original lease obligations for equipment (including finance charges)	¥1,013	¥548	\$9,433
Payments made	250	129	2,328
Payments remaining	¥ 763	¥419	\$7,105

Payments remaining:

	Millions of Yen	2004	2005
Payments due within one year	¥ 202	¥104	\$1,881
Payments due after one year	561	315	5,224
Total	¥ 763	¥419	\$7,105

Lease payments for such leases for the years ended March 31, 2005 and 2004 were ¥151 million (U.S.\$1,406 thousand) and ¥99 million, respectively.

(2) Subsidiary as lessor:

	Thousands of U. S. Dollars		
	Millions of Yen	2004	2005
Original lease obligations for equipment (including finance charges)	¥52,046	¥52,939	\$484,645
Accumulated depreciation equivalents	25,747	27,492	239,753
Net book value	¥26,299	¥25,447	\$244,892

Payments remaining:

	Millions of Yen	2004	2005
Payments due within one year	¥ 9,386	¥ 9,387	\$ 87,401
Payments due after one year	21,028	20,294	195,810
Total	¥30,414	¥29,681	\$283,211

Lease payments received for such leases for the years ended March 31, 2005 and 2004 were ¥10,532 million (U.S.\$ 98,072 thousand) and ¥10,962 million, respectively. Depreciation of leased assets for the years ended March 31, 2005 and 2004 were ¥9,120 million (U.S.\$ 84,924 thousand) and ¥9,444 million, respectively.

18. Segment Information

Segment information at March 31, 2005 and 2004 were as follows:

(a) Segment information by type of business

	Millions of Yen					
	2005					
	Banking	Leases, Installment Sales	Securities Investment Advisor	Total	Elimination or Corporate	Consolidated
Recurring income						
Recurring income from outside customers	¥ 107,010	¥15,705	¥ 24	¥ 122,739	¥ —	¥ 122,739
Inter-segments	220	607	85	912	(912)	—
	107,230	16,312	109	123,651	(912)	122,739
Recurring expenses	80,878	15,117	70	96,065	(904)	95,161
Recurring profit	¥ 26,352	¥ 1,195	¥ 39	¥ 27,586	¥ (8)	¥ 27,578
Assets	¥5,628,813	¥41,463	¥501	¥5,670,777	¥(16,929)	¥5,653,848
Depreciation	3,405	9,589	0	12,994	—	12,994
Capital expenditure	4,657	10,427	1	15,085	—	15,085

	Millions of Yen					
	2004					
	Banking	Leases, Installment Sales	Securities Investment Advisor	Total	Elimination or Corporate	Consolidated
Recurring income						
Recurring income from outside customers	¥ 104,962	¥16,417	¥ 57	¥ 121,436	¥ —	¥ 121,436
Inter-segments	245	634	79	958	(958)	—
	105,207	17,051	136	122,394	(958)	121,436
Recurring expenses	80,532	15,500	78	96,110	(950)	95,160
Recurring profit	¥ 24,675	¥ 1,551	¥ 58	¥ 26,284	¥ (8)	¥ 26,276
Assets	¥5,594,732	¥39,602	¥458	¥5,634,792	¥(16,438)	¥5,618,354
Depreciation	3,593	9,776	0	13,369	—	13,369
Capital expenditure	3,048	9,531	—	12,579	—	12,579

	Thousands of U. S. Dollars					
	2005					
	Banking	Leases, Installment Sales	Securities Investment Advisor	Total	Elimination or Corporate	Consolidated
Recurring income						
Recurring income from outside customers	\$ 996,461	\$146,243	\$ 223	\$ 1,142,927	\$ —	\$ 1,142,927
Inter-segments	2,049	5,652	792	8,493	(8,493)	—
	998,510	151,895	1,015	1,151,420	(8,493)	1,142,927
Recurring expenses	753,124	140,767	652	894,543	(8,418)	886,125
Recurring profit	\$ 245,386	\$ 11,128	\$ 363	\$ 256,877	\$ (75)	\$ 256,802
Assets	\$52,414,685	\$386,097	\$4,665	\$52,805,447	\$(157,640)	\$52,647,807
Depreciation	31,707	89,291	0	120,998	—	120,998
Capital expenditure	43,365	97,095	9	140,469	—	140,469

Recurring income represents total income excluding gains on disposal of premises and equipment, collection of written-off claims, and exemption from the substitutional portion of employee pension fund. Recurring expenses represents

total expenses excluding losses on disposal of premises and equipment and amortization of prior service costs of unfunded lump-sum payment plan.

(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.

19. Shareholders' Equity

(a) Common Stock and Capital Surplus

At March 31, 2005 the authorized share capital of the Bank consisted of 393 million common shares, of which 237,272,106 shares were issued and outstanding. At March 31, 2004, the authorized share capital of the Bank consisted of 396 million common shares, of which 240,272,106 shares were issued and outstanding. The Bank retired 3,000 thousand shares of common stock, and the numbers of authorized and issued shares of common stock decreased by the numbers of retired shares in this fiscal year.

Numbers of treasury stock held by the Bank and subsidiaries were 3,501,485 and 3,286,559 at March 31, 2005 and 2004, respectively.

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 additional paid-in capital which is included in capital surplus.

(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 additional paid-in capital equals the amount of the Bank's stated capital. The legal reserve and additional paid-in capital 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 additional paid-in capital 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.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Commercial Code.

20. Subsequent events

(a) Appropriations of unappropriated retained earnings

The following appropriations of the non-consolidated retaining earnings of the Bank at March 31, 2005 were approved at the shareholders' meeting held on June 28, 2005.

	Millions of Yen	Thousands of U. S. Dollars
	2005	2005
Cash dividends (¥4.50 per share)	¥1,057	\$9,843
Bonuses to directors and statutory auditors	50	465

(b) Repurchase of shares

The Bank repurchased its shares from the market pursuant to the provisions of Article 211-3 of the Commercial Code, as follows.

1. Purchase period April 1, 2005 through June 17, 2005
2. Number of shares repurchased 500,000 shares
3. Aggregate purchase price ¥620 million
4. Method of repurchase Purchase on the Tokyo Stock Exchange

(c) Retirement of shares

The Bank retired its treasury stocks pursuant to the provisions of Article 212 of the Commercial Code, as follows.

1. Retirement date May 10, 2005
2. Number of treasury stocks retired 2,000,000 shares
3. Book value of treasury stocks retired ¥2,017 million

Independent Auditors' Report

To the Board of Directors of
The Chugoku Bank, Limited :

We have audited the accompanying consolidated balance sheets of The Chugoku Bank, Limited and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Chugoku Bank, Limited and subsidiaries as of March 31, 2005 and 2004, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZS A & Co.

KPMG AZS A & Co.

Okayama, Japan
June 28, 2005

Non-Consolidated Balance Sheets

The Chugoku Bank, Limited
March 31, 2005 and 2004

	Millions of Yen		Thousand of U.S. Dollars (Note 2)
	2005	2004	2005
ASSETS			
Cash and due from banks	¥ 96,839	¥ 135,089	\$ 901,750
Call loans	5,637	87,748	52,491
Other debt purchased	54,602	46,557	508,446
Trading account securities (Note 6)	3,436	14,070	31,995
Money trusts	34,288	43,197	319,285
Securities (Notes 7 and 10)	2,311,033	2,163,658	21,520,002
Loans and bills discounted (Note 8)	3,041,409	3,013,134	28,321,157
Foreign exchanges (Note 11)	3,978	2,896	37,042
Other assets (Note 10)	27,868	38,578	259,503
Premises and equipment (Note 12)	47,587	46,093	443,123
Deferred income tax assets (Note 13)	538	6,716	5,010
Customers' liabilities for acceptances and guarantees (Note 16)	43,157	42,448	401,872
Reserve for possible loan losses	(47,015)	(50,843)	(437,797)
Reserve for possible losses on securities	(205)	—	(1,909)
Total assets	¥5,623,152	¥5,589,341	\$52,361,970
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Deposits (Notes 10 and 14)	¥4,856,054	¥4,889,799	\$45,218,866
Call money	156,677	90,354	1,458,953
Payables for securities lending transactions (Note 10)	148,893	149,871	1,386,470
Borrowed money (Note 15)	8,182	7,121	76,189
Foreign exchanges (Note 11)	204	43	1,900
Other liabilities	45,560	67,825	424,248
Accrued employee bonuses	1,822	1,781	16,966
Liability for employees' severance and retirement benefits	13,528	14,686	125,971
Acceptances and guarantees (Note 16)	43,157	42,448	401,872
Total liabilities	5,274,077	5,263,928	49,111,435
Shareholders' equity (Notes 18 and 19):			
Common stock	15,149	15,149	141,065
Capital surplus	6,289	6,287	58,562
Retained earnings:			
Legal reserve	15,149	15,149	141,065
General reserve	257,966	249,536	2,402,142
Unappropriated retained earnings	15,936	11,096	148,394
Net unrealized holding gains on securities	41,013	30,909	381,907
Treasury stock	(2,427)	(2,713)	(22,600)
Total shareholders' equity	349,075	325,413	3,250,535
Total liabilities and shareholders' equity	¥5,623,152	¥5,589,341	\$52,361,970

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

The Chugoku Bank, Limited

1. Basis of Presenting Non-Consolidated Financial Statements

The Chugoku Bank, Limited (the "Bank") maintains its official accounting records in Japanese yen, and in accordance with the provisions set forth in the Japanese Commercial Code, the Japanese Securities and Exchange Law and its related regulations, the Japanese Banking Law, the Japanese Uniform Rules For Bank Accounting, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In the year ended March 31, 2005, the Bank did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Bank cannot currently estimate the effect of adoption of the new standard, because the Bank has not yet completed its analysis of possible impairment of fixed assets. However, adoption of the new standard could have a material effect on the non-consolidated financial statements.

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.

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 readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. \$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) Securities and Money Trusts

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.

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.

(b) Derivatives and Hedge Accounting

The Bank applies the deferred method of hedge accounting to hedge the interest rate risks associated with various financial assets and liabilities as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The effectiveness of the hedges is assessed for each identified group of hedged loans and the corresponding group of hedging instruments such as interest rate swaps in the same maturity bucket.

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25). The effectiveness of the currency-swap transactions, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments. In addition to the above methods, the Bank applies the fair-value hedge method to portfolio hedges of the foreign exchange risks associated with foreign securities (except for bonds) identified as hedged items in advance, as long as the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the amount of acquisition cost of the hedged foreign securities in foreign currency.

(c) 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

(d) 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.

(e) 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.

(f) Reserve for Possible Losses on Securities

This reserve is provided to cover any future potential losses on investments. It is booked as the amount deemed necessary taking into consideration the financial situation and other relevant factors of the investment securities' issuers.

(g) Accrued Employee Bonuses

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

(h) Liability for Employees' Severance and Retirement Benefits

The Bank provides unfunded lump-sum payment plan, a funded non-contributory pension plan, and a cash balance 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. In this fiscal year, the Bank revised its defined benefit funded pension plan and introduced a cash balance pension plan.

The Bank provides the liabilities for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

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.

Prior service costs of unfunded lump-sum payment plans are recognized in expenses when they arise.

For this fiscal year, prior service costs of cash balance pension plan are recognized in expenses using the straight-line method over ten years, within the average

of the estimated remaining service lives, commencing with the period when they arise, whereas in the prior year they were recognized in expenses when they arose. The effect of this change decreased income before income taxes by ¥2,816 million (U.S.\$26,222 thousand).

Based on the new Defined Benefit Corporate Pension Law, the Bank was permitted by the Minister of Health, Labor and Welfare on August 13, 2003 to be released from its future obligation for payments for the substitutional portion of the welfare pension insurance scheme. As a result, the Bank recognized gain on release from the substitutional portion of the government's welfare pension insurance scheme, in the amount of ¥1,388 million for the year ended March 31, 2004.

Upon the final approval from the Japanese government, with the transfer to the Japanese government of the assets of the pension plans in the year ended March 31, 2005, the Bank was released from all past obligations under the substitutional portion of the welfare pension insurance scheme. As a result, the Bank recognized gain on release from the substitutional portion of the government's welfare pension insurance scheme, in the amount of ¥4,449 million (U.S.\$41,428 thousand) through these transactions for the year ended March 31, 2005.

(i) Finance Leases

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

(j) Income Taxes

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

(k) 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"). Diluted net income per share of common stock is not disclosed because no dilutive securities are issued by the Bank.

4. Change in Method of Presentation

Investments in limited partnerships and similar partnerships were formerly presented as "Other Assets", but from this fiscal year they are regarded as securities and presented as "Securities" due to the implementation of the "Revision of the Securities and Exchange Law" (Legislation No. 97, June 2004). As a result, "Securities" increased by ¥5,105 million (U.S.\$47,537 thousand), and "Other assets" decreased by the same amount.

5. Additional Information

With the enactment of "Revision of Law regarding Regional Taxation, etc." (Law No.9 of March 2003) on March 31, 2003, certain parts of the basis of the enterprise taxes imposed on banks were changed effective for the fiscal year beginning April 1, 2004 to "added value" and "amount of capital, etc." As a result, effective this fiscal year, the Bank included the enterprise taxes based on "added value" and "amount of capital, etc." in "General and administrative expenses" on the Non-Consolidated Statement of Income and Unappropriated Retained Earnings, in accordance with "Practical Treatment of Presentation of External Standards Taxation portion of Enterprise Taxes on the Statement of Operations" (the Accounting Standards Board of Japan (the "ASBJ") Report of Practical Issues No. 12). As a result, general and administrative expenses increased by ¥257 million (U.S.\$2,393 thousand), and income before income taxes decreased by the same amount.

6. Trading Account Securities

Trading account securities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Japanese government bonds	¥2,775	¥13,415	\$25,840
Japanese local government bonds	661	655	6,155
Total	¥3,436	¥14,070	\$31,995

7. Securities

Securities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Japanese government bonds	¥ 706,339	¥ 675,365	\$ 6,577,326
Japanese local government bonds	462,026	407,254	4,302,319
Corporate bonds	530,439	609,512	4,939,371
Shares	133,292	91,963	1,241,196
Other securities	478,937	379,564	4,459,790
Total	¥2,311,033	¥2,163,658	\$21,520,002

Securities at March 31, 2005 and 2004, include shares of subsidiaries of ¥50 million (U.S.\$465 thousand) and ¥50 million, respectively.

Lent securities which were included in Securities at March 31, 2005 and 2004, were ¥6 million (U.S.\$56 thousand) and ¥150 million, respectively.

8. Loans and Bills Discounted

Loans and bills discounted at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Bills discounted	¥ 90,820	¥ 97,610	\$ 845,703
Loans on bills	319,066	364,703	2,971,096
Loans on deeds	2,140,419	2,084,018	19,931,269
Overdrafts	491,104	466,803	4,573,089
Total	¥3,041,409	¥3,013,134	\$28,321,157

Loans and bills discounted include the following:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Loans to bankrupt customers	¥ 10,506	¥ 15,656	\$ 97,830
Loans past due six months or more ..	78,105	81,722	727,302
Loans past due three months or more	98	116	913
Restructured loans	62,881	67,845	585,539
Total	¥151,590	¥165,339	\$1,411,584

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.

Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Industry Audit Committee Report No. 24), issued by the JICPA. The bank has rights to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions, and their total face amount at March 31, 2005 and 2004 were ¥91,230 million (U.S. \$849,520 thousand) and ¥97,929 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, 2005 and 2004 were ¥2,530 million (U.S.\$23,559 thousand) and ¥23,052 million, respectively.

9. 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, 2005 and 2004 amounted to ¥1,218,922 million (U.S.\$11,350,424 thousand) and ¥1,120,279 million, respectively. Of these amount, ¥1,202,255 million (U.S.\$11,195,223 thousand) and ¥1,115,195 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.

10. Pledged Assets

Pledged assets at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Pledge assets:			
Securities	¥224,714	¥182,484	\$2,092,504
Other assets	86	—	801
Total	¥224,800	¥182,484	\$2,093,305

Liabilities secured by the above were as follows:

Deposits	¥ 32,619	¥ 28,263	\$ 303,743
Call money	156,677	6,413	1,458,953
Payables for securities lending transactions	148,893	149,871	1,386,470
Total	¥338,189	¥184,547	\$3,149,166

At March 31, 2005, certain trading account securities, aggregating ¥200 million (U.S.\$1,862 thousand), and certain securities, aggregating ¥277,385 million (U.S.\$2,582,969 thousand), were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2004, certain trading account securities, aggregating ¥200 million (U.S.\$1,892 thousand), and certain securities, aggregating ¥243,533 million (U.S.\$2,304,220 thousand), were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

11. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Assets			
Due from foreign banks	¥2,347	¥1,200	\$21,854
Foreign exchange bills purchased	410	320	3,818
Foreign exchange bills receivable	1,221	1,376	11,370
Total	¥3,978	¥2,896	\$37,042
Liabilities			
Foreign exchange bills sold	¥ 18	¥ 27	\$ 168
Foreign exchange bills payable ...	186	16	1,732
Total	¥ 204	¥ 43	\$ 1,900

12. Premises and Equipment

Premises and equipment at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Land, buildings and equipment	¥112,429	¥111,634	\$1,046,922
Construction in progress	1,104	329	10,280
Other	887	880	8,260
Total	114,420	112,843	1,065,462
Less accumulated depreciation	66,833	66,750	622,339
Net book value	¥ 47,587	¥ 46,093	\$ 443,123

13. Deferred Income Tax Assets

Significant components of deferred income tax assets at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Deferred income tax assets:			
Reserve for possible loan losses ..	¥15,733	¥13,856	\$146,503
Severance and retirement benefits	6,236	6,518	58,069
Depreciation	5,075	4,896	47,258
Write-down of securities	1,101	1,059	10,252
Accrued employee bonuses	818	798	7,617
Other	1,474	1,666	13,726
Valuation allowance	(1,111)	(1,013)	(10,345)
Total deferred income tax assets ..	29,326	27,780	273,080
Deferred income tax liabilities:			
Net unrealized holding gains on securities	27,801	20,952	258,879
Prepaid pension cost	820	—	7,636
Other	167	112	1,555
Total deferred income tax liabilities	28,788	21,064	268,070
Net deferred income tax assets	¥ 538	¥ 6,716	\$ 5,010

The differences between the statutory tax rate and the effective tax rate are not required to be disclosed, for the year ended March 31, 2005, since the total difference was less than 5 percent of the statutory tax rate.

For the year ended March 31, 2004 differences between the statutory tax rate and the effective tax rate were as follows:

	2004
Statutory tax rate	41.7%
Increase (decrease) in taxes resulting from:	
Permanently nontaxable dividends received	(1.2)
Permanently nondeductible expenses	0.3
Change of aggregate statutory income tax rate	1.4
Per capita inhabitants' taxes	0.3
Valuation allowance	4.0
Other	(0.6)
Effective income tax rate	45.9%

14. Deposits

Deposits at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Current deposits	¥ 184,201	¥ 167,212	\$ 1,715,253
Ordinary deposits	2,090,329	2,003,707	19,464,838
Savings deposits	258,125	277,413	2,403,622
Deposits at notice	30,864	40,217	287,401
Time deposits	1,975,893	2,041,501	18,399,227
Installment time deposits	10,796	11,685	100,531
Other deposits	158,872	135,394	1,479,394
Sub-total	4,709,080	4,677,129	43,850,266
Negotiable certificates of deposit	146,974	212,670	1,368,600
Total	¥4,856,054	¥4,889,799	\$45,218,866

15. Borrowed Money

Borrowed money at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Loans from banks and insurance companies	¥8,182	¥7,121	\$76,189

16. 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.

17. Leases Transactions

Information for non-capitalized finance leases as lessee, at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2005	2004	2005
Original lease obligations for equipment (including finance charges)	¥3,018	¥3,002	\$28,103
Payments made	1,327	1,355	12,357
Payments remaining	¥1,691	¥1,647	\$15,746

Payments remaining:

Payments due within one year	¥ 562	¥ 542	\$ 5,233
Payments due after one year	1,129	1,105	10,513
Total	¥1,691	¥1,647	\$15,746

Lease payments for such leases for the years ended March 31, 2005 and 2004 were ¥625 million (U. S. \$5,820 thousand) and ¥602 million, respectively.

18. Shareholders' Equity

(a) Common Stock and Capital Surplus

At March 31, 2005, the authorized share capital of the Bank consisted of 393 million common shares, of which 237,272,106 shares were issued and outstanding. At March 31, 2004, the authorized share capital of the Bank consisted of 396 million common shares, of which 240,272,106 shares were issued and outstanding. The Bank retired 3,000 thousand shares of common stock, and the numbers of authorized and issued shares of common stock decreased by the numbers of retired shares in this fiscal year.

Numbers of treasury stock held by the Bank were 2,409,485 and 3,197,727 at March 31, 2005 and 2004, respectively.

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 additional paid-in capital which is included in capital surplus.

(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 additional paid-in capital equals the amount of the Bank's stated capital. The legal reserve and additional paid-in capital 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 additional paid-in capital 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 may be 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.

19. Subsequent events

(a) Appropriation of unappropriated retained earnings

The ordinary shareholders' meeting, which was held on June 28, 2005, approved the following year-end appropriation of unappropriated retained earnings:

	Millions of Yen	Thousands of U. S. Dollars
	2005	2005
Unappropriated retained earnings		
at March 31, 2005	¥15,936	\$148,394
Transfer from general reserve	30	279
Subtotal	15,966	148,673
Appropriations:		
Cash dividends (¥4.50 per share)	1,057	9,843
Bonuses to directors and statutory auditors	50	466
Transfer to general reserve	12,910	120,216
Subtotal	14,017	130,525
Unappropriated retained earnings carried forward	¥ 1,949	\$ 18,148

(b) Repurchase of shares

The Bank repurchased its shares from the market pursuant to the provisions of Article 211-3 of the Commercial Code, as follows.

1. Purchase period	April 1, 2005 through June 17, 2005
2. Number of shares repurchased	500,000 shares
3. Aggregate purchase price	¥620 million
4. Method of repurchase	Purchase on the Tokyo Stock Exchange

(c) Retirement of shares

The Bank retired its treasury stocks pursuant to the provisions of Article 212 of the Commercial Code, as follows.

1. Retirement date	May 10, 2005
2. Number of treasury stocks retired	2,000,000 shares
3. Book value of treasury stocks retired	¥2,017 million (U.S.\$18,772 thousand)

Independent Auditors' Report

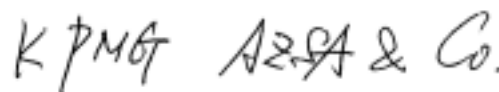
To the Board of Directors of
The Chugoku Bank, Limited :

We have audited the accompanying non-consolidated balance sheets of The Chugoku Bank, Limited as of March 31, 2005 and 2004, and the related non-consolidated statements of income and unappropriated retained earnings for the years then ended, expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of The Chugoku Bank, Limited as of March 31, 2005 and 2004, and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.



KPMG AZS A & Co.

Okayama, Japan
June 28, 2005