

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

The Chugoku Bank, Limited
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ASSETS:			
Cash and due from banks	¥ 119,667	¥ 106,866	\$ 1,439,170
Call loans	61,333	90,978	737,618
Other debt purchased (Note 6)	32,718	40,204	393,481
Trading account securities (Notes 3 and 7)	3,948	4,098	47,480
Money trusts	20,000	20,000	240,529
Securities (Notes 4 and 7)	2,526,175	2,347,058	30,380,938
Loans and bills discounted (Notes 5 and 6)	3,323,478	3,345,961	39,969,669
Foreign exchange	31,434	5,864	378,039
Other assets (Note 7)	56,894	49,309	684,233
Tangible fixed assets (Note 8)	46,127	43,536	554,744
Intangible fixed assets (Note 9)	151	155	1,815
Deferred tax assets (Note 10)	35,762	20,979	430,090
Customers' liabilities for acceptances and guarantees (Note 13)	25,110	27,651	301,984
Reserve for possible loan losses	(95,055)	(72,725)	(1,143,174)
Total assets	¥6,187,746	¥6,029,934	\$74,416,668
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 7 and 11)	¥5,380,828	¥5,288,178	\$64,712,303
Call money (Note 7)	115,065	69,614	1,383,824
Payables under securities lending transactions (Note 7)	172,045	160,765	2,069,092
Borrowed money (Notes 7 and 12)	40,030	12,700	481,419
Foreign exchange	77	51	926
Other liabilities	67,402	71,631	810,607
Liability for employees' severance and retirement benefits	14,389	14,592	173,048
Accrued employees' bonuses	1,508	1,658	18,135
Reserve for reimbursement of deposits	1,373	483	16,512
Reserve for point program	156	132	1,876
Acceptances and guarantees (Note 13)	25,110	27,651	301,984
Total liabilities	¥5,817,987	¥5,647,455	\$69,969,777
Net assets (Note 15):			
Shareholders' equity			
Common stock	15,149	15,149	182,188
Capital surplus	6,286	6,287	75,598
Retained earnings	335,419	337,744	4,033,902
Less treasury stock, at cost	(1,427)	(3,061)	(17,161)
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes	17,253	29,006	207,492
Unrealized losses on hedging derivatives, net of taxes	(3,036)	(2,695)	(36,512)
Subscription rights to shares	113	49	1,358
Total net assets	369,758	382,479	4,446,879
Total liabilities and net assets	¥6,187,746	¥6,029,934	\$74,416,668

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Changes in Net Assets

The Chugoku Bank, Limited
For the Years Ended March 31, 2011 and 2010

	Millions of Yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Subscription rights to shares	Total
Balance at March 31, 2009	¥15,149	¥6,287	¥331,353	¥(3,019)	¥(12,046)	¥(3,148)	¥ —	¥334,576
Net income	—	—	9,400	—	—	—	—	9,400
Cash dividends	—	—	(3,007)	—	—	—	—	(3,007)
Purchases of treasury stock	—	—	—	(53)	—	—	—	(53)
Disposals of treasury stock	—	—	(2)	11	—	—	—	9
Net changes in items other than shareholders' equity	—	—	—	—	41,052	453	49	41,554
Net changes during the year	—	—	6,391	(42)	41,052	453	49	47,903
Balance at March 31, 2010	¥15,149	¥6,287	¥337,744	¥(3,061)	¥ 29,006	¥(2,695)	¥ 49	¥382,479
Net income	—	—	3,199	—	—	—	—	3,199
Cash dividends	—	—	(2,890)	—	—	—	—	(2,890)
Purchases of treasury stock	—	—	—	(1,005)	—	—	—	(1,005)
Disposals of treasury stock	—	—	(1)	6	—	—	—	4
Cancellation of treasury stock	—	—	(2,633)	2,633	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	(11,752)	(341)	64	(12,029)
Net changes during the year	—	—	(2,325)	1,633	(11,752)	(341)	64	(12,720)
Balance at March 31, 2011	¥15,149	¥6,286	¥335,419	¥(1,427)	¥ 17,253	¥(3,036)	¥113	¥369,758

See accompanying Notes to Non-Consolidated Financial Statements.

	Thousands of U.S. Dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Subscription rights to shares	Total
Balance at March 31, 2010	\$182,188	\$75,610	\$4,061,864	\$(36,812)	\$348,839	\$(32,411)	\$ 589	\$4,599,867
Net income	—	—	38,472	—	—	—	—	38,472
Cash dividends	—	—	(34,756)	—	—	—	—	(34,756)
Purchases of treasury stock	—	—	—	(12,086)	—	—	—	(12,086)
Disposals of treasury stock	—	—	(12)	72	—	—	—	48
Cancellation of treasury stock	—	—	(31,665)	31,665	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	(141,334)	(4,101)	769	(144,666)
Net changes during the year	—	—	(27,961)	19,639	(141,334)	(4,101)	769	(152,976)
Balance at March 31, 2011	\$182,188	\$75,598	\$4,033,902	\$(17,161)	\$207,492	\$(36,512)	\$1,358	\$4,446,879

See accompanying 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 accompanying Non-consolidated financial statements of The Chugoku Bank, Limited (the "Bank") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law, its related accounting regulations, the Japanese Banking Law and the Japanese Uniform Rules for Bank Accounting and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying non-consolidated financial statements have been reformatted 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 Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language non-consolidated financial statements is not presented in the accompanying non-consolidated financial statements.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been rounded down in the financial statements at March 31, 2011 and for the year then ended, while amounts in the financial statements at March 31, 2010 and for the year then ended were rounded off (up or down to the nearest million). As a result, the totals shown in the accompanying non-consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollars amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(a) Securities and Money Trusts

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

Other Securities for which the fair value is extremely difficult to determine are stated at moving average cost.

The fair values of floating-rate Japanese government bonds, according to our determination that current market prices cannot be deemed as the fair value, are based on the carrying amounts at March 31, 2011 and 2010. As a result, Japanese government bonds included in securities at March 31, 2011 and 2010 were ¥3,108 million (\$3,378 thousand) and ¥5,341 million more, respectively, unrealized gains on available-for-sale securities at March 31, 2011 and 2010 were ¥1,852 million (\$2,273 thousand) and ¥3,183 million more, respectively, and deferred tax assets at March 31, 2011 and 2010 were ¥1,255 million (\$1,093 thousand) and ¥2,158 million less, respectively, than the amounts that would have been reported using market prices. There was no effect on profit or loss.

In deriving the reasonably calculated price, the Bank discounted the cash flows estimated from yields of Japanese government bonds and zero-floor option prices

based on the Black-Scholes model, using discounted rates determined by yields of Japanese government bonds. The price decision variables included the yield of Japanese government bonds and the volatilities of interest rate swaptions.

(b) Derivatives and Hedge Accounting

The Bank applies the deferred method of hedge accounting for transactions entered into 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 the 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 deferral method of hedge accounting for transactions entered into 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 the Banking Industry" (JICPA Industry Audit Committee Report No. 25). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a 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 for 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 acquisition cost of the hedged foreign securities in foreign currency.

(c) Tangible Fixed Assets

Tangible fixed assets are generally stated at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the respective asset.

Estimated useful lives are mainly as follows:

Buildings.....	4 to 40 years
Equipment.....	2 to 20 years

Lease assets with respect to finance leases that do not transfer ownership of the lease assets and that are recorded in "Tangible fixed assets" are depreciated using the straight-line method over the term of the lease, assumed to be the useful life, with a salvage value of zero or the guaranteed amount.

(d) Intangible Fixed Assets

Intangible fixed assets are depreciated using the straight-line method.

(e) Accounting for Impairment of Fixed Assets

(Additional Information)

Prior to the year ended March 31, 2010, the Bank's policy on grouping of "Losses on impairment of fixed assets" of sales offices was to keep track of gains and losses on an individual basis while grouping them together on a branch basis. However, starting with fiscal 2010, in addition to the usual branch based grouping, the Bank is reporting these figures on a group office (multiple office) basis for branches included in the group sales system. This reclassification clarifies the roles of the core sales office, which handles corporate accounts, and the satellite branches, which handle most of the individual accounts, in regions where the group sales system has been introduced.

In addition, in promoting sales expansion in the region and taking the opportunity provided by the completion of the set up of the group sales system in April 2009, the Bank changed its grouping classification to the minimum units for determining cash flow, group sales offices, to enable sales offices to complement each other in the reallocation of staff to appropriate sales offices, the transfer of customer accounts, and the conducting similar transactions.

(f) Foreign Currency Translation

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

(g) Reserve for Possible Loan Losses

The Bank writes off loans and makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are 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 these circumstances, but who face a high probability of so becoming, the reserve for possible loan losses is provided for the 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 on the Bank's actual rate of loan losses in the past. A specific reserve for loans to borrowers in certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans.

An assessment and classification is conducted by each business department and credit supervision department and is audited by the Risk Management Department, an independent department. The reserve for possible loan losses is provided based on such auditing results.

(h) Accrued Employees' Bonuses

Accrued employees' bonuses are provided for the future payment of bonuses to employees in the amount of the estimated bonuses attributable to the current fiscal year.

(i) Liability for Employees' Severance and Retirement Benefits

The Bank provides an unfunded lump-sum payment plan, a funded non-contributory pension plan and a cash balance pension plan to provide for employees' severance and retirement benefits. The Bank contributed some of its marketable equity securities to an employees' retirement benefit trust.

The Bank provides for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligations and the fair value of plan assets. Actuarial gains and losses are recognized as expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the following period. Prior service costs of the cash balance pension plan are recognized as expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the period in which they arise.

(j) Reserve for Directors' Retirement Benefits

(Additional Information)

The Bank decided to abolish the directors' retirement benefits system at the General Meeting of Shareholders held on June 24, 2009. The payment of retirement benefits after the termination of the system based on the length of service of relevant directors and corporate auditors will be made after the time of

each relevant director's or corporate auditor's retirement. Until the complete termination of the system, severance and retirement benefit payments to directors and corporate auditors will be booked in accrued expenses and shown on the balance sheet in other liabilities.

(k) Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits is provided for reimbursement of deposits that were derecognized from liabilities and credited to income. The amount is determined based on the Bank's historical reimbursement ratio for such accounts.

(Additional Information)

In previous years, accounts which had no activity for more than 10 years were derecognized from liabilities. However, effective from the fiscal year ended March 31, 2011, accounts which have no activity for more than 5 years are derecognized from liabilities. As a result of this change, income before income taxes was ¥1,756 million (\$21,118 thousand) more for the fiscal year ended March 31, 2011 than the amount that would have been recorded without the change.

(l) Reserve for Point Program

A reserve for the point program is provided for the accumulation of points granted to credit card holders. The reserve amount is determined based on the past usage ratio of points by cardholders.

(m) Leases

As lessee:

Finance leases are capitalized to recognize leases assets and lease obligations in the balance sheet. However, finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee are accounted for as operating lease transactions as permitted by the accounting standard for lease transactions (ASBJ Statement No. 13).

(n) Asset Retirement Obligations

Effective April 1, 2010, the Bank adopted "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). The change had no material impact on the non-consolidated financial statements.

(o) Income Taxes

Deferred income taxes are recognized for loss carryforwards and taxable temporary differences between carrying amounts for financial reporting purposes and tax bases. In Japan, income taxes applicable to the Bank consist of corporation tax (national), inhabitant taxes (local) and enterprise taxes (local). The statutory tax rate used for calculating deferred tax assets and liabilities at March 31, 2011 and 2010 was 40.4%.

(p) Per Share Information

Basic 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 reflects the potential dilution that could occur if outstanding stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

3. Trading Account Securities

Trading account securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Japanese government bonds	¥2,872	¥3,724	\$34,539
Japanese municipal bonds	1,075	374	12,928
Total	¥3,948	¥4,098	\$47,480

4. Securities

Securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Japanese government bonds	¥ 832,047	¥ 844,774	\$10,006,578
Japanese municipal bonds	662,915	457,785	7,972,519
Japanese corporate bonds	548,198	567,951	6,592,880
Equity securities	108,076	129,163	1,299,771
Other securities	374,937	347,385	4,509,164
Total	¥2,526,175	¥2,347,058	\$30,380,938

The amounts of liabilities for guarantees on corporate bonds included in securities issued by private placement (Article 2, Paragraph 3 of the Financial Instrument and Exchange Law) at March 31, 2011 and 2010 were ¥24,307 million (\$292,327 thousand) and ¥22,620 million, respectively.

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Bills discounted	¥ 43,495	¥ 43,062	\$ 523,090
Loans on bills	168,166	178,995	2,022,441
Loans on deeds	2,654,850	2,637,808	31,928,442
Overdrafts	456,966	486,096	5,495,682
Total	¥3,323,478	¥3,345,961	\$39,969,669

Loans and bills discounted at March 31, 2011 and 2010 included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans to bankrupt customers	¥ 66,347	¥ 23,034	\$ 797,919
Loans past due six months or more ..	78,915	81,216	949,067
Loans past due three months or more but less than six months ..	2,339	780	28,129
Restructured loans	6,769	7,395	81,407
Total	¥154,372	¥112,425	\$1,856,548

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as the principal and interest will eventually be 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 or the deferral or waiver of interest or principal payments, in support of customers in financial difficulties.

Bills discounted, such as commercial bills discounted and foreign exchanges bought, are accounted for as financial transactions in accordance with the "Treatment for Accounting and Auditing for the Application of the Accounting Standard for Financial Instruments in Banking Industry" (Industry Audit Committee Report No. 24), issued by the JICPA. The bank has the right to sell or pledge commercial bills discounted and foreign exchange bought without restriction.

The total face amount of such instruments at March 31, 2011 and 2010 was ¥43,580 million (\$524,113 thousand) and ¥43,222 million, respectively.

6. Commitment Lines

Commitment line agreements are loan agreements which oblige the Bank to lend funds up to certain limits agreed to in advance. The Bank makes the loans upon the request of an obligor to draw down funds under such agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant agreement. The unused commitment balance relating to these agreements at March 31, 2011 and 2010 amounted to ¥1,258,019 million (\$15,129,512 thousand) and ¥1,303,495 million, respectively. Of these amounts, ¥1,203,208 million (\$14,470,330 thousand) for 2011 and ¥1,260,364 million for 2010 related to loans in which the term of the agreement was one year or less or for which the unconditional cancellation of the agreement was allowed at any time.

With many of commitment line agreements, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment does not necessarily affect future cash flows. In certain loan agreements, conditions are included which allow the Bank either to decline the request for a loan drawdown or to reduce the agreed limit amount when there is cause to do so, such as when there is a change in financial conditions or when it is necessary to protect the Bank's credit. The Bank takes various measures to protect its credit, including having the obligor pledge collateral such as real estate or securities when signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank's established internal procedures.

7. Pledged Assets

Pledged assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities	¥220,811	¥168,450	\$2,655,574
Other assets	81	80	974
Total	¥220,892	¥168,530	\$2,656,548

Liabilities secured by the above were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deposits	¥ 34,147	¥ 29,912	\$ 410,667
Call money	12,970	3,667	155,983
Payables under securities			
lending transactions	172,045	160,765	2,069,092
Borrowed money	28,000	—	336,740
Total	¥247,163	¥194,344	\$2,972,495

At March 31, 2011, certain trading account securities in the aggregate amount of ¥40 million (\$481 thousand) and certain other securities in the aggregate amount of ¥293,436 million (\$3,528,995 thousand) were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes. Other assets included guarantee deposits of ¥554 million (\$6,662 thousand).

At March 31, 2010, certain trading account securities in the aggregate amount of ¥45 million and certain other securities in the aggregate amount of ¥290,433 million were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes. Other assets included guarantee deposits of ¥513 million.

8. Tangible Fixed Assets

Tangible fixed assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Land	¥20,579	¥20,693	\$247,492
Buildings	16,276	17,198	195,742
Lease assets	4,464	337	53,686
Construction in progress	130	131	1,563
Other tangible fixed assets	4,676	5,177	56,235
Total	¥46,127	¥43,536	\$554,744

Accumulated depreciation at March 31, 2011 and 2010 was ¥72,115 million (\$867,288 thousand) and ¥71,238 million, respectively.

The differences between the recoverable amount and the book value of the assets below were recognized as "Losses on impairment of fixed assets" for the years ended March 31, 2011 and 2010 as follows:

(Millions of Yen)		2011		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	4 branches	Land and buildings	¥ 93
	Idle assets	3 items		
Other	Branches	5 branches	Land and buildings	231
	Idle assets	1 item		

(Thousands of U.S. Dollars)		2011		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	4 branches	Land and buildings	\$1,118
	Idle assets	3 items		
Other	Branches	5 branches	Land and buildings	2,778
	Idle assets	1 item		

(Millions of Yen)		2010		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	2 branches	Land and buildings	¥ 94
	Idle assets	2 items		
Other	Branches	4 branches	Land and buildings	179

Within the Bank, it is the Group office or branch that manages and determines income and expenses, and it is the Group office or branch that is the smallest unit of an asset group for recognition and measurement of impairment loss. Fixed

assets which do not have identifiable cash flows, such as corporate headquarter's facilities, the computer center and recreational facilities, are grouped with other assets. As for idle assets and assets to be disposed of, impairment loss on each asset is measured individually.

For assets in which investments were not expected to be recovered, the Bank reduced the carrying amount for branches, idle assets and assets to be disposed of to the recoverable amount and recognized a corresponding loss of ¥325 million (\$3,908 thousand) and ¥273 million as "Losses on impairment of fixed assets" for the years ended March 31, 2011 and 2010, respectively.

The recoverable amount of branches, idle assets and assets to be disposed of was the higher amounts of the net realizable value and the value in use. The net realizable value was based on the appraisal value in accordance with the Real Estate Appraisal Standard. The value in use was used to estimate the recoverable amount, and future cash flow was discounted by 4%.

9. Intangible Fixed Assets

Intangible fixed assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Other intangible fixed assets	¥151	¥155	\$1,815

10. Deferred Tax Assets (Liabilities)

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Reserve for possible loan losses	¥28,813	¥24,023	\$346,518
Severance and retirement benefits	7,066	7,094	84,978
Unrealized holding losses on securities	6,635	4,522	79,795
Depreciation	5,667	6,067	68,153
Deferred losses on hedges	2,067	1,860	24,858
Losses on impairment of fixed assets	1,064	—	12,796
Write-down of securities	1,047	842	12,591
Accrued employees' bonuses ...	683	750	8,214
Other	3,708	3,160	44,594
Subtotal	56,754	48,318	682,549
Valuation allowance	(2,332)	(2,237)	(28,045)
Total deferred tax assets	54,421	46,081	654,491
Deferred tax liabilities:			
Unrealized holding gains on securities	18,107	23,913	217,763
Prepaid pension cost	272	805	3,271
Reserve for advanced depreciation of tangible fixed assets	261	259	3,138
Deferred gains on hedges	9	33	108
Other	8	92	96
Total deferred tax liabilities	18,659	25,102	224,401
Net deferred tax assets	¥35,762	¥20,979	\$430,090

The difference between the statutory tax rate and the effective tax rate was not required to be disclosed for the year ended March 31, 2010 since the difference was less than 5 percent of the statutory tax rate.

For the year ended March 31, 2011, the difference between the statutory tax rate and the effective tax rate was as follows:

	2011
Statutory tax rate	40.4%
Increase (decrease) in taxes resulting from:	
Permanently nontaxable dividends received	(10.1)
Permanently nondeductible expenses	0.8
Valuation allowance	3.0
Per capita inhabitant taxes	1.6
Other	0.8
Effective income tax rate	36.5%

11. Deposits

Deposits at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current deposits	¥ 179,121	¥ 181,507	\$ 2,154,191
Ordinary deposits	2,600,528	2,541,599	31,275,141
Saving deposits	162,495	173,768	1,954,239
Deposits at notice	30,732	34,393	369,597
Time deposits	2,115,525	2,119,513	25,442,273
Installment time deposits	6,010	6,597	72,279
Other deposits	130,309	108,802	1,567,155
Subtotal	5,224,724	5,166,179	62,834,924
Negotiable certificates of deposit ...	156,104	121,999	1,877,378
Total	¥5,380,828	¥5,288,178	\$64,712,303

12. Borrowed Money

Borrowed money at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from banks and insurance companies	¥40,030	¥12,700	\$481,419

13. Acceptances and Guarantees (Contingent Liabilities)

All contingent liabilities arising in compliance with customers' needs in foreign trade and other transactions were included in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" was shown on the assets side, representing the Bank's contingent claim of the right to indemnity from customers.

14. Lease Transactions

Information about finance leases at March 31, 2011 and 2010 was as follows:

As lessee:

(a) Pro forma information about finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leases assets to the lessee is set forth in the tables below. These finance lease transactions are accounted for as operating lease transactions.

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Acquisition cost	¥1,514	¥2,123	\$18,208
Accumulated depreciation	1,350	1,709	16,235
Net book value	¥ 163	¥ 414	\$ 1,960

Obligations under finance leases:

Due within one year	¥ 107	¥ 250	\$ 1,286
Due after one year	56	164	673
Total	¥ 163	¥ 414	\$ 1,960

Lease payments under the above leases for the years ended March 31, 2011 and 2010 were ¥249 million (\$2,994 thousand) and ¥372 million, respectively.

(b) Obligations under operating leases which are not cancellable at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 31	¥ 34	\$ 372
Due after one year	295	329	3,547
Total	¥327	¥363	\$3,932

15. Net Assets

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

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

The Japanese Banking Law provides that an amount equivalent to at least 20% of cash dividends and other cash appropriations of retained earnings must be appropriated to a legal reserve until the total amount of legal earnings reserve and additional paid-in capital equals the amount of the Bank's stated capital. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or capitalized. These appropriations generally require a resolution of the shareholders' meeting.

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

The movements of outstanding shares and cash dividends during the years ended March 31, 2011 and 2010 were as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2011

					(Thousands of shares)
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Treasury stock:					
Common stock	2,052	1,040	2,004	1,088	Note

Note: The increase in treasury stock (1,040 thousand shares) was due to purchases of 1,000 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on October 22, 2010 and purchases of 40 thousand shares less than one unit. In addition, the decrease in treasury stock (2,004 thousand shares) was due to the cancellation of 2,000 thousand shares implemented on November 30, 2010 and sales of 4 thousand shares less than one unit.

For the year ended March 31, 2010

					(Thousands of shares)
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Treasury stock:					
Common stock	2,017	43	7	2,053	Note

Note: The increase in treasury stock was due to acquisition of shares of less than one unit and shares in a newly consolidated subsidiary. In addition, the decrease in treasury stock was due to sales of shares of the Bank by a subsidiary and sales of shares of less than one unit.

16. Subsequent Events

Along with the full-scale start of the business expansion of Tsuyama Securities Co., Ltd., the Bank changed the subsidiary's name to Chugin Securities Co., Ltd. and increased its capital by ¥1,500 million on May 6, 2010.



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 (the "Bank") as of March 31, 2011 and 2010, and the related non-consolidated statements of income and statements of changes in net assets for the years then ended expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Bank'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, 2011 and 2010 and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As described in Note 16 of the Notes to the Non-consolidated Financial Statements, effective May 6, 2010, the Bank increased the capital of Chugin Securities Co., Ltd., (previously Tsuyama Securities Co., Ltd.).

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to the Non-consolidated Financial Statements.

KPMG AZSA LLC

Okayama, Japan
June 24, 2011

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