

Message from the President

(Economic and Financial Concerns)

Looking back on this fiscal year ended March 31, 2002, business confidence particularly among manufacturing companies weakened during the first half of the fiscal year due to the slowing U.S. economy and the synchronized terrorist attacks on September 11. In the individual sector, full-scale adjustment of income and employment occurred, resulting in a low consumption trend. With respect to these circumstances, the Japanese economy is in a slowdown.

September 2002

Kenji Sueyasu, President



Since the U.S. successfully moved toward economic improvement in a short period of time in the second half of the fiscal year exports and production activities and the Japanese economy displayed signs of bottoming out.

Regarding the monetary condition during the fiscal year, the Bank of Japan furthered the quantitative monetary easing policy and financial situation remained unconstrained.

(Strengthening of ties with UFJ Bank)

Under the above economic conditions, the Bank came to an agreement with The Tokai Bank, Ltd. (current name: The UFJ Bank, Ltd.) in December 2001 to strengthen ties in a variety of sectors toward fundamental improvement of the financial position and restructuring of management bases. To improve and strengthen the fundamental financial position, the Bank took strong action toward bad loans amounting to 24 billion yen and impairment of value of securities in the amount of 14.1 billion yen. The Bank also allocated new shares to The UFJ Bank, Ltd. in March 2002, and raised capital in the amount of 29.9 billion yen. Herewith, the Bank became a group bank of The UFJ Bank, Ltd. (an affiliated company and is accounted for by the equity method by The UFJ Bank, Ltd.)

Toward the restructuring of management bases, the Bank has been provided with some products and services from the UFJ group, and it tried to diversify its products and to advance its services. The Bank will continue to strengthen the strategic and cooperative relationship through outsourcing the clerical work and expansion of tie-up ATMs, and improve its cost performance and enhance the convenience of customers.

(Review of Long-Term Management Plan 12th)

The Bank extended its Long-Term Management Plan 12th that was established in April 2001, by two years and changed to the five-year plan ending in 2005 to steadily improve business performance, and reviewed its profit target and management index.

(The Bank's achievements)

Under the above plan, with the Bank's basic business concepts of "Primacy of Customers" and "Choice and Centralization", the Bank has aimed to improve its profitability.

(Loans)

Although loans increased in the housing loan section, the total balance of loans decreased by 1.3 billion yen compared to the prior year to 1,183.7 billion yen due to low demands on business funds against the background of an economic slowdown.

(Securities)

As a result of investments mainly in national government bond, the balance of securities as of March 31, 2002 increased to 226.7 billion yen by 19.7 billion yen compared to the prior year.

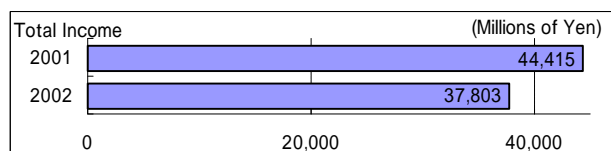
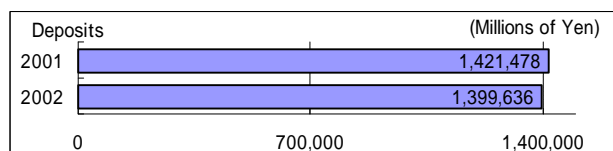
(Deposits)

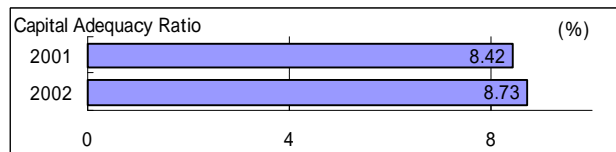
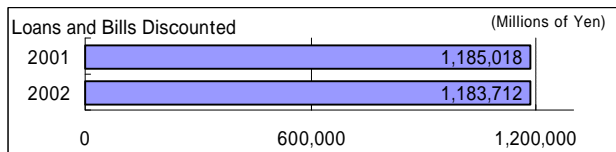
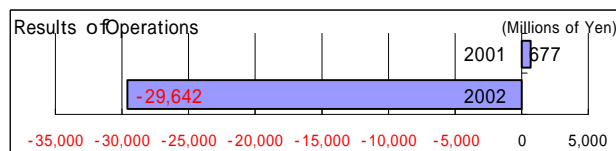
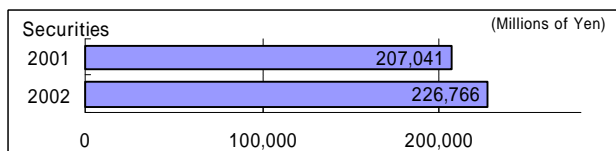
Compared to the prior year, the balance of current, ordinary and saving deposits and deposits at notice increased significantly prior to the "Limited-Coverage Deposits Insurance" start. On the other hand, the balance of time deposits and installment savings decreased. As a result, the total balance of deposits as of March 31, 2002 decreased to 1,399.6 billion yen by 21.8 billion yen compared to the prior year.

(Analysis of operations)

Although the Bank made efforts to increase its income by making efficient application of funds and by reducing expenses, as a result of provisions for possible loan losses and other expenses to maintain the Bank's asset quality, ordinary loss and net loss for the year ended March 31, 2002 were 31.271 billion yen and 29.641 billion yen respectively.

The consolidated capital adequacy ratio (domestic basis) increased 0.31% to 8.73% compared to the prior year-end as of March 31, 2002.





The Bank thinks that good and warm relationships with customers in the community are important, as it is a people's bank that originated in "a mutual financing association." In its 12th Long - Term Management Plan, which started in April 2001, the Bank aimed to be recognized as "a special financial institutions, gearing toward a trusted bank of choice for customers". This is its theme as a specialized financial institution for individuals and smaller businesses.

With the "Japanese Big Bang", the environment of financial institutions has been changing dramatically. The bank deals with the main business of a bank, in addition to that its subsidiaries deal with the financing business such as lease business, credit card business and so on, and the whole group has established a system to meet its customers' needs. In addition by clarifying the roles and placements of each company in the group, the whole group is striving for efficient management. As Chukyo-bank group it continuously strives to reinforce the earning power of the whole group by making the best use of management resources.

(Topics of Interest)

The environment surrounding financial institutions continues to be severe due to possible loan losses, stagnant stock markets, and deflationary pressures. During the year ended March 31, 2002, by managing such factors efficiently, the Bank improved and strengthened its financial position to be one of the soundest banks in Japan. As one of the companies of the UFJ Group, the Bank sought to offer more innovative services while maintaining the current services offered to the Bank's customers. From now on, the Bank aims to execute the "Long-Term Management Plan 12th" (Chukyo Kakushin Plan 21), and to improve its operations dramatically. To become a new regional bank chosen and trusted by customers, the Bank aims to be an important retail bank in Chubu district as a member of the UFJ Group.