

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2003 AND 2002

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of The Chukyo Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (together, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications have been made to the 2002 financial statements to conform to the classification used in 2003.

Principal shareholder – As a result of issuance of common shares of the Bank at March 13, 2002, The UFJ Bank Limited, which made an investment of ¥29,979 million at that date, directly owned 85,343 thousand shares of common shares of the Bank, which represented 39.75% of total shares of the Bank outstanding as of March 31, 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to \$1, the rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2003 and 2002 include the accounts of the Bank and all five subsidiaries including The Chukyo Business Service Co., Ltd., The

Chukyo Card Co., Ltd., Takara Fudosan Co., Ltd., Kikyo Service Co., Ltd. and The Chukyo Finance Co., Ltd.

The investment in an affiliated company, The Chukyo Sogo Leasing Co., Ltd., is accounted for by the equity method for the years ended March 31, 2003 and 2002.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is charged to income as incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The fiscal years of all consolidated subsidiaries are the same as the Bank's.

b. Cash and Cash Equivalents

Cash and cash equivalents, in the consolidated statements of cash flows, consist of cash and due from the Bank of Japan, included in "cash and due from banks" in the consolidated balance sheets.

c. Trading Securities

Trading securities are stated at fair value, and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

d. Securities and Money Held in Trust

Securities other than trading securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

Money held in trust is stated at fair value, and the related unrealized gains and losses were included in earnings.

e. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Bank is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings acquired after April 1, 1998. Premises and equipment held by the consolidated subsidiaries are depreciated mainly using the straight-line method.

The range of useful lives is principally from 7 to 50 years for buildings, and from 3 to 20 years for other premises and equipment.

f. Software

Software for internal use is charged to income as incurred because of the uncertainty of it contributing to revenues or the reduction of expenses in the future.

g. Reserve for Possible Loan Losses

The Bank implemented a self-assessment system for asset quality. The quality of all loans is assessed by the related the lending division and subsequently audited by the asset audit members, which are independent from lending division, in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories such as "normal", "caution", "possible bankruptcy", "virtual bankruptcy" and "legal bankruptcy". The credit rating system is used for self-assessment of asset quality.

For normal and caution loans, the reserve for possible loan losses is provided for based on actual past loss ratios. In case of loans to customers classified as possible bankruptcy, the reserve is provided for in an amount deemed necessary to cover possible loan losses. The amount is determined by considering the customer's solvency and other factors, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. In the case of loans to customers classified as virtual bankruptcy or legal bankruptcy, the reserve is provided for in an amount deemed necessary to cover possible loan losses after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to specific foreign borrowers, the reserve for possible loan losses is provided for based on the amount of possible losses due to political and economic conditions of respective countries that may affect the borrowers' ability to pay.

Reserve for possible loan losses of consolidated subsidiaries is provided based on actual past loss ratios and estimated collectability of specific claims.

h. Reserve for Possible Losses on Collateralized Real Estate Loans Sold

The reserve for possible losses on loans collateralized by real estate sold to the Cooperative Credit Purchasing Company ("CCPC") is provided for in an amount deemed necessary to cover possible losses based on the estimated fair value of the real estate. In accordance with the terms of the loans collateralized by real estate sales contracts, the Bank is required to cover certain portions of losses incurred as defined in the contract, when CCPC disposes of real estate in satisfaction of debts.

i. Retirement and Pension Plan

The Bank has a non-contributory funded, a contributory funded pension plan and an unfunded retirement benefit plan. The consolidated subsidiaries have unfunded retirement benefit plan.

Effective April 1, 2000, the Group adopted a new accounting standard for retirement benefits and accounted for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥8,427 million determined as of April 1, 2000, except for a substitutional portion of the governmental pension program managed by the Bank of ¥3,464 million, is being amortized over fifteen years and the annual amortization is presented as other expenses in the consolidated statements of operations. (see Note 16)

j. Stock Issuance Cost

Stock issuance costs were charged to income as incurred.

k. Income Taxes

The provision for current income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary

differences. Future tax benefits are recognized to the extent that such benefits are more likely than not to be realized.

l. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

m. Foreign Currency Translations

Foreign currency assets and liabilities of the Group are translated into yen amounts at the exchange rates prevailing at the fiscal year end.

Prior to April 1, 2002, the Bank adopted “Tentative Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” issued by the Japanese Institute of Certified Public Accountants (“JICPA”). Effective April 1, 2002, the Bank adopted “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” issued by the JICPA, allowing same accounting treatment to previous standard for fund swaps and currency swaps.

Fund swap transactions represent foreign exchange swaps, which consist of spot foreign exchanges either bought or sold and forward foreign exchanges either sold or bought. Such contracts are used for funds lending or borrowing activities in different currencies. Fund swap transactions are used to convert the principal equivalent amount of funds borrowing or lending into spot foreign exchange bought or sold. Also, fund swap transactions are intended to convert principal equivalents or foreign currency equivalents, which would be settled on the predetermined due date, into foreign exchanges either bought or sold position.

For currency swap transactions which are for the purpose of funds borrowing or lending in different currencies and for which spot or forward are flat type, which means that paying or receiving amounts at the time of the currency swap contract are equal to receiving or paying amounts at the currency swap maturity dates and the swap rate applied to principal and interest reflects the currency market rate reasonably (including the currency swap transactions in which the principal amount is revised in order to reflect each exchange rate at the interest payment dates and are classified as flat type for each interest payment date), the amounts on the balance sheets are net conversions of the principal equivalents of financial assets and liabilities using the fiscal-year-end exchange rate. The interest equivalent amounts are recorded in interest income and expenses on accrual basis.

n. Derivative and Hedging Activities

The Group uses a variety of derivative financial instruments including foreign currency forward contracts, currency swaps, currency options, interest rate swaps, interest rate options, bond options and bond futures.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are applied for hedge accounting.

In applying hedge accounting, the Bank adopts a 'macro hedge' method which is the method to manage aggregate interest rate risks arising from numerous financial assets and liabilities such as loans and deposits by using derivatives. The method is a form of deferred hedge accounting and based on the risk management strategy called the risk-adjusted approach as defined in "Tentative Accounting and Auditing Treatments in Applying Accounting Standard for Financial Instruments to the Banking Industry" published by the JICPA. The Group evaluates effectiveness of hedges by examining whether risk exposures of derivatives, serving as the means to adjust risks, are within risk limits determined in the risk-management policy and also whether hedged interest rate risk exposures are reduced.

In addition to macro hedge accounting, hedge accounting is individually applied to a portion of the assets and liabilities of the Bank.

o. Appropriation of Retained Earnings

Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements for the following year upon shareholders' approval.

p. Per Share Information

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighed average number of common shares used in the computation was 217,296,450 shares for 2003 and 142,254,655 shares for 2002. Basic net income (loss) per share for the years ended March 31, 2003 and 2002 are computed in accordance with the new standard.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. Diluted net income per share is not disclosed because the Bank did not have dilutive securities for the years ended March 31, 2003 and 2002.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

q. Treasury stock

Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock issued by the Accounting Standards Board of Japan. This standard requires that where an associated company holds a parent company's stock, a portion that represents an equivalent ownership interest in such stock should be presented as treasury stock in a separate component of shareholders' equity and the carrying value of the investment in associated company should be reduced by the same amount. The Bank adopted this accounting standard for the year ended March 31, 2003. Such treasury stock was not reflected in the Bank's consolidated financial statements for the year ended March 31, 2002 since no accounting treatment was previously prescribed for the parent company's stock held by an associated company.

3. Cash and Due from Banks

Cash and due from banks as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Cash on hand	¥ 22,932	¥ 27,827	\$ 190,782
Due from banks	62,437	59,045	519,443
Total	¥ 85,369	¥ 86,872	\$ 710,225

A reconciliation of the cash and due from banks in the consolidated balance sheets to the cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Cash and due from banks	¥ 85,369	¥ 86,872	\$ 710,225
Due from banks other than The Bank of Japan	(1,551)	(1,151)	(12,904)
Cash and cash equivalents	¥ 83,818	¥ 85,721	\$ 697,321

4. Trading Securities, Securities and Other investments

Trading securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
National government bonds	¥ 604	¥ 699	\$ 5,025
Total	¥ 604	¥ 699	\$ 5,025

Valuation gains of trading securities included in income/loss before income taxes and minority interests for the years ended March 31, 2003 and 2002 were ¥5 million (\$42 thousand) and ¥4 million, respectively.

Securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
National government bonds	¥ 88,180	¥ 61,930	\$ 733,611
Local government bonds	14,306	12,294	119,018
Corporate bonds	81,735	67,800	679,992
Equity securities	30,495	35,410	253,702
Other securities	71,478	49,332	594,659
Total	¥ 286,194	¥ 226,766	\$ 2,380,982

The amounts of equity securities of an affiliated company, which were included in equity securities, for the years ended March 31, 2003 and 2002, were ¥ 695 million (\$5,782 thousand) and ¥623 million, respectively.

The carrying amounts and aggregated fair value of available-for-sale securities, held-to-maturity securities and other investments at March 31, 2003 and 2002 was as follows:

	2003			
	Millions of Yen			Fair Value
Cost	Unrealized Gains	Unrealized Losses		
Securities classified as				
Available-for-sale:				
Equity securities	¥ 26,841	¥ 2,438	¥ (1,262)	¥ 28,017
Debt securities	156,031	4,691	(1)	160,721
Other	70,630	1,075	(227)	71,478
Held-to-maturity	18,925	1,204	-	20,129
Other investments	413	11	(0)	424

	2003			
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Equity securities	\$ 223,303	\$ 20,283	\$ (10,499)	\$ 233,087
Debt securities	1,298,095	39,026	(8)	1,337,113
Other	587,604	8,943	(1,888)	594,659
Held-to-maturity	157,446	10,017	-	167,463
Other investments	3,436	91	(0)	3,527
	2002			
	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as Available-for-sale:				
Equity securities	¥ 30,263	¥ 3,135	¥ (956)	¥ 32,442
Debt securities	137,162	3,023	(265)	139,920
Other	31,630	417	(344)	31,703
Other investments	386	29		415
			(0)	

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	¥ 1,784	¥ 2,346	\$ 14,842
Held-to-maturity:	4,574	19,732	38,053
Total	¥ 6,358	¥ 22,078	\$ 52,895

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥87,850 million (\$730,865 thousand) and ¥8,509 million. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥2,788 million (\$23,195 thousand) and ¥240 million (\$1,997 thousand), respectively, for the year ended March 31, 2003 and ¥319 million and ¥480 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for available-for-sale and held-to-maturity securities at March 31, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 17,578	\$ 146,240
Due after one year through five years	80,442	669,235
Due after five years through ten years	123,628	1,028,519
Due after ten years	23,696	197,138
Total	¥ 245,344	\$ 2,041,132

For the years ended March 31, 2003 and 2002, losses resulting from the write-down of securities to reflect the decline in value considered to be other than temporary were ¥4,529 million (\$37,679 thousand) and ¥14,112 million, respectively. If declines in fair values of the securities are more than 30% of the costs of the securities, then the Group judges those declines in fair values of such securities are other than temporary, the Group recognizes losses from the write-down of securities for the years ended March 31, 2003 and 2002. The Group judged all the declines in fair values more than 30% of the costs of the securities were other than temporary.

5. Money Held in Trust

Information of money held in trust at March 31, 2002 was as follows:

	Millions of Yen
	2002
Amounts per the balance sheet	¥ 1,930
Valuation losses included in loss before income taxes and minority interests	89

6. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Bills discounted	¥ 33,171	¥ 43,408	\$ 275,965
Loans on bills	142,762	174,334	1,187,704
Loans on deeds	775,660	762,623	6,453,078
Overdrafts	199,793	203,347	1,662,171
Total	¥ 1,151,386	¥ 1,183,712	\$ 9,578,918

Bills discounted are accounted for as secured borrowing transactions in conformity with the Industry Audit Committee Report No.24, published by the JICPA. The Bank obtains the right to sell or pledge the bills discounted free of conditions.

Nonaccrual loans, which include loans to borrowers in bankruptcy and past due loans, are defined as loans which the Bank and its subsidiaries discontinue the accrual of interest income. Borrowers are generally placed on nonaccrual status when substantial doubt is deemed to exist as to ultimate collectibility of either the principal or interest, and if the loans are past due for certain period or for other reasons.

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law. Loans to borrowers in legal bankruptcy as of March 31, 2003 and 2002 were ¥13,466 million (\$112,030 thousand) and ¥23,525 million, respectively.

Past due loans are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payments are deferred in order to assist the financial recovery of debtor in financial difficulties. Past due loans as of March 31, 2003 and 2002 were ¥53,708 million (\$446,822 thousand) and ¥50,971 million, respectively.

Accruing loans past due three months or more are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy or past due loans are excluded from accruing loans past due three months or more. The balances of accruing loans past due three months or more as of March 31, 2003 and 2002 were ¥ 287 million (\$2,388 thousand) and ¥723 million, respectively.

Restructured loans are defined as loans which the lender is providing financial support to a borrower by a reduction of the interest rate, deferral of interest payment, extension of maturity

date, or reduction of the face or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy, past due loans, or accruing loans past due three months or more are excluded from restructured loans. The balances of restructured loans as of March 31, 2003 and 2002 were ¥14,833 million (\$123,402 thousand) and ¥10,783 million, respectively.

Total amounts of loans to borrowers in bankruptcy, past due loans, accruing loans past due three months or more and restructured loans as of March 31, 2003 and 2002 were ¥82,294 million (\$684,642 thousand) and ¥86,002 million, respectively.

The loan amounts mentioned above represent amounts prior to the deduction of reserve for possible loan losses.

7. Foreign Exchanges

Foreign exchanges as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Assets:			
Due from foreign correspondent account	¥ 638	¥ 714	\$ 5,307
Foreign bills of exchange bought	184	160	1,531
Foreign bills of exchange receivable	3,064	2,788	25,491
Total	¥ 3,886	¥ 3,662	\$ 32,329
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Liabilities:			
Due to foreign correspondent account	¥ 19	¥ 30	\$ 158
Foreign bills of exchange sold	2	4	17
Foreign bills of exchange payable	7	1	58
Total	¥ 28	¥ 35	\$ 233

8. Other assets

Other assets as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Domestic exchange settlement, debit	¥ 564	¥ 587	\$ 4,692
Accrued income	1,958	1,929	16,290
Prepaid expenses	76	120	632
Other	9,277	10,595	77,180
Total	¥ 11,875	¥ 13,231	\$ 98,794

9. Premises and Equipment

The accumulated depreciation of premises and equipment at March 31, 2003 and 2002 amounted to ¥18,302 million (\$152,263 thousand) and ¥20,122 million, respectively.

10. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's right of indemnity from applicants.

11. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2003 were as follows:

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
Assets pledged as collateral:		
Securities	¥ 251	\$ 2,088
Total	¥ 251	\$ 2,088
Relevant liabilities to above assets:		
Deposits	¥ 5,175	\$ 43,053
Total	¥ 5,175	\$ 43,053

In addition, securities of ¥39,747 million (\$330,674 thousand) were pledged as collateral for settlement of exchange.

12. Land Revaluation

Under the “Law of Land Revaluation”, promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, respectively, the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders’ equity. There is no effect on the consolidated statements of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

At March 31, 2003, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥6,098 million (\$50,732 thousand).

13. Income Taxes

The Bank and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.8% for the years ended March 31, 2003 and 2002.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 40.8% to 39.5%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets by ¥71 million (\$591 thousand), increase income taxes-deferred by ¥161 million (\$1,339 thousand), decrease deferred tax liabilities for land revaluation excess by ¥136 million (\$1,131 thousand), increase land revaluation excess by ¥136 million (\$1,131 thousand) and increase unrealized gain on available-for-sale securities by ¥90 million (\$749 thousand) in the consolidated financial statements for the year ended March 31, 2003.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002, were as follows:

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	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Reserve for possible loan losses	¥ 10,030	¥ 12,730	\$ 83,444
Write-down of securities	6,887	6,085	57,296
Liability for retirement benefits	1,168	1,349	9,717
Depreciation	1,196	858	9,950
Other	2,501	2,896	20,807
Subtotal	21,782	23,918	181,214
Less valuation allowance	(11,066)	(11,271)	(92,063)
Total	¥ 10,716	¥ 12,647	\$ 89,151

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (2,660)	¥ (2,059)	\$ (22,129)
Other	-	(8)	-
Total	¥ (2,660)	¥ (2,067)	\$ (22,129)
Net deferred tax assets	¥ 8,056	¥ 10,580	\$ 67,022

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002 and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2003	2002
Normal effective statutory tax rate	40.8 %	40.8 %
Entertainment expenses and other expenses not deductible permanently for income tax purposes	1.3	(0.1)
Dividend income and other income excluded permanently for income tax purpose	(2.0)	0.3
Inhabitants tax per capita	1.3	(0.1)
Reduction of deferred tax assets due to tax rate change	4.2	-
Valuation allowance	5.4	(36.8)
Unrealized gain on sales of assets	6.6	(0.5)
Other	0.5	-
Actual effective tax rate	58.1 %	3.6 %

14. Deposits

Deposits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current, ordinary and saving deposits and deposits at notice	¥ 602,719	¥ 577,616	\$ 5,014,301
Time deposits and installment savings	809,937	804,791	6,738,245
Other	25,329	17,229	210,724
Total	¥ 1,437,985	¥ 1,399,636	\$ 11,963,270

15. Borrowed Money

Borrowed money as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Borrowings due serially to year ending 2012	¥ 18,768	¥ 22,798	\$ 156,140
Total	¥ 18,768	¥ 22,798	\$ 156,140

The weighted-average interest rates of the borrowings were 1.96% and 2.35% at March 31, 2003 and 2002, respectively.

Borrowed money at March 31, 2003 and 2002 included subordinated debt totaling ¥15,000 million (\$124,792 thousand) and ¥19,000 million, respectively.

Annual maturities of borrowings as of March 31, 2003 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 6,262	\$ 52,097
2005	6	50
2006	3,000	24,958
2007	5,500	45,757
2008	1,000	8,320
2009 and thereafter	3,000	24,958
Total	¥ 18,768	\$ 156,140

16. Liability for Retirement Benefits

The Bank has unfunded retirement benefit plans which provide for a lump-sum payment, a non-contributory funded pension plan and a contributory funded defined benefit pension plan for employees, and the consolidated subsidiaries have unfunded retirement benefit plans which provide for a lump-sum payment.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment or in the form of an annuity.

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Bank. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Bank applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Bank obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on July 25, 2002. As a result of this exemption, the Bank recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥913 million (\$7,596 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003. Estimated plan assets to be returned to the government at March 31, 2003 were ¥8,261 million (\$68,727 thousand).

The liability for retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥ 18,280	¥ 37,405	\$ 152,080
Fair value of plan assets	(8,220)	(18,261)	(68,386)
Unrecognized transitional obligation	(3,481)	(7,304)	(28,960)
Unrecognized actuarial loss	(6,122)	(10,813)	(50,932)
Unrecognized prior service cost	2,499	2,730	20,790
Net liability	¥ 2,956	¥ 3,757	\$ 24,592

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 were as follows:

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Fiscal Year Ended March 31, 2003

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 574	¥ 874	\$ 4,775
Interest cost	553	1,098	4,601
Expected return on plan assets	(362)	(757)	(3,011)
Amortization of prior service cost	(231)	(38)	(1,922)
Recognized actuarial loss	410	120	3,411
Amortization of transitional obligation	358	562	2,978
Net periodic benefit costs	¥ 1,302	¥ 1,859	\$ 10,832

Assumptions used for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	2.5 %	2.5 %
Expected rate of return on plan assets	3.0 %	4.0 %
Amortization period of prior service cost	12 years	12 years
Amortization period of actuarial loss	12 years	12 or 13 years
Amortization period of transitional obligation	15 years	15 years

17. Other Liabilities

Other liabilities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Domestic exchange settlement, credit	¥ 478	¥ 432	\$ 3,977
Income taxes payable	655	390	5,449
Accrued expenses	4,008	4,629	33,344
Unearned income	2,109	2,113	17,546
Other	3,980	6,488	33,112
Total	¥ 11,230	¥ 14,052	\$ 93,428

18. Commitments and Contingent Liabilities

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. The amount of unused commitments at March 31, 2003 was ¥311,301 million (\$2,589,859 thousand), including ¥275,186 million (\$2,289,401 thousand) of unused commitments whose original contract terms are within one year.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow

requirements. Many of these commitments have clauses that allow the Bank and consolidated subsidiaries to reject the application from customers or reduce the contract amounts in case economic conditions are changed, the Bank and consolidated subsidiaries need to secure claims or other events occur. In addition, the Bank and consolidated subsidiaries request the customers to pledge collateral such as premises and securities at the conclusion of the contracts, and take necessary measures such as understanding the customers' financial positions based upon procedures predetermined in the Bank and subsidiaries, revising contracts when the need arises and securing claims after conclusion of the contracts.

19. Common Stock and Capital Surplus

Japanese companies are subject to the Japanese Commercial code (the "Code") to which certain amendments became effective from October 1, 2001. The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' account.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

20. Retained Earnings / Accumulated Deficit

Prior to October 1, 2001, the Japanese Banking Law provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 100% of stated capital. Effective October 1, 2001, the revised Japanese Banking Law allows for such appropriations to be set aside as legal reserve until the total capital surplus and legal reserve equals 100% of stated capital. The amount of total capital surplus and legal reserve which exceeds 100% of stated capital can be transferred to accumulated deficit / retained earnings by resolution of the shareholders, which may be available for dividends. The Bank's legal reserve amounts were zero and ¥3,853 million as of March 31, 2003 and 2002, respectively.

The amount of retained earnings available for dividends under the Code was ¥1,473 million (\$12,255 thousand) as of March 31, 2003 based on the amount recorded in the Bank's general

books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

21. Other Income

Other income for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Gain on sales of stocks and Other securities	¥ 1,052	¥ 305	\$ 8,752
Gain on money held in trust	-	11	-
Other	1,028	598	8,553
Total	¥ 2,080	¥ 914	\$ 17,305

22. Other Expenses

Other expenses for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Loss on sales of stocks and Other securities	¥ 50	¥ 481	\$ 416
Write-down of loans	186	716	1,547
Write-down of securities and other assets	4,613	12,193	38,378
Loss on money held in trust	146	-	1,215
Other	2,249	1,510	18,710
Total	¥ 7,244	¥ 14,900	\$ 60,266

23. Leases

The Group leases certain equipment under finance leases.

Total rental expenses under the above leases for the years ended March 31, 2003 and 2002 were ¥462 million (\$3,844 thousand) and ¥689 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation,

obligation under finance leases and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Acquisition cost	¥ 2,731	¥ 4,025	\$ 22,720
Accumulated depreciation	(1,591)	(1,948)	(13,236)
Net leased property	¥ 1,140	¥ 2,077	\$ 9,484

Obligations under finance leases as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 341	¥ 644	\$ 2,837
Due after one year	799	1,433	6,647
Total	¥ 1,140	¥ 2,077	\$ 9,484

* The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which was not reflected in the accompanying consolidated statements of operations, was computed by the straight-line method with useful lives being equal to the lease period and all residual values at zero. Depreciation expense for the years ended March 31, 2003 and 2002 was ¥462 million (\$3,844 thousand) and ¥689 million, respectively.

24. Derivative Financial Instruments

The Group enters into swap and option agreements related to interest rates, forward exchange contracts, swap and option contracts related to currencies, and bond futures and bond options contracts related to securities. The Group enters into derivative transactions as a means of managing its interest rate exposures on certain assets and liabilities.

The Group mainly uses derivative transactions to reduce market risks on fixed rate assets in the event the interest rates increase and on the fluctuation of foreign exchange rates. The Group also enters into derivative transactions for trading purposes under certain risk limitations to gain income.

Derivatives are subject to market risk and credit risk. The Group's exposure to market risk is limited, since derivative transactions are primarily used for hedging purposes, and exposure to credit risk is also limited, since the counterparties to those derivatives are limited to major financial institutions and the amount of transactions is restricted.

Internal policies of derivative transactions are formulated by the ALM committee, which

consists of the management and dealing sections. Derivative transactions for hedging purposes are individually controlled, and those for trading purposes are managed under internal policies, which regulate the amount of transactions, acceptable losses and report to management.

Derivative transactions, which were valued at market values and accounted for in the consolidated statements of operations for the years ended March 31, 2003 and 2002, were as follows:

		2003		
		Millions of Yen		
	Contract or Notional Amount	Fair Value	Unrealized Gain	
Currency swap	¥ 23	¥ 0	¥ 0	

		2003		
		Thousands of U.S. Dollars		
	Contract or Notional Amount	Fair Value	Unrealized Gain	
Currency swap	\$ 191	\$ 0	\$ 0	

		2002		
		Millions of Yen		
	Contract or Notional Amount	Fair Value	Unrealized Gain	
Currency swap	¥ 823	¥ 32	¥ 32	

Derivative transactions which qualify for hedge accounting are excluded from the disclosure of market value information.

Forward exchange contracts which valuation gains (losses) were recognized in the consolidated statements of operations for the years ended March 31, 2003 and 2002 were as follows:

		Contract or Notional Amount		
		Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003	
Forward exchange contracts	¥ 18,450	¥ 12,994	\$ 153,494	

25. Segment Information

The Bank and its subsidiaries operate primarily in one segment, banking, which constitutes most of their consolidated ordinary operations and total assets. Accordingly, the figures for ordinary operations and assets by business segment for the Bank and its subsidiaries are not presented.

The Bank and its subsidiaries operate in Japan. Accordingly, the figures for ordinary operations and assets by geographical segment for the Bank and its subsidiaries are not presented.

Ordinary operations arising from international operations both inside and outside of Japan constitutes less than 10% of the consolidated ordinary operations. Accordingly, the figures for ordinary operations arising from international operations are not presented.

26. Subsequent Event

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2003 were approved at the Company's shareholders meeting held on June 27, 2003:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥2 (\$0.02) per share	¥ 435	\$ 3,619

Tohmatsu & Co.
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13-5, Meieki 3-chome,
Nakamura-ku, Nagoya 450-8530
Japan

**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Chukyo Bank, Ltd.:

We have audited the accompanying consolidated balance sheets of The Chukyo Bank, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied 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 accounting 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 Chukyo Bank, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

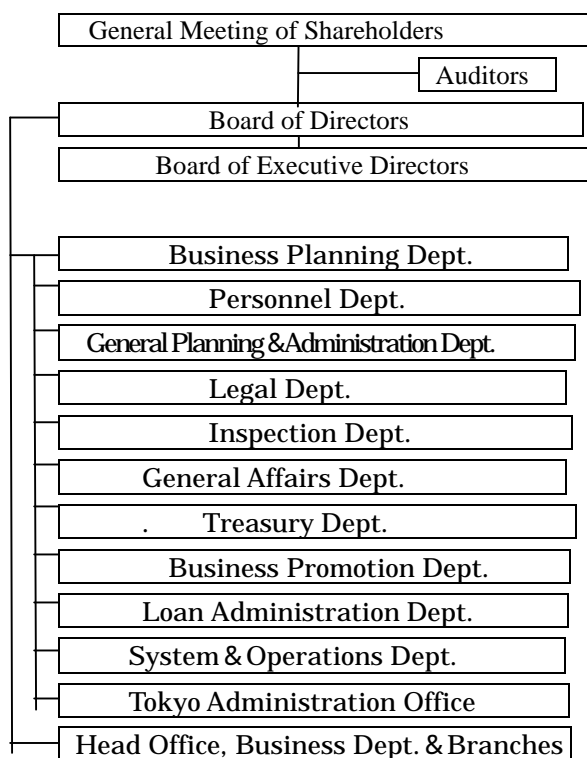
Deloitte Touche Tohmatsu

June 27, 2003

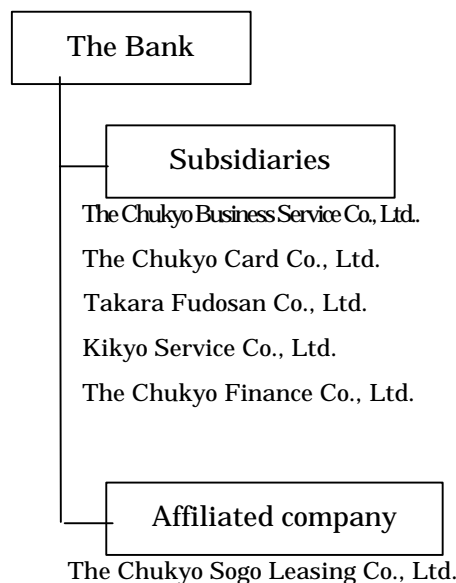
BOARD OF DIRECTORS AND AUDITORS (As of June 27, 2003)

Chairman	Managing Directors	Senior Executive Officer	Standing Auditor
Haruhiko Inoue	Koji Nakano	Kazumi Kuroda	Hirohiko Ohnakado
	Doseki Tomikura	Shunji Banno	
President	Kentaro Ishihara		Auditor
Kenji Sueyasu		Executive Officer	Yoshihiro Hatta
	Directors	Sakae Shimada	Sueo Taki
	Yoshio Yamaguchi	Hiromasa Ueyama	Yasuhiro Ozaki
		Isamu Nakahashi	
		Yasuhisa Mori	

**ORGANIZATION CHART OF THE BANK
(As of August 31, 2003)**



**ORGANIZATION CHART OF CHUKYO GROUP
(As of August 31, 2003)**



The investment in The Chukyo Sogo Leasing Co., Ltd. is accounted for by the equity method.