

# THE CHIBA BANK, LTD.

## 2002 ANNUAL REPORT

TOKYO

Chiba Prefecture

Pacific Ocean



# Profile

As of March 31, 2002

Established		March 1943
Network	Domestic	162 Offices (141 branches, 19 sub-branches, 2 virtual branches) 7,872 Off-branch ATM service counters (4,011 E-net ATMs at convenience stores, 3,573 joint ATMs with IY Bank Co., Ltd.) 2 Money exchange counters
	Overseas	3 Branches (New York / Hong Kong / London) 2 Representative offices (Shanghai / Singapore) 2 Subsidiaries (London / Cayman Islands)
Number of Employees		3,760
Total Assets*		¥8,134.0 billion
Deposits*		¥7,271.5 billion
Loans and Bills Discounted*		¥5,749.9 billion
Common Stock*		¥121.0 billion
Number of Issued Shares		845,521 thousand
Capital Adequacy Ratio (Consolidated basis)		10.22% (Based on BIS guidelines)

\* Figures as shown are presented on a non-consolidated basis.



Head Office

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# Message from the President



Tsuneo Hayakawa,  
President

Chiba Bank is carrying out various measures based on its medium-term management plan, ACT 2003, to achieve unwavering trust and support from customers as a comprehensive regional financial services group of the highest quality. In addition to reinforcing our financial base, we are working to meet increasingly diverse and sophisticated customer needs quickly and accurately.

## STRENGTHENING MANAGEMENT

### Improving Asset Quality

Applying internal self-assessments of assets more conservatively, Chiba Bank added to the reserve for possible loan losses, and applied stricter standards for write-down of impairment losses on securities.

Deteriorating stock market conditions therefore resulted in an increase in write-offs on the Bank's securities holdings, leading to a net loss for the term. By booking these losses, however, we improved asset quality for the future and further reinforced our financial structure.

To prevent new problem loans from occurring in the future, we have bolstered credit risk management through measures such as stronger credit screening functions. For existing problem loans, we are implementing early disposals and write-offs to maintain and improve asset soundness.

### Capital Adequacy Ratio

Chiba Bank's capital adequacy ratio at the end of the fiscal year was 10.06 percent, remaining well above the 8

percent mandated by the Bank for International Settlements.

Chiba Bank is placing priority on increasing lending to customers in Chiba Prefecture. To do so, we are focusing on stronger portfolio management, stable fund procurement, higher asset quality, improved operating efficiency and reduced expenses, which will bolster earnings and further enhance shareholders' equity.

### Measures to Raise Management Efficiency

We are actively investing in information technology to provide optimal service to our customers efficiently. During the past fiscal year, we launched three new systems. A new branch system raises clerical efficiency at branches in ways such as using scanners to read and input the data on transaction slips. The CRM System provides centralized management of customer information and transaction details, and is used to make optimum proposals in areas such as asset management. The Profit Management System, a significant upgrade from the previous system, enables us to calculate the

profitability of each customer by deducting expenses and credit costs from interest and fee income.

In making these IT investments, we promoted thorough rationalization and efficiency, which resulted in an overhead ratio of 53.80 percent. This was 4.99 percentage points lower than at the end of March 1999, before we began implementing the medium-term management plan, indicating clear improvement in efficiency and productivity.

We will aggressively promote continued measures for management rationalization and efficiency.

## OUR ROLE AS A REGIONAL FINANCIAL INSTITUTION

### Support for Regional Enterprises

The severity of the economic environment for businesses is increasing due to factors such as changes in Japan's economic and manufacturing structure and the shift of manufacturing overseas. In response, Chiba Bank established Credit Division II in October 2001 as a specialized unit that goes beyond financial support to provide comprehensive management support for

companies that are making efforts toward sound management. The division's support to customers through its proposal and formulation of management improvement and operating efficiency plans is already resulting in the management recovery of several companies.

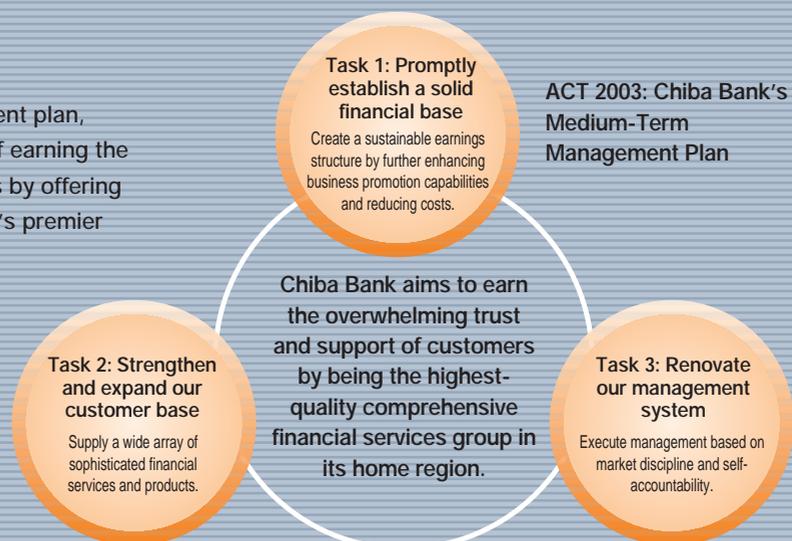
Efforts such as these contribute to the asset soundness of Chiba Bank, and help fulfill our mission and responsibilities as a regional financial institution.

### Nurturing New Businesses

Creating new industries and businesses is necessary to stimulate the prefecture's economy, and nurturing startup ventures is also essential. Chibagin Capital Co., Ltd. is an affiliate company that invests in startup ventures, and Chiba Bank's Himawari Venture Development Fund grants subsidies and other support to businesses that move into incubator facilities. In addition, in October 2001, we created the Chibagin Venture Business Loan, which provides financing based on evaluation of a venture's technological strength, growth potential and ability to realize its business plan, and

## Management Tasks

Under the ACT 2003 medium-term management plan, Chiba Bank is moving toward its objectives of earning the overwhelming trust and support of customers by offering the highest level of quality as its home region's premier provider of comprehensive financial services.



established the Himawari V1 Investment Fund, which invests in local venture businesses, together with other companies in the Chiba Bank Group.

If the business plans of these venture companies blossom into viable businesses in the future, and the companies grow, we believe they will become solid customers of Chiba Bank.

### Retail Strategy

Housing loans, the core of retail banking operations constitute a large portion of Chiba Bank's lending to individuals. In addition, Chiba Bank provides unsecured consumer loans, and is systemizing credit checks by using a scoring system to speed up the process and accepting provisional applications by fax and the Internet.

In February 2002, we began a tie-up with IY Bank Co., Ltd., which was established last year by Ito-Yokado, the largest retailer in Japan. The tie-up enhances customer convenience by allowing Chiba Bank cash cards to be used at about 500 Seven-Eleven convenience stores in Chiba Prefecture, expanding our network of ATMs in the prefecture to 1,287 locations.

We will continue to expand our capabilities in new service channels such as the Internet in order to meet diversifying customer needs quickly and accurately.

### Increasing Customer Satisfaction

Chiba Bank aims to be a bank that customers will choose. We are therefore implementing a customer satisfaction campaign, consisting of the following three elements:

1. **Customer Satisfaction** — To create a bank that is trusted and appreciated by customers
2. **Employee Satisfaction** — To create a bank that makes employees and their families proud and satisfied
3. **Society Satisfaction** — To create a bank that is essential and respected as a member of the region

### MANAGEMENT POLICIES

Chiba Bank is currently implementing ACT 2003, our medium-term management plan that ends in March 2003. The fundamental objective of ACT 2003 is transforming Chiba Bank into a regional financial services group of the highest quality that earns unwavering trust and support from customers. To achieve this, we are focusing on three tasks:

- Promptly establish a solid financial base for the firm trust of customers.
- Strengthen and expand our customer base to enhance the ties we have built up with our customers.
- Reform our management system to ensure transparent management based on market principles and accountability.

All of us at Chiba Bank are working together to achieve these objectives.

We will continue working to earn an even higher level of trust and support from our customers in the region and strive to be a bank that delivers true satisfaction.



Tsuneo Hayakawa  
President

# Products and Services

## 1,287 ATM LOCATIONS IN CHIBA PREFECTURE

Chiba Bank initiated E-net automated teller machine (ATM) service at convenience stores in April 2000, and many of these ATMs are available for customer use 24 hours a day, 7 days a week, 365 days a year. In February 2002, Chiba Bank began joint ATM services with IY Bank Co., Ltd. As a result, Chiba Bank's ATM network in Chiba Prefecture expanded to 1,287 locations as of March 31, 2002, including 150 branches, 279 non-branch ATMs, 340 E-net ATMs, and 518 IY Bank ATMs.

### 24-Hour ATM Service

At E-net and IY Bank ATMs, customers can make withdrawals and deposits, check their balance and transfer money 24 hours a day.



## INVESTMENT TRUSTS & FOREIGN-CURRENCY DEPOSITS

Chiba Bank has responded to diversifying customer needs with a lineup of investment management products including investment trusts and foreign-currency deposits.

### Investment Trusts (Best Order)

Chiba Bank offers 25 investment trust brands that meet customer money management objectives, including five publicly listed corporate bond investment trust brands and 20 equity investment trust brands. All branches, except the Osaka Branch and sub-branches, sell investment trusts.

Chiba Bank also provides specialized advice to customers purchasing investment trusts. Our advisors consider individual customer characteristics such as their stage of life, fund management needs and investing experience in making recommendations.

### Himawari Batake: A Proprietary Chiba Bank Investment Trust

Himawari Batake, a proprietary Chiba Bank investment trust, limits the risk of a decrease in net asset value. Returns to investors are guaranteed to be no less than 90 percent of the highest net asset value during the term of the trust, even if net asset value falls below the invested principal.

### Investment Installment Services

For 19 of the equity investment trusts that Chiba Bank handles, customers can specify a day and an amount for Chiba Bank to automatically debit their regular bank account and transfer the funds into an investment trust. This allows customers to invest more when prices are low, and less when prices are high. This is a more effective method of investing for individuals than purchasing a large amount all at once, and enables them to take advantage of investment cost averaging.

### Foreign-Currency Deposits

Foreign-currency deposits that invest in U.S. dollars, euros and other currencies are another product Chiba Bank offers customers, as regular accounts, demand deposits or time deposits. Super Foreign Currency Time Deposit is a product available in maturities of one, three or six months, or one year, allowing customers to select the maturity best suited to their investment needs. Other products include Free End, a one-year adjustable maturity foreign-currency time deposit that functions as a savings vehicle while enabling liquidity. After the first three months of the one-year contract, customers may terminate the deposit at the contracted interest rate. The wide variety of products that Chiba Bank offers allows customers to select the ones that best meet their money management needs.

### HOUSING LOANS

Best Choice 21 is available in amounts up to 200 percent of collateral, which allows customers to obtain a housing loan with no down payment. Responding to a wide range of customers needs, Chiba Bank offers housing loans for new construction and new purchases, refinancing, and change of residence. We also offer a choice of variable and fixed interest rate loans.

## SUPPORT FOR STARTUP VENTURES

Chiba Bank deploys the strengths of its group of companies to provide fund-raising support at various stages in the development of startup ventures that are taking on the challenge of creating new businesses.

### Himawari Venture Development Fund

This fund was established with the objective of contributing to the vitality and soundness of Chiba Prefecture's economy by providing development support for startup ventures. Chiba Bank provided all of the initial capital for the fund, with this capital and subsequent contributions from other participants providing the basis for the fund's operations. The fund provides subsidies and relocation grants to companies moving into incubator facilities, provides advice, and holds a variety of seminars geared to the needs of startup ventures in the research and development stage of company creation.

### Loans for Startup Ventures

Chiba Bank extends loans to new companies after using an external technology evaluation organization, Japan Technology Transfer Associations Technology Evaluation Information Center, to evaluate their technological capabilities, creativity and growth potential. We also evaluate the potential for the borrower's business plan to succeed. Startup ventures use these loans to make the transition from the research and development stage to becoming a going concern.

### Himawari V1 Investment Fund

Chiba Bank, Chibagin Capital Co., Ltd. and other members of the Chiba Bank Group provide the capital for this investment fund, which meets the funding needs of local venture businesses. Support extends through every stage to the company's initial public offering.

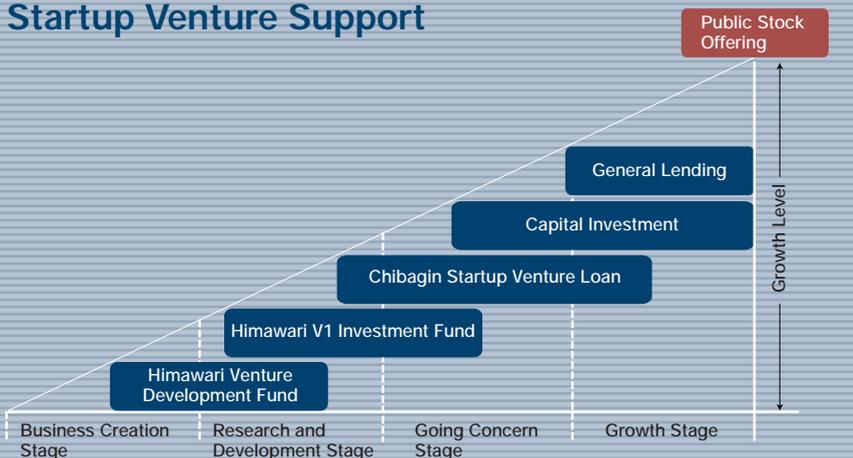
## NONLIFE INSURANCE

Agency contracts with nonlife insurance companies give Chiba Bank the ability to sell long-term fire insurance and bill payment insurance in conjunction with housing loans, as well as overseas travel accident insurance. The latter can be obtained via Internet application, thus providing customer access 24 hours a day, 365 days a year.

## DEFINED CONTRIBUTION PENSIONS

Chiba Bank handles defined contribution pension plans for corporations and individuals. As the administrating institution, Chiba Bank explains the plans to customers who come to the subscription application counter, and provides comprehensive support including investment seminars for beneficiaries. We have also established calling centers to answer customer questions and provide consultation on defined contribution pensions.

## Startup Venture Support



## Further Raising Asset Soundness

Chiba Bank has always recognized that raising asset soundness is a critically important task. We are working to maintain and increase asset quality by swiftly and appropriately disposing of non-performing loans, preventing non-performing loans from occurring and providing support to customers who are rehabilitating their finances.

### INTERNAL ASSESSMENT OF ASSETS AND BORROWER CLASSIFICATION

For financial institutions, internal assessment of assets entails individually assessing and analyzing loans and other assets to classify them according to the degree of value impairment and the probability of recovery. Based on borrower creditworthiness, loans are classified as Pass, Substandard, Possible Failure, Substantial Failure, and Failure. Substandard Loans are further subdivided into the categories of Restructured, etc. (restructured loans or loans past due three months or more) and other substandard loans.

Assuming the currently challenging economic conditions in Japan will continue, the financial condition of corporations is likely to deteriorate. While Chiba Bank had been employing rigorous internal-assessment standards, during the year ended March 31, 2002 the above assumption prompted the Bank to apply even more conservative standards. As a result, Substandard Loans classified under Restructured, etc. (restructured loans or loans past due three months or more) increased substantially.

### DISCLOSURE OF NON-PERFORMING LOANS

The Risk-Monitored Loan Standard and the Revitalization Law Standard are two other bases for disclosing non-



performing loans. For both standards, Chiba Bank accounts for assets based on the borrower categories of Internal-Assessment Standards.

### Loans Under Risk Monitor

Loan categories in parentheses below are the terms used in the Risk-Monitored Loan Standard that correspond to the categories Chiba Bank uses under the Internal-Assessment Standard: Failure (Loans to Legally Bankrupt Companies); Substantial Failure and Possible Failure (Other Delinquent Loans); and most Restructured, etc. (Loans past Due Three Months or More and Restructured Loans).

### Risk-Monitored Loan Standard (Non-Consolidated)

Years ended March 31	2001	2002
Loans to Legally Bankrupt Companies	55.6	50.7
Other Delinquent Loans	275.6	278.2
Loans Past Due Three Months or More	17.9	13.1
Restructured Loans	102.7	212.7
Total	452.0	554.9

### Revitalization Law Standard

Loan categories in parentheses below are the terms used in the Revitalization Law Standard that correspond to the categories Chiba Bank uses under the Internal-Assessment Standard: Failure and Substantial Failure (Bankrupt and Quasi-Bankrupt Assets); Possible Failure (Doubtful Assets); and most Restructured, etc. (Substandard Loans).

The total of non-performing loans under the Revitalization Law Standard is approximately ¥1.5 billion greater than under the Risk-Monitored Loan Standard. The latter, however, takes only loan amounts into consideration, while the Revitalization Law Standard includes obligations outstanding other than loans, such as unpaid interest and foreign exchange obligations.

### Revitalization Law Standard (Non-Consolidated)

Years ended March 31	2001	2002
Bankrupt and Quasi-Bankrupt Assets	183.6	177.7
Doubtful Assets	148.3	152.9
Substandard Loans	120.7	225.8
Total	452.6	556.4
Normal Assets	5,346.5	5,377.4

## DISPOSAL OF NON-PERFORMING LOANS

Based on the rigorous standards used up to the present, Chiba Bank has written off and provided reserves for non-performing loans every fiscal year. During the year ended March 2002, however, Chiba Bank took steps to secure stable earnings in the future by improving asset soundness. We applied even more rigorous internal-assessment standards than we had been using, increased provisions to the reserve for possible loan losses and were even more conservative in disposing of non-performing loans. As a result, Chiba Bank disposed of a total of ¥57.1 billion in non-performing loans and transferred ¥20.3 billion to the reserve for possible loan losses, thus providing against the occurrence of non-performing loans in the future.

Transfers to the reserve for possible loan losses covered loans classified as Failure or Substantial Failure not covered by collateral or other forms of guarantee. For loans classified as Possible Failure, transfers to the reserve for possible loan losses were based on historical default rates and projected amounts of losses. The coverage ratio, which is calculated according to the Revitalization Law Standard and includes collateral and guarantees, reached a high level of 88.8 percent. Chiba Bank therefore believes that the likelihood of future loan losses is limited. The Bank has also worked to strengthen its credit risk management system in order to prevent future occurrences of non-performing loans.

In addition to financial provisions to deal with non-performing loans, Chiba Bank has also worked to help troubled borrowers

improve their soundness, liquidate collateral and sell loans as part of its program of dealing with non-performing loans. Moreover, Chiba Servicer Co., Ltd. was established as part of the Chiba Bank Group in October 2001. Part of the Group's efforts to dispose of problem assets, the new company is supporting the swift resolution and recovery of non-performing loans.

## SUPPORT FOR TROUBLED BORROWERS

Given the difficult economic conditions in Japan, Chiba Bank is energetically providing comprehensive support to corporate borrowers who are working to rehabilitate their finances. The Bank further strengthened its support capabilities in October 2001 by establishing Credit Division II. The new division assigns experienced executives, such as former branch general managers, by region to work directly with customers to formulate a financial rehabilitation plan, and then provides ongoing support. Accountants and consultants from firms such as Chibagin Research Institute, Ltd. are called in as needed. Numerous customers who had been experiencing financial difficulties have achieved substantial management improvements as a result of implementing restructuring programs, each one adding to Credit Division II's growing list of achievements. Chiba Bank's efforts to provide support to customers working to improve their financial soundness complement non-performing loan disposal and recovery in the Bank's overall program of raising its own asset soundness.

## Comparison of Problem Assets Under Risk-Monitored Loan Standard and Revitalization Law Standard (Non-Consolidated)

	Internal-Assessment Standard	Risk-Monitored Loan Standard	Revitalization Law Standard
Failure		Loans to Companies Legally Bankrupt 50.7	Bankrupt and Quasi-Bankrupt Assets 177.7
Substantial Failure		Other Delinquent Loans 278.2	Doubtful Assets 152.9
Possible Failure		Loans Past Due Three Months or More 13.1	Substandard Loans 225.8
Substandard		Restructured Loans 212.7	(Normal Assets)
Pass			
		<b>Total 554.9</b>	<b>Total (Excluding Normal Assets) 556.4</b>

# Compliance System

Chiba Bank is ensuring thorough compliance with relevant laws and regulations as well as its internal code of conduct in fulfilling its social responsibilities and public mission. We view compliance as a key to earning the trust and support of customers.

## LEGAL COMPLIANCE SYSTEM

Compliance is a primary management objective at Chiba Bank. Well aware of the importance of complying with laws related to banking transactions and internal regulations, as well as conducting fair and honest business activities that conform to social norms, Chiba Bank strives for thorough and consistent compliance throughout its operations.

One means for doing so is the Business Ethics Committee, whose membership consists of directors and general managers. The Committee meets periodically to consider measures and programs that promote thorough compliance. Moreover, the Compliance Office within the General Administration Division manages rules and

manuals related to compliance, plans and oversees implementation of compliance training programs, and carries out regular, exhaustive checks to confirm compliance status within the Bank. Compliance officers at all branches and head office divisions also monitor compliance in day-to-day operations and conduct workplace education programs.

## GUIDELINES FOR BANK EMPLOYEES

Chiba Bank provides clear guidelines for employee conduct in the Chiba Bank Code of Ethics, which is one component of the Bank's compliance system. Compliance Manual I covers the Bank's code of ethics, fundamental activities and proper conduct to provide fundamental guidelines for employees. Compliance Manual II provides detailed explanations of the relevant laws and regulations Bank employees must comply with, indicates issues for attention in the course of day-to-day operations, and explains specific actions business by business.

## Chiba Bank's Code of Ethics

### Earning Unwavering Trust

Remaining constantly aware of the social responsibility and public mission of a bank, Chiba Bank will strive to earn the unwavering trust of society through sound, appropriate business operations based on the principle of self-responsibility.

### Thorough Compliance with Laws, Rules and Other Fundamental Principles

Complying strictly with all laws and rules and never deviating from social standards, Chiba Bank will conduct fair and honest business activities.

### Opposition to Antisocial Forces

Chiba Bank will firmly oppose antisocial forces and groups that threaten the order and safety of society and undermine healthy economic and social development.

### Transparent Management

Chiba Bank will provide active and fair disclosure of management information and manage its operations in a transparent manner.

# Risk Management System

Deregulation, globalization and innovations in financial technology have expanded business opportunities, yet have also increased the diversity and complexity of the risks related to banking. Chiba Bank has responded to this changing operating environment by further strengthening its system for understanding, analyzing and managing risks.

## INTEGRATED RISK MANAGEMENT

Banking involves a variety of risks including credit, market, liquidity, operational and system risk. Chiba Bank manages risks both individually and on an integrated basis in order to improve profitability and maintain sound management.

Various departments contribute to managing each type of risk for the entire Chiba Bank Group, while the Risk Management Office within the Corporate Planning Division exercises integrated control of risks. We have also created an internal risk management system controlled by the ALM Committee and the Credit Risk Management Committee. In addition, the Internal Audit Office fortifies Chiba Bank's internal auditing system by conducting periodic examinations to confirm that the risks are being properly managed.

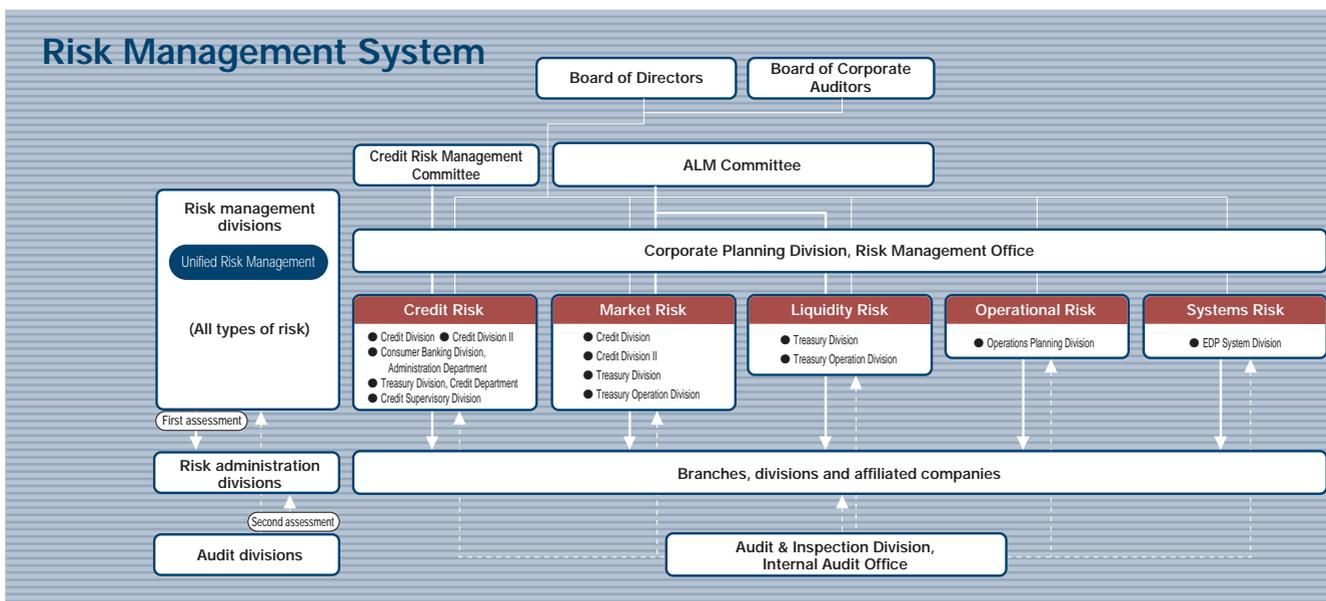
## CREDIT RISK MANAGEMENT

Credit risk, the largest component of the risk involved in banking, is the risk that a borrower will be unable to repay principal and interest due to deterioration of the borrower's financial condition. Chiba Bank has implemented measures to prevent the occurrence of non-performing loans and improved asset soundness by managing credit risk even more rigorously.

### Credit Management System

Chiba Bank has long maintained a policy of separating business promotion and credit administration functions. Moreover, the Credit Assessment Office is separate from these functions, and audits the results of internal self-assessments and process audits. The Internal Audit Office executes a system for auditing the credit extension process.

The Credit Division conducts rigorous, policy-based screening of individual loans. Credit Division II provides support to borrowers classified as substandard, while the Credit Supervisory Division works to maximize recoveries from bankrupt borrowers. The combination of controls before and after loan extension supports increased asset quality. In addition, the Risk Management Office in the Corporate Planning Division monitors the Bank's credit



portfolio to ensure that credit is not excessively concentrated in any specific industry, and also quantifies credit risk by using statistical methods to estimate the amount of expected losses. The Credit Risk Management Committee, headed by the president, studies risk management policies and monitors the Bank's loan asset portfolio to ensure the soundness of its component assets.

### **Company Rating System**

Chiba Bank views credit ratings as the most fundamental element in credit risk management. Our company rating system, a standardized system for evaluating our portfolio of corporate loans, supports our objective of achieving a high level of credit risk management.

The company rating system classifies businesses according to ratings in 15 categories based on data such as financial condition and cash flow. These ratings are reviewed annually, and may be reviewed at any time if a corporate borrower's financial condition changes. This approach contributes to effective credit risk management by helping to ensure that Chiba Bank has an accurate understanding of the actual condition of corporate borrowers. The broadly based controls of the company rating system also allow Chiba Bank to make better decisions regarding credit extension and pricing.

#### **Amount at Risk**

Quantifying the amount of risk entails determining average loss and maximum loss. Average loss is an average of projected losses for one year, while maximum loss is the largest loss projected for one year. Generally, credit should be priced so that income covers the average loss. The difference between the average and maximum loss represents a potential loss that internal capital should be able to cover.

#### **New Profit Management System**

Chiba Bank began implementing a new Profit Management System in April 2002 that indicates the cost of risk by branch and by customer. Under this system, the head office concentrates on interest rate risk, operating costs are clarified in detail through the use of activity-based costing, and risk costs are delineated through projected provisions to the reserve for possible loan losses.

### **Internal Assessment of Assets**

Internal assessment of assets is the examination and analysis of individual assets performed by financial institutions themselves in order to classify and categorize assets according to the likelihood of recovery or the degree of impairment in value. Internal assessments became mandatory with the introduction of Prompt Corrective Action standards based on the Banking Law. Prompt Corrective Action is a system under which administrative measures are put in motion if a bank's capital adequacy ratio drops below a certain level, depending on the circumstances. Accurate calculation of the capital adequacy ratio is contingent upon appropriate write-offs and reserves, as well as preparation of financial statements that reflect the actual condition of assets as accurately as possible.

Chiba Bank conducts internal assessments of assets at its branches every six months as per relevant regulations. The assessment is checked by the head office divisions authorized to approve loans, including the Credit Division, and the results are then audited by the Credit Assessment Office in the Audit & Inspection Division. Based on the results of the assessment, the Bank makes appropriate write-offs of problem loans or provisions to reserves for possible loan losses to improve asset soundness.

### **Measuring Credit Risk**

Measurement of credit risk involves using statistical methods to predict the amount of future losses (amount at risk) that can be expected to occur due to the bankruptcy or deterioration in management condition of borrowers.

Chiba Bank also uses a measurement system to quantify credit risk. Ongoing collection of data on defaults and on recovery of loans from borrowers in default adds accuracy and reliability to the system, contributing to higher asset quality.

In April 2002, Chiba Bank began using a Profit Management System that employs the results of credit risk quantity measurement. It helps the Bank reflect credit risk in gauging profitability and pricing loans. We intend to further raise the accuracy of risk management and continue strengthening earnings.

## MARKET RISK MANAGEMENT

Market risk is the risk of incurring losses due to deterioration of asset values caused by changes in market factors such as interest rates, securities prices and foreign exchange rates. To manage market risk, Chiba Bank has introduced an ALM structure. Chaired by the president, the ALM Committee meets periodically to discuss and establish specific measures for dealing with interest rate and price fluctuation risks.

Chiba Bank controls market risk on securities and other assets held as long-term investments by setting amount limits for each financial instrument. In tandem with the implementation of fair value accounting for investment securities, Chiba Bank has strengthened value-at-risk (VaR) monitoring to respond appropriately to changes in the market environment.

For market risks in trading transactions, the objective of which is to secure profits from short-term changes in interest rates and prices, Chiba Bank limits risk by setting trading limits and stop-loss rules. In addition, daily VaR analysis and periodic stress tests, which evaluate the maximum that could be lost due to factors such as sudden market changes, are conducted to prevent the occurrence of substantial losses.

The Market Division is organized so that front office divisions involved in transactions, such as the Treasury Division and overseas branches, are separate from back-office divisions, such as the Treasury Operation Division. Moreover, middle-office risk management divisions, such as the Risk Management Office in the Corporate Planning Division, give Chiba Bank a mutually reinforcing risk management system.

## LIQUIDITY RISK MANAGEMENT

Liquidity risk encompasses funding risk and market liquidity risk. Funding risk is the risk that a financial institution will not be able to secure the capital it requires due to deterioration of its finances. If unable to procure funds, the institution may incur losses from having to obtain capital at higher-than-usual interest rates. Market liquidity risk involves the risk of losses that may result from being forced to conduct transactions at substantially less favorable pricing because of a lack of

alternative transactions stemming from factors such as market turmoil.

The Treasury Division is responsible for tracking the market environment and analyzing capital funding conditions. It counters fund procurement risk by setting funding limits to prevent excessive fund procurement, thus controlling daily funding at appropriate levels and proactively preventing the occurrence of unfavorable developments.

Market liquidity risk is controlled by setting position limits for each market transaction. The Risk Management Office in the Corporate Planning Division integrates overall liquidity risk management in promptly gauging and monitoring the effects of changes in assets and liabilities on fund procurement to limit increases in liquidity risk.

In April 2002, limits were placed on payoffs of deposit insurance. Chiba Bank completed a crisis management plan in April 2001 to enable a rapid, thorough, bankwide response in the event that a financial institution fails to meet its obligations.

## OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of losses resulting from the occurrence of accidents, irregularities or negligence in carrying out normal business operations. Accurate business operations are essential to earning the trust of customers. The Operations Planning Division is primarily responsible for ensuring strict adherence to fundamental rules in conducting operations and processing, and also works to prevent irregularities. In addition to setting standards for detailed procedures in each area of operations, the division has tightened procedures for handling important items such as cash, drafts and passbooks, provides guidance on operations management systems at branches, and conducts training to improve operating standards. In April 2002, a new data management system designed to raise operational efficiency was launched. Data is scanned so that signatures, seals and other information can be checked on-screen, thus significantly reducing manual operations.

Staff at branches conduct self-assessments to ensure accuracy and improve their skill level. The Internal Audit

Office of the Audit and Inspection Division also performs on-site inspections of overall operations at each branch and head-office division at least once a year in accordance with rigorous standards. The results of these audits are communicated to branches and the head office, and are periodically reported to the Board of Directors so that they can be reflected in programs to improve operations further.

### SYSTEM RISK MANAGEMENT

System risk is the risk of incurring losses due to breaches of information security or the improper use, failure or malfunction of computer systems.

Chiba Bank's systems process various types of customer information, including transaction data, and also provide numerous services to customers. With the importance of systems to the Bank's operations growing every year, system risk has also increased in importance because of the considerable inconvenience to customers that a materialization of risk would cause. Accordingly, Chiba Bank continues to place substantial emphasis on system management and control.

The EDP System Division is the center of the Bank's system risk management structure, and has taken various measures to ensure stable operations of computer systems during any contingency. Specifically, hardware and lines for critical systems related to accounts and information are doubly protected and will switch immediately to backups if an irregular incident occurs, allowing banking operations to continue without interruption. The EDP System Division also sets rules for rigorous management of data and prevention of improper usage and has prepared contingency plans for large-scale damage for all computer systems, including the particular systems used in each division. These measures give Chiba Bank a comprehensive system to protect against crimes and disasters.

In addition, the Internal Audit Office of the Audit and Inspection Division conducts rigorous inspections of all computer systems.



## Community Activities

### Chiba Environment Photo Contest

The Chiba Environment Photo Contest was first held in 2000. Participants submit photos that express their thoughts and feelings for their local environment and inspire visitors to think about environmental problems and issues for the coming generation.

### Support for Youth Sports

Chiba Bank contributes to the development of healthy youth through support for sports in Chiba Prefecture. Programs include support for youth baseball and soccer leagues.

### Chibagin Himawari Concert

Since 1989, the annual Chibagin Himawari Concert has provided an opportunity for numerous artists to perform in various areas of Chiba Prefecture.

### Chibagin Art Gallery

The Chibagin Art Gallery contributes to the development of culture and the arts. Since 1990, the gallery has held exhibitions at a Chiba Bank office in Nihombashi, Tokyo where artists from Chiba Prefecture can display their works. Customers have enjoyed displays of art including Japanese and Western works, sculpture and industrial art.

# Management's Discussion and Analysis

## Six-Year Summary of Selected Financial Data (Consolidated)

The Chiba Bank, Ltd. and its Consolidated Subsidiaries For the Years Ended March 31

	Billions of Yen					
	2002	2001	2000	1999	1998	1997
<b>For the Fiscal Year</b>						
Total Income .....	¥ 210.5	¥ 238.4	¥ 235.8	¥ 241.6	¥ —	¥ —
Total Expenses .....	256.0	216.7	202.3	326.2	—	—
Income (Loss) Before Income Taxes.....	(45.5)	21.7	33.5	(84.6)	—	—
Provision for Income Taxes .....	1.3	0.1	0.2	0.2	—	—
Net Income (Loss) .....	(25.4)	13.1	18.3	(49.3)	—	—
Return on Average Total Stockholders' Equity.....	—%	3.81%	5.83%	—	—	—
<b>At Year-End</b>						
Total Assets .....	¥8,145.8	¥7,942.6	¥7,739.5	¥7,660.1	¥ —	¥ —
Deposits.....	7,249.8	6,977.8	6,664.1	6,491.0	—	—
Loans and Bills Discounted .....	5,752.2	5,608.7	5,651.6	5,782.8	—	—
Securities .....	1,406.7	1,487.8	1,054.1	920.5	—	—
Total Stockholders' Equity.....	334.9	369.0	321.8	307.1	—	—
Capital Adequacy Ratio*.....	10.22%	10.56%	9.70%	9.23%	8.87%	9.19%
Yen						
<b>Per Share</b>						
Net Income (Loss) .....	¥ (30.18)	¥ 16.90	¥ 23.69	¥ (63.68)	¥ —	¥ —
Net Assets .....	397.77	438.21	415.56	396.49	—	—
Price/Earnings Ratio (times).....	—	25.20	18.31	—	—	—

Note: Yen figures are rounded down to the nearest billion.

\* These figures are based on BIS guidelines and include transitional adjustments.

## Six-Year Summary of Selected Financial Data (Non-Consolidated)

The Chiba Bank, Ltd. For the Years Ended March 31

	Billions of Yen					
	2002	2001	2000	1999	1998	1997
<b>For the Fiscal Year</b>						
Total Income .....	¥ 186.1	¥ 218.8	¥ 213.8	¥ 224.0	¥ 266.4	¥ 298.0
Total Expenses .....	232.0	196.0	184.1	313.9	388.0	292.7
Income (Loss) Before Income Taxes.....	(45.9)	22.7	29.7	(89.8)	(121.5)	5.3
Provision for Income Taxes .....	0.1	0.1	0.1	(37.1)	0.2	0.2
Net Income (Loss) .....	(26.7)	13.1	16.2	(52.7)	(121.8)	5.1
Return on Average Total Stockholders' Equity.....	—%	4.12%	5.34%	—	—	1.32%
Return on Average Total Assets .....	—%	0.16%	0.21%	—	—	0.06%
<b>At Year-End</b>						
Total Assets .....	¥8,134.0	¥7,906.9	¥7,672.7	¥7,574.9	¥7,658.9	¥7,841.7
Deposits.....	7,271.5	6,990.8	6,680.9	6,505.9	6,505.3	6,713.1
Loans and Bills Discounted .....	5,749.9	5,597.4	5,619.2	5,746.7	5,793.1	5,978.8
Securities .....	1,407.2	1,485.0	1,055.8	920.4	1,053.6	1,143.4
Total Stockholders' Equity.....	329.3	365.4	318.2	305.7	264.3	390.0
Capital Adequacy Ratio*.....	10.06%	10.45%	9.53%	9.08%	—	—
Yen						
<b>Per Share</b>						
Net Income (Loss) .....	¥ (31.62)	¥ 16.72	¥ 20.93	¥ (67.84)	¥(156.59)	¥ 6.58
Cash Dividends .....	5.00	5.00	5.00	5.00	5.00	5.00
Net Assets .....	389.57	432.20	409.12	393.09	339.84	501.44
Market Price.....	410	426	434	518	499	710

Note: Yen figures are rounded down to the nearest billion.

\* These figures are based on BIS guidelines and include transitional adjustments.

### Consolidated Operating Results for the Year Ended March 31, 2002

On a consolidated basis, total income decreased ¥27.9 billion to ¥210.5 billion as improved fund management efficiency did not fully compensate for the impact of declining interest rates on loans. Total expenses increased ¥39.3 billion to ¥256.0 billion. Interest rates on deposits decreased, and efforts to improve overall management efficiency contributed to reduced operating expenses. However, conservative application of the Internal Assessment Standards resulted in an increase in the transfer to the reserve for possible loan losses. Moreover, rigorous application of asset value impairment standards, coupled with deteriorating stock market conditions, resulted in an increase in write-offs on stocks and other securities held by the Bank.

As a result, the Bank recorded a loss before income taxes and minority interests of ¥45.5 billion, and a net loss of ¥25.4 billion. Net loss per share totaled ¥30.18.

Chiba Bank's capital adequacy ratio as defined by the Bank for International Settlements (BIS) decreased 33 basis points to 10.22 percent, but remained above the 10 percent level.

### Cash Flow

Net cash provided by operating activities totaled ¥104.1 billion, reflecting an increase in deposits and other factors. Net cash provided by investing activities totaled ¥38.5 billion, a result of factors including the redemption and sales of securities. Net cash used in financing activities totaled ¥21.3 billion, reflecting factors such as the repayment of subordinated borrowings. Consequently, cash and cash equivalents at the end of the year increased ¥121.3 billion to ¥277.4 billion.

### Principal Non-Consolidated Accounts

Deposits increased ¥280.6 billion from a year earlier to ¥7,271.5 billion, supported by Chiba Bank's wide variety of product and service offerings and sales activities closely aligned to the needs of household finances. Loans and bills discounted increased ¥152.4 billion to ¥5,749.9 billion due to aggressive efforts to respond to the funding needs of businesses and individuals in Chiba Prefecture. Securities decreased ¥77.8 billion to ¥1,407.2 billion, primarily because redemptions of short-term government bonds reduced the volume of government bonds in Chiba Bank's portfolio. Total assets increased ¥227.1 billion from a year earlier to ¥8,134.0 billion.

Stockholders' equity decreased ¥36.0 billion from a

year earlier to ¥329.3 billion, reflecting the net loss for the fiscal year. Chiba Bank's capital adequacy ratio calculated according to BIS standards decreased 39 basis points to 10.06 percent, but stayed above the 10 percent level.

### Income

Gross operating profit decreased ¥2.9 billion year-on-year to ¥145.7 billion. Gross operating profit from international sources was firm due to foreign exchange transactions and expansion in foreign-currency denominated deposits, but gross operating profit from domestic sources decreased due to reduced profits from government and other bonds. Expenses decreased ¥0.1 billion year-on-year to ¥77.8 billion. While deposit insurance premiums and depreciation expenses increased, the Bank reduced personnel expenses and raised overall efficiency through rationalization and systemization. Consequently, net business income before the general reserve for possible loan losses decreased ¥2.7 billion year-on-year to ¥67.8 billion.

A substantial increase in loans categorized as Restructured loans, etc., caused an increase of ¥29.2 billion year-on-year in transfer to the reserve for possible loan losses. As a result, net business income decreased ¥31.9 billion year-on-year to ¥47.5 billion. In addition, transfer to the specific loan loss reserve increased, and the Bank recorded higher impairment losses on stocks and other securities in its portfolio. Ordinary loss therefore totaled ¥45.3 billion. After the addition of nonrecurring expenses and income taxes, net loss for the fiscal year totaled ¥26.7 billion. Management believes that actions taken during the past fiscal year will support stable earnings and even sounder management in the future.

### Dividends and Dividend Policy

In view of the public nature of the banking industry, Chiba Bank intends to recompense shareholders for their support by maintaining stable dividends while deploying internal reserves to strengthen operations. The net loss for the fiscal year resulted from a one-time charge due to the Bank's efforts to dispose of nonperforming loans and write-offs of impairment losses on securities in the Bank's portfolio. Based on management's conviction that future results will steadily improve, cash dividends per share applicable to the fiscal year were unchanged at ¥5.00, consisting of an interim cash dividend of ¥2.50 per share and a year-end cash dividend of ¥2.50 per share. The Bank intends to deploy internal capital resources effectively to increase the Bank's ability to provide comprehensive financial services.

# Consolidated Balance Sheets

The Chiba Bank, Ltd. and Consolidated Subsidiaries As of March 31, 2002 and 2001

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
<b>ASSETS</b>			
Cash and Due from Banks (Note 16) .....	¥ 283,298	¥ 187,422	\$ 2,126,069
Call Loans and Bills Bought .....	147,000	139,200	1,103,189
Commercial Paper and Other Debt Purchased .....	413	24	3,100
Trading Assets .....	233,710	205,789	1,753,928
Money Held in Trust .....	14,284	17,282	107,199
Securities (Notes 18 and 24) .....	1,406,706	1,487,836	10,556,899
Loans and Bills Discounted (Notes 10 and 18) .....	5,752,206	5,608,711	43,168,530
Foreign Exchanges .....	2,131	2,294	15,995
Other Assets (Note 18) .....	173,751	141,424	1,303,949
Premises and Equipment (Notes 18 and 19) .....	116,092	116,702	871,238
Deferred Tax Assets (Note 23) .....	116,852	92,776	876,945
Customers' Liabilities for Acceptances and Guarantees .....	128,083	143,899	961,229
Reserve for Possible Loan Losses .....	(228,682)	(200,665)	(1,716,192)
Reserve for Investment Losses .....	—	(2)	—
<b>Total Assets</b> .....	<b>¥8,145,849</b>	<b>¥7,942,695</b>	<b>\$61,132,079</b>
<b>LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Deposits (Note 18) .....	¥7,249,830	¥6,977,864	\$54,407,737
Call Money and Bills Sold (Note 18) .....	20,120	18,171	151,000
Trading Liabilities .....	7,685	4,730	57,678
Borrowed Money (Notes 12 and 18) .....	115,773	137,968	868,842
Foreign Exchanges .....	350	259	2,627
Bonds (Note 13) .....	45,500	45,500	341,463
Other Liabilities (Note 18) .....	182,153	172,806	1,367,005
Reserve for Employees' Retirement Benefits .....	24,350	21,286	182,740
Reserve for Losses on Sales of Loans .....	18,460	30,764	138,537
Reserves under Special Laws .....	71	70	539
Deferred Tax Liabilities (Note 23) .....	13	35	103
Deferred Tax Liabilities on Premises Revaluation (Note 11) .....	9,389	9,389	70,463
Consolidation Difference .....	829	1,648	6,223
Acceptances and Guarantees .....	128,083	143,899	961,229
<b>Total Liabilities</b> .....	<b>¥7,802,611</b>	<b>¥7,564,395</b>	<b>\$58,556,186</b>
<b>Minority Interest</b>			
Minority Interest in Consolidated Subsidiaries .....	¥ 8,269	¥ 9,238	\$ 62,062
<b>Stockholders' Equity</b>			
Common Stock (Note 22) .....	¥ 121,019	¥ 121,019	\$ 908,211
Capital Surplus (Note 14) .....	98,178	98,178	736,796
Premises Revaluation Gain, Net of Income Taxes (Note 11) .....	13,344	13,346	100,150
Retained Earnings (Notes 14 and 27) .....	98,653	128,324	740,365
Net Unrealized Gains on Investment Securities, Net of Taxes .....	4,882	9,864	36,640
Foreign Currency Translation Adjustments .....	368	(224)	2,767
Treasury Stock .....	(1,478)	(1,446)	(11,098)
<b>Total Stockholders' Equity</b> .....	<b>334,967</b>	<b>369,061</b>	<b>2,513,831</b>
<b>Total Liabilities, Minority Interest and Stockholders' Equity</b> .....	<b>¥8,145,849</b>	<b>¥7,942,695</b>	<b>\$61,132,079</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income and Retained Earnings

The Chiba Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2002 and 2001

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
<b>Income</b>			
Interest Income: .....	¥157,149	¥179,061	\$1,179,357
Interest on Loans and Discounts .....	131,248	141,997	984,978
Interest and Dividends on Securities .....	19,775	25,086	148,407
Other Interest Income .....	6,125	11,978	45,972
Fee and Commission Income .....	24,981	24,543	187,479
Trading Income .....	897	882	6,738
Other Operating Income .....	3,227	6,117	24,218
Other Income .....	24,277	27,888	182,198
<b>Total Income</b> .....	<b>210,533</b>	<b>238,493</b>	<b>1,579,991</b>
<b>Expenses</b>			
Interest Expenses: .....	¥ 27,378	¥ 47,204	\$ 205,467
Interest on Deposits .....	14,508	30,290	108,884
Interest on Borrowings and Rediscounts .....	2,870	4,478	21,541
Other Interest Expenses .....	9,999	12,435	75,042
Fee and Commission Expenses .....	8,190	7,410	61,465
Trading Expenses .....	—	187	—
Other Operating Expenses .....	57	2,219	435
General and Administrative Expenses .....	82,604	82,648	619,922
Other Expenses .....	137,834	77,032	1,034,402
<b>Total Expenses</b> .....	<b>256,065</b>	<b>216,702</b>	<b>1,921,691</b>
Income (Loss) Before Income Taxes and Minority Interests .....	(45,531)	21,790	(341,701)
Income Taxes — Current .....	1,342	198	10,078
Income Taxes — Deferred .....	(20,563)	8,971	(154,325)
Minority Interest in Net Income (Loss) .....	(889)	(570)	(6,679)
<b>Net Income (Loss)</b> .....	<b>(25,420)</b>	<b>13,191</b>	<b>(190,775)</b>
<b>Retained Earnings</b>			
Balance at the Beginning of the Year .....	128,324	119,057	963,034
Net Income .....	(25,420)	13,191	(190,775)
Dividends .....	4,210	3,872	31,602
Bonuses for Directors .....	40	48	300
Others .....	(1)	2	(8)
<b>Balance at End of the Year</b> .....	<b>¥ 98,653</b>	<b>¥128,324</b>	<b>\$ 740,365</b>
<b>Per Share of Common Stock</b>			
	Yen (Note 1)		U.S. Dollars (Note 9)
Net Income (Loss) Per Share of Common Stock .....	¥(30.18)	¥16.90	\$(0.23)

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

The Chiba Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2002 and 2001

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
<b>Cash Flows from Operating Activities:</b>			
Income (Loss) Before Income Taxes and Minority Interests .....	¥ (45,531)	¥ 21,790	\$ (341,701)
Depreciation and Amortization .....	5,069	4,592	38,048
Amortization of Consolidation Difference .....	(819)	(819)	(6,147)
Investments Accounted for by the Equity Method .....	(92)	(293)	(696)
Increase in Reserve for Possible Loan Losses .....	28,016	2,534	210,258
Decrease in Reserve for Investment Losses .....	(2)	—	(15)
Increase (Decrease) in Reserve for Losses on Sales of Loans .....	(12,304)	363	(92,343)
Decrease in Reserve for Retirement Allowances .....	—	(14,205)	0
Increase in Liability for Employees Retirement Benefits .....	3,063	21,286	22,993
Interest Income .....	(157,149)	(179,061)	(1,179,357)
Interest Expense .....	27,378	47,204	205,467
(Gains) Losses on Investment Securities .....	30,272	(10,072)	227,182
Gains on Money Held in Trust .....	(51)	(95)	(385)
Foreign Exchange Gains .....	(58)	(92)	(439)
Losses on Disposal of Premises and Equipment .....	851	1,482	6,388
Increase in Trading Assets .....	(27,921)	(93,821)	(209,541)
Increase (Decrease) in Trading Liabilities .....	2,954	(640)	22,176
(Increase) Decrease in Loans and Bills Discounted .....	(143,494)	42,952	(1,076,883)
Increase in Deposits .....	416,941	186,834	3,129,019
Increase (Decrease) in Negotiable Certificates of Deposits .....	(144,974)	126,914	(1,087,992)
Decrease in Borrowed Money (excluding Subordinated Borrowings) .....	(5,194)	(2,295)	(38,987)
Decrease in Loaned Money (excluding Deposits at BOJ) .....	25,610	158,938	192,203
Increase in Call Loans and Bills Bought and Others .....	(8,188)	(16,440)	(61,454)
Increase (Decrease) in Call Money and Bills Sold .....	1,949	(36,759)	14,627
Increase (Decrease) in Deposits Collateralized for Securities Lent .....	21,725	(43,572)	163,046
Decrease in Foreign Exchanges (Assets) .....	162	540	1,223
Increase in Foreign Exchanges (Liabilities) .....	90	58	682
Interest Received .....	162,967	183,016	1,223,021
Interest Paid .....	(30,397)	(58,800)	(228,125)
Other Expenses .....	(46,548)	(63,223)	(349,334)
Sub total .....	104,325	278,314	782,934
Income Taxes (Paid) Refunded .....	(202)	41	(1,521)
<b>Net Cash Provided by Operating Activities .....</b>	<b>104,123</b>	<b>278,356</b>	<b>781,412</b>
<b>Cash Flows from Investing Activities:</b>			
Purchases of Securities .....	(998,263)	(1,378,163)	(7,491,662)
Proceeds from Sales of Securities .....	183,279	393,885	1,375,456
Proceeds from Maturities of Securities .....	856,051	576,141	6,424,403
Increase in Money Held in Trust .....	(31,637)	(163)	(237,432)
Decrease in Money Held in Trust .....	34,614	13,692	259,771
Purchases of Premises and Equipment .....	(7,765)	(5,705)	(58,275)
Proceeds from Sales of Premises and Equipment .....	2,228	1,273	16,724
<b>Net Cash Provided by (Used in) Investing Activities .....</b>	<b>38,507</b>	<b>(399,040)</b>	<b>288,984</b>
<b>Cash Flows from Financing Activities:</b>			
Increase in Subordinated Borrowings .....	—	4,000	—
Decrease in Subordinated Borrowings .....	(17,000)	(14,000)	(127,580)
Increase in Subordinated Bonds and Notes and Convertible Bonds .....	—	28,500	—
Decrease in Subordinated Bonds and Notes and Convertible Bonds .....	—	(1,724)	—
Dividends Paid .....	(4,210)	(3,872)	(31,602)
Dividends Paid for Minority Interest .....	(82)	(167)	(619)
Purchase of Treasury Stocks .....	(85)	(3)	(645)
Proceeds from Sales of Treasury Stocks .....	53	—	399
<b>Net Cash Provided by (Used in) Financing Activities .....</b>	<b>(21,326)</b>	<b>12,731</b>	<b>(160,047)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents .....	58	92	439
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>121,362</b>	<b>(107,859)</b>	<b>910,789</b>
<b>Cash and Cash Equivalents at Beginning of Period .....</b>	<b>156,060</b>	<b>263,920</b>	<b>1,171,186</b>
<b>Cash and Cash Equivalents at End of Period (Note 15) .....</b>	<b>¥277,423</b>	<b>¥ 156,060</b>	<b>\$2,081,974</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Chiba Bank, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2002 and 2001

## 1 Basis of Presentation

The Chiba Bank, Ltd. (the "Bank") and its domestic subsidiaries maintain their books of account in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The Bank's foreign subsidiaries maintain their books of accounts in conformity with accounting principles and practices of the countries of their domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan. The classification of accounts is in conformity with the Enforcement Regulation concerning Banking Law of Japan.

In preparing the accompanying consolidated financial statements, in accordance with Enforcement Regulation concerning Banking Law of Japan, Japanese yen amounts are presented in millions of Yen by rounding down figures below one million. As a result, the totals in Yen in the accompanying consolidated financial statements do not necessarily agree with the sums of individual amounts.

## 2 Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and all of its significant subsidiaries as listed below:

Sobu, Co., Ltd.  
Chibagin Cash Business Co., Ltd.  
Chibagin Accounting Services Co., Ltd.  
Chibagin Business Services Co., Ltd.  
Chibagin General Management Co., Ltd.  
Chibagin Loan Business Support Co., Ltd.  
Chiba Servicer Co., Ltd.  
Chiba International Ltd.  
Chiba Capital Funding (Cayman) Ltd.  
Chibagin Guarantee Co., Ltd.  
Chibagin Lease Co., Ltd.  
Chuo Securities Co., Ltd.

All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements do not include the accounts of The Chibagin Computer Service Co., Ltd. and six other subsidiaries, since the combined total assets, total revenue, net income and retained earnings of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements of the Bank.

The difference between the cost and the underlying equity in the net assets measured at their market value at dates of acquisition of consolidated subsidiaries and companies accounted for by the equity method of accounting is presented as consolidation difference and is amortized on a straight-line method over a period of five years, if significant in amount, or is charged or credited to income in the year of acquisition.

## 3 Use of the Equity Method

Investments in unconsolidated subsidiaries are carried using the equity method and are included in securities in the balance sheets.

## 4 Fiscal Year of the Consolidated Subsidiaries

(1) Fiscal year-ends of consolidated subsidiaries are as follows:

the end of December: 2 subsidiaries  
the end of March: 10 subsidiaries

(2) The financial statements of the consolidated subsidiaries, of which fiscal year-end is December 31, are included in consolidation on the basis of their fiscal year after making appropriate adjustments for the significant transactions during the period from their year-end to the date of the Bank's fiscal year-end.

## 5 Significant Accounting Policies

### (1) Trading Account

The following criteria are applied in accounting for the Bank's trading account assets and liabilities, and trading income and expenses:

Transactions that aim to gain a profit by arbitraging short term fluctuations in interest rates, currency values and market prices, other benchmarks in the traded securities' market prices and by arbitraging differentials between markets (hereafter "trading purposes") are accounted under "Trading Assets" or "Trading Liabilities" in the balance sheets. Profit or loss from such transactions is recorded under "Trading Income" or "Trading Expenses" in the statements of income.

Trading account securities and monetary claims, etc. held for trading purposes are stated at market value at the end of the fiscal year. Trading-related financial derivatives such as swaps, futures or options are valued on the assumption that they were settled at the end of the fiscal year.

In the case of trading-related financial derivatives, "Trading Income/Expenses" includes the interest received/paid during the fiscal year and the difference between the amount of profit/loss based on the assumption that transactions were settled at the end of the current fiscal year and that at the end of the previous fiscal year.

## **(2) Securities**

Securities held to maturity are carried at cost, determined by the moving average method. Other securities whose current value can be estimated are stated at the market value at the fiscal year end and other non-marketable securities are stated at cost or amortized cost computed by the moving average method. Unrealized gains and losses on other securities available for sale are included in shareholders' equity, net of income taxes. Securities included in money held in trust are stated at the market value.

Moreover, the same method was applied for the valuation of securities that were held as trust assets in individually managed money trusts with the principal objective of securities portfolio management. Securities held by the consolidated subsidiaries were principally carried at the lower of cost or market, determined by the moving average method.

## **(3) Derivatives**

Derivatives for purposes other than trading are stated at the market value.

## **(4) Premises and Equipment**

Depreciation for premises and equipment is computed using the declining-balance method. Principal useful lives are as follows:

Buildings	6 years to 50 years
Equipment and furniture	2 years to 20 years

Premises and equipment of the consolidated subsidiaries are depreciated principally by the declining-balance method over the estimated useful lives.

## **(5) Software**

Depreciation of internal-use software is computed using the straight-line method based on useful life determined by the Bank and its consolidated subsidiaries (5 years).

## **(6) Reserve for possible loan losses**

Reserve made by the Bank was provided in accordance with the prescribed standards established by the Bank. The reserve is provided for normally performing loans and loans to borrowers under close observation as stipulated in the Guidelines for Examination of Internal Controls with respect to Self-Assessment of Assets of Banks and Other Financial Institutions and for Auditing of Write-offs and Loan Loss Provisions issued as the Fourth Report of the Auditing Subcommittee for Banks and Other Financial Institutions of the Japanese Institute of Certified Public Accountants, based on the ratio sustained over specific periods in the past. The reserve is also provided for the loans to borrowers that are currently not in actual or effective bankruptcy, but are viewed as having a high probability of going into bankruptcy (Loans to Borrowers with Bankruptcy Imminent). In such cases, the anticipated proceeds from the sales of collateral pledged against such loans and the anticipated amount that may be recovered from guarantors of the loan are first subtracted from the book value of the loan. Then, the reserve for such loan is computed based on a comprehensive judgment regarding the borrower's ability to pay, which is deemed necessary. In addition, the reserve is also provided for loans to borrowers that are legally bankrupt, as evidenced by a declaration of bankruptcy, ongoing composition, or other similar circumstances (Loans to Borrowers under Bankruptcy Proceedings) and loans to borrowers in effectively similar conditions (Loans to Borrowers Substantially in Bankruptcy). In such cases, the reserve amount is equivalent to the loans outstanding after deduction of the anticipated proceeds from the sales of collateral pledged against such loans and the anticipated amount that may be recovered from guarantors of the loan.

Also, regarding the reserve for loans to specific countries, the expected amount of the losses on such loans arising from political and economic conditions in those countries has been provided in the reserve for specific overseas loans.

The Bank conducts internal assessment of assets at its branches. The assessment is checked by the divisions authorized to approve loans, and the results are then audited by the Credit Assessment Office in the Audit & Inspection Division. Based on the assessment, an appropriate allowance is made for reserves for losses and write-offs of problem assets.

Reserves are made by consolidated subsidiaries for general provision in the amount deemed necessary based on the loan loss experience, and for specific provision in the amount deemed uncollectable based on the respective assessments.

**(7) Reserve for Employees' Retirement Benefits**

The Bank has a reserve for employees' retirement benefits which is provided for the payments of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the pension assets. Net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence. The unrecognized net retirement benefit obligation at the adoption of new accounting standard was ¥20,385 million at April 1, 2000 and is being amortized using the straight-line method over 5 years.

**(8) Reserve for Losses on Sale of Loans**

The reserve for losses on sale of loans is provided in an amount judged necessary based on the collateral value of loans secured by real estate that are sold to Cooperative Credit Purchasing Company Ltd. or liquidated and on the Bank's assessment of the likelihood of future losses on sales of loans.

**(9) Reserve under Special Laws**

Pursuant to Article 51 of the Securities and Exchange Law and Article 35 of the Cabinet Office Ordinance on Securities Companies, reserve for contingent liabilities from brokering of securities transactions is provided by Chuo Securities Co. Ltd.

**(10) Reserve for Investment Losses**

The reserve for investment losses is provided in an amount judged necessary for possible investment losses.

**(11) Lease Transactions**

Finance lease transactions, except for those that meet the conditions that the ownership of the leased assets is substantially transferred to the lessee, are accounted for as operating leases (See Note 20).

**(12) Method of Hedge Accounting**

The Bank adopts the method of accounting "Macro Hedge" in which the Bank manages interest rate risks arising from various assets and liabilities with derivatives transactions as a whole. "Macro Hedge" is a risk adjustment approach, as stipulated in the report issued by the Japanese Institute of Certified Public Accountants "Tentative Treatments in Accounting and Audit for Banks on Application of Accounting Standard for Financial Instruments", and represents deferral hedge accounting. The effectiveness of the hedging is reviewed for a reduction in interest rate risk exposure and for the actual risk amount of derivatives that is within the permitted risk amount under the Bank's risk control policies. In addition to the above accounting, the Bank and its consolidated subsidiaries apply for a part of assets and liabilities deferral hedge accounting or exceptional treatments permitted for interest rate swaps.

**(13) Consumption Taxes**

Consumption tax and municipal consumption tax of the Bank and its domestic consolidated subsidiaries are primarily accounted for using the tax-excluded method.

**(14) Accounting for Stockholders' Equity**

The Consolidated Statements of Retained Earnings are provided based on the date of approval by the Annual General Meeting of the Bank.

**(15) New Accounting Standards**

The Chiba Bank, Ltd. and consolidated subsidiaries have adopted new accounting standards for foreign currency transactions effective from the year ended March 31, 2002 and for retirement benefits and financial instruments effective from the year ended March 31, 2001.

**6****Cash Flows**

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents

**7****Effect on Adoption of  
New Accounting  
Standards****(1) Foreign Currency Transactions**

The new accounting standard for foreign currency transactions was adopted for the current fiscal year. The effect to the consolidated financial statements caused by this new accounting standard is immaterial.

**(2) Employees' Retirement Benefits**

The new accounting standard for employees' retirement benefits was adopted since the previous fiscal year. As a result, income before income taxes for the previous fiscal year decreased by ¥4,172 million.

**(3) Financial Instruments**

The new accounting standard for financial instruments such as securities, derivatives and hedge accounting was adopted since the previous fiscal year. As a result, income before income taxes for the previous fiscal year decreased by ¥539 million. Unrealized gains and losses on securities available for sale is presented as net unrealized gains on investment securities, net of income taxes.

<p style="text-align: center;"><b>8</b></p> <p><b>Guarantee Fee Received</b></p>	<p>Accounting procedure to record the guarantee fee received in the consolidated subsidiary, Chibagin Guarantee Co., Ltd., means that the annual average balances of remaining loans, considering their maturity dates, are multiplied by the designated guarantee rate and discounted.</p> <p>For the year ended March 31, 2002, the discounting formula for using the computation of guarantee fee received was revised from the method of single discounted rate to the method of compound discounted rate due to the appropriate profit recognition. As a result, loss before income taxes for current fiscal year decreased by ¥4,354 million.</p>
<p style="text-align: center;"><b>9</b></p> <p><b>U.S. Dollar Amounts</b></p>	<p>U.S. dollar amounts are shown solely for the convenience of the readers of this Annual Report and are translated at the rate of ¥133.25 to \$1.00, the exchange rate prevailing at March 29, 2002.</p>
<p style="text-align: center;"><b>10</b></p> <p><b>Loan Commitments</b></p>	<p>Contracts of overdraft facilities and loan commitment limits are the contracts that the Bank lends to customers up to the prescribed limits in response to customers' application for loan as long as there is no violation of any condition in the contracts. The unused amount within the limits was ¥1,273,424 million relating to these contracts, including ¥1,259,866 million of which the term of contracts is less than one year or revocable at any time.</p> <p>Since many of these commitments expire without being utilized, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank can refuse customers' application for loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank obtains real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank performs periodic review of the customers' business results based on initial rules, and takes necessary measures to reconsider conditions in contracts and/or require additional collateral and guarantees.</p>
<p style="text-align: center;"><b>11</b></p> <p><b>Premises Revaluation Account</b></p>	<p>Pursuant to the Law concerning Revaluation of Premises, premises used for business operations have been revalued as of March 31, 1998. Premises revaluation gain is included in Shareholders' equity, net of income taxes.</p> <p>Date of the revaluation: March 31, 1998</p> <p>The method of the revaluation (set forth in Article 3, Paragraph 3 of the Law):</p> <p>Pursuant to Article 2, Subparagraph 4 of the Enforcement Ordinance for the Law concerning Revaluation of Premises, the premises price for the revaluation is determined based on the method established and published by the Director General of National Tax Agency in order to calculate the premises value for a basis of determining the taxable amount subject to premises value tax prescribed by Article 16 of the Premised Value Tax Law, reflecting appropriate adjustments for land shape and timing of the assessment. The difference between the revalued carrying amount and the fair value of premises revalued pursuant to the Article 10 of the Law is ¥27,874 million and ¥22,997 million as of March 31, 2002 and 2001, respectively.</p>
<p style="text-align: center;"><b>12</b></p> <p><b>Subordinated Borrowings</b></p>	<p>Subordinated Borrowings of ¥75,000 million and ¥92,000 million are included in Borrowed Money as of March 31, 2002 and 2001, respectively.</p>
<p style="text-align: center;"><b>13</b></p> <p><b>Subordinated Bonds</b></p>	<p>Subordinated Bonds of ¥45,500 million are included in Bonds as of March 31, 2002 and 2001, respectively.</p>
<p style="text-align: center;"><b>14</b></p> <p><b>Stockholders' Equity</b></p>	<p>In accordance with the Banking Law of Japan, the Chiba Bank, Ltd. has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Law provided that neither additional paid-in capital nor the legal reserve was available for dividends, but both may be used to reduce or eliminate a deficit.</p> <p>Under the Banking Law of Japan, as amended effective on October 1, 2001, the Chiba Bank, Ltd. is required to appropriate as a legal reserve an amount equal to at least 10% of appropriations paid by cash until an aggregated amount of additional paid in capital surplus and the legal reserve equals 25% of the common stock. This reserve is not available for dividends but may be used to reduce a deficit or may be capitalized by resolution of the Board of Directors. The aggregate amount of additional paid in capital may be transferred to other capital surplus by resolution of the annual stockholders' meeting and may be used to refund to stockholders.</p> <p>The legal reserve of the Chiba Bank, Ltd. and the Chiba Bank, Ltd.'s equity in the legal reserves of its consolidated subsidiaries are included in consolidated retained earnings.</p> <p>The maximum amount that the Chiba Bank, Ltd. can distribute as dividends is calculated based on the non-consolidated financial statements of the Chiba Bank, Ltd. and in accordance with the Banking Law of Japan.</p>

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Cash and Cash  
Equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets to the cash and cash equivalents as of March 31, 2002 and 2001, is as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Cash and Due from Banks	¥283,298	¥187,422	\$2,126,069
Interest-bearing Deposits included in due from Banks (Other than Deposits with the Bank of Japan)	(5,875)	(31,361)	(44,095)
Cash and Cash Equivalents	¥277,423	¥156,060	\$2,081,974

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Non-cash Transaction  
of Cash Flows

Non-cash transaction of cash flows are immaterial for the period ended March 31, 2002. Significant amounts in non-cash transaction of cash flows for the period ended March 31, 2001 are as follows:

	Millions of Yen (Note 1)	
	2001	
Increase in common stock from conversion of convertible bonds :	¥14,130	
Increase in capital surplus from conversion of convertible bonds :	14,130	
Decrease in convertible bonds from conversion :	¥28,260	

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## Risk Monitored Loans

Risk monitored loans as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Loans to Companies Legally Bankrupt	¥ 51,734	¥ 57,411	\$ 388,248
Other Delinquent Loans	273,618	275,080	2,053,423
Loans Past Due 3 Months or More	13,306	18,380	99,857
Restructured Loans	213,315	103,664	1,600,867
Total	¥551,974	¥454,537	\$4,142,395

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## Assets Pledged

Assets pledged as collateral are as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Securities	¥202,853	¥317,829	\$1,522,349
Loans	1,234	7,049	9,261
Other	31,227	33,475	234,350

Liabilities related to above pledged assets are as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Deposits	¥40,189	¥46,774	\$301,612
Call Money and Bills Sold	—	17,800	—
Borrowed Money	30,013	35,344	225,242
Other	—	13,849	—

In addition, securities of ¥106,713 million are pledged as collateral for settlement of exchange or as valuation margin.

Leased deposits of ¥7,122 million are included in premises and equipment. Initial margin for future contracts of ¥164 million and receivables under securities borrowing transactions of ¥39,492 million are included in other assets.

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Premises and  
Equipment

Fixed assets are depreciated on the declining-balance method. Premises and Equipment as of March 31, 2002 and 2001 are shown at net of following accumulated depreciation:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
	¥91,389	¥94,513	\$685,846

## Lease Transactions

## (a) Finance Lease Transactions

Finance lease transactions, except where the ownership of the leased asset is regarded as being transferred to the lessee, are accounted for as operating leases. Pro forma information on these operating leases is as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
<b>Lessee Side</b>			
Amount Corresponding to the Purchased Prices of the Leased Asset	<b>¥330</b>	¥369	<b>\$2,477</b>
Amount Corresponding to Accumulated Depreciation	<b>201</b>	226	<b>1,511</b>
Amount Corresponding to Balance at Fiscal Year End	<b>¥128</b>	¥142	<b>\$ 966</b>

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Amount Corresponding to Lease Payable (within 1 year)	<b>¥ 51</b>	¥ 46	<b>\$383</b>
Amount Corresponding to Lease Payable (over 1 year)	<b>77</b>	96	<b>583</b>
Total	<b>¥128</b>	¥142	<b>\$966</b>

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Lease Fees Paid	<b>¥52</b>	¥47	<b>\$398</b>
Amount Corresponding to Depreciation	<b>52</b>	47	<b>398</b>

Notes: 1. The lease period is set at the useful lifetime of the asset and the straight-line method of depreciation is used to compute the remaining value of the asset.

2. The amount corresponding to interest costs is the difference between total lease fees to be paid and the amount corresponding to the purchase prices of the leased asset. The interest method is used to allocate the amounts to applicable consolidated accounting years.

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
<b>Lessor Side</b>			
Amount Corresponding to Lease Receivable (within 1 year)	<b>¥12,285</b>	¥11,218	<b>\$ 92,197</b>
Amount Corresponding to Lease Receivable (over 1 year)	<b>27,342</b>	25,947	<b>205,199</b>
Total	<b>¥39,628</b>	¥37,165	<b>\$297,397</b>
Receipt of Leasing Fee for the Year	<b>¥12,753</b>	¥11,202	<b>\$ 95,708</b>

## (b) Operating Lease Transactions

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
<b>Lessee Side</b>			
Amount Corresponding to Lease Payable (within 1 year)	—	—	—
Amount Corresponding to Lease Payable (over 1 year)	—	—	—
Total	—	—	—

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
<b>Lessor Side</b>			
Amount Corresponding to Lease Receivable (within 1 year)	<b>¥144</b>	¥116	<b>\$1,083</b>
Amount Corresponding to Lease Receivable (over 1 year)	<b>15</b>	13	<b>114</b>
Total	<b>¥159</b>	¥129	<b>\$1,198</b>

## Retirement Benefit Plans

The Chiba Bank, Ltd. and its domestic consolidated subsidiaries have defined benefit plans, i.e., lump-sum payment plans, welfare pension fund plans and tax-qualified pension plans.

(1) The liability/asset for employees' retirement benefit plans as of March 31, 2002 and 2001 is as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Retirement Benefit Obligation	¥87,720	¥85,494	\$658,315
Plan Assets at Fair Value	42,393	41,528	318,149
Unfunded Retirement Benefit Obligation	45,327	43,965	340,166
Unrecognized Net Retirement Benefit Obligation at Transition	12,231	16,308	91,794
Unrecognized Actuarial Gain or Loss	8,745	6,370	65,633
Unrecognized Prior Service Cost	—	—	—
Net Amount recognized in the Consolidated Balance Sheets	24,350	21,286	182,740
Prepaid Pension Cost	—	—	—
Reserve for Employees' Retirement Benefits	24,350	21,286	182,740

(2) The components of retirement benefit cost for the year ended March 31, 2002 and 2001 are as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Service Cost	¥2,711	¥2,759	\$20,352
Interest Cost	2,529	2,445	18,985
Expected Return on Plan Assets	(2,253)	(2,412)	(16,915)
Amortization of Prior Service Cost	—	—	—
Amortization of Actuarial Gain or Loss	657	47	4,938
Amortization of Net Retirement Benefit Obligation at Transition	4,077	4,077	30,598
Net Periodic Retirement Benefit Cost	7,722	6,917	57,958

(3) The assumption used in accounting for the above plans for the year ended March 31, 2002 and 2001:

	2002	2001
Discount Rate	3.0%	3.0%
Expected Return Rate	5.5%	5.5%
Amortization Period of Actuarial Gain or Loss	10 years	10 years
Amortization Period of Net Retirement Benefit Obligation at Transition	5 years	5 years

## Capital Ratios

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Tier I			
Common Shareholder's Equity	¥ 322,817	¥ 352,798	\$ 2,422,642
Total Tier I Capital	¥ 322,817	¥ 352,798	\$ 2,422,642
Tier II			
Unrealized Valuation Gains on Securities, after 55% Discount	¥ —	¥ —	\$ —
Unrealized Gains on Investment Securities, after 55% Discount	3,743	7,561	28,095
Premises Revaluation Account, after 55% Discount	10,230	10,231	76,776
Reserve for Possible Loan Losses	53,705	31,938	403,042
Others	115,500	119,300	866,792
Total Tier II Capital	¥ 183,179	¥ 169,031	\$ 1,374,705
Deductions from Capital	¥ 3,447	¥ 2,673	\$ 25,874
Total Capital	¥ 502,549	¥ 519,155	\$ 3,771,478
Total Risk-Adjusted Assets	¥4,916,498	¥4,915,999	\$36,896,797
Risk-Based Capital Ratio	10.22%	10.56%	10.22%

## Tax Effect

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Deferred Tax Assets:			
Reserve for Possible Loan Losses	¥ 83,650	¥68,540	\$627,772
Write-offs of Securities	10,419	—	78,196
Reserve for Employees' Retirement Benefits	8,242	6,860	61,855
Reserve for Losses on Sales of Loans	7,623	12,705	57,216
Carried Forward Taxable Losses	2,840	2,712	21,314
Others	7,438	8,837	55,823
Total Deferred Tax Assets	¥120,214	¥99,657	\$902,176
Deferred Tax Liabilities			
Unrealized Gains on Investment Securities	¥ (3,327)	¥ (6,863)	\$ (24,974)
Reserve for Advanced Depreciation	(47)	(52)	(359)
Others	0	(1)	—
Total Deferred Tax Liabilities	¥ (3,375)	¥ (6,917)	\$ (25,333)
Net Deferred Tax Assets	¥116,839	¥92,740	\$876,843

## Market Value of Securities

## Current Year's Information on Market Value of Securities

## Trading Securities

(March 31, 2002)

	Millions of Yen (Note 1)	
	Amount in the Balance Sheet	Valuation Gain Included in Income before Income Taxes
Trading Securities	¥230,095	¥90

## Marketable Securities Held to Maturity

(March 31, 2002)

	Millions of Yen (Note 1)				
	Amount in the Balance Sheet	Market Value	Differences	Gain	Loss
Government Bonds	¥—	¥—	¥—	¥—	¥0

## Marketable Securities Available for Sale

(March 31, 2002)

	Millions of Yen (Note 1)				
	Cost	Amount in the Balance Sheet	Differences	Gain	Loss
Stocks	¥ 152,832	¥ 161,450	¥ 8,618	¥20,589	¥11,970
Bonds	¥ 895,661	¥ 902,849	¥ 7,187	¥ 7,618	¥ 431
Government Bonds	529,030	530,751	1,720	1,900	179
Local Government Bonds	57,996	60,091	2,094	2,096	1
Corporate Bonds	308,634	312,006	3,372	3,621	249
Others	¥ 322,172	¥ 314,406	¥(7,766)	¥ 2,422	¥10,188
Total	¥1,370,666	¥1,378,706	¥ 8,039	¥30,629	¥22,589

## Securities Available for Sale Sold during The Year

(March 31, 2002)

	Millions of Yen (Note 1)		
	Proceeds from Sale	Gain	Loss
Securities Available for Sale	¥179,673	¥3,874	¥214

## Securities for Which Fair Value Is Not Readily Determinable

(March 31, 2002)

	Millions of Yen (Note 1)
	Amount in the Balance Sheet
Non-listed Stocks	¥ 7,191
Non-listed Foreign Securities	12,226
Private Notes	6,406

Note: Non-listed stocks include investments in unconsolidated subsidiaries in the amount of ¥2,846 million.

## Repayment Schedule of Bonds Held

(March 31, 2002)

	Millions of Yen (Note 1)			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Bonds	¥225,668	¥551,627	¥35,800	¥ 96,159
Government Bonds	184,629	232,589	19,104	94,427
Local Government Bonds	2,856	50,138	7,096	—
Corporate Bonds	38,182	268,899	9,599	1,732
Others	¥ 47,637	¥229,191	¥28,941	¥ 4,847
Total	¥273,306	¥780,818	¥64,741	¥101,007

## Previous Year's Information on Market Value of Securities

### Trading Securities

(March 31, 2001)

	Millions of Yen (Note 1)	
	Amount in the Balance Sheet	Valuation Gain Included in Income before Income Taxes
Trading Securities	¥201,665	¥85

### Marketable Securities Held to Maturity

(March 31, 2001)

	Millions of Yen (Note 1)				
	Amount in the Balance Sheet	Market Value	Differences	Gain	Loss
Government Bonds	¥3,997	¥3,999	¥1	¥1	¥0

### Marketable Securities Available for Sale

(March 31, 2001)

	Millions of Yen (Note 1)				
	Cost	Amount in the Balance Sheet	Differences	Gain	Loss
Stocks	¥ 189,817	¥ 200,464	¥10,646	¥36,624	¥25,978
Bonds	¥ 977,788	¥ 986,833	¥ 9,044	¥ 9,143	¥ 98
Government Bonds	702,662	704,682	2,019	2,112	92
Local Government Bonds	50,999	53,220	2,220	2,220	0
Corporate Bonds	224,125	228,930	4,804	4,810	5
Others	¥ 273,610	¥ 270,517	¥ (3,093)	¥ 2,971	¥ 6,065
Total	¥1,441,216	¥1,457,814	¥16,597	¥48,740	¥32,142

### Securities Available for Sale Sold

(March 31, 2001)

	Millions of Yen (Note 1)		
	Proceeds from Sale	Gain	Loss
Securities Available for Sale	¥378,660	¥15,575	¥250

## Securities for Which Fair Value Is Not Readily Determinable

(March 31, 2001)

	Millions of Yen (Note 1)
	Amount in the Balance Sheet
Non-listed Stocks	¥ 7,329
Non-listed Foreign Securities	16,483
Private Notes	6,014

Note: Non-listed stocks include investment in unconsolidated subsidiaries in the amount of ¥2,572 million.

## Repayment Schedule of Bonds Held

(March 31, 2001)

	Millions of Yen (Note 1)			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Bonds	¥526,085	¥414,669	¥46,725	¥ 9,364
Government Bonds	470,592	221,972	9,115	7,000
Local Government Bonds	—	35,847	17,373	—
Corporate Bonds	55,492	156,850	20,237	2,364
Others	¥ 39,541	¥200,533	¥29,859	¥ 7,858
Total	¥565,626	¥615,203	¥76,585	¥17,223

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## Money Held in Trust

### (1) Money Held in Trust for Trading Purposes

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Book Value	¥9,534	¥13,354	\$71,557
Valuation Gains included in Income (Loss) before Income Taxes	11	20	83

### (2) Money Held in Trust for Other Purposes

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 9)
	2002	2001	2002
Cost	¥4,149	—	\$31,139
Book Value	4,149	—	31,139
Valuation Differences	0	—	0
Gains	0	—	0
Losses	—	—	—

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## Derivative Transactions

### Notional principal or contract amount, market value and valuation gain (losses) on derivatives

#### (1) Interest rate-related transactions

(March 31, 2002)

	Millions of Yen (Note 1)		
	Notional or Contract Amount	Market Value	Valuation Gain (Loss)
<b>Exchange Traded:</b>			
Futures/Sell	¥ 99	¥ 0	¥ 0
<b>Over-the-counter:</b>			
Swaps			
Receive/fixed and pay/floating	168,643	3,460	3,460
Receive/floating and pay/fixed	163,462	(3,286)	(3,286)
Receive/floating and pay/floating	1,049	(9)	(9)
Others/sell	17,350	(21)	(21)
Others/buy	9,600	10	10

Notes: 1. Valuation gains (losses) are recognized in the consolidated statement of income. Derivatives which qualify for hedge-accounting are not included in the above table.

2. Market value of exchange-traded transactions are based on closing prices on the Tokyo International Financial Future Exchange, etc. Market values of over-the-counter transactions are based on discounted cash flow method, option pricing models, etc.

## (2) Foreign exchange-related transactions

(March 31, 2002)

	Millions of Yen (Note 1)		
	Notional or Contract Amount	Market Value	Valuation Gain (Loss)
<b>Over-the-counter:</b>			
Swaps	¥47,766	¥16	¥16

Notes: 1. Valuation gains (losses) are recognised in the consolidated statement of income. Derivatives which qualify for hedge-accounting and/or which are applicable to Note 3 are not included in the above table.

2. Market values are based on the discounted cash flow method.

3. Currency swaps which are accounted for by an accrual basis are not included in the above table.

Notional principal amount, market value and valuation gains of currency swaps which are accounted for by an accrual basis are as follows:

	Millions of Yen (Note 1)		
	Notional or Contract Amount	Market Value	Valuation Gain (Loss)
Swaps	¥16,876	¥(40)	¥(40)

Other foreign exchange-related transactions such as forward exchange contracts and currency options, which valuations gains (losses) had been recognised in the consolidated statement of income, are not included above table.

Notional or contract amounts of those foreign exchange-related transactions are as follows:

	(March 31, 2002)
	Millions of Yen (Note 1)
<b>Over-the-counter:</b>	
Forward contracts/sell	¥ 3,688
Forward contracts/buy	4,246
Options/sell	27,226
Options/buy	27,009

## (3) Bond-related transactions

(March 31, 2002)

	Millions of Yen (Note 1)		
	Notional or Contract Amount	Market Value	Valuation Gain (Loss)
<b>Exchange Traded:</b>			
Futures/sell	¥2,891	¥ (5)	¥ (5)
Futures/buy	3,827	35	35

Notes: 1. Valuation gains (losses) are recognised in the consolidated statement of income. Derivatives which qualify for hedge-accounting are not included in the above table.

2. Market value of exchange traded transactions are based on closing prices on the Tokyo Stock Exchange, etc. Market values of over-the-counter transactions are based on option pricing models, etc.

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## Subsequent Events

The following appropriations of retained earnings of the Chiba bank, Ltd. were approved at a stockholders meeting held on June 27, 2002.

	Millions of Yen (Note 1)
Year-end cash dividends (2.5 yen per stock)	¥2,113

## Independent Auditors' Report (Consolidated)

The Board of Directors and Shareholders  
The Chiba Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Chiba Bank, Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Chiba Bank, Ltd. and consolidated subsidiaries at March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan, applied on a consistent basis.

As described in Note 5 (15) to the consolidated financial statements, The Chiba Bank, Ltd. has adopted new accounting standards for retirement benefits and financial instruments effective from the year ended March 31, 2001 in the preparation of its financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for the convenience of the reader. 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 9 to the consolidated financial statements.

*Shin Nihon & Co.*

Shin Nihon & Co.  
Tokyo, Japan  
June 27, 2002

*See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of The Chiba Bank, Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.*

# Non-Consolidated Balance Sheets

The Chiba Bank, Ltd. As of March 31, 2002 and 2001

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>ASSETS</b>			
Cash and Due From Banks .....	¥ 280,499	¥ 182,114	\$ 2,105,059
Call Loans and Bills Bought .....	147,000	139,200	1,103,189
Commercial Paper and Other Debt Purchased .....	413	24	3,100
Trading Assets (Note 4) .....	233,382	205,199	1,751,466
Money Held in Trust .....	9,534	13,354	71,557
Securities (Notes 5 and 7).....	1,407,271	1,485,083	10,561,138
Loans and Bills Discounted (Notes 6 and 7).....	5,749,973	5,597,488	43,151,773
Foreign Exchanges (Note 8).....	2,131	2,294	15,995
Other Assets (Note 9) .....	127,262	87,010	955,065
Premises and Equipment (Note 10) .....	109,687	110,021	823,172
Deferred Tax Assets (Note 25).....	115,174	92,359	864,346
Customers' Liabilities for Acceptances and Guarantees .....	171,780	187,160	1,289,163
Reserve for Possible Loan Losses .....	(219,814)	(194,311)	(1,649,643)
Reserve for Investment Losses .....	(216)	(57)	(1,623)
<b>Total Assets</b> .....	<b>¥8,134,080</b>	<b>¥7,906,943</b>	<b>\$61,043,759</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Deposits (Notes 7 and 11) .....	¥7,271,500	¥6,990,874	\$54,570,360
Call Money and Bills Sold (Note 7) .....	20,120	18,171	151,000
Trading Liabilities (Note 12).....	7,685	4,724	57,678
Borrowed Money (Note 13).....	131,429	147,879	986,339
Foreign Exchanges (Note 14).....	350	259	2,627
Other Liabilities (Note 15).....	150,191	131,444	1,127,139
Reserve for Employees' Retirement Benefits.....	23,814	20,835	178,722
Reserve for Losses on Sales of Loans .....	18,460	30,764	138,537
Other Reserves.....	—	—	—
Deferred Tax Liabilities for Premises Revaluation .....	9,389	9,389	70,463
Acceptances and Guarantees .....	171,780	187,160	1,289,163
<b>Total Liabilities</b> .....	<b>¥7,804,722</b>	<b>¥7,541,504</b>	<b>\$58,572,027</b>
<b>Stockholders' Equity</b>			
Common Stock (Note 16).....	¥ 121,019	¥ 121,019	\$ 908,211
Capital Surplus .....	98,178	98,178	736,796
Legal Reserve.....	50,930	50,430	382,215
Premises Revaluation Gain, Net of Income Taxes .....	13,344	13,346	100,150
Voluntary Reserves.....	66,671	58,671	500,345
Retained Earnings .....	(25,449)	14,056	(190,994)
Net Unrealized Gains on Investment Securities, Net of Income Taxes....	4,703	9,738	35,302
Treasury Stock .....	(39)	—	(294)
<b>Total Stockholders' Equity</b> .....	<b>329,358</b>	<b>365,439</b>	<b>2,471,732</b>
<b>Total Liabilities and Stockholders' Equity</b> .....	<b>¥8,134,080</b>	<b>¥7,906,943</b>	<b>\$61,043,759</b>

See notes to non-consolidated financial statements.

# Non-Consolidated Statements of Income and Retained Earnings

The Chiba Bank, Ltd. For the Years Ended March 31, 2002 and 2001

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Income</b>			
Interest Income: .....	¥156,390	¥178,535	\$1,173,664
Interest on Loans and Discounts .....	130,642	141,625	980,428
Interest and Dividends on Securities .....	19,812	25,185	148,684
Other Interest Income .....	5,936	11,723	44,551
Fee and Commission Income .....	20,684	19,935	155,232
Trading Income (Note 17) .....	797	564	5,983
Other Operating Income (Note 18) .....	3,202	6,109	24,031
Other Income (Note 19) .....	5,037	13,712	37,804
<b>Total Income</b> .....	<b>186,111</b>	<b>218,856</b>	<b>1,396,713</b>
<b>Expenses</b>			
Interest Expenses: .....	¥ 27,090	¥ 46,807	\$ 203,305
Interest on Deposits .....	14,530	30,321	109,045
Interest on Borrowings and Rediscounts .....	3,564	4,880	26,748
Other Interest Expenses .....	8,996	11,606	67,512
Fee and Commission Expenses .....	8,251	7,416	61,925
Trading Expenses (Note 20) .....	—	155	—
Other Operating Expenses (Note 21) .....	57	2,219	435
General and Administrative Expenses .....	78,487	78,385	589,024
Other Expenses (Note 22) .....	118,127	61,096	886,508
<b>Total Expenses</b> .....	<b>232,014</b>	<b>196,081</b>	<b>1,741,197</b>
Income (Loss) Before Income Taxes .....	(45,902)	22,775	(344,485)
Income Taxes — Current .....	110	112	826
Income Taxes — Deferred .....	(19,272)	9,556	(144,636)
<b>Net Income (Loss)</b> .....	<b>(26,739)</b>	<b>13,107</b>	<b>(200,674)</b>
<b>Retained Earnings</b>			
Balance at Beginning of the Year .....	14,056	16,670	105,489
Transfer from (to) Premises Revaluation Gain .....	1	(2)	8
Net Income (Loss) .....	(26,739)	13,107	(200,674)
Deductions:			
Transfer to Legal Reserve .....	500	788	3,752
Dividends .....	4,227	3,889	31,727
Bonuses for Directors .....	40	40	300
Transfer to Voluntary Reserve .....	8,000	11,000	60,038
<b>Balance at End of the Year</b> .....	<b>¥ (25,449)</b>	<b>¥ 14,056</b>	<b>\$ (190,994)</b>

See notes to non-consolidated financial statements.

# Notes to Non-Consolidated Financial Statements

The Chiba Bank, Ltd. For the Years Ended March 31, 2002 and 2001

## 1 Basis of Presentation

The Chiba Bank, Ltd. (the "Bank") maintains its books of account in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan. The classification of accounts is in conformity with the Enforcement Regulation concerning Banking Law of Japan.

In preparing the accompanying non-consolidated financial statements, in accordance with Enforcement Regulation concerning Banking Law of Japan, Japanese yen amounts are presented in millions of Yen by rounding down figures below one million. As a result, the totals in Yen in the accompanying non-consolidated financial statements do not necessarily agree with the sums of individual amounts.

## 2 Significant Accounting Policies and Disclosure Information

Refer to Note 5 of the Notes to Consolidated Financial Statements.

## 3 U.S. Dollar Amounts

U.S. dollar amounts are shown solely for the convenience of the readers of this Annual Report and are translated at the rate of ¥133.25 to \$1.00, the exchange rate prevailing at March 29, 2002.

## 4 Trading Assets

Trading assets as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Trading Account Securities	¥ 9,834	¥ 3,085	\$ 73,803
Derivatives of Trading Account Securities	35	6	265
Derivatives	3,580	4,117	26,868
Other Trading Assets	219,933	197,989	1,650,530
Total	¥233,382	¥205,199	\$1,751,466

## 5 Securities

Securities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Japanese National Government Bonds	¥ 530,751	¥ 704,682	\$ 3,983,123
Japanese Local Government Bonds	60,091	53,220	450,966
Japanese Corporate Bonds and Financial Debentures	318,413	234,944	2,389,596
Japanese Corporate Stocks	172,079	210,600	1,291,404
Other Securities	325,935	281,635	2,446,048
Total	¥1,407,271	¥1,485,083	\$10,561,138

## 6 Loans and Bills Discounted

(a) Loans and bills discounted as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Bills Discounted	¥ 80,977	¥ 94,492	\$ 607,712
Loans on Bills	478,031	528,076	3,587,479
Loans on Deeds	4,599,490	4,306,428	34,517,752
Overdrafts	591,473	668,491	4,438,829
Total	¥5,749,973	¥5,597,488	\$43,151,773

(b) Non-accrual loans included in loans and bills discounted as of March 31, 2002 and 2001 were as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Loans to Companies Legally Bankrupt	¥ 50,787	¥ 55,656	\$ 381,144
Other Delinquent Loans	278,270	275,697	2,088,331
Loans Past Due 3 Months or More	13,134	17,991	98,568
Restructured Loans	212,781	102,749	1,596,857
Total	¥554,972	¥452,095	\$4,164,901

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#### Assets Pledged

Assets pledged as collateral as of March 31, 2002 and 2001 are as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Securities	¥202,406	¥317,014	\$1,633,629
Loans	1,234	3,450	9,960

Liabilities related to above pledged assets are as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Deposits	¥40,189	¥46,774	\$324,373
Bills Sold	—	17,800	—
Other	—	13,849	—

In addition, Securities of ¥106,372 million are pledged as collateral for settlement of exchange or as valuation margin.

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#### Foreign Exchange Assets

Foreign exchange assets as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Due from Foreign Correspondents	¥1,176	¥ 976	\$ 8,833
Foreign Bills of Exchange Bought	507	345	3,810
Foreign Bills of Exchange Receivable	446	971	3,352
Total	¥2,131	¥2,294	\$15,995

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#### Other Assets

Other assets as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Domestic Exchange Settlement	¥ 1,366	¥ 3,317	\$ 10,255
Accrued Income	13,616	16,947	102,184
Prepaid Expenses	409	381	3,069
Others	111,870	66,364	839,557
Total	¥127,262	¥87,010	\$955,065

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#### Premises and Equipment

Fixed assets are depreciated by the declining-balance method. Premises and equipment as of March 31, 2002 and 2001 are shown at net of following accumulated depreciation:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
	¥86,854	¥89,614	\$651,815

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## Deposits

An analysis of deposits as of March 31, 2002 and 2001 was as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Current Deposits	¥ 171,403	¥ 180,078	\$ 1,286,329
Ordinary Deposits	3,231,817	2,234,226	24,253,789
Savings Deposits	428,014	503,655	3,212,118
Deposits at Notice	23,167	36,500	173,868
Time Deposits	3,229,361	3,726,087	24,235,360
Other Deposits	134,473	112,089	1,009,182
Sub Total	7,218,238	6,792,637	54,170,645
Negotiable Certificates of Deposit	53,262	198,237	399,715
Total	¥7,271,500	¥6,990,874	\$54,570,360

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## Trading Liabilities

Trading liabilities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Trading Account Securities sold, Not Yet Purchased	¥4,327	¥ 582	\$32,473
Derivatives of Trading Account Securities	5	4	40
Derivatives	3,353	4,136	25,165
Total	¥7,685	¥4,724	\$57,678

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## Borrowed Money

Borrowed money as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Borrowings from The Bank of Japan and Other Financial Institutions	¥131,429	¥147,879	\$986,339
Total	¥131,429	¥147,879	\$986,339

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Foreign Exchanges  
Liabilities

Foreign exchange liabilities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Due from Foreign Banks	¥ 0	¥ 9	\$ 4
Foreign Bills Sold	336	237	2,527
Foreign Bills of Exchange Payable	12	12	96
Total	¥350	¥259	\$2,627

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## Other Liabilities

Other liabilities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Domestic Exchange Settlement	¥ 264	¥ 23	\$ 1,981
Accrued Expenses	11,209	14,338	84,121
Unearned Income	3,114	3,512	23,377
Accrued Income Taxes	327	333	2,454
Others	135,276	113,237	1,015,206
Total	¥150,191	¥131,444	\$1,127,139

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## Common Stock

The number of the Bank's authorized shares was 2,500,000,000 as of March 31, 2002 and 2001.  
The number of shares in issue as of March 31, 2002 and 2001 was as follows:

	Number of Shares	
	2002	2001
Shares in Issue	845,521,087	845,521,087

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## Trading Income

The composition of trading income for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Gains on Sale of Trading Account Securities	¥ 12	¥ 23	\$ 92
Gains on Derivatives	345	—	2,590
Other Trading Income	439	541	3,301
Total	¥797	¥564	\$5,983

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## Other Operating Income

The composition of other operating income for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Gains on Foreign Exchange Transactions	¥2,119	¥1,167	\$15,906
Gains on Sale of Bonds	1,069	4,940	8,028
Others	12	1	97
Total	¥3,202	¥6,109	\$24,031

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## Other Income

The composition of other income for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Gains on Sale of Securities	¥2,802	¥10,635	\$21,035
Gains on Money Held in Trust	66	159	497
Others	2,168	2,917	16,271
Total	¥5,037	¥13,712	\$37,804

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## Trading Expenses

The composition of trading expenses for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Expenses on Trading Account Securities	—	¥134	—
Expenses on Derivatives	—	21	—
Total	—	¥155	—

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## Other Operating Expenses

The composition of other operating expenses for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Losses on Sale of Bonds	¥57	¥ 244	\$435
Other Expenses on Derivatives	—	1,974	—
Total	¥57	¥2,219	\$435

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## Other Expenses

The composition of other expenses for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Provision for Possible Loan Losses	¥ 74,088	¥40,638	\$556,008
Write-off of Loans and Bills Discounted	304	57	2,285
Losses on Sale of Securities	151	5	1,140
Losses on Devaluation of Securities	33,817	5,123	253,789
Losses on Money Held in Trust	21	75	159
Others	9,744	15,197	73,128
Total	¥118,127	¥61,096	\$886,508

## Lease Transactions

## Finance Lease Transactions

Finance lease transactions, except where the ownership of the leased asset is regarded as being transferred to the lessee, are accounted for as operating leases. Pro forma information on these operating leases is as follows:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Lessee Side</b>			
Amount Corresponding to the Purchased Prices of the Leased Asset	¥1,058	¥2,272	\$7,945
Amount Corresponding to Accumulated Depreciation	945	2,033	7,093
Amount Corresponding to Balance at Fiscal Year End	¥ 113	¥ 239	\$ 852
<b>Lease Payable</b>			
	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Amount Corresponding to Lease Payable (within 1 year)	¥ 59	¥132	\$450
Amount Corresponding to Lease Payable (over 1 year)	53	106	402
Total	¥113	¥239	\$852
<b>Lease Fees Paid</b>			
	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Lease Fees Paid	¥135	¥287	\$1,015
Amount Corresponding to Depreciation	135	287	1,015

Notes: 1. The lease period is set at the useful lifetime of the asset and the straight-line method of depreciation is used to compute the remaining value of the asset.

2. The amount corresponding to interest costs is the difference between total lease fees to be paid and the amount corresponding to the purchase prices of the leased asset. The interest method is used to allocate the amounts to applicable consolidated accounting years.

## Tax Effect

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Deferred Tax Assets:</b>			
Reserve for Possible Loan Losses	¥ 82,232	¥68,037	\$617,127
Write-offs of Securities	10,406	—	78,094
Reserve for Employees' Retirement Benefits	8,215	6,839	61,658
Reserve for Losses on Sale of Loans	7,623	12,705	57,216
Tax Losses Carried Forward	2,825	2,266	21,208
Others	7,179	9,363	53,882
Total Deferred Tax Assets	¥118,483	¥99,212	\$889,184
<b>Deferred Tax Liabilities:</b>			
Unrealized Gains on Investment Securities	¥ (3,309)	¥ (6,851)	\$ (24,837)
Others	—	(1)	—
Total Deferred Tax Liabilities	¥ (3,309)	¥ (6,853)	\$ (24,833)
Net Deferred Tax Assets	¥115,174	¥92,359	\$864,346

## Independent Auditors' Report (Non-Consolidated)

The Board of Directors and Shareholders  
The Chiba Bank, Ltd.

We have audited the accompanying non-consolidated balance sheets of The Chiba Bank, Ltd. as of March 31, 2002 and 2001, and the related non-consolidated statements of income and retained earnings for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of The Chiba Bank, Ltd. at March 31, 2002 and 2001, and the results of its operations for the years then ended, in conformity with accounting principles and practices generally accepted in Japan, applied on a consistent basis.

As described in Note 5 (15) to the consolidated financial statements, The Chiba Bank, Ltd. has adopted new accounting standards for retirement benefits and financial instruments effective from the year ended March 31, 2001 in the preparation of its financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for the convenience of the reader. 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 3 to the non-consolidated financial statements.

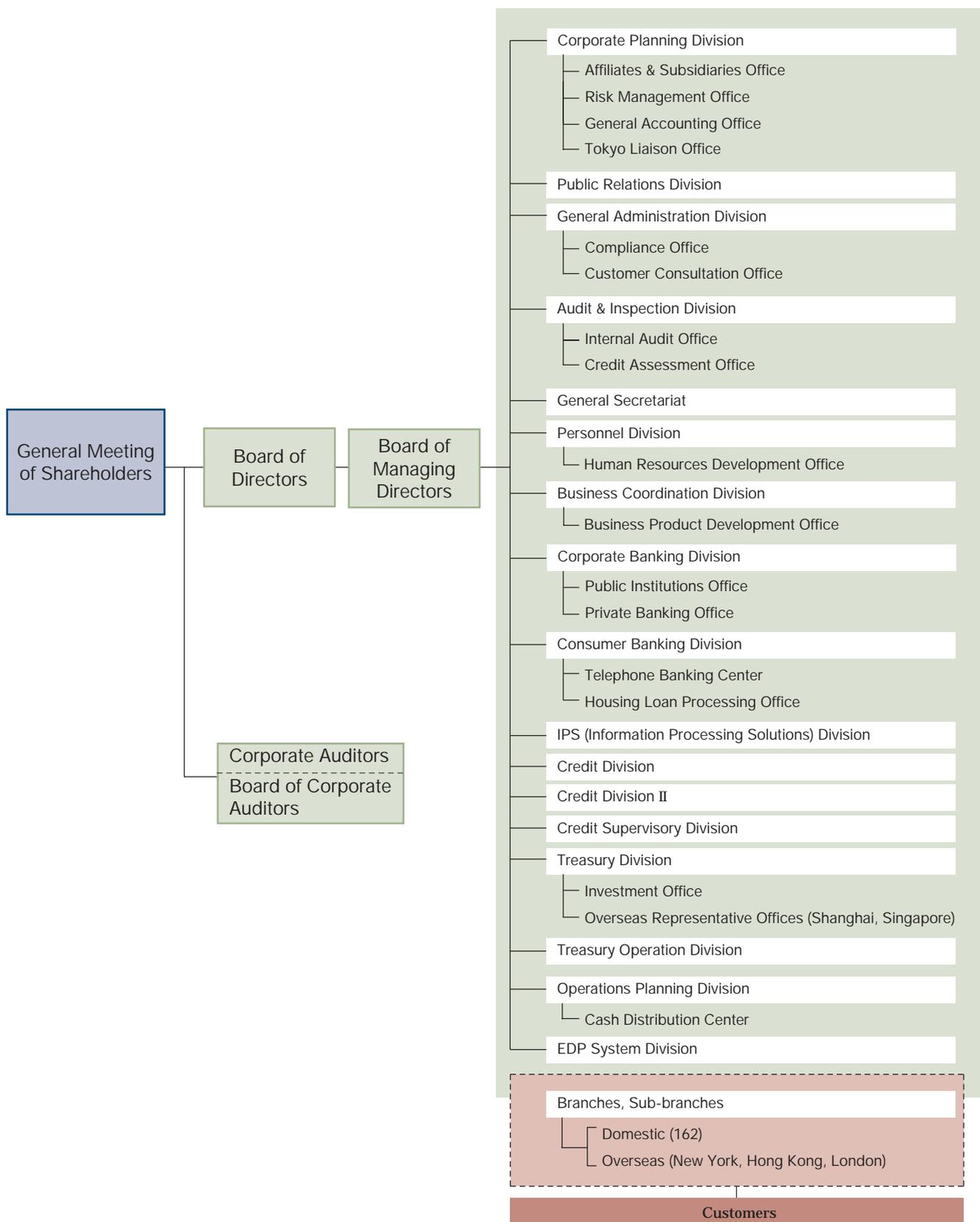
*Shin Nihon & Co.*

Shin Nihon & Co.  
Tokyo, Japan  
June 27, 2002

*See Note 1 to the non-consolidated financial statements which explains the basis of preparing the non-consolidated financial statements of The Chiba Bank, Ltd. under Japanese accounting principles and practices.*

# Organization

As of June 27, 2002



# Board of Directors

As of June 27, 2002

## President

Tsuneo Hayakawa

## Deputy President

Toshiaki Ishii

## Senior Managing Directors

Yoshinori Ichihara  
Tadashi Takeyama

## Managing Directors

Tetsuhiro Kashima  
Nobuyoshi Imai

## Directors

Hiroshi Nishikawa  
Tetsuo Oiwa  
Kenji Iwase  
Nobuhisa Yashiro  
Kenji Yasui  
Shoichiro Nemoto  
Toshio Yoshii  
Yoshiyuki Kumano  
Yukio Kusakabe  
Yoichi Kogoma  
Yoshifumi Morooka

## Corporate Auditors

Shingo Hono (Standing)  
Yutaka Yamazaki (Standing)  
Hiroshi Satoh  
Kanro Iwai  
Hiroshi Sakuma

## Affiliates at a Glance

As of June 27, 2002

### Sobu Co., Ltd.

1-7-12, Hanazono, Hanamigawa-ku,  
Chiba City, Chiba 262-0025

*Principal Business: Rental and maintenance of the Chiba Bank office buildings and welfare facilities; purchase and sale of supplies and consumer goods*

Established: Sept. 7, 1959  
Capital: ¥20 million  
Equity Ownership  
By Chiba Bank: 100%

### Chibagin Cash Business Co., Ltd.

1-2, Chiba-minato, Chuo-ku,  
Chiba City, Chiba 260-8720

*Principal Business: Cash and securities examinations fee collection services*

Established: March 15, 1983  
Capital: ¥20 million  
Equity Ownership  
By Chiba Bank: 100%

### Chibagin Accounting Service Co., Ltd.

8-4, Chiba-minato, Chuo-ku,  
Chiba City, Chiba 260-0026

*Principal Business: Temporary staff services, accounting and general administration*

Established: Dec. 22, 1989  
Capital: ¥20 million  
Equity Ownership  
By Chiba Bank: 100%

### Chibagin Business Service Co., Ltd.

1-2, Chiba-minato, Chuo-ku,  
Chiba City, Chiba 260-8720

*Principal Business: Intensive back-office processing*

Established: March 25, 1993  
Capital: ¥20 million  
Equity Ownership  
By Chiba Bank: 100%

### Chibagin General Management Co., Ltd.

1-2, Chiba-minato, Chuo-ku,  
Chiba City, Chiba 260-8720

*Principal Business: Retention and liquidation of auctioned real estate collateral on the Chiba Bank loans, etc.*

Established: June 29, 1995  
Capital: ¥450 million  
Equity Ownership  
By Chiba Bank: 100%

### Chibagin Loan Business Support Co., Ltd.

3-17-5, Inage-higashi, Inage-ku,  
Chiba City, Chiba 263-0031

*Principal Business: Survey and evaluation of collateral real estate*

Established: July 1, 1999  
Capital: ¥20 million  
Equity Ownership  
By Chiba Bank: 100%

### Chiba Servicer Co., Ltd.

39-10, Sakae-cho, Chuo-ku,  
Chiba City, Chiba 260-0016

*Principal Business: Management and collection of debt*

Established: Oct. 1, 2001  
Capital: ¥500 million  
Equity Ownership  
By Chiba Bank: 100%

### Chibagin Guarantee Co., Ltd.

3-17-5, Inage-higashi, Inage-ku,  
Chiba City, Chiba 263-0031

*Principal Business: Housing-loan guarantees, collateral appraisal services*

Established: May 1, 1978  
Capital: ¥54 million  
Equity Ownership  
By Chiba Bank: 45.63%  
By its subsidiaries: 42.87%

### Chibagin JCB Card Co., Ltd.

1-14-11, Fujimi, Chuo-ku,  
Chiba City, Chiba 260-0015

*Principal Business: Credit card business*

Established: Nov. 1, 1982  
Capital: ¥50 million  
Equity Ownership  
By Chiba Bank: 40%  
By its subsidiaries: 30%

### Chibagin Capital Co., Ltd.

8-4, Chiba-minato, Chuo-ku,  
Chiba City, Chiba 260-0026

*Principal Business: Consulting services concerned with the expansion of shareholders' equity, public issues, stock-exchange listing, etc.*

Established: May 29, 1984  
Capital: ¥100 million  
Equity Ownership  
By Chiba Bank: 30%  
By its subsidiaries: 30%

### Chibagin Asset Management Co., Ltd.

5-3, Nihombashi Muromachi  
1-chome, Chuo-ku, Tokyo  
103-0022

*Principal Business: Consulting for portfolio investments of client financial assets*

Established: March 31, 1986  
Capital: ¥200 million  
Equity Ownership  
By Chiba Bank: 35%  
By its subsidiaries: 45%

### Chibagin Lease Co., Ltd.

2-1-22, Hanazono, Hanamigawa-ku,  
Chiba City, Chiba 262-0025

*Principal Business: Leasing, loans*

Established: Dec. 15, 1986  
Capital: ¥100 million  
Equity Ownership  
By Chiba Bank: 20%  
By its subsidiaries: 50%

### Chibagin DC Card Co., Ltd.

1-14-11, Fujimi, Chuo-ku,  
Chiba City, Chiba 260-0015

*Principal Business: Credit card business*

Established: Feb. 16, 1989  
Capital: ¥50 million  
Equity Ownership  
By Chiba Bank: 40%  
By its subsidiaries: 55%

### Chibagin Research Institute, Ltd.

2-3-12, Konakadai, Inage-ku,  
Chiba City, Chiba 263-0043

*Principal Business: Information services and surveys, training services, consulting on computer systems, etc.*

Established: Feb. 28, 1990  
Capital: ¥150 million  
Equity Ownership  
By Chiba Bank: 5%  
By its subsidiaries: 70%

### Chibagin Computer Service Co., Ltd.

6-12, Oyuminochuo, Midori-ku,  
Chiba City, Chiba 266-0032

*Principal Business: Computer systems development, commissioned computation tasks*

Established: April 1, 1980  
Capital: ¥150 million  
Equity Ownership  
By Chiba Bank: 12%  
By its subsidiaries: 54%

### Chuo Securities Co., Ltd.

5-3, Nihombashi Muromachi 1-chome,  
Chuo-ku, Tokyo 103-0022

*Principal Business: Securities business*

Established: March 27, 1944  
Capital: ¥4,374 million  
Equity Ownership  
By Chiba Bank: 41.28%  
By its subsidiaries: 7.33%

### Chiba International Ltd.

Atlas House, 1 King Street,  
London EC2V 8AU, U.K.

*Principal Business: Securities underwriting, sales and investments*

Established: March 2, 1992  
Capital: £6 million  
Equity Ownership  
By Chiba Bank: 100%

### Chiba Capital Funding (Cayman) Ltd.

Ugland House, P.O. Box 309, George  
Town, Grand Cayman, Cayman Islands,  
British West Indies

*Principal Business: Finance*

Established: January 13, 1998  
Capital: US\$1,000  
Equity Ownership  
By Chiba Bank: 100%

# Corporate Data and Investor Information

As of March 31, 2002

## Head Office

1-2, Chiba-minato, Chuo-ku,  
Chiba City, Chiba 260-8720, Japan  
Telephone: (043) 245-1111  
Internet URL Address: <http://www.chibabank.co.jp/>

## Treasury Operation Division

5-3, Nihombashi Muromachi 1-chome,  
Chuo-ku, Tokyo 103-0022, Japan  
Telephone: (03) 3270-8351 Fax: (03) 3242-1735  
Telex: J26666, J23671 (03) 3244-1227  
Cable Address: CHIBABK (03) 3271-1029  
SWIFT Address: CHBA JPJT

## Treasury Division

5-3, Nihombashi Muromachi 1-chome,  
Chuo-ku, Tokyo 103-0022, Japan  
Telephone: (03) 3270-8351 Fax: (03) 3242-1736  
SWIFT Address: CHBA JPJT

**Established:** March 1943

**Domestic Network:** 162 offices

**Overseas Network:** 5 locations

**Number of Employees:** 3,760

**Paid-in Capital:** ¥121 billion

**General Meeting of Stockholders:** Annually in June

**Authorized Number of Shares:** 2,500,000 thousand

**Shares of Common Stock Issued**

**and Outstanding:** 845,521 thousand

**Number of Stockholders:** 23,915

**Ticker Code:** 8331

**Transfer Agent:** Japan Securities Agents, Ltd.  
2-4, Nihombashi Kayabacho 1-chome  
Chuo-ku, Tokyo 103-8202

## New York Branch

1133 Avenue of the Americas, 15th Floor,  
New York, NY 10036, U.S.A.  
Telephone: 1-212-354-7777 Fax: 1-212-354-8575  
Telex: 251829 CHIBA NYK

## Hong Kong Branch

Unit 2510, One Pacific Place, 88 Queensway, Hong Kong  
Telephone: 852-2840-1222 Fax: 852-2840-0507  
Telex: 62737 CHBK HX

## London Branch

3rd Floor, Atlas House 1 King Street,  
London EC2V 8AU, U.K.  
Telephone: 44-20-7315-3111 Fax: 44-20-7600-3452  
Telex: 8812534 CHIBAL G

## Shanghai Representative Office

Room 707, Shanghai International Trade Center,  
2201 Yan-An Road (West), Shanghai, P.R.C. 200336  
Telephone: 86-21-62780482 Fax: 86-21-62780422

## Singapore Representative Office

16 Raffles Quay, #34-04 Hong Leong Building,  
Singapore 048581  
Telephone: 65-6438-5400 Fax: 65-6438-2511

## Chiba International Ltd.

Atlas House, 1 King Street, London EC2V 8AU, U.K.  
Telephone: 44-20-7315-3115 Fax: 44-20-7315-3113  
Telex: 8813162 CHIBAI G

## Chiba Capital Funding (Cayman) Ltd.

Ugland House, P.O. Box 309, George Town,  
Grand Cayman, Cayman Islands, British West Indies

## Principal Shareholders

The ten largest shareholders of the Bank and their respective shareholdings at March 31, 2002 were as follows:

	Number of Shares (in thousands)*	Percentage of Total Shares in Issue**
The Bank of Tokyo-Mitsubishi, Ltd.	38,893	4.59
UFJ Bank, Limited	38,893	4.59
Nippon Life Insurance Company	30,670	3.62
UFJ Trust & Banking Co., Ltd. (Trust Account A)	30,015	3.54
Japan Trustee Services Bank, Ltd. (Trust Account)	29,259	3.46
NIPPONKOA Insurance Co., Ltd.	28,905	3.41
The Mitsubishi Trust and Banking Corporation (Trust Account)	28,107	3.32
Daiichi Life Insurance Company	25,678	3.03
Sumitomo Life Insurance Company	21,294	2.51
Meiji Life Insurance Company	19,079	2.25

\*Rounded off to the nearest thousand

\*\*Rounded off at two decimal places



**THE CHIBA BANK, LTD.**

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