AIMING AT "THE BEST PRACTICE OF BANK MANAGEMENT"

-LAUNCH OF A NEW MEDIUM-TERM MANAGEMENT PLAN, REFORM OF THE MANAGEMENT SYSTEM, REVISION OF THE HEADQUARTERS ORGANIZATION, AND REVISION OF THE PERSONNEL SYSTEM-

The Chiba Bank, Ltd. (President-Tsuneo Hayakawa) has launched its new medium-term management plan titled "100 weeks of Innovation and Speed", whereby the bank takes a positive stance regarding the severe business environment and other issues currently facing banks as an opportunity to shift to a new growth process. The key phrase of the plan is "Best Practice of Bank Management", and the bank aims to be a financial services group highly regarded by all stakeholders, which has both financial flexibility and high earnings power. The main subjects of the plan are "changes in the management system" and "continuous expansion of earnings power" by concentrating management resources on retail business for which high growth can be expected in the future. The bank will demonstrate "high creativity" in its business, with "speed" as a distinguishing factor.

Furthermore, in addition to achieving the targets set out in the plan, the bank is reviewing the fundamental framework of its decision-making processes and business execution, etc. and reforming its management structure, headquarters organization and personnel system in order to ensure the shift towards a continuous expansion in its business.

These reforms and revisions were put in place on April 1, 2003 and all the management and staff of the Chiba Bank group will work together to meet the challenges of the high goals established in the "The Best Practice of Bank Management".

The details are as follows:-

1. New medium-term management plan "100 weeks of Innovation and Speed"

(1) Time frame: 100 weeks (from April 2003 to March 2005)

Taking "speed" as a distinguishing factor, the bank will monitor the achievement of its individual business plans on a weekly basis over a two year period, which is a different time-frame to previously.

(2) Planning, execution and monitoring: The formation of 11 cross-functional project teams with younger staff members

In order to plan, execute and monitor the key measures of the medium-term management plan with "speed" as well as "high creativity", the issues will be thoroughly debated and reviewed by younger members of staff with innovative ideas.

(3) Effective date: April 1, 2003

(4) Management goal: Highest-quality comprehensive financial services group in the region

The rationale for the bank's existence is "to contribute to our customers in the region by providing financial services", which will remain unchanged into the future. Therefore, the bank's management goal, which is unchanged from the last medium-term management plan, is to be the "Highest-quality comprehensive financial services group in the region", and the bank has set three concrete management targets to realize this aim as follows:

1) Continuous growth in consolidated net income
2) The provision of advanced total solutions within the Chiba Bank group
3) Continuous self-reform to improve stakeholder value (satisfaction)

(5) Main issues

The bank's main issues are "continuous improvement in earnings power" and "changes in the management system", specific details of which are as follows:

A) Continuous improvement in earnings power

1) Reform of earnings structure
   - Profit expansion by shifting and concentrating management resources on retail business
   - Improvement in economic value added in corporate business
   - Thorough review of business with local governments
   - Strengthening fund investment activities
2) Reducing expenses

B) Changes in the management system

1) Setting up a new business promotion system for a more profitable income structure
2) Reform of the profit management system
3) Restructuring of the corporate governance system
4) Realization of a more vital organization through the establishment of a new personnel system
5) Construction of an advanced risk management system and compliance system
6) Further improvement in customer satisfaction

(6) Numerical targets

The numerical targets are as follows. "Consolidated net income" that is directly linked to financial flexibility is to be adopted as a profit target, in addition to "Non-consolidated business income" that was one of the targets in the last medium-term management plan.

< Numerical targets >	FY 2003 (Plan)	FY 2004 (Plan)	FY 2005*2 (Plan)
Non-consolidated business income	¥73 billion	¥76 billion	¥78 billion
Consolidated net income	¥24 billion	¥30 billion	¥36 billion
Overhead ratio	52% approx.	50% approx.	Below 50%
Return on assets (ROA) *1	0.3% approx.	Above 0.3%	0.4% approx.
Return on equity (ROE) *1	6% approx.	7% approx.	8% approx.
Tier I ratio	7% approx.	Above 7%	8% approx.

*1) On a net income basis

*2) For FY 2005, basic figures as a result of business activities in the "100 weeks (FY 2003 and 2004)"

2. Reform of the management system

The bank is reforming its management system in order to achieve the targets in the new medium-term management plan "100 weeks of Innovation and Speed" and to shift to a new growth process for the continuous expansion of business. More concretely, the executive officer system has been newly adopted in order to strengthen the functions of the Board of Directors (decision-making on important matters and supervision of operational execution) and also to improve the function of operational execution.

(1) Introduction of the Executive Officer System

A) The Board of Directors appoints Executive Officers, who act as the persons responsible for executing operations following policy decisions by the Board of Directors and under the supervision of the Board. Accordingly, Directors are responsible for management, and Executive Officers are responsible for operational execution.

B) Some Executive Officers are to be appointed as general managers of major branches, in order to assure flexibility of operations suitable for the respective area and to strengthen business power even more.

C) Executive Officers take charge of branch offices and certain headquarters business units, namely (i) Sales Promotion, (ii) Credit Screening and Management, and (iii) Corporate Services (clerical operations and EDP system divisions). (Please refer to the attached chart "Headquarters".)

(2) Establishment of a "Board of Designated Directors" and "Board of Directors and Executive Officers"

A) A "Board of Designated Directors" has been newly established as a deliberating body before the "Board of Directors", where prior discussions will also be made relating to important operating issues of the President. The present "Board of Managing Directors" is therefore abolished. The members of "Board of Designated Directors" are directors (including those who are also appointed as executive officers) nominated by the "Board of Directors"; Corporate Auditors participate as observers.

B) A "Board of Directors and Executive Officers" has also been established, as a body for monitoring the activities of Executive Officers regarding matters assigned to them by the Board of Directors, as well as reviewing other business operational matters. Members of the "Board of Directors and

Executive Officers" comprise all the Directors and all the Executive Officers.

(3) Effective date: April 1, 2003

(4) Others

The number of directors will be reduced gradually in order to promote discussions by "Board of Directors" and accelerate decision-making by management; however, it remains as it is for the present because the new "Executive Officer System" has just been introduced. (The bank's "Executive Officer System" differs from the role set out under management committees under the revised Commercial Code of Japan.)

3. Revision of headquarters structure

Along with the reform of the management system, the bank is revising its headquarters structure with a view to realization of its policies through a strong desire to succeed, achieving quick decision-making as an organization, and clarification of the roles and functions of each division or office within headquarters by establishing clear accountability for execution and results.

(1) Points of the revision

1) The bank's headquarters organization is being divided into four business units according to their operational characteristics, namely "Corporate Staff", "Sales Promotion", "Credit Screening and Management", and "Corporate Services". The roles of five divisions belonging to the "Sales Promotion" unit will also be readjusted to reflect their customers' characteristics.

2) The bank is reviewing its structure for credit screening, credit management and self-assessment, including consumer loans, through clarifying its approach for assessing whether to take the risk or not with reference to risk/return analysis, in addition to the exclusion of credit risks.

3) "Offices within divisions" are abolished in order to slim the headquarters organization and are rearranged as "Departments" within divisions. As a result, the composition of the present headquarters organization of 17 divisions (including 15 offices within divisions) and 3 offices is being changed to 18 divisions and 3 offices.

Please refer to the attached chart "Headquarters" for an outline of the organization.

(2) Revision of business units

A) Corporate Staff

In order to fulfill management functions such as strategy reviews and risk management, Corporate Staff unit consists of seven divisions, namely Audit & Inspection Division, Corporate Planning Division, Credit Planning Division, Public Relations Division, General Administration Division, General Secretariat, and Personnel Division.

1) Credit Planning Division has been newly established in order to intensify and further improve credit risk management. The division, which will be responsible for the establishment of various internal regulations and guidelines such as credit policy and credit standards, portfolio control, and the self-assessment process, consists of a Planning Department and Credit Risk Department.

2) Within the Corporate Planning Division, the Planning Department and Corporate Management Department have been established, the former being responsible for strategic planning for the bank as a whole, including the sales organization and branch deployment, and the latter for the budget systems and capital allocation.

B) Sales Promotion

Aimed at directing branch offices' sales promotion and acting as a profit center with clear profit targets, results and responsibilities, the Sales Promotion unit consists of five divisions, namely Business Coordination Division, Corporate Banking Division, Consumer Banking Division, Direct Channel Division, and Treasury Division.

1) Direct Channel Division has been newly established in order to strengthen sales via non-face-to-face channels such as telephone, facsimile, the Internet and mobile phone which are rapidly expanding in both function and availability corresponding to developments in IT. The division consists of a Planning Department, Contact Center, and Business Center. As a result, the current Information Processing Solutions Division and Telephone Banking Center in the Consumer Banking Division have been abolished. The new Business Center provides a range of new services to relatively small-sized companies including private companies.

2) Basic strategic planning for sales and branch operations have been transferred to the Planning Department in Corporate Planning Division, in order to clarify that the functions and roles of the Business Coordination Division are "directing all domestic sales units". Along with this transfer, Planning Department, Branch Coordination Department, and Information Resources Department have been consolidated into a new Coordination Department.

3) Management and administration of consumer loans has been transferred to Credit Division and Operation Planning Division by establishing a Consumer Loan Department in Credit Division and a Housing Loan Processing Department in Operation Planning Division. Thus, the functions and roles of Consumer Banking Division are concentrated upon planning and promoting sales of retail business. Accordingly, the Administration Department and Housing Loan Processing Office in Consumer Banking Division have been abolished. Also, to clarify that Consumer Banking Division is responsible for all retail business planning including establishing new business models and also that it is responsible for overall retail business promotion, the names of Promotion & Planning Department and Business Support Department have been changed to Planning Department and Business Promotion Department respectively.

4) To clarify that Corporate Banking Division is responsible for all corporate business planning including establishing new business models and also that it is responsible for overall corporate business promotion, the names of Promotion & Planning Department and Business Support Department are changed to Planning Department and Business Promotion Department respectively. In addition, Business Solutions Department has been absorbed into Business Promotion Department.

C) Credit Screening and Management

With the aim of maximizing profits after risk/cost deductions and performing control functions over the Sales Promotion unit, the Credit Screening and Management unit consists of three divisions, namely Credit Division, Credit Division II, and Credit Supervisory Division.

Credit Division is to concentrate on reviewing credit following the transfer of the planning function from the Coordination Group in Credit Division to a newly established Credit Planning Division. Accordingly, the Coordination Department and Supervisory Department in Credit Division are consolidated into the Coordination & Supervisory Department.

D) Corporate Services

Corporate Services unit consists of three divisions, namely Treasury Operation Division, Operation Planning Division, and EDP System Division; these are servicing units providing rational and efficient operations for head office and branches.

(3) Reorganization of offices and departments within divisions

All “offices within divisions” have become “Departments”, and certain departments have been consolidated or abolished.

A) Audit & Inspection Division is to concentrate on auditing and inspections, including responding to BOJ on-site examinations and FSA inspections, by transferring self-assessment control functions to the Credit Planning Division. A Coordination Department is newly established, which is responsible for dealing with BOJ on-site examinations and FSA inspections, assisting the Board of Auditors and setting internal regulations and standards regarding internal audit. Audit Department has also been established, which is in charge of actual internal audit operations. The Internal Audit Office and Credit Assessment Office in Audit & Inspection Division have been abolished.

B) The role of the Property Administration Department has been absorbed into the General Administration Department in General Administration Division, and Property Administration Department is abolished. The bank is also considering assigning the operations of general affairs and property administration to a third party.

C) In Personnel Division, Planning & Training Department and Employee Benefits Department are consolidated into a new Planning Department. The bank is considering assigning the operations of training and employee benefits to a third party.

D) In Credit Supervisory Division, Coordination Department has been abolished and its operations have been transferred to Supervisory Department II.

E) In Treasury Division, Forex and Money Market Department and Investment Office have been consolidated to form a new Banking Department.

F) In Treasury Operation Division, Market Operation Department and International Operation Department have been consolidated to form a new Operation Department.

G) In Operations Planning Division, Operations Control Department and Operations Supervisory Department have been consolidated to form a new Control & Supervisory Department.

H) In addition to the above-mentioned changes, all the following “Offices within divisions” have become “Departments”:-

Affiliates & Subsidiaries Office, Risk Management Office, and General Accounting Office in Corporate Planning Division, Compliance Office and Customer Consultation Office in General Administration Division, Human Resources Development Office in Personnel Division, Business Product Development Office in Business Coordination Division, Public Institutions Office and Private Banking Office in Corporate Banking Division and Cash Distribution Center in Operations Planning Division

(4) Others

A) “Departments” and “Sections” in Head Office (in Chiba) and Tokyo Head Office are abolished.

B) The number of staff in headquarters will be reduced by shifting members to the Sales Promotion unit such as branch offices. Each headquarters division is endeavoring to achieve efficient operations by clarifying the roles and functions of each area.

(5) Effective date: April 1, 2003

4. Revision of the personnel system

The bank is setting up a new system to foster staff with specialized skills and to boost morale, in the belief that even higher morale and improved working ability is required from each bank employee in order that the targets in the management strategy can be achieved. More specifically, the bank is revising its personnel system to a more merit-oriented approach stressing duties and achievement, with the aim of establishing a solid management structure and raising the competitiveness and drive of staff. Furthermore, the bank will improve its financial position relating to funds for retirement allowances and pensions by curtailing pension benefits and returning the agency element of the state pension.

(1) Summary of personnel revision

A) Introduction of a new salary system stressing duties and achievement

1) The current 11 “function grades” are to be consolidated into 6 “responsibility classes”, and this will allow a more flexible and speedy approach towards the positioning of staff without taking into account seniority or age.

2) Job allowances are divided into 25 sections according to the difficulty and importance of the duties and their proportion to salary is being raised. Accordingly, the limited amount of personnel expenses will be distributed appropriately according to responsibilities and contribution.

3) To improve the seniority-type salary system, the annual salary increase for managerial posts is being abolished and annual salary increases for non-managerial posts are being limited. A system of downgrading and salary cuts is also being introduced.

B) Reduction of positions and titles

1) At branch offices, positions and reporting lines are being simplified to General Manager and Senior Deputy General Manager (a sales or operations manager), and in headquarters, General Manager and Senior Deputy General Manager (as department leader), the aim being to speed up decision-making.

2) Titles for other bank staff (except Senior Loan Officer in Credit Division) are being abolished to flatten the organization.

C) Fostering bank staff with specialized skills

1) A new self-participation performance evaluation system, stressing processes, is being introduced together with a new salary system.

2) For personnel performance evaluation, good communication between general managers and staff is expected. “Special Items” for each business category are being introduced for evaluation in addition to “Basic Items” for each ‘responsibility class’, so that employees can be informed of exactly what is expected of them and reach a mutual understanding through a meeting with their general manager to discuss their self-evaluation. Also, a “Career Development Sheet” is being introduced to reflect the employee’s awareness and aspirations so that the general manager can provide specific guidance.

3) A special section has been established in Personnel Division for consultation and complaints from staff members on performance or bonus evaluations.

4) Specific posts are being introduced so that a job allowance up to the extent of general managers can be paid to employees with very specialized business skills.

5) A new career training program is being introduced for employees in their 3rd and 8th year of employment or at the age of 48 years old.

D) Effective date: April 1, 2003

(2) Summary of revisions relating to retirement allowances and the pension system

A) Introduction of a points-based retirement allowance system

Retirement allowances are presently calculated by multiplying a basic amount based on the function grade at the time of retirement by a payment ratio, but will be revised to be a point-accumulation system in which duties, responsibilities and evaluations are converted into points that are accumulated annually.

B) Revision of pension program

1) The planned investment rate of Employees' Pension Fund is being reduced to 3.0% from 5.5%, and the payment rate (interest rate for source of pension) is also reduced to 4.0% from 5.5%. This will increase the fund installments from the bank, and will partially decrease pension payments. Especially for those who are over 70 years old, the decrease will be around 40%.

2) During fiscal year 2003, the bank has decided to return the agency element of the state pension to the national government.

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The Chiba Bank, Ltd.