

ANNUAL FINANCIAL REPORT
(CONSOLIDATED)

For the Fiscal Year Ended March 31, 2005

May 24, 2005

Company name: The Hachijuni Bank, Ltd. Stock Exchange Listing: Tokyo
 Code number: 8359 Location of Company: Nagano Prefecture, Japan
 (URL <http://www.82bank.co.jp/>)
 Representative (Name) Kazuyuki Narusawa
 (Title) Director & President
 For inquiry: (Name) Akihito Fujimori
 (Title) Executive Officer, Planning Department
 (Phone) 026-227-1182
 Date of Board Meeting on the Financial Results: May 24, 2005
 Trading Account: Yes
 US Generally Accepted Accounting Principle: No

1. Financial highlights for the fiscal year ended March 31, 2005 (from April 1, 2004 to March 31, 2005)

(1) Consolidated operating results (Amounts and ratios presented are rounded down to the nearest unit)

	Operating income		Operating profit		Net income	
	Millions of yen	%	Millions of	%	Millions of	%
For the year ended March 31, 2005	175,530	(1.2)	44,186	17.4	26,138	13.9
For the year ended March 31, 2004	177,791	(1.5)	37,619	141.4	22,948	158.2

	Net income (loss) per common share	Net income per common share after adjustment of dilutive shares	Net income (loss) as a percentage of shareholders' equity	Operating profit (loss) as a percentage of total liabilities and shareholders' equity	Operating profit (loss) as a percentage of operating income
	Yen	Yen	%	%	%
For the year ended March 31, 2005	50.25	49.73	6.7	0.7	25.1
For the year ended March 31, 2004	42.92	-	6.4	0.6	21.1

Note:

- Profit (losses) on investment (equity method):
 For the period ended March 31, 2005: - million
 For the period ended March 31, 2004: - million
- Average number of shares (consolidated):
 For the period ended March 31, 2005: 519,185,704
 For the period ended March 31, 2004: 533,565,173
- Change in accounting methods: No
- Percentages indicated in operating income, operating profit and net income are the changes from the previous fiscal year.

(2) Consolidated balance sheet highlights

	Total assets	Shareholders' equity	Shareholders' equity as a percentage of total liabilities, minority interest and shareholders' equity	Shareholders' equity per common share	Risk adjusted capital ratio (BIS standard)
	Millions of yen	Millions of	%	Yen	%
For the year ended March 31, 2005	5,880,702	400,391	6.8	772.72	12.18
For the year ended March 31, 2004	5,764,782	379,591	6.5	729.71	11.36

Note: Number of shares outstanding (consolidated) as of
 March 31, 2005: 518,097,563
 March 31, 2004: 520,130,197

(3) Consolidated cash flows highlights

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financial activities	Cash and cash equivalents at the end of fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the year ended March 31, 2005	99,464	(41,904)	(4,574)	209,658
For the year ended March 31, 2004	(3,476)	(69,272)	(13,412)	156,676

(4) Scope of consolidation and use of equity method

Number of consolidated subsidiaries: 10

Number of non-consolidated subsidiaries accounted for using equity method: -

Number of affiliated companies accounted for using equity method: -

(5) Changes in the scope of consolidation and use of equity method

Number of newly consolidated subsidiaries: -

Number of consolidated subsidiaries removed: -

Number of subsidiaries newly accounted for using equity method: -

Number of consolidated subsidiaries newly removed from the scope of the equity method: -

2. Consolidated earning projections for the fiscal year ending March 2006 (from April 1, 2005 to March 31, 2006)

	Operating income	Operating profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Half year	85,500	15,500	13,200
Full year	169,000	35,500	25,000

Projected net income per common share (full year): ¥48.25

* The above projections were prepared based upon information available as of the date disclosing this financial data and certain presumption the Bank considers reasonable and therefore actual business result may substantially change from this projections due to subsequent various factors.

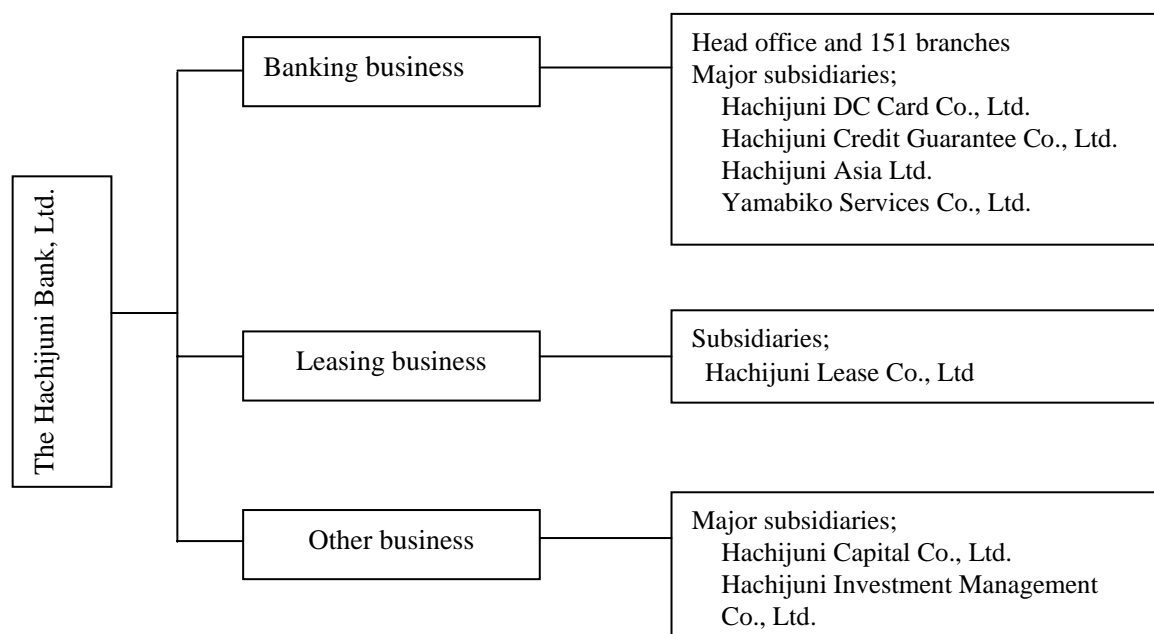
Status of the Corporate Group

1. Contents of business

The banking group (the bank and affiliated companies) consists of Hachijuni Bank, 11 subsidiaries (including one unconsolidated subsidiary). The banking group provides financial services including banking services as its primary services, leasing business and others.

2. Systematic diagram of our business

(Name of major companies)



3. Information on affiliated companies

There is no change in affiliated companies in the current fiscal year (consolidated).

Management policies

1. Basic management policies

The Bank aims to become an institution which is able to gain customers' trust by providing convenient "customer-first" services based upon the Bank's management philosophy to "stick to sound and healthy banking thereby contributing to the development of the regional communities".

In the drastically changing environment surrounding financial institutions, the Bank is trying very hard to win the trust from customers, shareholders and people in the regional communities as well as to respond to their expectations in providing financial services, contributing to the development of the regional economy and fulfilling social responsibilities in the communities. In order to achieve this goal, every one of officers and employees of the Bank commits to revolutionize their ideas and actions.

2. Basic policies on profit sharing

The Bank puts special emphasis on the maintenance of sound management and on the improvement of its financial strength by keeping sufficient retained earnings in view of the public nature of banking businesses. It is the Bank's basic policy to attach importance on stable dividend payment comprehensively taking into consideration its earning results, business environment and other factors.

Fortunately the Bank succeeded in achieving high-level earnings this fiscal year, and therefore it intends to increase its per-share year-end dividend payment by ¥0.50 to ¥4.00 to appreciate shareholders for their continuous support.

The Board of Directors meeting held in August 2004 has passed a resolution approving the Bank to purchase 3 million shares of its own stock with total acquisition price not exceeding ¥2,500 million. Based on this resolution, the Bank purchased 2,076 thousand shares of its own common stock with total acquisition price of ¥1,457 million. The Bank retired 10 million shares of its own stock in accordance with the Commercial Code Article 212 in February, 2005 (in total amount of ¥5,651 million).

The Bank will continue to give careful consideration to flexible capital policy depending on the situations.

3. Consideration and policies on deduction of investment unit

The enhancement of liquidity of the Bank's stocks is one of its priority issues. To provide better investment environment to investors, the Bank will consider lowering the minimum investment amount for investors taking into consideration the currently available fund for them to invest.

4. Management index target

The Bank has been pursuing on the achievement of the three-year long-term management plan beginning from fiscal year ended March 31, 2005. Management index goal to be achieved by fiscal year ending March 31, 2007 and results as of March 31, 2005 are shown in the following table.

Goal to be achieved in fiscal year ending March 31, 2007		Result of FY ended 3/31/2005
Return on equity (ROE)	6%	6.6%
Capital adequacy ratio	11%	(Preliminary) 11.94%
Core net business profit	¥40 billion	¥43.2 billion
Rate of core net business profit to total assets (ROA)	0.7%	0.77%
Rate of G&A expenses to core business gross profit (OHR)	59%	57.7%

5. Issues to be addressed

The promotion of deregulation in the financial business sector has been gaining its speed lately. Banks are now allowed to enter securities broking business; insurance products banks can sell have increased; and banking agency system has been overhauled. The unlimited government guarantee on deposits has been fully removed since April this year, and the Law Concerning Protection of Personal Information was enacted. While increases in crimes using forged credit cards and uses of fraudulent deposit accounts have become serious social issues. In these drastic environment changes, the Bank is expected to provide "safe custody services of financial assets including deposits", "financial products suitable to customers' needs", "supply of stable funds", and "accurate settlement services". The Bank is also required to offer increasingly sophisticated and diversified management consultation services to enhance enterprise values, consultation services for asset management, and advices for revitalization of the regional economy. To this end, the Bank must achieve further management reform and self-responsible management.

To meet the above mentioned expectations, the Bank set in the long-term management plan from fiscal year 2004 through 2006 a goal to become a banking group that "positively finds, challenges and quickly solves problems maintaining strong earning power and sound financial standings". This implies that the Bank aims to turn into an enterprise, which looks straight to customers' needs, feels warmly about customers and grows with the regional community.

To achieve this long-term management plan, the Bank put up a slogan of "enhancement of earning and risk management capabilities" as a management policy for the year ending March 31, 2006. To strengthen the earning power, the Bank will try hard to boost loan balances, strengthen each line of businesses, expand operation areas, and to improve quality of its assets' by assisting in customers' efforts for business revitalization and reducing nonperforming loans. To strengthen risk management capability, the Bank will improve response measures to prevent fraudulent withdrawal of deposits using forged or stolen cash cards, and safety measures protecting outside-of-branch ATM facilities. The Bank will also reinforce its system with which customers can use services of the Bank well at ease by ensuring employees' accountability for diversified financial products and services and by improving the level of its operation services.

The Bank will aim to provide the expected services and to distribute earning results faithfully to shareholders, customers, the regional communities and employees by steadily performing corporate social responsibility (CSR).

The Bank will also continue to focus on the enhancement of corporate governance and accurate disclosure of information and try to increase transparency and trustworthiness in its business management.

Owing to the concluding efforts made in the fiscal year ended March 31, 2005, the Bank achieved a certain success for the “Plan to Reinforce Relationship Banking Function” which has been worked for since the fiscal year ended March 31, 2004, and will continue to pursue promptly a “Financial Reform Program” which was released by the Financial Service Agency.

6. Basic policy of corporate governance and its implementation status

(Basic concept)

To further increase management soundness and transparency, and to achieve fair management, the Bank is aiming to make decisions in a more accurate and prompt manner, and to reinforce its business execution and monitoring functions.

The number of members of the Board of Directors was seventeen (17) in 1998, but it has been reduced to seven (7) by June 30, 2004, by which the efficiency of the Board has been improved. To reinforce decision-making and monitoring functions of the Board, it has expanded the ranges of matters to be resolved by and reported to the Board thereby trying to achieve fair management.

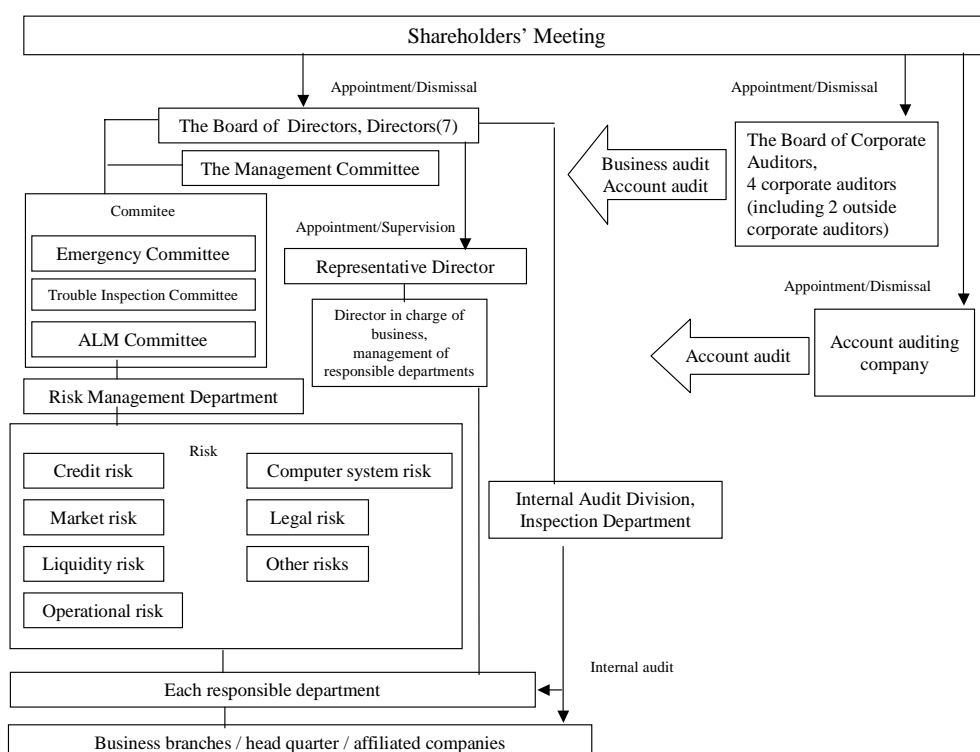
The Bank adopts a corporate auditor system and two (2) of the four (4) auditors are outside auditors. Each auditor strictly oversees the execution of duties by directors and the status of internal control practices of the Bank.

Regarding compliance matters, the Bank has established the Internal Compliance Regulation, and Compliance Manual, which are positioned as a code of conduct to be observed by officers and employees. In addition, the Board of Directors resolves a compliance program for each fiscal year, and its implementation status is reported to the Board in every semi-annual fiscal year.

(Policy achievement status)

(1) Status of business management organizations in relation to management decision-making scheme, business execution and monitoring and other corporate governance structure

(a) Organization of the Bank (as of March 31, 2005)



- The Management Committee consisting of managing directors and other directors with higher authorities prepares agendas to propose to the Board of Directors and discuss and resolve matters with higher degree of importance among normal businesses.
- In addition, the Board of Directors appoints ten (10) executive officers who assume duties of daily business execution under the supervision of the Board of Directors and representative directors.

(b) Arrangement status of internal control system and risk management system

Each department such as Loan Supervision Department, Financial Market Department, Operations Administration Department and other departments properly performs risk control responsibility and independently review its processes by internal check system. The Risk Management Department examines diversified risks management status of each department in an integrated fashion, and finds and controls the Bank's risk exposures. Key information relating to risk management is gathered by the Risk Management Department from each department and business office, and they are being reflected in decision-making by executives.

The Bank has established the ALM Committee composed mainly of executive officers to appropriately manage market, credit, and liquidity risk exposures and to effectively ensure profit by performing an appropriate distribution of required equity capital.

In addition, the Inspection Department, as an internal audit department independent from other business departments, examines statuses of business operations and risk management practices of each department and business branch, and points out matters to be corrected to them.

(c) Status of account audit

The Bank entered a contract with Deloitte Touche Tohmatsu which conducts accounting audit for the Bank.

Names and other information regarding certified public accountants belonging to Deloitte Touche Tohmatsu who performed accounting audit are as follows:

Names of CPAs who performed audit works	Continuous years of practices
Designated partner: Masaki Sato, Managing partner	4 years
Designated partner: Yoshio Iguchi, Managing partner	6 years
Designated partner: Riichiro Isohata, Managing partner	8 years

Continuous years of practices include a period before the Amended Certified Public Accountant Law was enacted in June 2003.

Auditors having assisted such audit works include 2 CPAs, 4 junior accountants, and other 3 staff.

(d) Others

Remuneration paid to directors and corporate auditors

Directors	¥169 million
Corporate auditors	¥44 million

(Note)

1. The limit of remuneration: For directors; ¥25 million a month, For corporate auditors; ¥4 million a month
2. Bonuses paid in accordance with the appropriation of income for the previous period are: For directors; ¥41 million, For corporate auditors; ¥6 million
3. The above directors and corporate auditors include 2 directors and 1 corporate auditor who resigned as of June 29, 2004.

Accountant's fee

Fees paid to Deroitte Touche Tohmatsu, an accounting firm for the Bank

The amount of fees for audit certification based on the audit contract: ¥30 million

(2) Interests between the Bank and outside corporate auditors (personal, capital, or business relations).

None of two outside corporate auditors of the Bank is a former employee of the Bank and its group companies, and there is no capital relationship between their employers and the Bank. There are no relations involving stakes between each outside auditor and the Bank other than normal banking transactions.

(3) Status of efforts to enhance corporate governance

Regulations of the Board of Directors were overhauled to achieve fair management and to enhance decision-making and supervisory functions in the fiscal year ended March 31, 2003. In addition, criteria for agendas to be proposed and matters to be reported to the Board have been made stricter and clearer.

7. Matters related to parent company

There is no parent company for the Bank.

8. Others (Status of efforts to address the issues)**(1) Improvement in core net business profit**

(A) Loan businesses

- (a) Regarding the loan businesses, which are a pillar of banking business as a whole, the Bank seeks to increase the outstanding balance of loans to adequately respond to various needs from customers and will continue to aim toward construction of interest rate system reflecting credit risks.
- (b) For loan businesses to individual customers, the Bank launched “housing loan attached with special cancer insurance agreement” and “housing loan utilizing on-peace work payment management system for construction fund” in August 2004. Since October 2005, a system has been launched to quickly respond to customers’ fund needs by introducing a scoring model for credit examination for unsecured loans for personal borrowers and overhauling loan products by the names of “Loans by Purposes” and “Hachini-no Kantakun (a boy’s name)”. Further, the Bank started to sell “fixed interest rate selection type 15 year-loan” as one type of products for “housing loans” and “large-lot free loans” in January 2005 in the forefront of other financial institutions in Nagano Prefecture. Outstanding loans to individual customers were ¥834.8 billion as of March 31, 2005, an increase of ¥40.9 billion during the fiscal year, of which ¥725.6 billion represents the outstanding balance of housing related loans. Outstanding balance of “Hachini-no Kantakun (a boy’s name)” series, which was launched to make available for customers to use in “quicker and simpler” ways, increased approximately to ¥11.0 billion as of March 31, 2005.
- (c) Also with regard to loans for corporate customers, the Bank puts emphasis on development of loan products pledged by guaranty of Credit Guaranty Association that could meet various needs of medium and small size corporations. The Bank adopted in May 2004 a scoring model for credit examination for loan products named “Skillful Management 30” and “Skillful Management 100” which enable customers to borrow sizable sum of working funds without collaterals, to quickly respond to customers’ needs. In addition, the Bank launched “Skillful Management 10” for the self-employed customers in July 2004. As a result, the outstanding balance of loans with guarantees by Credit Guaranty Association reached ¥332.6 billion at March 31, 2005.

In addition, the Bank started sales of a new product by the name of Shinshu-Eco-Bond “Sanshi Suimei” (private placement bond with bank guarantee for environment sensitive enterprises) from March 2005 to customers who have obtained ISO 14001 certification which is an international standard for environmental conservation.

(B) Market investment business

The Bank aims to strengthen its response measures to cope with a declining trend of securities yields, by continuously challenging core-portfolio management centering on Japanese government bonds as well as management of securitized financial products, foreign bond investment and outsourcing management. The Bank will focus on simultaneous pursuit for securing profit and realizing risk diversification. With regard to outsourcing management in particular, the Bank has been making efforts to improve its performance, for instance, by the effect of portfolio reconstruction and other measures.

(C) Improvement in fees and commissions

The Bank is striving toward enhancing its profitability trying hard to provide various business solution services to customers by working hard on sales of investment trust, insurance products and any other businesses generating attractive fee income (defined contribution pension, M&A, underwriting of private placement bonds, factoring services, etc.). The Bank will continue to challenge the reinforcement of its profitability taking into consideration the establishment of proper fee schedules.

(2) Reinforcement of business organization

- (A) The Bank sets an aspiration of becoming an organization of which services are satisfied by customers by transforming its business organization to a cost and profit oriented structure, focusing much on “the reinforcement of competency in banking business and the improvement of profitability”. The Bank tries to increase the number of specialized staff members of each department who are responsible to serve customers promptly in response to their diverse needs in cooperation with branches. The Bank assigned area money advisors (MA) with high expertise to various districts in Nagano Prefecture to strengthen its selling power of investment type financial products such as investment trusts, foreign currency deposits, municipal bonds and annuity insurances. Further, the Bank assigned staff responsible for a defined contribution pension system at each branch to respond to the needs of customers for implementing such pension plan.
- (B) As a new service channel to respond to a wide range of borrowing needs of individual customers, the Bank

established “Loan Plaza” in Suwa-minami Branch in September 2004, where special staff with ample expertises and experiences in consumer loan businesses will provide consultation services to customers regarding housing loans and other consumer loans. Now the Bank has eight of such plazas in Nagano Prefecture. These plazas are open even on Saturday, Sunday and holidays (except New Year’s Eve and Day) so that the Bank can respond to customers’ borrowing needs at any time.

- (C) Concerning branch networks, the Bank merged Matsumoto-Ryuutsuudanchi Branch into Minami-matsumoto Branch in September 2004, and merged Someya Branch into Uedahigashi Branch in January 2005. The Bank continues to reinforce and boost efficiency of business promotion functions by enhancing ties among neighboring branches.
- (D) With regard to outside-of-branch quick service corners, ATMs installed in nationwide outfits of Lawson, Inc and Seven-Eleven Japan Co., Ltd. (hereinafter “Convenient Store ATM”) have been made available by the alliance with Lawson ATM Networks Co., Ltd., and with I.Y. Bank Ltd. In addition, the Bank entered into ATM alliance with Japan Post in October 2004. Under these circumstances, the Bank continues to proactively establish efficient service networks to improve convenience for customers by shifting the services using existing outside-of-branch quick service corners to those with Convenient Store ATMs.
- (E) Concerning the Internet banking services for individual customers, the Bank has won more than 43,000 subscriptions by March 31, 2005 with the number of its usages exceeding around 260,000 during March 2005. In addition, the Bank upgraded the function level of the Internet Banking Services for corporations (“NET EB”) in November 2004, with which it worked hard on providing support for the reform of accounting related clerical works of corporations and self-employed individuals. As a result, the number of subscriptions reached more than 6,800 as of March 31, 2005.
- (F) The Bank has established representative offices in Shanghai and Singapore in addition to Hong Kong Branch and a local subsidiary in Hong Kong to support customers in making inroads to Asia. Especially in Hong Kong, the Bank serves diversified customer needs through the Branch there that handles lending, deposit and foreign exchange businesses, and its subsidiary that is engaging in leasing businesses.

(3) Reinforcement of profit base

- (A) In order to improve profitability, the Bank works positively toward expansion of its business fields. With regard to insurance businesses, the Bank launched a product by the name of “Smart Design 10” pension source guarantee type variable annuity insurance in November 2004. The bank received applications for individual pension insurance, which would make total of subscription exceed about 29,000 by the end of fiscal year 2004. Concerning investment trust products for individual customers, the outstanding balance marked ¥104.2 billion as of March 31, 2005, an increase of ¥42.0 billion during the period, owing to successful sales promotion centering on risk reduction type funds. The Bank accepted the applications for system consignment contracts from 53 businesses by the end of fiscal year 2004 as a result of aggressive provision of consultation to such companies giving consideration to the introduction of defined contribution pension plan.
- (B) Concerning asset management business, the Bank has further reinforced risk management functions for borrowers’ credits using “new self-assessment system”. In addition, the Bank performs calculation of quantified credit risk exposure and makes it reflect on pricing and portfolio management corresponding to such risk exposures.
- (C) To reinforce activities to assist and respond more widely to customers’ efforts to improve and revitalize their businesses, the Bank has established Credit Department consolidating Loan Supervision Department No.1 and No.2 in June 2004, and also established a dedicated team, “Business Support Office” within the new Department. The Bank positioned a two-year period (fiscal 2003 and 2004) as a “Response Reinforcement Period”, and during such period, the Bank had taken intensive measures to improve its assets’ quality. To further improve the quality of its assets, the Bank decided to extend the period for another one year. With regard to disposal of nonperforming loans, “Yamabiko Services Co., Ltd.”, a subsidiary of the Bank, is now supporting the prompt disposal and collection of bad debts of the Bank.
- (D) While the Bank has continued its attempt to achieve further cost reduction even in the fiscal year of 2004, it also has focused on personnel reduction to slim down its business organizations, and it plans to reduce 400 employees during a three-year period from April 2004 to March 2007.
- (E) Concerning the operation system, the Bank has proceeded with a sharing project with “Juudan-kai” organized by our Bank and other seven regional banks (Ryukyu Bank, Shinwa Bank, Yamagata Bank, Awa Bank, Miyazaki Bank, Kanto Tsukuba Bank and newly joined Musashino Bank), which are using the same infrastructure system with our Bank. In January 2005, Yamagata Bank completed its migration process to a

shared version of the system following Awa Bank, which has completed last year.

(4) Reinforcement of risk management

- (A) The Bank has established Risk Management Department in the Head Quarter charged with responsibility to find, monitor and control risk exposures in an integrated fashion, by aggregating key information concerning risks incidentally arising from integrated risk management operations, and by examining diversified risk management status of each department. The Department is performing integrated risk management by establishing and controlling risk limit for each department based on a proportionate shareholders' equity allocated to each department corresponding to the estimated maximum risk quantity exposing to such department.
- (B) "The Personal Information Protection Law" was enacted in April 2005. The Bank positions information related to customers as most critical information assets, and established rules and standards requiring officers and employees to observe obligations to keep them confidential, and to treat such information assets appropriately, and also implemented a restrictive measures for access to an information protection system. The Bank will further improve its system so that customers can use the Bank's services well at ease.

(5) Others

(A) Reform of corporate culture

- (a) With regard to the personnel system, to respond to the change of the times changes with the understanding that thorough personnel system reform is required, the Bank has shifted its personnel system to a new one since the fiscal year 2003. The new system wiped out consideration of seniority factors and makes "the degree of contribution to the organization and business performance" a base for determining compensation and benefits for employees. It has made the new system firmly established in the organization by reviewing some part of the performance evaluation methods in the fiscal year 2004.
- (b) The Bank has worked hard to transform branches to those that can win customers' endorsement by setting its action goals for employees "to act [vigorously] and [aggressively] by demonstrating [wisdom] in accordance with the basics of customer-first principle" as a CS campaign slogan. The Bank will ensure employees' accountability for diversified financial products and services, improve the level of its operation services, by which it will continue to try to set up a business organization where customers feel comfortable to consult with and where we can provide products and services most suitable to customers' needs

(B) Progress status of the plan to reinforce relationship banking function

The Bank achieved a certain result owing to concluding efforts of fiscal year ended March 31, 2005 for the "Plan to Reinforce Relationship Banking Function" having been worked for since the fiscal year ended March 31, 2004. The Bank established an investment fund in the amount of ¥700 million in September 2004 for the purpose of finding, supporting and fostering small and medium enterprises with future growth potentials. The investment results during the period of this plan to reinforce relationship banking function were ¥1,500 million for 53 projects. In addition, the Bank launched a consolidated management support services by the name of "Hachijuni Business Square" in October by which it provide consultation for inquiries or issues on management and for the setting of business negotiations through a website on the Internet. It succeeded in receipt of subscriptions exceeding 2000 by the end of this term.

Details of progress status of the plan are stated in the Attachment II.

(C) Efforts on corporate social responsibilities (CSR)

- (a) The Bank positions the efforts for environment protection as the core for "corporate social responsibilities" (CSR), and is deploying energetic environment activities, by advocating a slogan of "Ecology Bank Hachijuni". With the "Environment Office", which was established on the occasion of expansion of the application of ISO 14001 to entire branches at the core, the Bank has arranged an organizational system to continuously and expansively tackles with environmental protection issues. From this time on too, the Bank will further strengthen the environment management system, will harmonize ecology and economy through corporate activities, and will perform activities to contribute to the improvement of the regional community's environment.
- (b) Due to the Bank's steady corporate activities, it has been registered as an investment target company for social responsibility investment funds and its shares have been selected by social responsibility investment index (FTSE4Good Index). In addition, stocks of the Bank were also selected as a component issue of the Dow-Jones Sustainability World Index in September 2004, for straight five years as only one bank in Japan.

Business Performance and Financial Standings

1. Summary of business performance

A trend of recovery of the economy in Nagano Prefecture, which is the primary business territory for the Bank, has gained its speed led by robust exports through the middle of fiscal year ended March 31, 2005. However, full-fledged recovery is yet to be achieved because the pace of the recovery has slowed down in general with a sign of weakness in some manufacturing sectors being seen in the latter half of the fiscal year.

In the demand aspect, although some brightness was visible in capital investments, housing investments and public investments remained sluggish. The employment conditions improved with an increase in non-scheduled working hours mainly in the manufacturing sector, the income environment for the employed continued to be severe and therefore personal consumption fluctuated between growth and decline.

On the financial front, although short-term interest rates kept stability at a low level helped by continued quantitative monetary easing policy, long-term interest rates temporarily rose due mainly to mounting expectation for departure from deflation. 10-year Japanese government bond yield, however, declined to a level of 1.3% at the fiscal year end affected by growing cautious view over the course of the economy as sharp rise in crude oil prices was seen thereafter. In such economic environment, funds demand continued to be weak.

Although the Nikkei Stock Average jumped to the level of 12,000 points in April, the highest in the past three years, it remained in the level of 11,000 points at the fiscal year end.

Under these economic environments, the consolidated business results of the Bank are as follows:

Operating profit and net income marked ¥44,186 million and ¥26,138 million respectively attributing primarily to an increase in non-consolidated earnings which were helped by a decline in losses related to sale of Japanese government bonds and others and reduction of general and administrative expenses.

Non-consolidated business results, which account for major portion of the consolidated results, are as follows:

Operating income decreased ¥134 million from a year earlier to ¥126,120million, due to decreases in "Other business income" such as gains related to sale of Japanese government bonds and others and in "Other operating income" such as profit on money in trust although interest income and fees and commissions increased.

Operating expenses declined ¥5,424 million from a year earlier to ¥86,440 million, attributing to a decrease in "Other expenses" such as losses related to sale of Japanese government bonds and others and in business expenses helped by reduction of general and administrative expenses although "Other business expenses" including losses on sales of credit claims and losses on money in trust went up, and funding cost also increased due to rises in overseas interest rates.

As a result, the Bank posted an operating profit of ¥39,680 million, up ¥5,289 million year-on-year, and a net income of ¥25,525million, up ¥3,362 million year-on-year, as net extraordinary gains stood at ¥2,387 million that was almost the same as those of a year earlier.

Business results by business segments: Banking business sector marked an operating profit of ¥41,391 million, while leasing business recorded an operating profit of ¥2,686 million and other businesses, an operating profit of ¥114 million.

Projections of consolidated earnings for the fiscal year ending March 31, 2006: Consolidated operating profit and net income are projected to be ¥35,500 million and ¥25,000 million, decreases of ¥8,600 million and ¥1,100 million from a year earlier respectively.

Projections of non-consolidated earnings for the fiscal year ending March 31, 2006: Non-consolidated operating profit is projected to be ¥32,500 million, down ¥7,100 million from a year earlier mainly because profit on money in trust will worsen and interest income will decrease although credit related expenses will decrease. Non-consolidated net income is projected to be ¥24,500 million, down ¥1,000 million from a year earlier owing to the posting of ¥8,200 million in extraordinary gains due to change in retirement benefit accounting principle which requires the Bank to state unrecognized pension assets as income.

2. Summary of financial standings

Results of consolidated main accounts are as follows:

Outstanding balance of deposits increased 37.7 billion from a year earlier to ¥5,091.5 billion, owing to an increase in deposits from corporations.

Outstanding balance of loans and bills discounted dropped 3.3 billion during the period to ¥3,698.5 billion as of the end of the current fiscal year due to weak demand for business funds although consumer loans increased.

Outstanding balance of securities increased 35.8 billion to ¥1,547.1 billion making efforts to concentrate on asset management to secure stable earnings by carefully watching the market trend.

Results of non-consolidated major accounts are as follows:

Outstanding balance of deposits increased ¥38.4 billion during the period to ¥5,101.9 billion. Outstanding balance of public bonds, such as Japanese Government Bonds for retail investors deposited with the Bank jumped ¥72.3 billion to ¥335.8 billion and investment trusts increased ¥42.0 billion to ¥104.2 billion.

Outstanding balance of loans and bills discounted marked ¥3,755.8 billion, little change from a year earlier.

Outstanding balance of securities increased ¥32.9 billion to ¥1,534.2 billion

Consolidated cash flows: Net cash provided by operating activities was ¥99.4 billion owing to an increase in net income before income taxes and others, deposits, and negotiable certificate of deposits. Net cash used in investment activities marked ¥41.9 billion due to purchase of securities and other factors. Net cash used in financing activities was ¥4.5 billion attributing to purchase of treasury stocks and dividends payment. As a result, outstanding balance of cash and cash equivalents increased ¥52.9 billion during the period to ¥209.6 billion.

Risk adjusted capital ratio (BIS standards) (preliminary basis) was 12.18% for consolidated basis and 11.94% for non-consolidated basis. Consolidated and non-consolidated capital ratio rose by 0.82% and 0.74% respectively from the fiscal year ended March 31, 2004.

The total consolidated and non-consolidated outstanding balances of **assets under risk management** such as loans to customers in bankruptcy and past due loans and others marked ¥249.9 billion and ¥ 248.5 billion, a decrease of ¥68.6 billion and ¥62.2 billion from the previous fiscal year respectively, which is the result of efforts made to improve the assets' quality.

3. Risk factors

Major risk factors related to business and result of operations of the Bank and its group companies, which may have material impact on investors' judgment, are described as follows. The Bank takes necessary measures to prevent such events from occurring and responds quickly and appropriately when such events do occur with full recognition of the likeliness for such events to occur.

(The followings are based on the information, which is available at the current fiscal year end.)

(1) Credit risk

Risks, which may incur losses to the Bank because, contracted repayments for credit facilities (loans, securities and market transaction related) are not performed in accordance with agreements due to deteriorated borrowers' business conditions.

(2) Market risk

Risks, which may incur losses to the Bank due to changes in, market risk factors such as prices or interest rates.

(3) Liquidity risk

Risks which may occur to the Bank because the Bank becomes unable to raise funds due to unexpected changes in economic environment or its own credit standings, or it is forced to raise funds under unusually and considerably disadvantageous terms and conditions.

(4) Operational risk

Risks impairing the Bank's earnings or credibility due to the occurrence of accidents or troubles caused by operational errors by intention or by negligence.

(5) Computer system risk

Risks which may cause errors in system development, or troubles or disaster, data damage, or fraudulent operations inherent to data processing by computer.

(6) Legal risk

Risks, which may arise due to uncertainty in legitimacy for transactions or insufficient compliance, and risks generated by future changes in laws.

(7) Other risks

Any risk other than those from the above (1) through (6) such as systemic risk, reputation risk or information asset risk.

ANNUAL CONSOLIDATED BALANCE SHEET

(Millions of yen)

Items	As of March 31, 2005 (A)	As of March 31, 2004 (B)	Increase/(Decrease) (A)-(B)
(ASSETS)			
Cash and due from banks	317,251	243,200	74,051
Call loans and bills bought	34,098	47,440	(13,342)
Receivables under resale agreement	579	559	20
Commercial paper and other debt purchased	45,894	37,632	8,261
Trading assets	20,792	10,592	10,199
Money held in trust	24,466	31,272	(6,805)
Securities	1,547,129	1,511,249	35,880
Loans and bills discounted	3,698,562	3,701,904	(3,342)
Foreign exchanges	22,626	20,571	2,055
Other assets	71,188	93,202	(22,013)
Premises and equipment	120,106	119,395	710
Deferred tax assets	3,043	3,184	(140)
Customers' liabilities for acceptances and guarantees	76,637	78,629	(1,991)
Reserves for possible loan losses	(101,311)	(133,853)	32,542
Reserve for possible investment losses	(364)	(199)	(164)
Total assets	5,880,702	5,764,782	115,919
(LIABILITIES)			
Deposits	5,091,590	5,053,870	37,720
Negotiable certificate of deposits	95,191	54,877	40,313
Call money and bills sold	21,580	21,503	76
Payables under repurchase agreement	579	559	20
Margin money for bond lending transactions	27,227	21,215	6,011
Trading liabilities	14,817	6,330	8,486
Borrowed money	35,539	38,783	(3,244)
Foreign exchanges	1,032	1,142	(110)
Other liabilities	72,220	76,466	(4,245)
Reserve for employee retirement benefit	14,037	15,875	(1,838)
Deferred tax liabilities	18,983	7,400	11,582
Acceptances and guarantees	76,637	78,629	(1,991)
Total liabilities	5,469,437	5,376,656	92,781
(Minority interest in consolidated subsidiaries)			
Minority interest in consolidated subsidiaries	10,872	8,535	2,337
(SHAREHOLDERS' EQUITY)			
Capital stock	52,243	52,243	—
Capital surplus	28,540	28,509	30
Retained earnings	236,309	218,982	17,327
Gains on valuation of other securities	94,015	94,696	(680)
Foreign exchange conversion	(443)	(380)	(63)
Treasury stock	(10,274)	(14,460)	4,186
Total shareholders' equity	400,391	379,591	20,800
Total liabilities, minority interest and shareholders' equity	5,880,702	5,764,782	115,919

ANNUAL CONSOLIDATED STATEMENT OF INCOME

(Millions of yen)

Items	For the year ended March 31, 2005 (A)	For the year ended March 31, 2004 (B)	Increase/ (Decrease) (A)-(B)
Operating income	175,530	177,791	(2,260)
Interest income	99,293	98,327	966
Interest on loans and discounts	71,881	72,852	(970)
Interest and dividends on securities	24,816	23,648	1,168
Interest on call loans and bills bought	286	226	59
Interest on receivables under resale agreement	0	0	0
Interest on deposits	145	105	39
Other interest received	2,163	1,494	669
Trust fees	0	0	0
Fees and commissions	21,439	19,264	2,175
Trading income	572	352	220
Other business income	46,353	49,673	(3,320)
Other operating income	7,871	10,173	(2,302)
Operating expenses	131,343	140,172	(8,828)
Interest expenses	10,809	9,283	1,526
Interest on deposits	3,744	2,998	745
Interest on negotiable certificate of deposits	19	19	0
Interest on call money and bills sold	449	480	(30)
Interest on payables under repurchase agreement	0	0	0
Interest on margin money for bond lending transactions	455	234	220
Interest on borrowed money	355	444	(88)
Other interest paid	5,785	5,105	679
Fees and commissions	4,520	4,036	483
Other business expenses	42,145	51,392	(9,246)
General and administrative expenses	63,640	67,594	(3,954)
Other operating expenses	10,228	7,864	2,363
Transfer to reserve for possible loan losses	636	3,141	(2,505)
Other operating expenses	9,592	4,723	4,869
Operating profit (loss)	44,186	37,619	6,567
Extraordinary gains	2,999	4,140	(1,141)
Gains from disposal of premises and equipment	1,090	806	284
Bad debt recovered	11	5	6
Other extraordinary gains	1,896	3,329	(1,432)
Extraordinary losses	677	874	(196)
Loss from disposal of premises and equipment	677	874	(196)
Income (loss) before income taxes and others	46,508	40,886	5,622
Income tax-current	6,057	7,416	(1,358)
Income tax-deferred	12,091	9,008	3,083
Minority interest	2,219	1,512	707
Net income	26,138	22,948	3,190

ANNUAL CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

Items	For the year ended March 31, 2005 (A)	For the year ended March 31, 2004 (B)	Increase/ (Decrease) (A)-(B)
(Capital Surplus)			
Balance of capital surplus at the beginning of the term	28,509	28,509	—
Increase in capital surplus	30	—	30
Gain on disposal of treasury stock	30	—	30
Balance of capital surplus at the end of the term	28,540	28,509	30
(Retained Earnings)			
Balance of retained earnings at the beginning of the term	218,982	198,765	20,217
Increase in retained earnings	26,138	22,948	3,190
Net income for this term	26,138	22,948	3,190
Decrease in retained earnings	8,811	2,731	6,080
Cash dividends paid	3,113	2,696	416
Directors' bonuses	47	34	12
Retirement of treasury stock	5,651	—	5,651
Loss on disposal of treasury stock	—	0	0
Balance of retained earnings at the end of the term	236,309	218,982	17,327

ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	For the year ended March 31, 2005 (A)	For the year ended March 31, 2004 (B)	Increase/ (Decrease) (A)-(B)
I Cash flows from operating activities			
Net income (loss) before income taxes and others	46,508	40,886	5,622
Depreciation and amortization	31,456	35,547	(4,091)
Increase (decrease) in reserve for possible loan losses	(32,542)	(16,269)	(16,272)
Increase (decrease) in reserve for possible investment losses	164	(89)	254
Increase (decrease) in reserve for employees retirement benefit	(1,838)	(168)	(1,670)
Interest income recognized on statement of income	(99,293)	(98,327)	(966)
Interest expenses recognized on statement of income	10,809	9,283	1,526
Net loss (gain) on securities	(344)	5,225	(5,570)
Net loss (gain) on money held in trust	(1,614)	(4,129)	2,514
Foreign exchange loss (gain)	4	26	(22)
Net loss (gain) on sales of premises and equipment	(413)	67	(481)
Net decrease (increase) in trading assets	(11,292)	(2,130)	(9,162)
Net increase (decrease) in trading liabilities	8,036	1,379	6,657
Net decrease (increase) in loans	3,329	28,826	(25,497)
Net increase (decrease) in deposits	37,794	(30,464)	68,259
Net increase (decrease) in negotiable certificate of deposits	40,313	7,227	33,085
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(3,244)	(5,333)	2,089
Net decrease (increase) in call loans	5,060	(26,047)	31,107
Net increase (decrease) in call money	96	(13,147)	13,244
Net decrease (increase) in due from banks excluding from BOJ	(21,071)	(25,680)	4,609
Net increase (decrease) in margin money for bond lending transactions	6,011	12,197	(6,185)
Increase (decrease) in foreign exchanges (assets)	(2,055)	(3,688)	1,632
Decrease (increase) in foreign exchanges (liabilities)	(110)	(1,169)	1,059
Interest income (cash basis)	102,022	93,343	8,679
Interest expenses (cash basis)	(10,627)	(11,524)	896
Others	(2,017)	11,954	(13,971)
Sub-total	105,143	7,797	97,345
Tax and others paid	(5,678)	(11,274)	5,595
Net cash provided by (used in) operating activities	99,464	(3,476)	102,940
II Cash flows from investing activities			
Purchases of investment securities	(351,050)	(631,717)	280,667
Proceeds from sales of investment securities	161,033	383,749	(222,715)
Proceeds from the maturity of investment securities	170,239	188,643	(18,403)
Increase in money held in trust	(7,713)	(8,044)	330
Decrease in money held in trust	16,134	21,148	(5,014)
Purchases of premises and equipment	(33,269)	(28,225)	(5,044)
Proceeds from sales of premises and equipment	2,721	5,173	(2,452)
Net cash provided by (used in) investing activities	(41,904)	(69,272)	27,368
III Cash flows from financing activities			
Decrease by the purchase of treasury stocks	(1,620)	(10,705)	9,084
Proceeds from sales of treasury stocks	185	4	181
Dividends paid	(3,113)	(2,696)	(416)
Dividends paid to minority shareholders	(26)	(15)	(11)
Net cash provided by (used in) financing activities	(4,574)	(13,412)	8,838
IV Effect of exchange rate changes on cash and cash equivalents	(4)	(26)	22
V Net increase (decrease) in cash and cash equivalents	52,981	(86,187)	139,169
VI Cash & cash equivalents at beginning of fiscal year	156,676	242,864	(86,187)
VII Cash & cash equivalents at end of fiscal year	209,658	156,676	52,981

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Item	Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
1. Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 10 Names of consolidated subsidiaries Hachijuni Business Service Co., Ltd. Hachijuni Staff Service Co., Ltd. Hachijuni Asia Ltd. Yamabiko Service Co., Ltd. Hachijuni Lease Co., Ltd. Hachijuni DC Card Co., Ltd. Hachijuni Credit Guarantee Co., Ltd. Hachijuni Capital Co., Ltd. Hachijuni Investment Management Co., Ltd. Hachijuni System Development Co., Ltd.</p> <p>(2) Unconsolidated subsidiaries: Name of unconsolidated subsidiary Kodama Investment Limited Private Company The total assets, operating income, net income (based on owned interest), and retained earnings (based on owned interest) of the unconsolidated subsidiaries have not material effect to the extent that it would interfere with the reasonable judgment of the group's financial conditions and business performance. Therefore, it is not included in the consolidated financial statements.</p>
2. Use of the equity method	<p>(1) Unconsolidated subsidiaries accounted for using the equity method: N/A</p> <p>(2) Affiliated companies accounted for using the equity method: N/A</p> <p>(3) Unconsolidated subsidiaries not accounted for using the equity method. Name of the company: Kodama Investment Limited Private Company Net income (based on owned interest) and retained earnings (based on owned interest) of this subsidiary has no material effect on the Bank's consolidated statements even though it is not accounted for using equity method. Therefore this subsidiary is excluded from those subject to equity method.</p> <p>(4) Affiliated companies not accounted for using the equity method N/A</p>
3. Fiscal year end of the consolidated subsidiaries	<p>(1) The consolidated subsidiaries' fiscal year ends as follows. December 31: 1 March 31: 9</p> <p>(2) Consolidation is based on consolidated subsidiaries' financial statements as of each fiscal year end. Necessary adjustment has been made for significant transactions between the subsidiary's fiscal year end and March 31.</p>
4. Significant accounting policies	<p>(1) Accounting standards for income/expenses on trading assets and liabilities: Transactions for "trading purposes" for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets are included in "Trading assets" and "Trading liabilities" of the consolidated balance sheet on a trade date basis. Profits and losses on such trading transactions are recognized in "Trading income" or "Trading expenses" of the consolidated statements of income on a trade date basis.</p> <p>Trading securities and monetary claims purchased for trading purposes are stated at market value at the fiscal year end. Trading related financial derivatives such as swaps, futures or options are stated at the estimated amount that would be received or paid for settlement if such transactions were</p>

Item	Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
	<p>terminated at the fiscal year end.</p> <p>The amount of the above trading income and expenses stated in the statement of income are the sum of interest received or paid in cash during the current period plus (i) in the case of securities and monetary claims purchased; the difference between valuation gains or losses as of the beginning of the current period and those as of the end of the current period; or (ii) in the case of trading related derivatives; the difference between the amount of gain or loss equivalents as of the beginning and end of the period for settlement if such transactions were terminated at the fiscal year end.</p>
	<p>(2) Securities:</p> <p>(i) Bonds held to maturity are stated at amortized (straight-line method) cost determined by the moving-average method. Other securities with market values are stated at the market value (costs of sales are normally calculated by moving-average method) at the fiscal year end and other non-marketable securities are stated at cost or amortized cost determined by the moving average method. Gains (losses) on valuation of other securities are included in shareholders' equity, net of income taxes.</p> <p>(ii) Securities managed as trust assets included in Money Held in Trust solely managed for security trading purpose are stated at the market value.</p>
	<p>(3) Derivative transactions: Derivative transactions for purposes other than trading are stated at market value.</p>
	<p>(4) Method of depreciation and amortization</p> <p>(i) Premises and equipment The amount of depreciation for the Bank's premises and equipment are estimated using declining-balance method principally over the useful lives as follows: Buildings: 2 -50 years Equipment: 2 - 20 years Depreciation for premises and equipment of consolidated subsidiaries are as follows: Lease assets (Lessor's assets): using straight-line method over the lease period as their useful lives, making the estimated disposal value of the lease assets at expiration their residual values Others: mainly by declining-balance method</p> <p>(ii) Software The Bank and its consolidated subsidiaries amortize software for their internal use, which is included in "Other assets", using straight-line method over the useful lives as determined. (5 years)</p>
	<p>(5) Booking standards for reserve for possible loan losses</p> <p>A reserve for possible loan losses of the Bank is provided as detailed below, pursuant to the internal rules for charge-off and reserve standards.</p> <p>For claims to debtors who are legally bankrupt (due to bankruptcy, composition, suspension of transactions with banks by the rules of clearing houses, etc.) or virtually bankrupt, a reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to debtors who are not virtually bankrupt at present but are likely to become bankrupt, a reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of</p>

Item	Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
	<p>amounts expected to be collected through disposal of collateral or execution of guarantees.</p> <p>In case of debtors under close observation and borrowers with restructured loans, if the total loans from the Bank exceed a certain amount, reserves are provided as follows: (i) if future cash flows of the principal and interest to be collected and received can be reasonably estimated, the discounted cash flow method is applied, where the reserve is determined as the difference between the book value and the present value of expected future cash flows discounted by the contractual interest rate before concession for loan conditions were granted, and (ii) if future cash flows of the principal and interest cannot be reasonably estimated, the remaining loan periods are individually calculated and the estimated loss amount for a certain future period corresponding to such remaining loan period is provided as a reserve.</p> <p>For claims to other debtors, a reserve is provided based on historical loan loss ratio computed for each loan loss result during a certain period in the past.</p> <p>All claims are being assessed for their quality by the business related sections and loan supervision sections, based on the internal rules for self-assessment of asset quality and the loan administration section, which is independent from branches and credit supervision departments, conducts audits of their assessment, and a reserve is provided based upon such audit results.</p> <p>Reserve amount for consolidated subsidiaries are provided as deemed necessary in accordance with the internal rules for charge-off and reserve standards prescribed by the Bank.</p>
	<p>(6) Reserve for possible investment losses</p> <p>Losses likely incur to non-marketable securities in future is estimated and the required amount based on such estimate is provided as a reserve for possible investment losses.</p>
	<p>(7) Reserve for employee retirement benefit</p> <p>Reserve for employee retirement benefit is provided for the payment of employees' retirement benefit based on estimated amounts of the actuarial retirement benefit obligation and the pension assets as of fiscal year end. Net actuarial gain (loss) is amortized as follows:</p> <p>Past service liabilities: Total amount is recognized as income or expense in the statement of income for the fiscal year of incurrence.</p> <p>Net actuarial gain (loss): Net actuarial gain (loss) is amortized using the straight-line method over a certain number of years (generally 10 years) within the employees' average remaining service period commencing from the next fiscal year of incurrence (stated as either income or expense in the statement of income).</p>
	<p>(8) Translation standard of foreign currency assets and liabilities</p> <p>Foreign currency assets and liabilities of the Bank and its overseas branches are principally translated into yen equivalents at the exchange rates prevailing at consolidated fiscal year end.</p> <p>Consolidated subsidiaries' assets and liabilities in foreign currency are translated into the yen equivalent at the exchange rate of the fiscal year end.</p>
	<p>(9) Equipment used under finance lease agreement</p>

Item	Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
	<p>The Bank's and its domestic subsidiaries' equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those leases which transfer the ownership of the leased equipment to the lessee, in which case the equipment is capitalized.</p> <p>(10) Significant hedge accounting method</p> <p>(i) Interest rate risk hedge</p> <p>As for the hedge accounting for interest rate risks arising from financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry" issued by the JICPA. With regard to hedging activities offsetting changes in interest rate, the Bank assesses the effectiveness of such hedge by grouping the hedged items (such as deposits and loans) and the hedging instruments (such as interest swaps) by their maturities. As for hedges to fix cash flows, the Bank assesses the effectiveness of such hedges by verifying correlation of interest fluctuation factors between the hedged items and the hedging instruments.</p> <p>Deferred hedge gains and losses resulted from the application of the past macro-hedge method based on "Tentative Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry"(JIPCA Industry Audit Committee Report No. 15), under which the overall interest rate risks inherent to loans, deposits and other instruments are controlled on a macro-basis using derivatives are amortized as "interest income" or "interest expenses" over two years beginning from the fiscal year 2003, according to remaining maturity and notional amounts of hedging instruments designated by the "macro hedge" accounting.</p> <p>There was no deferred hedge loss based on the "macro hedge" at the end of this fiscal year.</p> <p>(ii) Foreign exchange risk hedge</p> <p>With respect to hedge accounting for foreign exchange risks attributable to foreign-currency denominated financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25)</p> <p>The Bank assesses the effectiveness of such hedge by designating currency swap transactions and foreign exchange swap transactions, which are for the purpose of offsetting foreign exchange rate risks involved in these assets and liabilities, as hedging instruments, and by verifying the existence of foreign currency positions of such hedging instruments matching up to the foreign-currency-denominated assets and liabilities, the hedged items.</p> <p>(iii) Transactions between consolidated subsidiaries, etc.</p> <p>With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap transactions and currency swap transactions designated as hedging instruments in conformity with the non-arbitrary and strict hedging criteria for mirror transactions with the third parties against these swap transactions stipulated in the Industry Audit Committee Report No.24 and 25. Therefore the Bank reported the gains and losses on these swap transactions in the current earnings or deferred as assets or liabilities without elimination.</p> <p>For a part of assets and liabilities, the Bank applies deferral hedge accounting, fair value hedge accounting or exceptional treatments permitted</p>

Item	Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
	<p>for interest rate swaps.</p> <p>Domestic consolidated subsidiaries apply exceptional treatments permitted for interest rate swaps.</p> <p>(11) Consumption taxes</p> <p>In the accounting treatment of the Bank and its domestic subsidiaries, the National Consumption Tax and the Local Consumption Tax are excluded from the transaction amounts.</p>
5. Evaluation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of consolidated subsidiaries are evaluated using full market value method.
6. Amortization of consolidation goodwill	Consolidation goodwill was entirely amortized in the fiscal year when it accrued.
7. Treatment of income appropriation items	Statement of Retained Earnings was prepared based on income appropriation finalized during the consolidated accounting period.
8. Annual consolidated statement of cash flows	The cash stated in the annual consolidated statement of cash flows are cash and deposits due from the Bank of Japan, which are included in the “Cash and due from banks”, an account of the annual consolidated balance sheet.

Additional information

Current Consolidated Fiscal Year (From April 1, 2004 to March 31, 2005)
<p>With the enactment of the “Revision of the Local Tax Law” (Law No.9, March 2003) on March 31, 2003, certain basis of enterprise taxes imposed on banks were changed to “amount of added value” and “amount of capital” effective the consolidated fiscal year beginning April 1, 2004. As a result, effective this consolidated fiscal period, the Bank and some of its consolidated domestic subsidiaries included the enterprise taxes based on “amount of added value” and “amount of capital” in “Operating expenses” on the consolidated statement of income pursuant to “Practical Treatment for Presentation of External Standards Taxation portion of Enterprise Taxes in the Statement of Income” (Accounting Standards Board, Practical Report of Practical Issues No.12).</p>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Consolidated balance sheet)

Current fiscal year
(as of March 31, 2005)

1. The amount of loans to customers in bankruptcy and past due loans was ¥12,230 million and ¥141,467 million respectively.

Loans to debtors in bankruptcy are loans, excluding loans written-off, to legally bankrupt debtors as defined in Article 96, paragraph 1, subparagraph 3-(a) to (e) or subparagraph 4 of Enforcement Ordinance for the Corporation Tax Law (Cabinet Order No. 97, 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectibility of either principal or interest because they are past due for a considerable period of time or for other reasons (“non-accrual loans”).

Past due loans are non-accrual loans other than loans to debtors in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of debtors in financial difficulties.

2. The amount of loans contractually past due 3 months or more totaled ¥623 million.

Loans contractually past due 3 months or more are defined as loans for which principal or interest payment is delinquent for 3 months or more from the next day of the contract payment date. Loans classified as loans to customers in bankruptcy or past due loans are excluded.

3. The amount of restructured loans totaled ¥95,583 million.

Such restructured loans are loans on which the Bank granted concession (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount or other settlement favoring debtors) to debtors in financial difficulties to assist them in their financial recovery. Loans to customers in bankruptcy, past due loans and loans contractually past due 3 months or more are excluded.

4. Total amount of the loans to customers in bankruptcy, past due loans, loans contractually past due 3 months or more and restructured loans were ¥249,905 million. The amounts reflected in the above notes 1 to 4 represent the gross receivable amounts prior to the reduction for the reserve for possible loan losses.

5. The Bank treated Bills discounted as a financial instrument based on the Industry Audit Committee Report No.24, “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” issued by JICPA. The Bank is entitled to dispose of commercial bills or foreign exchange bills bought either by selling or pledging (including re-pledging). Face value of those bills acquired totaled ¥72,622 million.

6. Assets pledged were as follows:

Assets pledged as collateral:

Investment securities: ¥239,607 million

Loans and bills discounted: ¥22,046 million

Liabilities related to above pledged assets:

Deposit: ¥75,100 million

Call money and bills sold: Nil

Margin money for bond lending transactions: ¥27,227 million

Other than the above-mentioned assets, investment securities of ¥105,350 million were deposited as collateral for exchange transactions, or instead of margin money for future trading.

Security deposit included in Premises and Equipment account was ¥1,906 million and margin money for future trading included in Other Assets account was ¥1 million.

7. Contracts of overdraft facilities and loan commitment limits are the contract that the Bank lends to the customers up to the prescribed limits in response to customers’ application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits relating to these contracts totaled ¥1,342,493 million. The unused amount related to contracts of which original terms expire within one year was ¥1,153,982 million.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily affect future cash flows of the Bank and its consolidated subsidiaries. Most of these contracts have conditions

that the Bank and its consolidated subsidiaries can refuse customers' application of loan or decrease the contract limits with proper reasons (e.g., changes in financial conditions, deterioration in customers' creditworthiness). At the inception of contracts, the Bank and its consolidated subsidiaries obtain real estate, securities, etc. as collaterals if considered necessary. Subsequently the Bank and its consolidated subsidiaries perform periodic review of the customers' business results based on internal rules and take necessary measures to reconsider conditions in contracts and/or require additional collaterals and guarantees.

8. Investment in capital of unconsolidated subsidiaries totaling ¥3 million was included in other assets.
9. Gains (losses) or unrealized gains (losses) related to hedge accounting were included in Other Liabilities as a net amount of deferral gains (losses). Gross deferral losses on hedge and gross deferral gains on hedge before offsetting were ¥2,475 million and ¥2,123 million respectively.
10. Accumulated depreciation on premises and equipment totaled ¥194,049 million.
11. As collateral for borrowed money, lease contract assets for unexpired lease term of ¥23,137 million are pledged.
12. The number of our Bank shares held by consolidated subsidiaries:

Common stocks: 18,205 thousand shares

(Consolidated statements of income)

Current fiscal year (From April 1, 2004 to March 31, 2005)
1. Other extraordinary gains included the amount of disposal of past service liabilities (reduction of liabilities) incurred as a result of amending a retirement benefit system for ¥ 1,896 million.

(Consolidated statements of retained earnings)

Not applicable.

(Consolidated statements of cash flows)

Current fiscal year (From April 1, 2004 to March 31, 2005)	
The reconciliation of the cash and due from banks in annual consolidated balance sheet to the cash and cash equivalents at the end of this term is as follows:	
	(millions of yen)
As of March 31, 2005	
Cash and due from banks	317,251
<u>Due from banks (excluding BOJ)</u>	<u>(107,593)</u>
Cash and cash equivalents	<u>209,658</u>

SEGMENT INFORMATION

1. Business Segment Information

Current fiscal year (From April 1, 2004 to March 31, 2005)

(Millions of yen)

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
I Operating income & profit						
Operating income						
(1) Operating income from customers	130,093	44,795	641	175,530	—	175,530
(2) Internal operating income among segments	613	690	75	1,379	(1,379)	—
Total	130,706	45,485	717	176,910	(1,379)	175,530
Operating expenses	89,315	42,799	603	132,718	(1,374)	131,343
Operating profit (loss)	41,391	2,686	114	44,192	(5)	44,186
II Assets, depreciation & capital expenditure						
Assets	5,825,471	106,853	6,916	5,939,242	(58,540)	5,880,702
Depreciation	4,795	26,657	2	31,456	—	31,456
Capital expenditure	5,645	28,753	1	34,400	—	34,400

Previous fiscal year (From April 1, 2003 to March 31, 2004)

(millions of yen)

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
I Operating income & profit						
Operating income						
(1) Operating income from customers	129,956	46,055	1,779	177,791	—	177,791
(2) Internal operating income among segments	851	850	81	1,783	(1,783)	—
Total	130,807	46,906	1,860	179,575	(1,783)	177,791
Operating expenses	95,798	45,030	1,025	141,854	(1,682)	140,172
Operating profit (loss)	35,009	1,875	834	37,720	(100)	37,619
II Assets, depreciation & capital expenditure						
Assets	5,705,467	105,589	20,944	5,832,002	(67,219)	5,764,782
Depreciation	4,933	30,606	7	35,547	—	35,547
Capital expenditure	2,301	30,304	0	32,605	—	32,605

Note:

- Operating income and profit are shown in place of sales and operating profit of ordinary companies.
- Main lines of businesses in each business are as follows:
 - Banking business.....banking, credit card business
 - Leasing business.....leasing business
 - Other business.....venture capital, investment management business
- Capital expenditure includes system related investment.

2. Segment information by geographic area

The domestic shares of both operating income and total assets exceed 90%. Thus, segment information by geographic area is omitted.

3. Operating income from overseas operations

The share of operating income from overseas operations is under 10%. Thus, operating income from overseas operations is omitted.

LEASE TRANSACTIONS

Report of lease transactions is omitted, since periodic securities report is disclosed via EDINET.

TRANSACTIONS WITH RELATED PARTIES

There is no significant information to state concerning transactions with related parties.

TAX EFFECT ACCOUNTING

Current fiscal year (From April 1, 2004 to March 31, 2005)	
1. Breakdown of main causes to have incurred deferred tax assets and liabilities (millions of yen)	
Deferred tax assets	
Reserve for possible loan losses	37,727
Reserve for employee retirement benefit	13,434
Depreciation	3,812
Write-down of securities	1,128
Gains on valuation of other securities	963
Accrued business tax	334
Others	2,603
Valuation allowance	(2,039)
Total deferred tax assets	57,965
Deferred tax liabilities	
Gains on valuation of other securities	65,281
Gains on retirement benefit trust setting	7,746
Others	877
Total deferred tax liabilities	73,905
Net amount of deferred tax liabilities	15,940
2. The statement of difference between the effective statutory tax rate and corporate tax rate after applying tax effect accounting for companies required to file the consolidated financial statement is omitted, as the difference is not more than 5/100 of the effective statutory tax rate.	

SECURITIES

* In addition to “Securities” in the consolidated balance sheet, commodity securities and commercial papers included in “Trading Assets” are also presented.

1. Securities

(1) Securities for trading (Millions of yen)

Type \ Period	Current fiscal year (As of March 31, 2005)		Previous fiscal year (As of March 31, 2004)	
	Book value	Net unrealized gains (losses)	Book value	Net unrealized gains (losses)
Securities for trading	5,735	5	4,165	(2)

(2) Bond held to maturity with market value (Millions of yen)

Type \ Period	Current fiscal year (As of March 31, 2005)					Previous fiscal year (As of March 31, 2004)				
	Book value	Market value	Gains (losses) on valuation			Book value	Market value	Gains (losses) on valuation		
			Gains	Losses				Gains	Losses	
Government Bond	3,006	3,014	8	8	—	5,096	5,097	1	4	3
Corporate Bond	—	—	—	—	—	4,701	4,705	3	3	—
Others	6,033	6,115	82	127	45	9,293	9,721	428	441	13
Total	9,039	9,130	90	136	45	19,091	19,524	433	450	16

Note: 1. Market values are based on the closing market prices at the fiscal year end.

2. “Gains” and “Losses” represent breakdowns of each “Gains (losses) on valuation”.

(3) Other securities with market values (Millions of yen)

Type \ Period	Current fiscal year (As of March 31, 2005)					Previous fiscal year (As of March 31, 2004)				
	Cost	Book value	Gains (losses) on valuation			Cost	Book value	Gains (losses) on valuation		
			Gains	Losses				Gains	Losses	
Equity shares	94,992	235,485	140,492	141,622	1,129	95,121	236,540	141,418	141,855	437
Bond	920,895	935,679	14,784	14,889	105	911,575	923,934	12,359	13,443	1,083
Government Bond	607,958	618,368	10,410	10,426	16	610,944	617,489	6,544	7,203	659
Municipal Bond	122,950	125,620	2,670	2,746	75	133,143	136,740	3,596	3,869	272
Corporate Bond	189,985	191,689	1,703	1,717	13	167,486	169,704	2,217	2,369	151
Others	314,727	319,535	4,808	5,980	1,172	279,991	287,203	7,211	7,841	630
Total	1,330,615	1,490,700	160,084	162,492	2,407	1,286,688	1,447,678	160,989	163,140	2,151

Note: 1. Book values are based on the closing market prices at the fiscal year end.

2. “Gains” and “Losses” represent breakdowns of each “Gains (losses) on valuation”.

(4) Bonds held to maturity sold during the current fiscal year

Type \ Period	Current fiscal year (From April 1, 2004 to March 31, 2005)			Previous fiscal year (From April 1, 2003 to March 31, 2004)		
	Proceeds from sale	Total gains on sale	Total losses on sale	Proceeds from sale	Total gains on sale	Total losses on sale
Corporate bonds	15	15	0	—	—	—

(Reason for the sale): Responded to the request of the issuer to purchase to retire.

(5) Other securities sold during the current fiscal year (Millions of yen)

Period Type	Current fiscal year (From April 1, 2004 to March 31, 2005)			Previous fiscal year (From April 1, 2003 to March 31, 2004)		
	Proceeds from sale	Total gains on sale	Total losses on sale	Proceeds from sale	Total gains on sale	Total losses on sale
Other securities	157,717	1,911	1,040	382,982	4,112	8,777

(6) Main book values of non-marketable securities (Millions of yen)

	Current fiscal year (As of March 31, 2005)	Previous fiscal year (As of March 31, 2004)
Bond held to maturity		
Unlisted municipal bonds	2,912	11,050
Unlisted industrial bonds	10,809	12,335
Other securities		
Unlisted securities (excluding OTC)	6,363	6,330
Unlisted industrial bonds	17,682	14,563

(7) Securities for which the purpose of holding was changed

None

(8) Pre-determined redemption values of other securities and bonds to be held to maturity (Millions of yen)

Period Type	Current fiscal year (As of March 31, 2005)				Previous fiscal year (As of March 31, 2004)			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years	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	148,359	509,806	218,964	92,957	114,741	551,715	232,390	72,834
Government Bond	93,374	293,905	141,137	92,957	47,432	324,223	178,095	72,834
Municipal Bond	15,725	96,639	16,168	—	29,838	77,775	40,176	—
Corporate Bond	39,260	119,261	61,659	—	37,470	149,715	14,117	—
Others	32,485	189,027	12,530	1,109	35,899	174,326	24,027	603
Total	180,845	698,833	231,495	94,067	150,640	726,041	256,417	73,437

2. Money held in trust

(1) Money held in trust for trading (Millions of yen)

Period Type	Current fiscal year (As of March 31, 2005)		Previous fiscal year (As of March 31, 2004)	
	Book value	Net unrealized gains (losses)	Book value	Net unrealized gains (losses)
Money held in trust for trading	24,466	2,329	31,272	2,717

(2) Money in trust for the purpose of holding to maturity

None

(3) Other money held in trust (except those for trading and held to maturity)

None

3. Gains on valuation of other securities

Breakdown of gains on valuation of other securities included in the consolidated balance sheet is as follows:

(Millions of yen)

	Current fiscal year (As of March 31, 2005)	Previous fiscal year (As of March 31, 2004)
Gains on valuation	160,084	160,989
Other securities	160,084	160,989
Other money held in trust	—	—
(+) Deferred tax assets	963	864
(△) Deferred tax liabilities	65,281	65,550
Gains on valuation of other securities (before adjustment of the amount equivalent to equity holding)	95,766	96,303
(△) Minority interest equivalents	1,751	1,607
(+) Equivalent to the amount of parent company's share in gains on valuation of other securities held by companies accounted for using equity method	—	—
Gains on valuation on other securities	94,015	94,696

DERIVATIVE TRANSACTIONS

Report of derivative transactions is omitted, since periodic securities report is disclosed via EDINET.

RETIREMENT BENEFIT

1. Outlines of retirement benefit system adopted.

The Bank and its subsidiaries adopt a defined-benefit pension plan, namely the lump sum retirement payment system and corporate pension fund system based on the Defined Benefit Corporate Pension Plan Law. The Group has Hachijuni Corporate Pension Fund in which the Bank and its nine (9) subsidiaries are participating. Retirement benefit trust is established for the Bank's Corporate Pension Fund Program.

2. Information on retirement benefit liabilities

(million of yen)

Classification	Current fiscal year (As of March 31, 2005)	Previous fiscal year (As of March 31, 2004)
Liabilities for retirement benefit (A)	(52,627)	(61,359)
Pension assets (B)	51,113	49,655
Unfunded retirement benefit liabilities (C)=(A)+(B)	(1,514)	(11,703)
Unrecognized pension assets (D)	(8,251)	—
Unrecognized net obligations at transition (E)	—	—
Unrecognized actuarial differences (F)	6,792	6,587
Unrecognized past service liabilities (G)	—	—
Net amount stated in consolidated B/S (H)=(C)+(D)+(E)+(F)+ (G)	(2,972)	(5,116)
Prepaid pension expenses (I)	11,064	10,759
Reserve for retirement benefit (H)-(I)	(14,037)	(15,875)

Note: 1. Past service liabilities (decrease in liabilities) incurred in line with the amendment of retirement benefit system of the Bank in the current fiscal year.

2. Some consolidated subsidiaries use simplified method to calculate retirement benefit obligations.

3. In the previous fiscal year, the Bank and its subsidiaries applied the temporary treatment prescribed in Article 47-2 of the Accounting Committee Report No.13, "Practical Guidelines for Accounting for Retirement Benefits (Interim Report)" issued by JICPA, and recognized extinguishment of benefit obligation and plan assets as of the date of an approval obtained from the Minister of Health, Labor and Welfare for exemption from the substitutional portion of future employee pension obligation. And substitutional portion of the pension assets (the minimum policy reserve) to be transferred to the government measured at the end of the previous fiscal year was ¥19,012 million.

3. Information on retirement benefit expenses

(millions of yen)

Classification	Current fiscal year (As of March 31, 2005)	Previous fiscal year (As of March 31, 2004)
Service cost	1,682	2,392
Interest expense	1,292	1,740
Expected income on investment	(704)	(689)
Expenses for past service liabilities	(1,896)	—
Expenses for actuarial differences	1,024	2,631
Expenses at transition	—	—
Others (Temporarily paid extra pension)	298	380
Expenses for retirement benefit	1,696	6,454
(Income) losses by return of substitute portion	—	(3,049)
Total	1,696	3,404

Note: 1. Employee contribution to the Corporate Pension Fund is deducted.

2. Expenses for retirement benefit of the consolidated subsidiaries using simplified method are included in "Service cost" as a lump sum.

4. Information on the base for calculation of retirement benefit obligations

Classification	Current fiscal year (As of March 31, 2005)	Previous fiscal year (As of March 31, 2004)
(1) Discount rate	2.0%	2.5%
(2) Expected yield on investment	1.0%~2.0%	The same as the left column
(3) Years to dispose of past service liabilities	Stated as expense or income in total in the year of incurrence	—
(4) Period distribution method of expected retirement benefit	Straight-line method is used	The same as the left column
(5) Number of years for disposal of actuarial differences	Net actuarial gain (loss) amortized using the straight-line method over a certain number of years (generally 10 years) within the employees' average remaining working period commencing from the next fiscal year of incurrence is stated as either income or expense in the statement of income.	The same as the left column

PRODUCTION, ORDER AND SALE

Because of the characteristics of banking business, no information applies to this category.

(Per share data)

	For the current fiscal year (From April 1, 2004 to March 31, 2005)
Shareholders' equity per common share	¥772.72
Net income per common share	¥50.25
Net income per common share after adjustment of dilutive shares	¥49.73

Note: The basis for calculation of net income per common share after adjustment of dilutive shares and net income per common share of the current fiscal year is as follows.

		For the current fiscal year (From April 1, 2004 to March 31, 2005)
Net income per common stock		
Net income for the current term	¥ Million	26,138
Amount not reverting to common shareholders	¥ Million	45
(Bonuses paid to directors by income appropriation)	¥ Million	45
Net income related to common stock	¥ Million	26,093
Average number of common shares	Thousands of share	519,185

		For the current fiscal year (From April 1, 2004 to March 31, 2005)
Net income per common share after adjustment of dilutive shares		
Net income adjustment for the current term	¥ Million	—
(Interest paid net of tax equivalent)	¥ Million	—
Increased number of common stock	Thousands	5,481
Common stock preemptive right	of share	5,481
Summary of dilutive shares not included in the calculation of net income per share after adjustment of dilutive shares due to the absence of dilution effect.		—

Above-mentioned common stock preemptive right is based on the stock option system described in the provision of the old Commercial Code, Article 210, Paragraph 2, Sub-paragraph 2.