

ANNUAL FINANCIAL REPORT  
(CONSOLIDATED)

For the Fiscal Year Ended March 31, 2006

May 23, 2006

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) Yoshiyuki Yamaura  
 (Title) President  
 For inquiry: (Name) Akihito Fujimori  
 (Title) Executive Officer & General Manager, Planning and  
 Coordination Department  
 (Phone) 026-227-1182  
 Date of Board Meeting on the Financial Results: May 23, 2006  
 Trading Account: Yes  
 US Generally Accepted Accounting Principle: No

## 1. Financial highlights for the fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006)

## (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 yen	%	Millions of yen	%
Fiscal year ended March 31, 2006	185,072	5.4	41,381	(6.3)	27,639	5.7
Fiscal year ended March 31, 2005	175,530	(1.2)	44,186	17.4	26,138	13.9

	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	%	%	%
Fiscal year ended March 31, 2006	53.05	-	6.2	0.6	22.3
Fiscal year ended March 31, 2005	50.25	49.73	6.7	0.7	25.1

Note:

- Profit (losses) on investment (equity method):  
 For the period ended March 31, 2006: - million  
 For the period ended March 31, 2005: - million
- Average number of shares (consolidated):  
 For the period ended March 31, 2006: 520,030,884  
 For the period ended March 31, 2005: 519,185,704
- Change in accounting methods: Yes
- 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) Preliminary
	Millions of yen	Millions of yen	%	Yen	%
Fiscal year ended March 31, 2006	6,033,397	483,498	8.0	924.41	13.16
Fiscal year ended March 31, 2005	5,880,702	400,391	6.8	772.72	12.18

Note: Number of shares outstanding (consolidated) as of

March 31, 2006: 522,981,041

March 31, 2005: 518,097,563

## (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
Fiscal year ended March 31, 2006	(65,184)	(35,094)	(369)	108,988
Fiscal year ended March 31, 2005	99,464	(41,904)	(4,574)	209,658

## (4) Scope of consolidation and use of equity method

Number of consolidated subsidiaries: 11

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: 1

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 2007 (from April 1, 2006 to March 31, 2007)

	Operating income	Operating profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Half year	95,000	19,000	10,700
Full year	186,000	41,000	23,500

Projected net income per common share (full year): ¥44.93

\* 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 differ from this projections due to subsequent various factors.

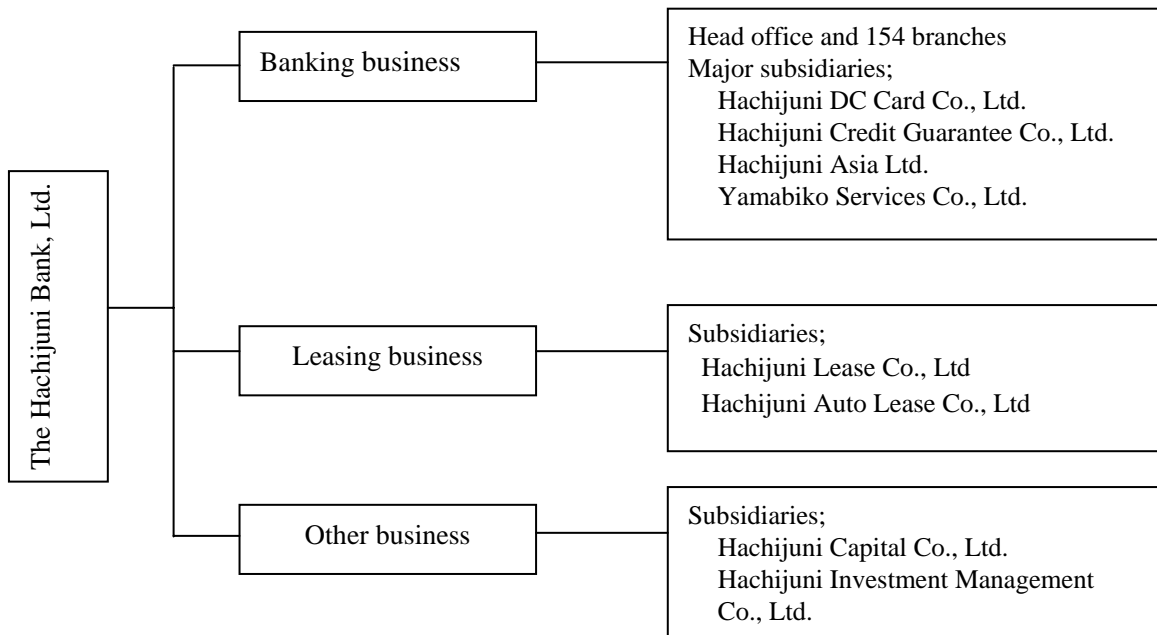
## Status of the Corporate Group

1. Contents of business

The banking group (the bank and affiliated companies) consists of Hachijuni Bank, 12 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

Hachijuni Auto Lease Co., Ltd was established being spun-off from Hachijuni Lease Co., Ltd. in the current consolidated fiscal year.

## 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 officers and employees of the Bank makes efforts to revolutionize their ideas and actions.

### 2. Basic policies on profit sharing

The Bank puts special emphasis on the maintenance of sound management and 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 pay ¥4.00 per-share year-end dividend, the same as the previous year (increasing annual dividend by ¥0.50 to ¥7.0) to appreciate shareholders for their continuous support.

The Bank will continue to conventionally make both interim and year-end dividend payments.

### 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 investment amount.

### 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, 2006 are shown in the following table.

Goal to be achieved in fiscal year ending March 31, 2007		Result of FY ended March 31, 2006
Return on equity (ROE)	6%	6.1%
Capital adequacy ratio	11%	(Preliminary) 12.81%
Core net business profit	¥40 billion	¥42.8 billion
Rate of core net business profit to total assets (ROA)	0.7%	0.75%
Rate of G&A expenses to core business gross profit (OHR)	59%	58.03%

### 5. Issues to be addressed

Deregulation in the financial business sector has been implemented at higher pace lately. A range of insurance products that banks can sell have been expanded, banking agency system has been amended, and postal services have been privatized. Increases in financial crimes such as forged and stolen credit cards and billing fraud have become serious social problems. In these drastic environment changes, customers' needs for the Bank now include not only to provide "safe custody services of financial assets including deposits", "sales of financial products suitable to customers' needs", "supply of stable funds" and "accurate settlement services" but also 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 meet the above mentioned expectations, and aim to become an enterprise which looks straight to customers' needs, makes customers feel warmly and grows with the regional community, the Bank set a goal to become a banking group that "positively finds, challenges and quickly solves problems maintaining strong earning power and sound financial standings" in its long-term management plan from fiscal year 2004 through 2006. In April, the Bank will make locally operating Alps Securities Co., Ltd. a wholly owned subsidiary thereby attempting to enhance

Hachijuni Group's collective strength.

As the management policy for the year ending March 31, 2007, the Bank put up a slogan of "perfection of the long-term management plan", "reconstruction of operational organizations" and "enrichment and reinforcement of compliance system".

On the slogan of "perfection of the long-term management plan", all officers and employees will make concerted efforts to address to various policy measures specified in the plan to achieve its goal.

Regarding "reconstruction of operational organizations", responding sincerely to business improvement administrative order, the Bank will steadily carry out its business improvement plan, improve its operational organizations and enhance its clerical work processing power, and provide high-quality services to customers. Further, 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 make sure to give explanation of diversified and sophisticated financial products to customers, and reinforce its system with which customers can use its services well at ease.

As to "enrichment and reinforcement of compliance system", the Bank will put compliance programs in execution, and put practices focusing on compliance in place among all officers and employees.

In the meantime, regarding "the region-based relationship banking promotion plan" publicly announced in August 2005, each item in the plan has been progressed as scheduled with the Bank's unified efforts. The Bank will continue to strengthen its efforts.

The Bank will aim to provide the expected services and to distribute earnings faithfully to shareholders, customers, the regional communities and employees by steadily fulfilling its management philosophy to "stick to sound and healthy banking thereby contributing to the development of the regional communities" and performing "corporate social responsibility (CSR)" as well.

## **6. Matters related to parent company**

There is no parent company for the Bank.

## **7. Others (Status of efforts to address the issues)**

### **(1) Improvement in core net business profit**

#### **(A) Products and services for corporations**

As for funds for business use, the Bank launched sales of "Skillful Management <Aoba> (Green Leaves)" in May, which are available for agriculture, forestry, and fishery businesses and venture businesses, and started sales of "Skillful Management <Megumi> (Blessings)" exclusively for the agriculture, forestry and fishery businesses in December. This has made quicker response available by examination of credit applications making use of a scoring system.

The Bank had established already five investment funds to support enterprises and foster industries that could contribute to the development of the economy of Nagano Prefecture. The Bank also established the sixth fund in the current fiscal year. It is aggressively work for fostering of local industries.

In addition, the Bank concluded a tie-up agreement with Shinshu University in June and with Organization for Small and Medium Enterprises and Regional Innovation, Japan in July to strengthen alliance among industry, government and academia, to provide support to local small and medium enterprises and foster venture businesses as well as to assist small and medium enterprises in their reconstruction efforts.

#### **(B) Products and services for individual customers**

To respond to a wide range of borrowing needs of individual customers, the Bank established "Loan Plaza" in Ina Branch in September 2005 and Toyoshina Branch and Takada Branch in March 2006, where specialist staffs provide consultation services to customers regarding housing loans and other consumer loans. Now the Bank has eleven 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' needs for consultation at any time. Besides, the Bank made quick examination results available for credit applications by introducing centralized credit examination system in August 2005 and launched sales of housing loan with guarantee for three major diseases in December 2005. Likewise the Bank has tried hard to enhance customers' convenience.

To meet customers' needs for asset management, the Bank started securities intermediary businesses in four branches in Nagano tying-up with Nomura Securities Co., Ltd. in May 2005. Besides, the Bank assigned personnel responsible for sales of investment type products at each branch and money advisors who can respond to any sophisticated consultation needs at every regions in Nagano Prefecture.

The Bank is also trying to provide a wide range of financial products. It launched sales of thirteen new investment trust products including “Chersy Series” which is risk mitigation type products, and it added two products of individual annuity insurance to its product lines in January 2006.

**(2) Branch networks and systems**

The Bank opened “Kawaguchi Corporate Business Office” in Saitama Prefecture in May 2005, “Ota Corporate Business Office” in Gunma Prefecture in July, and “Kunitachi Corporate Business Office” in Tokyo in November as business units to cultivate the corporate business market. The Bank also opened Nakatsugawa Branch as the first branch in Gifu Prefecture in May 2006.

“Juudan-kai” (members of which are Hachijuni Bank, Yamagata Bank, Kanto Tsukuba Bank, Awa Bank, Shinwa Bank, Miyazaki Bank, and Ryukyu Bank) agreeing in sharing joint system is proceeding with conversion to a new common version system developed by our Bank. Following Yamagata Bank and Awa Bank, which has already completed system conversion, Musashino Bank and Ryukyu Bank converted their systems to such common system in January 2006, total four banks are now using a new common version system. The Bank established “Juudan-kai Common Version Planning Office” in Planning & Coordination Department in February 2006, to strengthen planning capability concerning system’s common use for the future and to further enhance support function to provide to each member bank.

**(3) Others**

**(A) Progress status of the region-based relationship banking promotion plan**

Regarding “the region-based relationship banking promotion plan” publicly announced in August 2005, each item in the plan has been progressed as scheduled with the Bank’s unified efforts. Details of progress status of the plan are described in Separate Volume II.

**(B) 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” at the core, which was established on the occasion of expansion of the application of ISO 14001 to entire branches, the Bank has arranged an organizational system to continuously and expansively tackle with environmental protection issues. Also from this time on, 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).

## Business Performance and Financial Standings

### 1. Summary of business performance

Although both exports and production in Nagano Prefecture, which is the primary business territory for the Bank, had remained weak since the beginning of the current fiscal year due to inventory adjustment in the information related sector, exports mainly to Asia turned around in the middle of the year, and a movement toward improvement was seen in production as well because inventory adjustment in the information related sector ran its course. Thereafter the economy in the Prefecture followed a mild recovery path and it has caught up with a nationwide level.

In the demand aspect, motivation for capital investment is mounting on the heel of improved corporate earnings, and housing investment is regaining its strength as well. The amount of housing investments for the current year surpassed that of the previous year mainly in housing for sale and lease. The employment condition is on a recovery trend with an increase in non-scheduled working hours helped by a recovery in production by the manufacturing sector. Thanks to such situations, employees' income tuned upward and personal consumption remained firm. On the other hand, the non-manufacturing industry continued sluggish due to a sharp decline in public investments.

On the financial front, mainly short- and medium-term interest rates have risen since last autumn due to mounting speculation that the quantitative monetary easing policy would end. Although they temporarily declined thereafter, they came back on an upward trend again as such five-year-long monetary policy finally ended in March 2006. Yield of 10-year Japanese government bond climbed from a level of 1.3% in the first half of 2005 to a level of 1.7% as of March 31, 2006. The economy in Japan seems to get closer to exit of long-lasting deflation and fund demand, which had remained weak, has shown some pickup.

The Nikkei Stock Average hit its lowest level of 10,800 points in May 2005 and turned to rise from there. Although the so-called "Livedoor Shock" adjusted the stock market in January 2006, the Nikkei Average jumped to a level of 17,000 points toward the end of the current fiscal year responding to the recovering economy.

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

Operating profit and net income marked ¥41,381 million and ¥27,639 million respectively.

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

Operating income increased ¥8,862 million from a year earlier to ¥134,983million, due to increases in "Other operating income" such as profit on sale of equity shares, etc., and profit on money in trust, as well as in fees and commissions.

Operating expenses increased ¥12,367 million from a year earlier to ¥98,808 million because "Other operating expenses" such as transfer to reserve for possible loan losses and loss on sale of loans soared and funding cost increased as well due to rises in overseas interest rates.

In the account item of extraordinary gains, "unrecognized pension assets" in the amount of ¥8,251 million was stated in accordance with the change in retirement benefit accounting standard. Impairment losses of ¥896 million were also carried in extraordinary losses in line with the adoption of impairment loss accounting for fixed assets. Net income was ¥26,719 million, up ¥1,194 million from a year earlier as net of extraordinary gains expanded ¥ 5,934 million over the previous fiscal year.

**Business results by business segments:** Banking business sector marked an operating profit of ¥38,563 million, while leasing business recorded an operating profit of ¥2,701 million and other businesses, an operating profit of ¥123million.

**Projections of consolidated earnings for the fiscal year ending March 31, 2007:** Consolidated operating profit and net income is projected to be ¥41,000 million and ¥23,500 million down ¥300 million and ¥4,100 million from a year earlier respectively, due mainly to a projected decrease in non-consolidated earnings.

**Projections of non-consolidated earnings for the fiscal year ending March 31, 2007:** Although operating profit is projected to be ¥36,000 million, almost the same as a year earlier, net income is projected to be ¥22,000 million, down ¥4,700 million over the previous year, as ¥8,200 million of "unrecognized pension assets" was stated as extraordinary gains in the previous fiscal year.

### 2. Summary of financial standings

**Results of consolidated main accounts** are as follows:

**Outstanding balance of deposits** increased ¥50.2 billion from a year earlier to ¥5,141.8 billion, owing to an increase in deposits from financial institutions and in public deposits.

**Outstanding balance of loans and bills discounted** rose by ¥79.1 billion to ¥3,777.7 billion due to increases in consumer loans, and business fund loans to enterprises outside of the Prefecture.

**Outstanding balance of securities** increased ¥126.1 billion to ¥1,673.2 billion by 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 ¥49.5 billion to ¥5,151.4 billion. Outstanding balance of public bonds, such as Japanese Government Bonds for retail investors deposited with the Bank rose ¥43.6 billion to ¥379.4 billion and investment trusts jumped ¥85.5 billion to ¥189.8 billion. **Outstanding balance of loans and bills discounted** increased ¥80.5 billion to ¥3,836.4 billion from a year earlier. **Outstanding balance of securities** soared ¥121.9 billion to ¥1,656.2 billion

**Consolidated cash flows:** Net cash used by operating activities was ¥65.1 billion owing to an increase in loans and bills discounted, and decrease in negotiable certificate of deposits. Net cash used in investment activities marked ¥35.0 billion due to purchase of securities and other factors. Net cash used in financing activities was ¥0.3 billion attributing to dividends payment. As a result, outstanding balance of cash and cash equivalents declined ¥100.6 billion during the period to ¥108.9 billion.

**Risk adjusted capital ratio (BIS standards) (preliminary basis)** was 13.16% for consolidated basis and 12.81% for non-consolidated basis. Consolidated and non-consolidated capital ratio rose by 0.98% and 0.87% respectively from the fiscal year ended March 31, 2005.

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 ¥152.4 billion and ¥ 150.9 billion, a decrease of ¥97.4 billion and ¥97.6 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. With full recognition of the potential for such events to occur, the Bank will take necessary measures to prevent their occurrence and respond quickly and appropriately when such events do 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 of the Bank's inability 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 of employees.

(5) Computer system risk

Risks which may cause errors in system development, or troubles, 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 that may be 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 SHEETS

(Millions of yen)

Items	As of March 31, 2006 (A)	As of March 31, 2005 (B)	Increase/(Decrease) (A)-(B)
<b>( ASSETS )</b>			
Cash and due from banks	186,136	317,251	(131,114)
Call loans and bills bought	68,388	34,098	34,290
Receivables under resale agreement	1,009	579	429
Commercial paper and other debt purchased	46,949	45,894	1,055
Trading assets	35,544	20,792	14,752
Money held in trust	14,938	24,466	(9,527)
Securities	1,673,274	1,547,129	126,144
Loans and bills discounted	3,777,737	3,698,562	79,175
Foreign exchanges	22,644	22,626	17
Other assets	82,502	71,188	11,313
Premises and equipment	118,206	120,106	(1,900)
Deferred tax assets	2,688	3,043	(355)
Customers' liabilities for acceptances and guarantees	75,462	76,637	(1,175)
Reserves for possible loan losses	(71,764)	(101,311)	29,546
Reserve for possible investment losses	(322)	(364)	41
<b>Total assets</b>	<b>6,033,397</b>	<b>5,880,702</b>	<b>152,695</b>
<b>( LIABILITIES )</b>			
Deposits	5,141,806	5,091,590	50,215
Negotiable certificate of deposits	34,330	95,191	(60,860)
Call money and bills sold	44,072	21,580	22,492
Payables under repurchase agreement	1,009	579	429
Margin money for bond lending transactions	24,907	27,227	(2,319)
Trading liabilities	14,017	14,817	(799)
Borrowed money	34,054	35,539	(1,484)
Foreign exchanges	1,683	1,032	650
Other liabilities	78,817	72,220	6,596
Reserve for employee retirement benefit	14,294	14,037	257
Deferred tax liabilities	72,103	18,983	53,119
Acceptances and guarantees	75,462	76,637	(1,175)
<b>Total liabilities</b>	<b>5,536,561</b>	<b>5,469,437</b>	<b>67,123</b>
(Minority interest in consolidated subsidiaries)	13,336	10,872	2,464
Minority interest in consolidated subsidiaries			
<b>( SHAREHOLDERS' EQUITY )</b>			
Capital stock	52,243	52,243	-
Capital surplus	29,091	28,540	550
Retained earnings	260,278	236,309	23,968
Gains on valuation of other securities	149,593	94,015	55,578
Foreign exchange conversion	(151)	(443)	292
Treasury stock	(7,556)	(10,274)	2,717
<b>Total shareholders' equity</b>	<b>483,498</b>	<b>400,391</b>	<b>83,107</b>
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>6,033,397</b>	<b>5,880,702</b>	<b>152,695</b>

## ANNUAL CONSOLIDATED STATEMENTS OF INCOME

( Millions of yen )

Items	For the year ended March 31, 2006 (A)	For the year ended March 31, 2005 (B)	Increase/ (Decrease) (A)-(B)
Operating income	185,072	175,530	9,541
Interest income	100,389	99,293	1,096
Interest on loans and discounts	70,755	71,881	(1,126)
Interest and dividends on securities	24,597	24,816	(219)
Interest on call loans and bills bought	444	286	158
Interest on receivables under resale agreement	0	0	0
Interest on deposits	614	145	469
Other interest received	3,978	2,163	1,814
Trust fees	1	0	0
Fees and commissions	23,898	21,439	2,459
Trading income	514	572	(58)
Other business income	49,071	46,353	2,718
Other operating income	11,196	7,871	3,324
Operating expenses	143,690	131,343	12,346
Interest expenses	14,945	10,809	4,136
Interest on deposits	6,948	3,744	3,204
Interest on negotiable certificate of deposits	15	19	(3)
Interest on call money and bills sold	908	449	458
Interest on payables under repurchase agreement	0	0	0
Interest on margin money for bond lending transactions	628	455	173
Interest on borrowed money	287	355	(68)
Other interest paid	6,156	5,785	371
Fees and commissions	5,108	4,520	588
Other business expenses	43,231	42,145	1,085
General and administrative expenses	64,120	63,640	480
Other operating expenses	16,284	10,228	6,056
Transfer to reserve for possible loan losses	2,005	636	1,369
Other operating expenses	14,278	9,592	4,686
Operating profit (loss)	41,381	44,186	(2,805)
Extraordinary gains	9,612	2,999	6,613
Gains from disposal of premises and equipment	1,290	1,090	200
Bad debt recovered	70	11	58
Other extraordinary gains	8,251	1,896	6,354
Extraordinary losses	1,912	677	1,235
Loss from disposal of premises and equipment	1,013	677	336
Impairment losses	896	-	896
Other extraordinary losses	2	-	2
Income (loss) before income taxes and others	49,081	46,508	2,572
Income tax-current	4,271	6,057	(1,786)
Income tax-deferred	15,435	12,091	3,343
Minority interest	1,734	2,219	(485)
Net income	27,639	26,138	1,500

## ANNUAL CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

( Millions of yen )

Items	For the year ended March 31, 2006 (A)	For the year ended March 31, 2005 (B)	Increase/ (Decrease) (A)-(B)
(Capital Surplus)			
Balance of capital surplus at the beginning of the term	28,540	28,509	30
Increase in capital surplus	550	30	519
Gain on disposal of treasury stock	550	30	519
Balance of capital surplus at the end of the term	29,091	28,540	550
(Retained Earnings)			
Balance of retained earnings at the beginning of the term	236,309	218,982	17,327
Increase in retained earnings	27,639	26,138	1,500
Net income for this term	27,639	26,138	1,500
Decrease in retained earnings	3,670	8,811	(5,140)
Cash dividends paid	3,625	3,113	512
Directors' bonuses	45	47	(1)
Retirement of treasury stock	-	5,651	(5,651)
Balance of retained earnings at the end of the term	260,278	236,309	23,968

## ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

	For the year ended March 31, 2006 (A)	For the year ended March 31, 2005 (B)	Increase/ (Decrease) (A)-(B)
Cash flows from operating activities			
Net income (loss) before income taxes and others	49,081	46,508	2,572
Depreciation and amortization	31,124	31,456	(331)
Impairment losses	896	-	896
Other extraordinary losses	2	-	2
Increase (decrease) in reserve for possible loan losses	(29,547)	(32,542)	2,994
Increase (decrease) in reserve for possible investment losses	(41)	164	(206)
Increase (decrease) in reserve for employees retirement benefit	257	(1,838)	2,096
Interest income recognized on statements of income	(100,389)	(99,293)	(1,096)
Interest expenses recognized on statements of income	14,945	10,809	4,136
Net loss ( gain ) on securities	(3,105)	(344)	(2,761)
Net loss ( gain ) on money held in trust	(1,701)	(1,614)	(87)
Foreign exchange loss ( gain )	22	4	17
Net loss (gain) on sales of premises and equipment	(277)	(413)	136
Net decrease ( increase ) in trading assets	(13,584)	(11,292)	(2,291)
Net increase ( decrease ) in trading liabilities	(699)	8,036	(8,736)
Net decrease (increase) in loans	(79,065)	3,329	(82,394)
Net increase (decrease) in deposits	49,707	37,794	11,912
Net increase ( decrease ) in negotiable certificate of deposits	(60,860)	40,313	(101,174)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(1,484)	(3,244)	1,759
Net decrease ( increase ) in call loans	(35,775)	5,060	(40,836)
Net increase ( decrease ) in call money	22,922	96	22,825
Net decrease ( increase ) in due from banks excluding from BOJ	30,449	(21,071)	51,520
Net increase (decrease) in margin money for bond lending transactions	(2,319)	6,011	(8,331)
Increase (decrease) in foreign exchanges (assets)	(17)	(2,055)	2,037
Decrease (increase) in foreign exchanges (liabilities)	650	(110)	760
Interest income (cash basis)	103,081	102,022	1,058
Interest expenses (cash basis)	(15,358)	(10,627)	(4,730)
Others	(19,017)	(2,017)	(16,999)
Sub-total	(60,106)	105,143	(165,249)
Tax and others paid	(5,077)	(5,678)	601
Net cash provided by (used in) operating activities	(65,184)	99,464	(164,648)
Cash flows from investing activities			
Purchases of investment securities	(504,137)	(351,050)	(153,087)
Proceeds from sales of investment securities	293,445	161,033	132,411
Proceeds from the maturity of investment securities	192,997	170,239	22,757
Increase in money held in trust	(6,997)	(7,713)	715
Decrease in money held in trust	18,222	16,134	2,088
Purchases of premises and equipment	(31,399)	(33,269)	1,869
Proceeds from sales of premises and equipment	2,776	2,721	54
Net cash provided by (used in) investing activities	(35,094)	(41,904)	6,809
Cash flows from financing activities			
Proceeds from issuance of stocks	10	-	10
Decrease by the purchase of treasury stocks	(160)	(1,620)	1,459
Proceeds from sales of treasury stocks	3,428	185	3,243
Dividends paid	(3,625)	(3,113)	(512)
Dividends paid to minority shareholders	(22)	(26)	4
Net cash provided by (used in) financing activities	(369)	(4,574)	4,204
Effect of exchange rate changes on cash and cash equivalents	(22)	(4)	(17)
Net increase (decrease) in cash and cash equivalents	(100,669)	52,981	(153,651)
Cash & cash equivalents at beginning of fiscal year	209,658	156,676	52,981
Cash & cash equivalents at end of fiscal year	108,988	209,658	(100,669)

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Item	The current fiscal year ( From April 1, 2005 to March 31, 2006 )
1. Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 11 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. Hachijuni Auto Lease Co., Ltd.</p> <p>Hachijuni Auto Lease Co., Ltd. was established during the current fiscal year and was included in consolidated subsidiaries from the current consolidated fiscal year.</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 they 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 : 10</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>

Item	The current fiscal year ( From April 1, 2005 to March 31, 2006 )
4. Significant accounting policies	<p>(1) Accounting standards for income/expenses on trading assets and liabilities:</p> <p>Transactions for “trading purposes” for purposes of seeking 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 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 end of the previous 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 end of the previous period and the end of the current 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.</p> <p>Gains (losses) on valuation of other securities are included in shareholders’ equity, net of income taxes.</p> <p>(ii) Securities comprising trust assets included in Money held in trust are stated in the same way for those mentioned in the above (1) and (2) (i).</p>
	<p>(3) Derivative transactions:</p> <p>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</p> <p>The amount of depreciation for the Bank’s premises and equipment are estimated using declining-balance method principally over the useful lives as follows:</p> <p style="padding-left: 40px;">Buildings : 2 -50 years</p> <p style="padding-left: 40px;">Equipment: 2 - 20 years</p> <p>Depreciation for premises and equipment of consolidated subsidiaries are as follows:</p> <p>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</p> <p>Others: mainly by declining-balance method</p> <p>(ii) Software</p> <p>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>

Item	The current fiscal year ( From April 1, 2005 to March 31, 2006 )
	<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 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, based on the internal rules for self-assessment of asset quality and the loan administration section, which is independent from such business related sections, 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. Accountings for past service liabilities and net actuarial gain (loss) are 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</p>

Item	The current fiscal year ( From April 1, 2005 to March 31, 2006 )
	<p>of incurrence (stated as either income or expense in the statement of income).</p> <p>(Change in accounting policy)</p> <p>When pension assets exceeded the amount of retirement benefit obligations of the corporate pension system as a result of accrual of past service liabilities caused by the amendment of the corporate pension system, the Bank had not recognized such exceeded amount (hereinafter, “unrecognized pension assets”) as asset and profit in accordance with Note1-1 of “Commentary for Accounting Standard Concerning Retirement Benefit”. A part of “Accounting Standard for Retirement Benefit” (issued by the Business Accounting Council on June 16, 1998) was amended effective as of March 16, 2005, by which recognition of the former unrecognized pension assets as an asset and profit became allowable. Therefore, effective from the current consolidated fiscal year, the Bank adopted “Guidelines on Implementation of Partial Amendment of [Accounting Standard for Retirement Benefit]” (Guidelines on Implementation of Business Accounting Standard No.7 issued on March 16, 2005) and reasonably classified unrecognized pension assets to past service liabilities and to actuarial differences and made them target items for expense deduction. As a result, “Prepaid pension expenses” increased ¥8,251 million in the current fiscal year and “Income before income taxes and others” also increased by the same amount.</p>
	<p>(8) Conversion 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> <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>(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>

Item	The current fiscal year ( From April 1, 2005 to March 31, 2006 )
	<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, or exceptional treatments permitted 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.

### Change in Significant Matters, A Basis for Preparing Consolidated Financial Statements

The current fiscal year ( From April 1, 2005 to March 31, 2006 )
<p>(Accounting standards for impairment of fixed assets)</p> <p>Effective from this consolidated fiscal year, the Bank applied “Accounting Standards for Impairment of Fixed Assets” (“Opinion Concerning Establishment of Accounting Standards for Impairment of Fixed Assets” issued by the Business Accounting Council on August 9, 2002) and “Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets” (Guidelines on Implementation of Business Accounting Standard No.6, issued on October 31, 2003). As a result, net income before income taxes decreased by ¥896 million.</p> <p>In the banking industry, fixed assets are stated at cost less accumulated depreciation amount pursuant to the Enforcement Ordinance of the Banking Law (MOF Ordinance No.10, 1982). Accumulated impairment loss is also deducted from the book value of each asset.</p>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( Consolidated balance sheets )

The current fiscal year ( As of March 31, 2006 )	
1.	<p>The amount of loans to customers in bankruptcy and past due loans was ¥2,821 million and ¥103,443 million respectively.</p> <p>Loans to debtors in bankruptcy are loans 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 are included in loans 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 (excluding loans written-off, “non-accrual loans”).</p> <p>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.</p>
2.	<p>The amount of loans contractually past due 3 months or more totaled ¥637 million.</p> <p>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 debtors in bankruptcy or past due loans are excluded.</p>
3.	<p>The amount of restructured loans totaled ¥45,522 million.</p> <p>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 debtors in bankruptcy, past due loans and loans contractually past due 3 months or more are excluded.</p>
4.	<p>Total amount of the loans to debtors in bankruptcy, past due loans, loans contractually past due 3 months or more and restructured loans were ¥152,425 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.</p>
5.	<p>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 ¥70,399 million.</p>
6.	<p>Assets pledged were as follows:</p> <p style="padding-left: 20px;">Assets pledged as collateral:</p> <p style="padding-left: 40px;">Investment securities: ¥226,287 million</p> <p style="padding-left: 20px;">Liabilities related to above pledged assets:</p> <p style="padding-left: 40px;">Deposit: ¥39,158 million</p> <p style="padding-left: 40px;">Call money and bills sold: ¥25,100 million</p> <p style="padding-left: 40px;">Margin money for bond lending transactions: ¥24,907million</p> <p>Other than the above-mentioned assets, investment securities of ¥158,462 million were deposited as collateral for exchange transactions, or instead of margin money for future trading.</p> <p>Security deposit included in Premises and Equipment account was ¥1,740million and margin money for future trading included in Other Assets account was ¥34 million.</p>
7.	<p>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 ¥1,287,702 million. The unused amount related to contracts of which original terms expire within one year was ¥1,093,965 million.</p> <p>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</p>

The current fiscal year ( As of March 31, 2006 )
<p>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.</p>
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 Assets as a net amount of deferral gains (losses). Gross deferral losses on hedge and gross deferral gains on hedge before offsetting were ¥4,229 million and ¥2,874 million respectively.
10. Accumulated depreciation on premises and equipment totaled ¥208,764 million.
11. Advanced depreciation on premises and equipment totaled ¥8,682 million (Advanced depreciation booked for the current fiscal year: Nil)
12. As collateral for borrowed money, lease contract assets for unexpired lease term of ¥19,154 million are pledged.
13. The number of our Bank shares held by consolidated subsidiaries:
Common stocks: 13,322 thousand shares

## ( Consolidated statements of income )

The current fiscal year ( From April 1, 2005 to March 31, 2006 )
1. Other extraordinary gains include profit on unrecognized pension assets for ¥8,251 million posted as a result of applying "Guidelines on Implementation Amending a part of [Accounting Standards for Retirement Benefit]" (Guidelines on Implementation of Business Accounting Standard No.7, issued on March 16, 2005).
2. Our group reduced book values of ten (10) items of premises and equipment including branch buildings and idle properties in Nagano Prefecture and one (1) item of idle premises and equipment outside Nagano Prefecture down to their recoverable values, because total values of future cash flows before discount fell short of their book values due to declines in cash flow generated by their operations and land prices. Reduced amount was ¥896 million (Land: ¥842 million, buildings: ¥52 million, and movable assets: ¥0 million) and it was stated as "Impairment losses", which is included in "Extraordinary losses".
<p>Concerning facilities for business, every branch is generally designated by the Bank as the smallest unit of group for the recognition and measurement of impairment loss. In case of idle assets, individual asset is assessed as a unit of group.</p> <p>Each subsidiary is designated as one asset group.</p> <p>The recoverable amounts used for the measurement of such impairment loss were net sales prices. Such net sales prices were calculated based on appraisal values and assessed value of fixed assets for taxation estimated in accordance with the Real Estate Appraisal Standard.</p>

## ( Consolidated statements of retained earnings )

Not applicable.

## ( Consolidated statements of cash flows )

The current fiscal year ( From April 1, 2005 to March 31, 2006 )	
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, 2006	
Cash and due from banks	186,136
<u>Due from banks (excluding BOJ)</u>	<u>( 77,148 )</u>
Cash and cash equivalents	<u>108,988</u>

## SEGMENT INFORMATION

## 1. Business Segment Information

Current fiscal year (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
I Operating income & profit						
Operating income						
(1) Operating income from customers	139,962	44,720	388	185,072	-	185,072
(2) Internal operating income among segments	517	714	71	1,303	( 1,303)	-
Total	140,480	45,435	460	186,375	( 1,303)	185,072
Operating expenses	101,916	42,734	337	144,987	( 1,296)	143,690
Operating profit (loss)	38,563	2,701	123	41,388	( 6)	41,381
II Assets, Depreciation, Impairment losses & Capital expenditure						
Assets	5,988,593	96,313	8,033	6,092,941	(59,543)	6,033,397
Depreciation	4,569	26,554	0	31,124	-	31,124
Impairment losses	896	-	-	896	-	896
Capital expenditure	3,986	29,009	-	32,995	-	32,995

Previous 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

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
- Operating income and profit are shown in place of sales and operating profit of ordinary companies.
- 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, 2005 to March 31, 2006 )	
1. Breakdown of main causes to have incurred deferred tax assets and liabilities (millions of yen)	
Deferred tax assets	
Reserve for possible loan losses	24,899
Reserve for employee retirement benefit	8,351
Gains on valuation of other securities	7,357
Depreciation	4,125
Write-down of securities	1,067
Accrued business tax	269
Others	2,711
Valuation allowance	(2,435)
Total deferred tax assets	46,347
Deferred tax liabilities	
Gains on valuation of other securities	109,714
Gains on retirement benefit trust setting	4,634
Others	1,413
Total deferred tax liabilities	115,762
Net amount of deferred tax liabilities	69,415
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, 2006 )		Previous fiscal year ( As of March 31, 2005 )	
		Book value	Net unrealized gains (losses)	Book value	Net unrealized gains (losses)
Securities for trading		21,203	0	5,735	5

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

Type	Period	Current fiscal year ( As of March 31, 2006 )				Previous fiscal year ( As of March 31, 2005 )					
		Book value	Market value	Gains (losses) on valuation		Book value	Market value	Gains (losses) on valuation			
				Gains	Losses			Gains	Losses		
Government bonds		5,002	4,942	(60)	-	60	3,006	3,014	8	8	-
Others		3,590	3,622	31	42	10	6,033	6,115	82	127	45
Foreign bonds		3,590	3,622	31	42	10					
Total		8,592	8,564	(28)	42	71	9,039	9,130	90	136	45

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, 2006 )				Previous fiscal year ( As of March 31, 2005 )					
		Acquisition cost	Book value	Gains (losses) on valuation		Acquisition value	Book value	Gains (losses) on valuation			
				Gains	Losses			Gains	Losses		
Equity shares		98,699	360,246	261,547	261,769	222	94,992	235,485	140,492	141,622	1,129
Bonds		959,988	944,898	(15,090)	1,246	16,337	920,895	935,679	14,784	14,889	105
Government bonds		608,385	598,132	(10,252)	305	10,557	607,958	618,368	10,410	10,426	16
Municipal bonds		97,894	98,243	348	774	426	122,950	125,620	2,670	2,746	75
Corporate bonds		253,708	248,522	(5,186)	166	5,352	189,985	191,689	1,703	1,717	13
Others		302,102	310,092	7,990	9,717	1,727	314,727	319,535	4,808	5,980	1,172
Foreign bonds		277,562	280,082	2,520	4,228	1,707					
Total		1,360,789	1,615,236	254,446	272,733	18,287	1,330,615	1,490,700	160,084	162,492	2,407

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 (Millions of yen)

Type	Period	Current fiscal year (From April 1, 2005 to March 31, 2006)			Previous fiscal year (From April 1, 2004 to March 31, 2005)		
		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

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

Type	Period	Current fiscal year (From April 1, 2005 to March 31, 2006)			Previous fiscal year (From April 1, 2004 to March 31, 2005)		
		Proceeds from sale	Total gains on sale	Total losses on sale	Proceeds from sale	Total gains on sale	Total losses on sale
Other securities		293,864	5,193	2,118	157,717	1,911	1,040

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

	Current fiscal year ( As of March 31, 2006 )	Previous fiscal year ( As of March 31, 2005 )
Bond held to maturity		
Unlisted municipal bonds	-	2,912
Unlisted industrial bonds	6,809	10,809
Other securities		
Unlisted securities (excluding OTC )	6,418	6,363
Unlisted industrial bonds	24,082	17,682

## (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)

Type \ Period	Current fiscal year ( As of March 31, 2006 )				Previous fiscal year ( As of March 31, 2005 )			
	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	143,198	416,673	312,909	101,200	148,359	509,806	218,964	92,957
Government bonds	81,741	257,119	163,073	101,200	93,374	293,905	141,137	92,957
Municipal bonds	25,749	69,169	3,324	-	15,725	96,639	16,168	-
Corporate bonds	35,707	90,384	146,512	-	39,260	119,261	61,659	-
Others	48,373	139,528	20,688	1,279	32,485	189,027	12,530	1,109
Foreign bonds	48,235	136,467	10,231	1,179				
Total	191,571	556,202	333,598	102,480	180,845	698,833	231,495	94,067

## 2. Money held in trust

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

Type \ Period	Current fiscal year ( As of March 31, 2006 )		Previous fiscal year ( As of March 31, 2005 )	
	Book value	Net unrealized gains (losses)	Book value	Net unrealized gains (losses)
Money held in trust for trading	14,242	2,984	24,466	2,329

## (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) (Millions of yen)

Type \ Period	Current fiscal year ( As of March 31, 2006 )					Previous fiscal year ( As of March 31, 2005 )				
	Acquisition cost	Book value	Gains (losses) on valuation			Acquisition value	Book value	Gains (losses) on valuation		
				Gains	Losses				Gains	Losses
Other money held in trust	700	695	(4)	-	4	-	-	-	-	-

## 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, 2006 )	Previous fiscal year ( As of March 31, 2005 )
Gains on valuation	254,442	160,084
Other securities	254,446	160,084
Other money held in trust	(4)	-
( + )Deferred tax assets	7,357	963
( )Deferred tax liabilities	109,714	65,281
Gains on valuation of other securities (before adjustment of the amount equivalent to equity holding)	152,084	95,766
( )Minority interest equivalents	2,490	1,751
( + )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	149,593	94,015

## 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, 2006 )	Previous fiscal year ( As of March 31, 2005 )
Liabilities for retirement benefit (A)	(53,521)	(52,627)
Pension assets (B)	68,502	51,113
Unfunded retirement benefit liabilities (C)=(A)+(B)	14,980	(1,514)
Unrecognized pension assets (D)	-	(8,251)
Unrecognized net obligations at transition (E)	-	-
Unrecognized actuarial differences (F)	(9,790)	6,792
Unrecognized past service liabilities (G)	-	-
Net amount stated in consolidated B/S (H)=(C)+(D)+(E)+(F)+ (G)	5,190	(2,972)
Prepaid pension expenses (I)	19,485	11,064
Reserve for retirement benefit (H)-(I)	(14,294)	(14,037)

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

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

## 3. Information on retirement benefit expenses (millions of yen)

Classification	Current fiscal year (As of March 31, 2006)	Previous fiscal year (As of March 31, 2005)
Service cost	1,580	1,682
Interest expense	998	1,292
Expected income on investment	(727)	(704)
Expenses for past service liabilities	(8,251)	(1,896)
Expenses for actuarial differences	1,142	1,024
Expenses at transition	-	-
Others (Temporarily paid extra pension)	322	298
Expenses for retirement benefit	<u>(4,934)</u>	<u>1,696</u>

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, 2006)	Previous fiscal year (As of March 31, 2005)
(1) Discount rate	2.0%	The same as the left column
(2) Expected yield on investment	1.0% ~ 2.0%	The same as the left column
(3) Period distribution method of expected retirement benefit	Straight-line method is used	The same as the left column
(4) Years to dispose of past service liabilities	Stated as expense or income in total in the year of incurrence	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

## SIGNIFICANT SUBSEQUENT EVENT

Current fiscal year (From April 1, 2005 to March 31, 2006)								
(Turning Alps Securities Co., Ltd into a subsidiary of Hachijuni Bank by stock swap)								
To be prepared for the future deregulation of securities businesses, and to respond to more sophisticated and diversified customers' needs, we made Alps Securities Co., Ltd. our wholly owned subsidiary effective April 1, 2006 based on stock swap agreement executed on December 26, 2005.								
The summary of the matters related to stock swap deal is as follows:								
1. Profile of Alps Securities Company, Limited								
<table border="1"> <thead> <tr> <th>Company Name</th> <th>Location</th> <th>Incorporation</th> <th>Capital</th> </tr> </thead> <tbody> <tr> <td>Alps Securities Co., Ltd.</td> <td>Ueda-city, Nagano</td> <td>May 1949</td> <td>¥800 million</td> </tr> </tbody> </table>	Company Name	Location	Incorporation	Capital	Alps Securities Co., Ltd.	Ueda-city, Nagano	May 1949	¥800 million
Company Name	Location	Incorporation	Capital					
Alps Securities Co., Ltd.	Ueda-city, Nagano	May 1949	¥800 million					
(1) Main businesses								
(A) Buying and selling of securities								
(A) To act as an intermediary, broker or agent with respect to buying and selling of securities, and to act as an intermediary, broker and agent with respect to entrustment of transactions on a securities market.								
(B) To underwrite and effect secondary distribution of securities.								
(C) To handle offering and secondary distribution of securities								
(2) Earnings (for the fiscal year ended March 31, 2006)								
Operating income: ¥2,728 million								

Current fiscal year  
( From April 1, 2005 to March 31, 2006 )

Operating profit : ¥1,028 million  
Net income: ¥657 million

2. Summary of matters related to stock swap

(1) Method of stock swap

Alps Securities Co., Ltd. (hereinafter “the Company”) has become the Bank’s wholly owned subsidiary, and stocks of the Company held by its shareholders were transferred to the Bank effective April 1, 2006, and then the Bank’s treasury stocks held by the Bank were allocated to shareholders of the Company, thereby they became shareholders of the Bank.

(2) Stock swap ratio

In executing such stock swap deal, the Bank allocated 3,104,106 shares of treasury stocks (common stock) held by the Bank to shareholders of the Company who are listed in its final shareholder register as of the day before the stock swap, in proportion of 0.98 common shares of the Bank to 1 common share of the company.

(3) Calculation basis of the stock swap ratio

The Bank and the Company separately requested the third party institutions to calculate the stock swap ratio, and both parties reached an agreement as specified above after consultation among the parties concerned based on the results of calculations. For the calculation of the stock swap ratio, the average market price method was used for the Bank, and the DCF (discount cash flow) method, comparable company comparison method, and current net worth value method were used for the Company to calculate their stock values. Both parties comprehensively considered the analysis results of those values and calculated the stock swap ratio in a certain range.

(4) Increased capital and capital surplus

Capital	No increase
Capital surplus	¥1,099 million

(5) Negative goodwill

Negative amount of goodwill	¥1,771 million
Cause	Stock swap
Method of amortization and Amortization period	Amortization using the straight line method in 5 years

(6) The amounts of received assets and assumed liabilities on the consolidation date and details

(Millions of yen)

Total assets	18,526
Cash and deposit	9,007
Margin trading assets	8,337
Total liabilities	13,775
Margin trading liabilities	4,802
Money deposited	5,548

## PRODUCTION, ORDER AND SALE

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