

Implementation Status of a Plan to  
Promote Region-based Relationship  
Banking

THE HACHIJUNI BANK, LTD

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## Summary of progress status of the region-based relationship banking promotion plan

This report describes the summary of progress status of “the region-based relationship banking plan” released in August 2005. Implementation of each item contained in the FY 2005 plan has been progressed as scheduled with unified efforts of the Bank as a whole. We will continue to work hard to carry out this plan.

Progress status for main items is as follows.

1. Business revitalization and facilitation of small and medium enterprises (SME) financing
  - (1) To increase loans to venture businesses, a new fund was established in the amount of ¥1,800 million, and efforts to cultivate new investment targets have been strengthened. As a result we achieved investments in the amount of ¥841 million to 34 customers against a target of making investments of ¥1,600 million to 50 customers in two years. We have also expanded a relationship network by holding information exchange meetings with candidate venture companies for investment, and entering into tie-up agreements with Shinshu University, Organization for Small and Medium Enterprises and Regional Innovation, Japan, and Small Business Information Center of Nagano Prefecture.
  - (2) We smoothly played roles of business matchmakers for 727 cases by proactively using information held by business branches and departments at the head quarter and by our efforts, which means we have already outperformed our original goal (400 cases in two years). Therefore, we have revised upward the goal to 1,500 cases in a bid to reinforce activities of providing effective information to our customers and the whole Group companies will continue to make efforts to tackle this issue.
  - (3) The number of customers whose credit classifications were upgraded was 79 (target is 70 customers). We worked on a project (FY2003~2005) to improve assets qualities with concerted efforts and succeeded in accomplishing original goal one year ahead of schedule. Even in the fiscal year ending March 31, 2007, we will continue to try our best to support customers for their management improvement efforts and work hard to make our loans under close observation sound and normal.

## &lt;Accomplishment list for numerical targets&gt;

| Item  | Numerical target for two years                                  | Results for FY ended March 31, 2006 (& Results for 2nd half)                                  |
|---|---|---|
| Strengthening functions to support creation and opening of new businesses                                     | Fund investment for ¥1,600 million to 50 customers              | Fund investment for ¥841 million to 34 customers (For 2nd half: ¥408 million to 18 customers) |
| Strengthening of functions of consultation and providing information to SME                                   | Number of successful cases of business matching: 400*           | Number of succeeded cases: 727 (For 2nd half: 449)  |
| Proactive efforts to improve support skill for SME and to make loans under close observation sound and normal | Number of upgraded customers: 70 customers out of 312 supported | Number of upgraded customers: 79 (For 2nd half: 53)   |

\* Two-year goals of business matching cases were revised upward to 1,500 cases during the fiscal year 2006.

- (4) To promote loans without excessive reliance on collateral and guarantee, we started sales of a product titled “Skillful Management <Aoba>(Green leaves)” which is a type of loan without collateral and third party guarantee but with guarantee by external institutions, and a new loan product titled “Skillful Management <Megumi>(Blessing)”, a type of loan using a scoring model. Further we started study on treatment of a product without collateral and third party

guarantee, for which we make lending judgment only by using a scoring model.

- (5) To improve systems of giving explanation about products to customers and to strengthen functions of dealing with complaints from customers, we initiated the work to overhaul contents of “Guidelines for explanation of loan transactions to customers”. We conveyed results of analysis of voices and complaints from customers to business branches via in-house LAN, and made branch managers fully aware of such results at managers’ meeting at each district and held workplace-training sessions.
- (6) On personnel education, we conducted “communication training” twice to improve employees’ skill to communicate with people. To improve judgment capabilities and SME supporting skill, we held a training seminar for corporate business trainees two times, a training seminar to teach how to deal with ailing enterprises once, and carried out 36 sessions of training using holidays inviting voluntary participants (1,373 participants).

## 2. Strengthening of management functions

- (1) We accomplished our goal to enhance and level up our risk management systems by establishing new operational risk management rules, and starting operations of risk information reporting system. We also conducted a new BIS field test (QIS5).
- (2) To develop a profit management system, we overhauled an integrated risk and profit management framework. We also made preparation to finalize what requirements are necessary for a divisional profit assessment system and level up profitability by markets. With regard to measures to improve profitability, we established a policy to apply a separate interest rate to each borrower consistent with its credit rating, under which we continued to make interest negotiations with customers.
- (3) To confirm appropriateness of financial data contained in securities report and other documents, we prepared business procedure manuals for each department in the head quarter and consolidated subsidiaries, and made each of them submit an internal confirmation document. We also made preparation to level up the business procedure manuals based on advices by external consultants and to implement internal audits.
- (4) As a policy to strengthen compliance systems, we established new organs (“Compliance and Operational Risk Conference”, and “Compliance and Operational Risk Management Committee”) for discussing and deciding basic policies and critical matters concerning compliance and operational risk management. In addition, to respond to the Personal Information Protection Law, we improved our control system by having conducted special inspection of business branches (48 branches), having revised related rules, and having added items to be examined internally.

## 3. Enhancement of convenience for regional users

- (1) As a part of information disclosure efforts related to contribution to regional communities, we published a Disclosure Magazine of FY 2005 version, which includes full of CSR reports. We also studied how to improve information contents of a FY 2006 version.
- (2) We requested a Consumer Advisors Association to conduct monitoring for counter services provided in all branches in Nagano Prefecture two times (once for each 1st and 2nd half of FY2005). After having analyzed the results of such monitoring and the degree of improvement from the previous results, we informed all business branches of the outcome of such analysis, and held a work place training session at each branch.
- (3) As a measure to promote revitalization of regional economies, we completed extension of a Project Finance concerning PFI business to construct and operate facilities to use hot spring in Nuruyu district in Nagano City (No.1 project in Nagano Prefecture). In addition, we requested Nagano Economic Research Institute to conduct a survey regarding PFI targeting public organizations in Nagano Prefecture, through which we studied measures to understand needs and strengthen tie-ups.

## II Progress status of each item incorporated in the region-based relationship banking promotion plan

\* Numbers are not necessarily sequential as action program's number is being used unchanged

| Item  | Policy   | Detailed measures  | Schedule  |  | Target   | Progress status (FY2005 and 2nd half of FY2005)   | Plan for 1st half of FY2006 and beyond  |
|---|--|--|---|--|--|---|---|
|   |  |  | FY2005  | FY2006   |  |   |   |
| I. Business revitalization and facilitation of SME financing                      |  |  |   |  |  |   |   |
| (1) Strengthening functions to support creation and opening of new business       | <ul style="list-style-type: none"> <li>Improvement in ability to judge conditions of venture businesses</li> <li>Proactive cultivation of new projects and supply of funds</li> <li>Providing support mainly to investment-candidate enterprises, for them to grow by improving hands-on ability and strengthening tie-up networks with supporting institutions</li> </ul>   | <ul style="list-style-type: none"> <li>Fund supply to venture businesses (cultivation of prospective enterprises, utilization of a Fund)</li> <li>Strengthening tie-up networks with supporting institutions</li> <li>Nurturing personnel who have judgment and hands-on abilities, and who can support listing of stocks</li> </ul> | <ul style="list-style-type: none"> <li>Establishment of Fund No. 5 (1.0 billion yen in total)</li> <li>Meetings with investment candidate firms</li> <li>Execution of tie-up agreements with Shinshu University and Organization for Small and Medium Enterprises and Regional Innovation, Japan</li> </ul> | <ul style="list-style-type: none"> <li>Meetings with investment candidate firms</li> <li>Meeting for handing-on Investment candidate firms with Hachijuni Capital Co., Ltd.</li> <li>Execution of tie-up agreements with universities in Nagano</li> </ul> | Fund investment for 1,600 Million yen to 50 customers in two years   | <p><b>(FY2005)</b><br/> <b>&lt; Fund investment: 841 million yen to 34 customers &gt;</b></p> <ul style="list-style-type: none"> <li>Cultivated 145 projects for Fund</li> <li>Fund Nos. 5 &amp; 6, totaling 1.8 billion yen, were established</li> <li>Held meetings with investment candidate firms (36 firms participated)</li> <li>Signed tie-up agreements with 3 external institutions (2nd half of FY2005)</li> <li>Fund investment: 408 million yen to 18 customers</li> <li>Fund No. 6 was established with 0.8 billion yen</li> <li>Study sessions were held for personnel in charge of investment candidate firms</li> <li>Tied-up with Small Business Information Center of Nagano Prefecture</li> </ul>  | <ul style="list-style-type: none"> <li>Will continue investment through the Fund, to achieve the target (400 million yen for the 1st Half of FY2006)</li> <li>Hands-on meeting for Investment candidate firms with Hachijuni Capital Co., Ltd. (1st Half of FY 2006)</li> <li>Holding meetings with investment candidate firms (1st half of FY2006)</li> <li>Execution of tie-up agreements with Nagano Technical Junior College, etc. (during FY2006)</li> </ul>                     |
| (2) Strengthening functions of management consultations and support for customers | <ul style="list-style-type: none"> <li>Strengthening business capability to find issues and to solve them</li> <li>Providing consultation and information services through Hachijuni Business Squares</li> <li>Increase in conclusion of business-matching agreements by activating information exchanges</li> <li>Providing consultation services in collaboration with group companies, audit corporations, and tax accountant firms</li> <li>Responding to M&amp;A needs, to solve successor issues and to diversify and expand businesses</li> </ul> | <ul style="list-style-type: none"> <li>Information sharing by headquarters and business branches, and support by headquarters</li> <li>Expansion of customers with whom business-matching agreements can be executed</li> <li>Strengthening tie-ups with outside consultation institutions</li> </ul>                                | <ul style="list-style-type: none"> <li>Campaign for gaining members of Hachijuni Business Square</li> <li>Strengthening tie-ups with outside experts, such as audit corporations</li> </ul>   | <ul style="list-style-type: none"> <li>Efforts to increase members of Hachijuni Business Square</li> <li>Study sessions for learning M&amp;A business at regions and branches</li> </ul>   | Conclusion of business matching agreements: 400 cases in two years<br><br>(Revised target: Number of agreements to be concluded in two years is now to be 1,500) | <p><b>(FY2005)</b><br/> <b>&lt;Number of cases of concluded business matching agreements: 727&gt;</b></p> <ul style="list-style-type: none"> <li>15 agreements have been concluded with consulting firms, etc.</li> <li>Number of Hachijuni Business Square members: 2,534 (as of the end of March)</li> <li>Execution of tie-up agreement with a medical consulting firm</li> <li>Regional M&amp;A study session (9 times) (2nd half of FY2005)</li> <li>Number of agreements through business matching: 449</li> <li>10 business matching agreements have been concluded with consulting firms, etc.</li> <li>Implemented campaign for acquiring members of Hachijuni Business Square (Dec-Feb)</li> <li>Regional M&amp;A study sessions (5 times)</li> </ul> | <ul style="list-style-type: none"> <li>Providing support to firms participating in business-talk meetings</li> <li>Holding seminars by constructing network with consulting firms</li> <li>Execution of tie-up agreements with outside consulting firms</li> <li>M&amp;A study session at branches</li> <li>Establishment of collaboration network with professionals</li> <li>Utilization of consulting project card by preparing a corporate transaction policy document</li> </ul> |

| Item   | Policy   | Detailed measures   | Schedule  |   | Target  | Progress status (FY2005 and 2nd half of FY2005)  | Plan for 1st half of FY2006 and beyond  |
|--|--|---|---|---|---|--|---|
|  |  |   | FY2005  | FY2006  |   |  |   |
| Strengthening efforts to improve skills to support SMEs, and proactive efforts aiming to improve, to make loans under close observation sound and normal | <ul style="list-style-type: none"> <li>Prevention of the emergence of new non-performing loans by strengthening cash flow monitoring functions</li> <li>Strengthening approach, aiming to make loans under close observation sound and normal</li> </ul> | <ul style="list-style-type: none"> <li>Thorough check and follow-up for the statuses of formulation and implementation of the management improvement plan</li> <li>Providing know-how by holding meetings by each industry</li> <li>Starting of fee-based consultation services to assist revitalization by the Loan Supervision Dept.</li> </ul> | <ul style="list-style-type: none"> <li>Check-up of statuses of formulation and progress of the management improvement plan</li> <li>Held meetings by each industry</li> <li>Implementation of a project to improve the quality of assets</li> </ul> | <ul style="list-style-type: none"> <li>Check-up of statuses of formulation and progress of the management improvement plan</li> <li>Held meetings by each industry</li> </ul> | Number of upgraded customers: 70 customers out of 312 supported | <p>(FY2005)</p> <p>&lt;Number of upgraded customers: 79&gt;</p> <ul style="list-style-type: none"> <li>Final FY for a project to improve assets' qualities having undertaken since FY2003. Accomplished a goal one year ahead of schedule, as a result of concerted efforts by the head office and branches</li> <li>Held meetings by industry (liquor industry, industrial waste industry, oil products sales industry, and manufacturing industry), and participants gained know-how of each industry</li> </ul> <p>(2nd half of FY2005)</p> <p>&lt;Number of upgraded customers: 53&gt;</p> | <ul style="list-style-type: none"> <li>Will perform full-fledged control over support to be provided to each customer for its efforts to improve its management</li> <li>Review once in half a year customers for which management improvement plan documents are to be prepared and perform full-fledged check over progress status of such plan and provide thorough guidance to them to improve management</li> <li>Plan to hold meetings by industry (real estate industry, land development corporation) (1st half of FY2006)</li> </ul> |
| Announcement of results regarding efforts to make the quality of credits sound   | <ul style="list-style-type: none"> <li>Announcement of rank-up results for companies for which efforts have been made to assist their management improvement</li> </ul>  | <ul style="list-style-type: none"> <li>Accurately ascertaining the results, such as rank-up in each semi-annual period for companies selected to be assisted for their management improvement by the Loan Supervision Dept.</li> </ul>  | The same as left  | The same as left  |   |  |   |

| Item   | Policy  | Detailed measures   | Schedule  |  | Target | Progress status (FY2005 and 2nd half of FY2005)   | Plan for 1st half of FY2006 and beyond   |
|--|---|---|---|--|--------|---|--|
|  |   |   | FY2005  | FY2006   |        |   |  |
| (3) Proactive efforts for business revitalization  |   |   |   |  |        |   |  |
| <ul style="list-style-type: none"> <li>Proactive efforts for business revitalization</li> <li>Sharing of revitalization know-how</li> <li>Dissipation of excessive debts of SMEs</li> <li>Reconstruction of businesses in response to changes in social needs</li> </ul> | <ul style="list-style-type: none"> <li>Promotion of sharing revitalization know-how</li> <li>Support for speedy formulation of a thorough reconstruction plan, and support its implementation</li> </ul>  | <ul style="list-style-type: none"> <li>Providing and gathering of revitalization know-how through actual examples</li> <li>Selection of prospective firms for which Civil Rehabilitation or civil liquidation guidelines can be used, and management of its progress</li> <li>Strengthening the tie-up with the SME Revitalization Support Council and proactive use of revitalization funds</li> </ul> | <ul style="list-style-type: none"> <li>Selection of prospective firms which can be covered by Civil Rehabilitation or civil liquidation guidelines</li> <li>Utilization of functions of the SME Revitalization Support Council, and selection of prospective firms for which the revitalization fund can be supplied</li> </ul> | <ul style="list-style-type: none"> <li>Progress management regarding selected firms and reshuffle of selected firms</li> <li>Study of necessity for providing DIP finance to those selected firms</li> </ul> |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Worked separately for four customers to which the Civil Rehabilitation Law was applied (procedures completed for two customers), one customer to which civil liquidation guidelines are applied (procedures completed), and four customers subject to corporate divide or business transfer (procedures completed for four of them).</li> <li>14 projects were brought in for a revitalization plan using functions of SME Revitalization Support Council and 2 projects out of them were accomplished</li> <li>DIP finance was extended to one customer (2nd half of FY2005)</li> <li>Selected and worked for one customer subject to the Civil Rehabilitation Law and four customers to corporate divide or business transfer</li> <li>Seven projects for revitalization using functions of SME Revitalization Support Council were brought in, one of which completed its procedures</li> </ul> | <ul style="list-style-type: none"> <li>Process for large-lot customers will almost complete. Will widen the range of customers for which support will be provided and will continue to perform speedy revitalization processes</li> <li>Will aggressively utilize the Support Council</li> </ul> |
| Expansion of disclosures of information concerning revitalization support results, and further promotion of revitalization know-how sharing  | <ul style="list-style-type: none"> <li>Announcement of revitalization support results and know-how to the possible extent</li> <li>Accumulation of other banks' examples and know-how gained through the Regional Banks Association, and utilization thereof for the Bank's projects</li> </ul> | <ul style="list-style-type: none"> <li>Gathering of other banks' cases and know-how through the Regional Banks Associations and announcement of our Bank's results</li> <li>Announcement of our understandings for the actual status of business revitalization to the possible extent</li> </ul>   | The same as left  | The same as left   |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>A book titled "Methods for Revising Actual Status of Financial Report" was published in April, and all 5,000 copies printed were sold out</li> <li>Reported actual examples of 3 customers for which revitalization support was provided based on the Regional Banks Association's format (2nd half of FY2005)</li> <li>Reported actual examples of 3 customers for which revitalization support was provided based on the Regional Banks Association's format</li> </ul>  | <ul style="list-style-type: none"> <li>Reporting on rehabilitation support examples will be proactively made based on the Regional Banks Association's format, thereby trying to share information</li> </ul>  |

| Item  | Policy  | Detailed measures   | Schedule  |   | Target | Progress status (FY2005 and 2nd half of FY2005)   | Plan for 1st half of FY2006 and beyond   |
|---|---|---|---|---|--------|---|--|
|   |   |   | FY2005  | FY2006  |        |   |  |
| (4) Promoting loans without excessive reliance on collateral and guarantee  |   |   |   |   |        |   |  |
| <p>Promoting loans without excessive reliance on collateral and guarantee</p> <ul style="list-style-type: none"> <li>Strengthening approach to accurately assess enterprises' potentiality and technical capabilities</li> <li>Reviewing comprehensive revolving guarantee agreement and excessive third party guarantee in line with the enactment of "Law Amending a Part of Civil Code"</li> </ul> | <ul style="list-style-type: none"> <li>Establishment of business promotion and assessment systems without excessive reliance on collateral and guarantees (including third-party guarantees)</li> <li>Review of the maturity date management system for revolving guarantee agreements, and appropriate conversion of comprehensive revolving guarantee agreements</li> </ul> | <ul style="list-style-type: none"> <li>Improvement of no-collateral, no-third-party-guarantee type products (such as &lt;Speedup&gt;)</li> <li>Usage expansion of scoring models, and promotion of loans using such models</li> <li>Review of maturity date management systems for revolving guarantee agreements, and execution of new comprehensive revolving guarantee agreements with appropriate newly-converted guarantors</li> </ul> | <ul style="list-style-type: none"> <li>Verification of scoring models and efforts to establish application methods</li> <li>Review of revolving guarantee agreement control system, and study of the future directions</li> </ul> | <ul style="list-style-type: none"> <li>Usage expansion of scoring models, and promotion of loans using such model</li> <li>Starting appropriate conversion of comprehensive revolving guarantee agreements in line with review, and implementation of review results for revolving guarantee agreement management system</li> </ul> |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Introduction of no-collateral, no-third-party-guarantee type loan products guaranteed by outside institutions (May, 2005: Handled a loan product with a guarantee by Orix Corporation)</li> <li>Introduction of loan products using scoring models (December 2005: Handled scoring proper products exclusively for the agriculture, forestry and fishery industry)</li> <li>Started development to level-up a revolving guarantee agreement management system and decided on requirements to start operation of such system in FY 2006</li> </ul> <p>(2nd half of FY2005)</p> <ul style="list-style-type: none"> <li>Studied how to handle no-collateral, no-third-party guarantee loan products for which judgment on whether we can extend them or not will be made only by scoring models</li> <li>Decided on requirements for starting operation of a revolving guarantee management system in FY2006</li> </ul> | <ul style="list-style-type: none"> <li>Introduction of no-collateral, no-third-party guarantee loan product for which judgment on whether we can extend or not will be made only by scoring models (Skilful Management &lt;Speed Max&gt;)</li> <li>Verification of scoring models, and continuance of study for efforts to establish application methods (will consider the introduction of a scoring model developed by ourselves)</li> <li>Will start operation of revolving agreement management system (May and August of 2006), and will make thorough transition of existing agreements to new ones with the operation start of such system, and will complete procedures to secure proper guarantors (May through September of 2006)</li> </ul> |
| <p>Diversifying financing methods for SMEs</p> <ul style="list-style-type: none"> <li>Strengthening efforts to alleviate regionally concentrating risks</li> </ul>  | <ul style="list-style-type: none"> <li>Implementing measures to help SME financing through providing liquidation of assets held by customers</li> <li>Strengthening loan management system by establishing management methods for non-recourse loan and project finance</li> </ul>  | <ul style="list-style-type: none"> <li>Establishment of a new scheme to provide liquidation of assets held by customers</li> <li>Implementation of measures for project finance</li> <li>Strengthening promotion to sell syndicate loans</li> </ul>   | <ul style="list-style-type: none"> <li>Review of the new scheme</li> <li>Establishment of a specific credit rating system</li> <li>Promotion to sell syndicate loans</li> </ul>   | <ul style="list-style-type: none"> <li>Strengthening approach mainly toward a new liquidation scheme</li> <li>Promotion to sell syndicate loans</li> </ul>  |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Extended syndicated loans (6 cases/19.8 billion yen)</li> <li>Introduced a new scheme of providing liquidation of assets held by customers (SPC method) (January 2006)</li> <li>Establishment of specific credit rating system (June 2005)</li> </ul> <p>(2nd half of FY2005)</p> <ul style="list-style-type: none"> <li>Extended syndicated loans (1 case/2 billion yen)</li> <li>Concluded 2 new scheme agreements for liquidation of assets held by customers (2 cases/3.8 billion yen)</li> </ul>  | <ul style="list-style-type: none"> <li>Reinforcement of syndicate loan sales promotion</li> <li>Strengthening of approach mainly using new liquidation schemes</li> </ul>  |

| Item   | Policy   | Detailed measures   | Schedule  |  | Target | Progress status (FY2005 and 2nd half of FY2005)  | Plan for 1st half of FY2006 and beyond  |
|--|--|---|---|--|--------|--|---|
|  |  |   | FY2005  | FY2006   |        |  |   |
| (5) Developing system of explanations to customers and strengthening functions to deal with consultation needs and complaints from customers |  |   |   |  |        |  |   |
| Establishment of in-house regulations, including a manual of how to explain to customers   | <ul style="list-style-type: none"> <li>Establishment of in-house regulations, including a manual of how to explain to customers</li> <li>Enhancement of presentation system to customers at the business branch</li> </ul>                                   | <ul style="list-style-type: none"> <li>Review of the "Guidelines for explanations of loan transactions to customers"</li> <li>Developing system of explanations to customers by making sure to keep everyone informed of revised contents at meetings and on other occasions</li> </ul>         | <ul style="list-style-type: none"> <li>Overhaul of guidelines stated in the left, in line with amendment of Civil Code and Real Estate Registration Law and with Personal Information Protection Law</li> </ul> | <ul style="list-style-type: none"> <li>Continuous implementation of measures to improve the systems as needed, adopting a P-D-C cycle</li> </ul>   |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Revised handling procedures in line with the amendment of the Real Estate Registration Law and the Personal Information Protection Law, and also made revision of a record sheet form to confirm customers' intent to clarify accountability at the time customers tender their collateral</li> <li>Started revision work for a record sheet form to confirm customers' intent to guarantee, and "Guidelines for explanation to customers" (2nd half of FY2005)</li> <li>Completed revision of a record sheet form to confirm customers' intent to tender collateral (September 2005)</li> <li>Started revision work for a record sheet form to confirm customers' intent to guarantee, and "Guidelines for explanation to customers"</li> </ul>  | <ul style="list-style-type: none"> <li>Will complete revision of a record sheet form to confirm guarantors' intent to guarantee, to clarify our accountability to such guarantors (May 2006)</li> <li>Will complete revision of "Guidelines for explanation to customers" (1st half of 2006)</li> <li>Implementing improvement measures for customer explanations and revision of guidelines based on the results of efficiency verification of item below (by March 2007)</li> </ul> |
| Ensuring efficiency at business branches   | <ul style="list-style-type: none"> <li>Implementation of unified management system for loan-related subjects and establishment of an efficiency-verification system</li> <li>Implementation of improvement measures based on verification results</li> </ul> | <ul style="list-style-type: none"> <li>Providing verification and guidances thoroughly to employees at branches by the Inspection Dept. (Audit Dept. from FY2006)</li> <li>Gathering operational risk information; establishment of reporting system, and utilization of such system</li> </ul> | <ul style="list-style-type: none"> <li>Verification of efficiency using information gathering and reporting system (related to the establishment of an operational risk management system)</li> </ul>           | <ul style="list-style-type: none"> <li>Verification of efficiency using systems specified in the left</li> <li>Thorough implementation again of the systems based on verification results and also improvement measures</li> </ul> |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Verified statuses of how employees observed explanation obligations to customers and how they dealt with customers' complaints at branches when the Inspection Dept. visited there to conduct inspection and on-site guidance. No specific problem was found</li> <li>Operational risk (complaints, accidents) reporting system has begun to operate, and a unified control structure for credit-related matters was constructed in line with the operation start of such system</li> <li>Simultaneous inspections were conducted, to prevent abuse of dominant bargaining position, and no specific problem was found (2nd half of FY2005)</li> <li>Reporting system for complaints or accidents started to operate (December 2005)</li> <li>Simultaneous inspections were conducted to prevent abuses of dominant bargaining position and verification was made (March 2006)</li> </ul> | <ul style="list-style-type: none"> <li>Will firmly put in place the reporting system for complaints and accidents, and will continue to verify efficiency of such explanation procedures related to loan transactions by leveling up and utilizing such system (by March 2007)</li> <li>Audit Dept. will continue its thorough verification by providing guidance at branches (by March 2007)</li> </ul>  |

| Item   | Policy   | Detailed measures   | Schedule   |                  | Target | Progress status (FY2005 and 2nd half of FY2005)  | Plan for 1st half of FY2006 and beyond  |
|--|--|---|--|------------------|--------|--|---|
|  |  |   | FY2005   | FY2006           |        |  |   |
| Analysis of examples of complaints and conveying results of such analysis to parties concerned   | <ul style="list-style-type: none"> <li>Unified management of complaints</li> <li>In-house information sharing and prevention measures for recurrence of such complaints and improvement of such systems</li> </ul>                       | <ul style="list-style-type: none"> <li>Regularly conveying customers' direct opinions or complaints to employees via in-house LAN</li> <li>Holding workshop training seminar to prevent recurrence of complaints</li> </ul> | <ul style="list-style-type: none"> <li>Analyzing complaints by businesses and contents, and conveying the analysis results to employees via in-house LAN</li> <li>Holding workshop training seminar to prevent recurrence of complaints and troubles</li> </ul>  | The same as left |        | (FY2005) <ul style="list-style-type: none"> <li>Regularly conveyed analysis results of customers direct opinions, opinion examples and complaints to employees using in-house LAN</li> <li>Held workshop training seminar twice to prevent recurrence of complaints and improve CS (one time each in 1st and 2nd half of FY2005)</li> <li>Thoroughly made branch managers be aware of how to respond to complaints and prevent their recurrence at meetings of each region (13 regions) (2nd half of FY2005)</li> <li>Regularly conveyed analysis results of customers direct opinions, opinion examples and complaints to employees using in-house LAN</li> <li>Thoroughly made branch managers be aware of how to respond to complaints and prevent their recurrence at their meeting of each region (13 regions)</li> <li>Held workshop training seminar once to prevent recurrence of complaints and improve CS</li> </ul>         | <ul style="list-style-type: none"> <li>Regularly conveying analysis results of customers direct opinions, opinion examples and complaints to employees using in-house LAN</li> <li>Holding workshop training seminar to prevent recurrence of complaints and to improve CS (one time each in 1st and 2nd of FY 2006)</li> <li>Will thoroughly make branch managers be aware of how to respond to complaints and prevent their recurrence at their meeting of each region</li> </ul>   |
| (6) Development of human resources   |  |   |  |                  |        |  |   |
| Enhancement of abilities to precisely assess potentials and technical capabilities of enterprises (judgment ability), and to assist their management | <ul style="list-style-type: none"> <li>Mastering a wide range of knowledge and skill centering on three themes of "Improvement in judgment capability", "Improvement in SME support skill" and "Revitalization support skill"</li> </ul> | <ul style="list-style-type: none"> <li>Holding training seminars for strengthening interpersonal communication skill, judgment capabilities, SME management support and revitalization support skills</li> </ul>            | <ul style="list-style-type: none"> <li>Enrichment of various group training and holiday voluntary participation type training</li> <li>Sending employees to outside training session held by the Regional Banks Association and others, and continuing to dispatch staff members to outside enterprises</li> </ul> | The same as left |        | (FY2005) <ul style="list-style-type: none"> <li>Interpersonal communication skill: Communication basic training seminar (twice)</li> <li>Judgment skill, SME support: Training seminar for corporate business trainees (twice)</li> <li>Revitalization support: Training seminar to respond to ailing enterprises (once)</li> <li>Holiday voluntary participation training seminar: 36 sessions (1,373 participants), sent 10 employees in total to seminars sponsored by the Regional Banks Association, dispatched employees to outside enterprises for long-term training (27 employees as of April 1) (2nd half of FY2005)</li> <li>Training seminar for corporate business trainees (once), Training seminar to respond to ailing enterprises (once), and 19 sessions of Holiday voluntary participation training seminar were held, sent 4 employees in total to seminars sponsored by the Regional Banks Association</li> </ul> | <ul style="list-style-type: none"> <li>Continuing to hold various types of group training sessions, holiday voluntary participation training trying also to level up their contents</li> <li>Planning to hold a training seminar for corporate business trainees (twice), training session for learning how to handle ailing enterprises (the former training seminar to respond to ailing enterprises) (twice), enriching their curriculums)</li> <li>Planning to hold 20 sessions of holiday voluntary participation training seminars</li> <li>Planning to send 12 employees to training sessions sponsored by the Regional Banks Association, and will continue also to send employees to other outside seminars and dispatch employees to outside enterprises</li> </ul> |

| Item   | Policy  | Detailed measures  | Schedule  |   | Target | Progress status (FY2005 and 2nd half of FY2005)   | Plan for 1st half of FY2006 and beyond   |
|--|---|--|---|---|--------|---|--|
|  |   |  | FY2005  | FY2006  |        |   |  |
| 2. Strengthening of management functions   |   |  |   |   |        |   |  |
| (1) Enhancing risk management  |   |  |   |   |        |   |  |
| <p>Initiatives to sophisticate computing methods for capital adequacy ratio in preparation for the introduction of Basle II (the new capital-adequacy system), and establishment of a proper system concerning expansion of information-disclosure practices</p> <p>Sophistication of the risk management scheme</p> | <ul style="list-style-type: none"> <li>Establishment of a framework toward more sophisticated calculation methods of the capital adequacy ratio</li> <li>Establishment of a risk management system</li> <li>Expansion of information disclosures</li> </ul> | <ul style="list-style-type: none"> <li>Reviewing credit risk management system</li> <li>Establishment and level-up of internal credit rating system; improvement in the internal audit structure</li> <li>Establishment of an operational risk management system</li> <li>Improvement of the information-gathering and reporting framework by computerization</li> <li>Expansion of information disclosures</li> </ul> | <ul style="list-style-type: none"> <li>Study of improvement in the internal credit rating system; study of improvement of the internal audit structure</li> <li>Establishment of a new credit rating system (specific credit rating system)</li> <li>Confirmation of the improvement status of the risk management system (by performing a review)</li> <li>Implementation of gap analysis aiming toward the establishment of an integrated risk management system</li> <li>Establishment of a Risk Management Committee</li> </ul> | <ul style="list-style-type: none"> <li>Expansion of information disclosure in response to new Basle II (new capital adequacy ratio requirement)</li> <li>Establishment of new credit rating system (rating for each loan item)</li> <li>Implementation of organizational measures for portfolio management structure</li> <li>Establishment of operational risk management structure</li> </ul> |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Studied the framework of the internal credit rating system (during whole FY2005)</li> <li>Conducted a new BIS field test (QIS4 in the 1st half of 2005 and QIS5 in the 2nd half of FY2005)</li> <li>Established a specific credit rating system (June 2005)</li> </ul> <p>(2nd half of FY2005)</p> <ul style="list-style-type: none"> <li>Conducted a new BIS field test QIS5</li> <li>Started operation of the operational risk reporting system.</li> <li>Introduced a rating scheme for credits related to asset liquidation transactions (January 2006)</li> </ul> | <ul style="list-style-type: none"> <li>Will review the borrower rating system (during whole FY2006)</li> <li>Will establish a sovereign rating system, a each loan item rating system, and a retail transaction rating system (1st half of FY2006).</li> <li>Will clarify the roles of the Audit Dept. and the Asset Audit Office, and improve the internal audit structure (1st half of FY2006)</li> <li>Overall implementation of a risk assessment</li> </ul> |

| Item   | Policy   | Detailed measures   | Schedule   |   | Target | Progress status (FY2005 and 2nd half of FY2005)  | Plan for 1st half of FY2006 and beyond   |
|--|--|---|--|---|--------|--|--|
|  |  |   | FY2005   | FY2006  |        |  |  |
| (2) Establishment of earnings management systems and improvement in profitability  |  |   |  |   |        |  |  |
| Establishment of earnings management systems   | <ul style="list-style-type: none"> <li>Establishment of earnings management systems</li> <li>Formulation of a management strategy based on risk &amp; return</li> </ul>  | <ul style="list-style-type: none"> <li>Sophistication of integrated risk management</li> </ul>  | <ul style="list-style-type: none"> <li>Reviewing of assets and liabilities to be covered by an integrated risk management</li> </ul>   | <ul style="list-style-type: none"> <li>Verification of divisional risk &amp; return and extraction of issues to be resolved</li> </ul>  |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Reviewed assets and liabilities subject to integrated risk management, and incorporated private-equity-fund (without market values) and deposit interest rate risks into an integrated risk management framework</li> <li>Estimated the actual results of ROE by divisions for the 1st and 2nd half of FY 2005, and tentatively set up a ROE expected targets by divisions for the 2nd half of FY2005</li> </ul> <p>(2nd half of FY2005)</p> <ul style="list-style-type: none"> <li>Determined a risk-return policy based on risk amount and ROE by divisions, and implemented distribution of capital for the 1st half of FY2006, based on a new integrated risk management and profit management frameworks</li> </ul>  | <ul style="list-style-type: none"> <li>Planning to capture ROE results by divisions every month from April 2006</li> <li>Making profit management system fix through sophistication of capital distribution and integrated risk management systems based on risk amount and ROE by divisions</li> </ul>  |
| Establishment of an internal credit rating system consistent with borrower classification, and development of a system by which interest rates for loans will be quoted corresponding to their risk<br>Capitalizing on management accounting data and developing a framework of a comprehensive profitability system | <ul style="list-style-type: none"> <li>Establishment of a loan interest rate system corresponding to credit risks, by setting up a target rate by credit rating based on credit risk data, and enhancement of profitability</li> <li>Further sophistication of the profit management system, by establishing and reviewing the business branch profit management system</li> <li>Development of a framework of the comprehensive profitability system</li> </ul> | <ul style="list-style-type: none"> <li>Executing pricing negotiation in line with the policy, and making efforts to have customers agree with such pricing</li> <li>Improvement in the profit management system; level-up of the business branch profitability management system</li> <li>Level-up of profitability by divisions and markets</li> </ul> | <ul style="list-style-type: none"> <li>Execution of pricing negotiations aiming to achieve the lowest target interest rate by credit ratings</li> <li>Formulation of a loan interest rate application policy for FY2006</li> <li>Improvement and development of the profitability management system</li> </ul> | <ul style="list-style-type: none"> <li>Execution of pricing negotiations aiming to achieve the lowest target interest rate by credit ratings</li> <li>Formulation of a loan interest rate application policy for FY2007</li> <li>Execution of a test run of the profitability management system</li> <li>Study for level-up of cost accounting</li> </ul> |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>A policy to apply a separate interest rate to each borrower consistent with its credit rating has become widespread, by mandating loan officers to prepare pricing worksheets</li> <li>Executed pricing negotiations aiming to achieve the lowest target interest rate by credit ratings, and performed a monthly check for yield improvement statuses</li> </ul> <p>(2nd half of FY2005)</p> <ul style="list-style-type: none"> <li>Revised the loan interest rate policy and business branch spread for each term, in line with risk status and actual market conditions</li> <li>Finalized requirements for profitability level-up by divisions, started preparations for the development of a profitability system by markets and points at issue concerning cost accounting by the existing system were extracted</li> </ul> | <ul style="list-style-type: none"> <li>Establishment of loan interest rate policy and business branch spreads consistent with market conditions and risk status every fiscal year</li> <li>Execution of monthly check for pricing negotiation and yield statuses aiming to achieve the lowest interest rate by credit ratings (check will be performed every fiscal year)</li> <li>Operating profitability system by divisions (cutover in the 1st half of FY 2006); starting development of a profitability-by-markets system and cost accounting system</li> </ul> |

| Item   | Policy  | Detailed measures   | Schedule   |   | Target | Progress status (FY2005 and 2nd half of FY2005)   | Plan for 1st half of FY2006 and beyond   |
|--|---|---|--|---|--------|---|--|
|  |   |   | FY2005   | FY2006  |        |   |  |
| <b>(3) Strengthening governance</b>  |   |   |  |   |        |   |  |
| Confirmation of the appropriateness of financial conditions<br>• Confirmation of the appropriateness of financial conditions in securities reports and other reports | • Strictly carrying out confirmation of the appropriateness of financial conditions in securities reports and other reports by executives   | • Preparation and updating of procedures manuals for the computation and reporting of financial-related figures<br>• Collection of internal confirmation documents from each division and consolidated subsidiaries<br>• Conducting an internal audit | • Preparation of procedures manuals for each division and consolidated subsidiary<br>• Carrying out a study based on reports by the Internal Control Task Force of the Business Accounting Council | • Carrying out internal audit for preparation work of securities reports<br>• Attaching a "Confirmation Document" stipulated in the Securities and Exchange Law to securities reports |        | (FY2005)<br>• Prepared procedures manuals for each division and consolidated subsidiary, and collected internal confirmation documents from them<br>• Accepted external consultations, and improved the procedures manuals for each division and consolidated subsidiary, and prepared for the execution of internal audits, based on advice obtained from such consultations<br>(2nd half of FY2005)<br>• Prepared procedures manuals for consolidated subsidiaries<br>• Collected internal confirmation documents from each division and consolidated subsidiary<br>• Accepted external consultations, and improved procedures manuals for each division and consolidated subsidiary, and prepared for the execution of internal audits, based on advice obtained from such consultations | • Will enhance a system enabling to attach "Confirmation Document" prescribed in the Securities and Exchange Law to securities report for fiscal year ending March 31, 2006<br>• Will study response measures for standards and operation guidance by Business Accounting Council scheduled to be released, including acceptance of external consultation if necessary |
| <b>(4) Strengthening compliance</b>  |   |   |  |   |        |   |  |
| Strengthening the internal inspection of compliance practice statuses of business branches, to prevent occurrence of scandals  | • Studying the establishment of an organ that will discuss and report measures for events violating compliance rules and for the prevention of their recurrence<br>• Formulation of inspection methods using operational risk information from a compliance viewpoint | • Studying the establishment of an organ specified on the left<br>• Re-examination of assessment items for compliance<br>• Establishment of the inspection method using operational risk information  | • Studying the establishment of an organ to discuss and report<br>• Studying the inspection method using operational risk information  | • Formulation of a tentative plan for detailed inspection methods   |        | (FY2005)<br>• Established the Compliance and Operational Risk Conference composed of management staff and the Compliance and Operational Risk Management Committee consisting of managers of divisions and offices, to discuss and resolve basic policies and significant matters related to compliance and operational risk management<br>(2nd half of FY2005)<br>• Established the organs as mentioned above in December 2005<br>• Started operation of the risk information reporting system in December 2005, and also started collection and analysis of each case<br>• Started moving state inspections at consolidated examinations, reinforcement of interviews, and partial inspections, to prevent the occurrence of scandals   | • Will study a tie-up system among related divisions involved to verify actual compliance statuses (1st half of FY2006)<br>• Audit system will be renewed to focus more on legal compliance from FY2006 and will improve efficiency of such new audit scheme and study more efficient methods to prevent fraudulence   |

| Item  | Policy   | Detailed measures  | Schedule   |  | Target | Progress status (FY2005 and 2nd half of FY2005)  | Plan for 1st half of FY2006 and beyond   |
|---|--|--|--|--|--------|--|--|
|   |  |  | FY2005   | FY2006   |        |  |  |
| Ensuring proper management and treatment of customer information based on the "Personal Information Protection Law" | <ul style="list-style-type: none"> <li>Establishment of a storage keeping and management system for customer information</li> <li>Keeping everyone informed of issues to be addressed for treatment of personal information at training seminars</li> <li>Stable implementation of technical safety management measures</li> </ul> | <ul style="list-style-type: none"> <li>Reviewing related regulations and crystallization of storage keeping and management methods for customer information; expansion of the scope of items subject to internal inspections</li> <li>Efforts of keeping everyone informed of by division and branch managers; holding training sessions at work places</li> <li>Standardization of rules for instruction items regarding the treatment of personal information</li> <li>Stable implementation of technical safety measures, centering on the distribution system</li> </ul> | <ul style="list-style-type: none"> <li>Clarification of the storage keeping and management method for ledger books, and expansion of the scope of items subject to the internal inspections</li> <li>Implementation of a learning level test for personal information treatment and workplace training at every branch</li> <li>Standardization of rules for instruction items, and re-examination of the personal data book</li> <li>Computerization of ledger statements</li> <li>Continuous implementation of technical safety measures, centering on the distribution system based on a roadmap</li> </ul> | <ul style="list-style-type: none"> <li>Expansion of items to be processed centrally at headquarters, to decrease loss risks</li> <li>Continuous implementation of technical safety measures, centering on the distribution system, based on a roadmap</li> <li>Continuous education for officers and employees by group training sessions, etc.</li> </ul> |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Re-examined the personal data book</li> <li>Added items subject to internal inspections</li> <li>Revised related rules (general rules for operations) (clarification of the storage keeping management method of ledger books)</li> <li>Conducted specified partial inspections based on the Personal Information Protection Law at 48 branches.</li> <li>Conducted theme inspections for the Risk Management Department, checking its compliance status for the Personal Information Protection Law, and verified its compliance status</li> <li>Verified management status of each branch by overall and partial inspections (2nd half of FY2005)</li> <li>Made severer the handling of delivery &amp; receipt of mail, mailboxes, and ledger statements</li> <li>Conducted an inspection campaign for the handling of personal information</li> <li>Implemented a centralized storage system of documents for some branches</li> <li>Continued verification by consolidated and partial inspections</li> <li>Revised methods aiming to reinforce the verification of legal compliance statuses, including customer information management</li> </ul> | <ul style="list-style-type: none"> <li>Will expand centralized storage system for images (FY 2006)</li> <li>Will review reduction of mails to customers (FY2006)</li> <li>Will study and implement introduction of fax system (1st half of FY2006)</li> <li>Will confirm clerical works handling status during such clerical work inspection campaign period and ensure appropriate handling of such works (1st half of FY2006) (Audit Dept.)</li> <li>Implementation of verification by overall and partial inspection using a new method</li> <li>Will verify the Bank's entire customer information management system by a theme audit for "Customer Protection Management System"</li> </ul> |
| (5) Strategic utilization of IT   |  |  |  |  |        |  |  |
| Strategic utilization of IT in accordance with business models  | <ul style="list-style-type: none"> <li>Payment of "local taxes and public fees" by expanding the fee payment service system</li> <li>Sophistication of the retail database in response to new capital adequacy ratio requirements</li> <li>Seeking the advantages of system sharing through "Juudan Kai"</li> </ul>                | <ul style="list-style-type: none"> <li>Leveling-up of Internet banking for corporate customers</li> <li>Establishment of a retail database</li> <li>Providing proper support to "Juudan Kai"</li> </ul>  | <ul style="list-style-type: none"> <li>Completion of the requirement definition of items subject to level-up and initiation of development; negotiations with enterprises for which public charges are to be collected</li> <li>Studying the establishment of a consumption retail database</li> <li>Providing support for system conversion</li> </ul>  | <ul style="list-style-type: none"> <li>Negotiations to expand enterprises for which public charges are to be collected</li> <li>Carrying out measurement of the quantity of credit risks</li> <li>Study of the expansion of businesses matters covered by the common system</li> </ul>   |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>Completed level-up of the Internet banking for corporate customers, and implemented electronic payment of some public charges</li> <li>Studied installation of a consumption retail database (whole FY2005)</li> <li>Provided support to Musashino Bank and Ryukyu Bank for their system conversion</li> <li>Studied and implemented participation in a common backup center (2nd half of FY2005)</li> <li>Started computerized collection system for local taxes and telephone charges through the Internet banking with corporate customers (January 2006)</li> <li>Completed the system conversion of Musashino Bank and Ryukyu Bank.(January 2006)</li> <li>Established a Juudan-Kai Common Planning Office in Planning &amp; Coordination Dept. (Feb.2006)</li> <li>Participated in a common backup center (March 2006)</li> </ul>   | <ul style="list-style-type: none"> <li>Will increase types of local taxes and public charges to be covered by the computerized payment system (FY2006)</li> <li>Will study data-source management methods and database construction (from FY 2006 ~)</li> <li>Reinforcement of the planning capability of Juudan-Kai Common Planning Office</li> <li>Will study expansion of businesses matters covered by the common system</li> </ul>  |

| Item   | Policy   | Detailed measures   | Schedule  |   | Target | Progress status (FY2005 and 2nd half of FY2005)  | Plan for 1st half of FY2006 and beyond   |
|--|--|---|---|---|--------|--|--|
|  |  |   | FY2005  | FY2006  |        |  |  |
| 3. Enhancement of convenience for regional users   |  |   |   |   |        |  |  |
| (1) Disclosure of information related to regional contributions  |  |   |   |   |        |  |  |
| Contribution status to local communities, such as statuses of fund supply to regional SMEs and of appropriation of deposits to local communities   | <ul style="list-style-type: none"> <li>Continuance of information disclosures related to regional contributions</li> <li>Implementation of proactive disclosure activities by group companies</li> </ul> | <ul style="list-style-type: none"> <li>Continuance of disclosures of proactive CSR activities</li> <li>Disclosure of statuses of fund supply to SMEs, and appropriation of deposits for local communities at the time of announcing financial statements</li> <li>Disclosure via HP of major group companies</li> </ul> | <ul style="list-style-type: none"> <li>Continuation of ongoing disclosure activities</li> <li>Selection of group companies that are to start up HPs and implementation</li> </ul> | <ul style="list-style-type: none"> <li>Continuation of ongoing disclosure activities</li> <li>Enrichment of the HPs of group companies</li> </ul> |        | (FY2005) <ul style="list-style-type: none"> <li>Continuation of ongoing disclosure activities</li> <li>Studied the issuance of FY 2006 version of the disclosure magazine with full of CSR report</li> <li>Started up HPs of group companies (2nd half of FY2005)</li> <li>Started up the HP of a group company (one company)</li> </ul>   | <ul style="list-style-type: none"> <li>Continuation of ongoing disclosure activities</li> <li>Will consider enrichment of HP contents for group companies</li> </ul>   |
| Rich information disclosure easy to understand closer to users' perspectives<br><ul style="list-style-type: none"> <li>Preparation of response examples for frequent inquiries or consultation requests from users, and disclosure of them in HPs, etc.</li> </ul>   | <ul style="list-style-type: none"> <li>Preparation of a disclosure magazine closer to users perspectives</li> <li>Improvement of HP, focusing on the enhancement of convenience of users</li> </ul>      | <ul style="list-style-type: none"> <li>Conducting a survey targeting readers of the disclosure magazine, and implementing bookmaking from users' viewpoints</li> <li>Re-examination of HP's Q&amp;A</li> </ul>  | <ul style="list-style-type: none"> <li>Conducting survey targeting the present readers of "Hachijuni Bank Present Status 2005"</li> <li>Re-examination of HP's Q&amp;A</li> </ul> | <ul style="list-style-type: none"> <li>Editing and publication of the disclosure magazine, capitalizing on survey results</li> </ul>              |        | (FY2005) <ul style="list-style-type: none"> <li>Conducted a survey targeting readers of "Hachijuni Bank Present Status 2005"</li> <li>Collected responses for the survey and aggregated views</li> <li>Completed preparation of the Q&amp;A for executive managers of SME.s (2nd half of 2005)</li> <li>Reviewed Q&amp;A for the executive managers of SMEs, prepared warning pages for financial crimes, and enlarged business loan promotion pages for corporate customers</li> </ul>  | <ul style="list-style-type: none"> <li>Will analyze conducted survey results and have them reflected in the next disclosure magazine and formulate another plan</li> <li>Re-examination of HP's Q&amp;A</li> <li>Improvement of usability of HP by overall renewal (information search/browsing)</li> </ul>  |
| (3) Establishment of financial institutions' management focusing on regional customers' satisfaction   |  |   |   |   |        |  |  |
| Establishment of financial institutions' management focusing on regional customers' satisfaction, such as development of business models based on regional characteristics and users' needs<br><ul style="list-style-type: none"> <li>Conducting a user satisfaction survey and having the results reflected in management policy</li> </ul> | <ul style="list-style-type: none"> <li>Enhancement of service level, capitalizing on the results of the user satisfaction survey</li> </ul>  | <ul style="list-style-type: none"> <li>Requesting the "Consumer Advisors Association" to conduct monitoring for counter service of all branches in Nagano Prefecture</li> </ul>   | <ul style="list-style-type: none"> <li>Monitoring by "Consumer Advisors Association"</li> <li>Carrying out workplace training based on the results of monitoring</li> </ul>       | The same as left  |        | (FY2005) <ul style="list-style-type: none"> <li>Started counter service monitoring by the "Consumer Advisors Association" for all branches in Nagano Prefecture</li> <li>Analyzed monitoring results were notified to all branches, and workplace training was carried out to discuss issues to be addressed at each branch (2nd half of FY2005)</li> <li>Implemented counter service monitoring by the Consumer Advisors Association two times (October through November)</li> <li>Analyzed monitoring results, and the degree of improvement from the previous monitoring were notified to all branches, and workplace training was carried out</li> </ul> | <ul style="list-style-type: none"> <li>Will continue counter service monitoring by "Consumer Advisors Association" for all branches in Nagano Prefecture</li> <li>Will analyze monitoring results and degrees of improvement from the former monitoring and carry out work place training thereby improving the level of branches' counter services</li> </ul> |

| Item   | Policy  | Detailed measures   | Schedule  |                  | Target | Progress status (FY2005 and 2nd half of FY2005)   | Plan for 1st half of FY2006 and beyond  |
|--|---|---|---|------------------|--------|---|---|
|  |   |   | FY2005  | FY2006           |        |   |   |
| (4) Combining with other measures to promote revitalization of regional economies  |   |   |   |                  |        |   |   |
| Providing support to regional efforts toward PFI based on a concept of "Revitalization of Local Town", in combination with various measures for the revitalization of regional economies | <ul style="list-style-type: none"> <li>• Conducting group-wide consultation services aiming toward the establishment of PFI projects in the Prefecture</li> <li>• Backing up regional businesses</li> <li>• Providing proactive support using our group's know-how for PFI projects for revitalizing local towns planned by local authorities (Klein Garten, Electricity Generation by Biomass, and Hot Spring Facilities, etc.)</li> </ul> | <ul style="list-style-type: none"> <li>• Construction of a network with enterprises; continuous information gathering</li> <li>• Strengthening ties with local authorities</li> <li>• Accumulation of know-how</li> </ul> | <ul style="list-style-type: none"> <li>• Efforts aiming toward the closing of projects</li> <li>• Information gathering of large-scale projects; study for participation</li> <li>• Conducting a survey targeting local authorities in Nagano regarding social infrastructure; grasping of needs</li> </ul> | The same as left |        | <p>(FY2005)</p> <ul style="list-style-type: none"> <li>• Completed setup of a Project Finance for PFI business to construct and operate facilities to use a hot spring in the Nuruyu district in Nagano City (No. 1 project in Nagano Prefecture)</li> <li>• Improved internal structure in gathering information regarding large-scale projects, and considering to participate in such projects.</li> <li>• Conducted a survey targeting local authorities in Nagano to find PFI needs through Nagano Economic Research Institute (2nd half of FY2005)</li> <li>• Completed setup of a Project Finance for PFI business to construct and operate facilities to use a hot spring in the Nuruyu district in Nagano City (No. 1 project in Nagano Prefecture)</li> </ul> | <ul style="list-style-type: none"> <li>• Will continue to gather information related to the project in Nagano Prefecture</li> <li>• Study for participation in PFI projects outside Nagano</li> <li>• Continuous efforts to strengthen ties with local authorities</li> </ul> |

## III Statistics

## 1. Credit facilities extended to the regional community

## Overall loan business

## (1) Loans and bills discounted (balance at fiscal year end)

(100 millions of yen, %)

|                                  | As of Mar. 31, 2006 (A) |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |                      |
|----------------------------------|-------------------------|----------------------|-----------------------------|----------------------------|----------------------|
|                                  |                         | Inc/Dec<br>(A) - (B) |                             |                            | Inc/Dec<br>(A) - (C) |
| Total loans and bills discounted | 38,364                  | 209                  | 805                         | 38,154                     | 37,558               |
| By branches in Nagano            | 25,498                  | (85)                 | (406)                       | 25,583                     | 25,904               |
| Share of Nagano /                | 66.4                    | (0.6)                | (2.5)                       | 67.0                       | 68.9                 |

## (2) Loan breakdown by type of industry of borrower

## Domestic branches

(100 millions of yen)

|  | As of Mar. 31, 2006 (A) |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |                      |
|--|-------------------------|----------------------|-----------------------------|----------------------------|----------------------|
|  |                         | Inc/Dec<br>(A) - (B) |                             |                            | Inc/Dec<br>(A) - (C) |
| Loans by domestic branches             | 38,282                  | 212                  | 796                         | 38,069                     | 37,485               |
| Manufacturing industry                 | 7,166                   | (155)                | (17)                        | 7,321                      | 7,184                |
| Agriculture                            | 110                     | (140)                | (112)                       | 250                        | 222                  |
| Forestry                               | 5                       | 0                    | 0                           | 5                          | 5                    |
| Fishery                                | 21                      | 19                   | 8                           | 2                          | 13                   |
| Mining industry                        | 62                      | 11                   | 10                          | 50                         | 52                   |
| Construction                           | 1,866                   | (140)                | (296)                       | 2,006                      | 2,162                |
| Electricity, gas, waterworks           | 310                     | 47                   | 84                          | 262                        | 226                  |
| Information and telecommunications     | 395                     | 50                   | 65                          | 344                        | 329                  |
| Transportation                         | 1,263                   | 59                   | 105                         | 1,203                      | 1,157                |
| Wholesale and retail businesses        | 5,309                   | (11)                 | (57)                        | 5,321                      | 5,367                |
| Banks and other financial institutions | 2,343                   | (74)                 | 117                         | 2,418                      | 2,226                |
| Real estate                            | 3,027                   | (266)                | (29)                        | 3,294                      | 3,057                |
| Various services                       | 5,404                   | (291)                | (355)                       | 5,696                      | 5,760                |
| Local public sector                    | 1,772                   | 43                   | (176)                       | 1,728                      | 1,948                |
| Others                                 | 9,222                   | 1,062                | 1,451                       | 8,160                      | 7,771                |
| (For personal customers)               | 9,004                   | 1,269                | 1,514                       | 7,735                      | 7,489                |
| (For central government)               | 150                     | (210)                | (70)                        | 360                        | 220                  |

Note: Loans by overseas branches and for JOM are not included in the above outstanding balances.

From as of March 31, 2006, loans for consumer loans to the self-employed company owner were included in loans for personal customers.

Figures as of both September 30, 2005 and March 31, 2005 would have been as follows if the above standard were adopted

## Domestic branches

(100 millions of yen)

|  | As of Mar. 31, 2006 (A) |                   | As of Sept. 30, 2005 (B) | As of Mar. 31, 2005 (C) |                   |
|--|-------------------------|-------------------|--------------------------|-------------------------|-------------------|
|  |                         | Inc/Dec (A) - (B) |                          |                         | Inc/Dec (A) - (C) |
| Loans by domestic branches             | 38,282                  | 212               | 796                      | 38,069                  | 37,485            |
| Manufacturing industry                 | 7,166                   | (107)             | 29                       | 7,274                   | 7,136             |
| Agriculture                            | 110                     | (28)              | 0                        | 138                     | 109               |
| Forestry                               | 5                       | 0                 | 0                        | 4                       | 5                 |
| Fishery                                | 21                      | 19                | 9                        | 1                       | 12                |
| Mining industry                        | 62                      | 11                | 10                       | 50                      | 52                |
| Construction                           | 1,866                   | (73)              | (229)                    | 1,939                   | 2,095             |
| Electricity, gas, waterworks           | 310                     | 48                | 84                       | 261                     | 225               |
| Information and telecommunications     | 395                     | 52                | 67                       | 342                     | 327               |
| Transportation                         | 1,263                   | 69                | 114                      | 1,194                   | 1,148             |
| Wholesale and retail businesses        | 5,309                   | 55                | 10                       | 5,253                   | 5,299             |
| Banks and other financial institutions | 2,343                   | (70)              | 120                      | 2,414                   | 2,223             |
| Real estate                            | 3,027                   | 43                | 280                      | 2,984                   | 2,747             |
| Various services                       | 5,404                   | 35                | (30)                     | 5,369                   | 5,435             |
| Local public sector                    | 1,772                   | 43                | (176)                    | 1,728                   | 1,948             |
| Others                                 | 9,222                   | 112               | 504                      | 9,110                   | 8,718             |
| (For personal customers)               | 9,004                   | 319               | 568                      | 8,685                   | 8,436             |
| (For central government)               | 150                     | (210)             | (70)                     | 360                     | 220               |

## Loans by branches in Nagano Prefecture

(100 Millions of yen)

|   | As of Mar. 31, 2006 (A) |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |                      |
|---|-------------------------|----------------------|-----------------------------|----------------------------|----------------------|
|   |                         | Inc/Dec<br>(A) - (B) |                             |                            | Inc/Dec<br>(A) - (C) |
| Loans by branches in Nagano               | 25,498                  | (85)                 | (406)                       | 25,583                     | 25,904               |
| Manufacturing industry                    | 4,738                   | (148)                | (198)                       | 4,886                      | 4,936                |
| Agriculture                               | 107                     | (129)                | (100)                       | 236                        | 207                  |
| Forestry                                  | 5                       | 0                    | 0                           | 5                          | 5                    |
| Fishery                                   | 1                       | 0                    | (1)                         | 2                          | 3                    |
| Mining industry                           | 34                      | (2)                  | (3)                         | 36                         | 37                   |
| Construction                              | 1,502                   | (107)                | (244)                       | 1,609                      | 1,746                |
| Electricity, gas,<br>waterworks           | 53                      | 4                    | 15                          | 48                         | 37                   |
| Information and<br>telecommunications     | 175                     | 8                    | 0                           | 167                        | 175                  |
| Transportation                            | 538                     | (77)                 | (64)                        | 615                        | 602                  |
| Wholesale and retail<br>businesses        | 3,102                   | (132)                | (184)                       | 3,235                      | 3,286                |
| Banks and other financial<br>institutions | 274                     | 9                    | 1                           | 265                        | 273                  |
| Real estate                               | 1,488                   | (234)                | (289)                       | 1,723                      | 1,777                |
| Various services                          | 3,543                   | (420)                | (504)                       | 3,964                      | 4,048                |
| Local public sector                       | 1,541                   | 19                   | (189)                       | 1,521                      | 1,731                |
| Others                                    | 8,392                   | 1,127                | 1,358                       | 7,265                      | 7,033                |
| (For personal customers)                  | 8,369                   | 1,128                | 1,362                       | 7,240                      | 7,007                |

From as of March 31, 2006, loans for consumer loans to the self-employed company owner were included in loans for personal customers.

Figures as of both September 30, 2005 and March 31, 2005 would have been as follows if the above standard were adopted

## Loans by branches in Nagano Prefecture

(100 Millions of yen)

|   | As of Mar. 31, 2006 (A) |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |                      |
|---|-------------------------|----------------------|-----------------------------|----------------------------|----------------------|
|   |                         | Inc/Dec<br>(A) - (B) |                             |                            | Inc/Dec<br>(A) - (C) |
| Loans by branches in Nagano               | 25,498                  | (85)                 | (406)                       | 25,583                     | 25,904               |
| Manufacturing industry                    | 4,738                   | (102)                | (153)                       | 4,840                      | 4,891                |
| Agriculture                               | 107                     | (27)                 | 1                           | 135                        | 105                  |
| Forestry                                  | 5                       | 0                    | 0                           | 4                          | 5                    |
| Fishery                                   | 1                       | 0                    | 0                           | 1                          | 2                    |
| Mining industry                           | 34                      | (2)                  | (3)                         | 36                         | 37                   |
| Construction                              | 1,502                   | (43)                 | (180)                       | 1,546                      | 1,683                |
| Electricity, gas,<br>waterworks           | 53                      | 5                    | 16                          | 47                         | 37                   |
| Information and<br>telecommunications     | 175                     | 10                   | 1                           | 165                        | 173                  |
| Transportation                            | 538                     | (68)                 | (55)                        | 607                        | 593                  |
| Wholesale and retail<br>businesses        | 3,102                   | (70)                 | (120)                       | 3,172                      | 3,223                |
| Banks and other financial<br>institutions | 274                     | 12                   | 3                           | 261                        | 270                  |
| Real estate                               | 1,488                   | 10                   | (49)                        | 1,478                      | 1,538                |
| Various services                          | 3,543                   | (139)                | (225)                       | 3,682                      | 3,769                |
| Local public sector                       | 1,541                   | 19                   | (189)                       | 1,521                      | 1,731                |
| Others                                    | 8,392                   | 311                  | 550                         | 8,081                      | 7,842                |
| (For personal customers)                  | 8,369                   | 313                  | 553                         | 8,056                      | 7,815                |

## Loan business for small and medium-sized companies

## (1) Loans to small and medium-sized companies

## Loans by domestic branches

(100 Millions of yen)

|   | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|---|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|   |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Outstanding balance of<br>loans to small & midsize<br>companies (A) | 26,298                  | 673                  | 906                  | 25,624                      | 25,392                     |
| Total outstanding loans (B)   | 38,282                  | 212                  | 796                  | 38,069                      | 37,485                     |
| As a percentage of total<br>outstanding loans (A)/(B) (%)           | 68.6                    | 1.3                  | 0.9                  | 67.3                        | 67.7                       |

(Number of customers)

|   |         |     |     |         |         |
|---|---------|-----|-----|---------|---------|
| The number of small &<br>midsize borrowers (C)      | 235,295 | 205 | 335 | 235,090 | 234,960 |
| The number of all<br>borrowers (D)                  | 236,080 | 197 | 349 | 235,883 | 235,731 |
| Ratio of small and<br>midsize borrowers (C)/(D) (%) | 99.6    | 0.0 | 0.0 | 99.6    | 99.6    |

Note: 1. Loans by overseas branches and for JOM are not included in the above outstanding balances.

2. Small &amp; medium-sized company means a company with a capital of ¥300 million or less (provided, that in case of wholesaler, ¥100 million, and in case of retailer and service company, ¥50 million), or with permanent employees of 300 or less (likewise in case of wholesaler, 100, incase of retailer, 50 and for service company, 100).

## Loans by branches in Nagano

(100 millions of yen)

|   | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|---|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|   |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Outstanding balance of<br>loans to small & midsize<br>companies (A) | 21,581                  | 165                  | 54                   | 21,416                      | 21,527                     |
| Total outstanding loans (B)   | 25,498                  | (85)                 | (406)                | 25,583                      | 25,904                     |
| As a percentage of total<br>outstanding loans (A)/(B) (%)           | 84.6                    | 0.9                  | 1.5                  | 83.7                        | 83.1                       |

(Number of customers)

|   |         |     |     |         |         |
|---|---------|-----|-----|---------|---------|
| The number of small &<br>midsize borrowers (C)      | 224,330 | 257 | 340 | 224,073 | 223,990 |
| The number of all<br>borrowers (D)                  | 224,577 | 232 | 306 | 224,345 | 224,271 |
| Ratio of small and<br>midsize borrowers (C)/(D) (%) | 99.8    | 0.0 | 0.0 | 99.8    | 99.8    |

## (2) Outstanding balance of loans guaranteed by Credit Guarantee Association

## Loans by branches in Nagano

(100 millions of yen)

|   | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|---|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|   |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Loans guaranteed by Credit<br>Guarantee Association | 2,954                   | 0                    | (64)                 | 2,954                       | 3,019                      |

## Personal loan businesses

## Outstanding balance of consumer loans

## Total

(100 millions of yen)

|                           | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|---------------------------|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|                           |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Balance of consumer loans | 8,924                   | 328                  | 575                  | 8,596                       | 8,348                      |
| Housing loans             | 7,862                   | 343                  | 606                  | 7,519                       | 7,256                      |
| Other consumer loans      | 1,061                   | (15)                 | (30)                 | 1,076                       | 1,092                      |

## Consumer loans by branches in Nagano

(100 millions of yen)

|                           | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|---------------------------|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|                           |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Balance of consumer loans | 8,300                   | 321                  | 559                  | 7,979                       | 7,741                      |
| Housing loans             | 7,334                   | 335                  | 586                  | 6,998                       | 6,747                      |
| Other consumer loans      | 966                     | (14)                 | (27)                 | 980                         | 993                        |
|                           |                         |                      |                      |                             | (%)                        |
| Share of Nagano /         | 93.0                    | 0.2                  | 0.3                  | 92.8                        | 92.7                       |

## 2. Convenience made available to customers in the regional community

## Deposits (outstanding balances)

(100 millions of yen, %)

|                               | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|-------------------------------|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|                               |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Total deposits                | 51,514                  | (114)                | 495                  | 51,628                      | 51,019                     |
| With branches in<br>Nagano    | 46,288                  | 119                  | 462                  | 46,168                      | 45,825                     |
| Share of Nagano<br>branches / | 89.8                    | 0.4                  | 0.0                  | 89.4                        | 89.8                       |

## Personal financial assets (outstanding balance)

(100 millions of yen, %)

|   | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|---|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|   |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Balance of Personal<br>financial assets | 41,049                  | 780                  | 1,520                | 40,268                      | 39,528                     |
| With branches in<br>Nagano              | 38,301                  | 756                  | 1,426                | 37,545                      | 36,874                     |
| Share of Nagano<br>branches /           | 93.3                    | 0.1                  | 0.1                  | 93.2                        | 93.2                       |

## Breakdown of outstanding balance of financial assets with branches in Nagano

(100 millions of yen)

|  | As of Mar. 31, 2006 (A) |                      |                      | As of Sept.<br>30, 2005 (B) | As of Mar.<br>31, 2005 (C) |
|--|-------------------------|----------------------|----------------------|-----------------------------|----------------------------|
|  |                         | Inc/Dec<br>(A) - (B) | Inc/Dec<br>(A) - (C) |                             |                            |
| Yen deposits                             | 32,749                  | 239                  | 323                  | 32,510                      | 32,426                     |
| Foreign currency deposits                | 191                     | (63)                 | (104)                | 255                         | 296                        |
| Investment trusts                        | 1,819                   | 476                  | 818                  | 1,343                       | 1,001                      |
| Public bonds (Government<br>bonds, etc.) | 3,540                   | 103                  | 390                  | 3,436                       | 3,149                      |
| Total                                    | 38,301                  | 756                  | 1,426                | 37,545                      | 36,874                     |