

SEMI-ANNUAL FINANCIAL REPORT (CONSOLIDATED)
For the Fiscal Year Ending March 31, 2005

November 22, 2004

Company name: The Hachijuni Bank, Ltd.	Stock Exchange Listing: Tokyo
Code number: 8359	Location of company: Nagano Prefecture, Japan
(URL http://www.82bank.co.jp/)	
Representative	(Name) Kazuyuki Narusawa
	(Title) President
For inquiry:	(Name) Akihito Fujimori
	(Title) Executive Officer, Planning and Coordination Department
	(Phone) 026-227-1182
Date of Board Meeting on the Financial Results:	November 22, 2004
Trading Account:	Yes
US Generally Accepted Accounting Principle:	No

1. Consolidated financial highlights for the six months ended September 30, 2004

(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	%
For the six months ended 9/30/2004	87,631	(2.9)	19,919	6.8	12,578	(10.8)
For the six months ended 9/30/2003	90,274	(2.5)	18,640	123.3	14,113	147.2
For the fiscal year ended 3/31/2004	177,791	(1.5)	37,619	141.4	22,948	158.2

	Net income (loss) per share	Net income per share after adjustment of dilutive shares
	Yen	Yen
For the six months ended 9/30/2004	24.19	23.93
For the six months ended 9/30/2003	26.13	-
For the fiscal year ended 3/31/2004	42.92	-

Note:

- Profit (Loss) on investment (equity method):
 - For the six months ended September 30, 2004: - million
 - For the six months ended September 30, 2003: - million
 - For the fiscal year ended March 31, 2004: - million
- The average number of shares (consolidated):
 - For the six months ended September 30, 2004: 519,956,436
 - For the six months ended September 30, 2003: 540,115,516
 - For the fiscal year ended March 31, 2004: 533,565,173
- Change in accounting methods: No
- Percentages indicated in operating income, operating profit and net income are the changes from corresponding period of the previous year.

(2) Consolidated balance sheet highlights

	Total assets	Shareholders' equity	Shareholders' equity as a percentage of total liabilities, minority interest and shareholders' equity	Shareholders' equity per common share	Risk adjusted capital ratio (BIS standard)
	Millions of yen	Millions of yen	%	Yen	%
For the six months ended 9/30/2004	5,808,938	378,679	6.5	729.48	11.51
For the six months ended 9/30/2003	5,741,215	360,838	6.2	668.10	10.95
For the fiscal year ended 3/31/2004	5,764,782	379,591	6.5	729.71	11.36

Note: The number of shares outstanding (consolidated) as of

September 30, 2004: 519,105,436

September 30, 2003: 540,095,848

March 31, 2004: 520,130,197

(3) Consolidated cash flows highlights

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financial activities	Cash and cash equivalents at the end of fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the six months ended 9/30/2004	49,856	(18,919)	(2,584)	185,019
For the six months ended 9/30/2003	(73,005)	(31,880)	(1,380)	136,614
For the fiscal year ended 3/31/2004	(3,476)	(69,272)	(13,412)	156,676

(4) Scope of consolidation and use of equity method

The number of consolidated subsidiaries: 10

The number of non-consolidated subsidiaries accounted for using equity method: -

The number of affiliated companies accounted for using equity method: -

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

The number of newly consolidated subsidiaries: -

The number of consolidated subsidiaries removed: -

The number of subsidiaries newly accounted for using equity method: -

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

2. Consolidated earning projections for the fiscal year ending March 2005 (from April 1, 2004 to March 31, 2005)

	Operating income	Operating profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Full year	171,000	37,500	22,500

Projected net income per common share (full year): ¥43.34

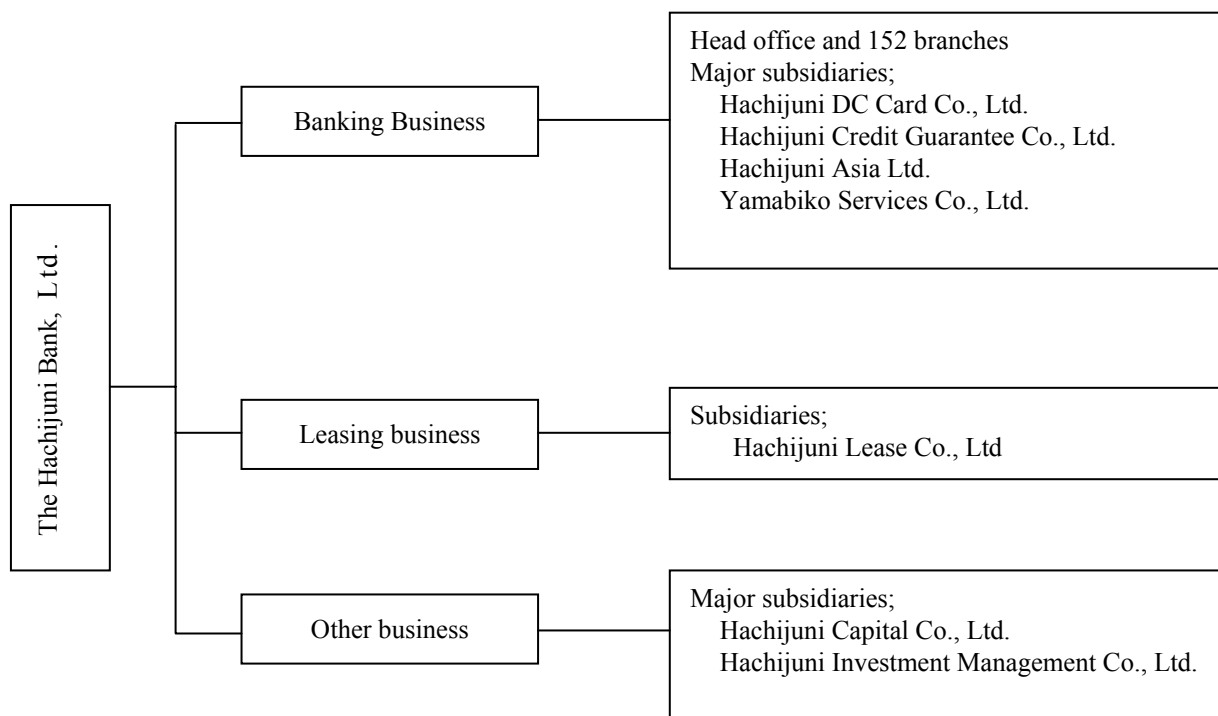
* The above projections were made based upon information available at the date disclosing this financial data and a certain presumption the Bank considers reasonable and therefore actual business result may substantially change from this projections due to subsequent various factors.

Status of the Corporate Group

1. Contents of business

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

2. Systematic diagram of our business
(Name of major companies)



3. Information on affiliated companies

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

Management policies

1. Basic management policies

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

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

2. Basic policies on profit sharing

The Bank puts special emphasis on maintaining sound management in view of the public nature of banking businesses. It is the Bank's basic policy to continue to pay stable dividends to shareholders as well as to strengthen its financial standings keeping sufficient retained earnings.

The Bank determined to pay ¥2.50 per-share interim dividend for the six months ended September 30, 2004, based

on the above mentioned policies.

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 an investment unit for investors taking into consideration the currently available fund for them to invest.

4. Basic policy of corporate governance and its implementation status

(Basic concept)

To further increase management soundness and transparency, and to achieve fair management, the Bank is aiming to make decisions in a more accurate and prompter manner, and to improve its business performance and supervisory functions.

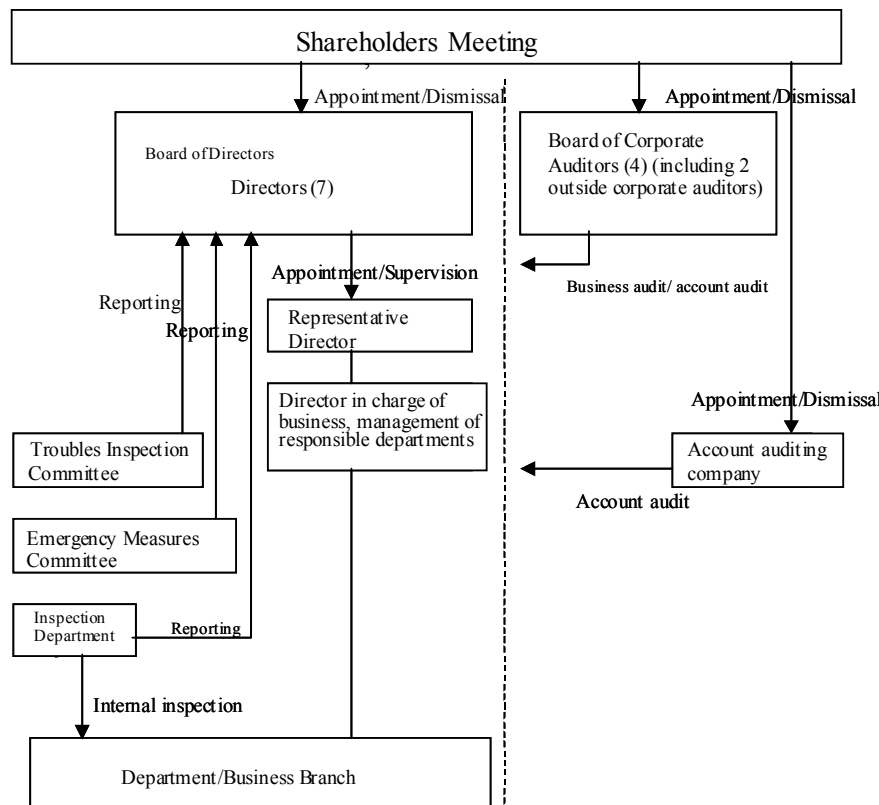
The number of the Board members was seventeen (17) in 1998, but the Bank has continuously reduced them since 1999 and it is now seven (7) as of September 30, 2004, by which the efficiency of the Board has been improved. To reinforce decision-making and supervisory functions of the Board, it has reviewed the contents of agendas to be resolved by and matters to be reported to the Board, and thereby it tries to achieve fair management.

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

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

(Policy achievement status)

(1) Chart of organization to achieve management-decision, business execution and supervision, and corporate



governance

- In addition to the above, the Management Committee consisting of managing directors and other directors with higher authorities prepares agendas to propose to the Board of Directors and discusses and resolves matters of high importance among normal businesses.
- The Board of Directors appoints eleven (11) executive officers who assume duties of daily businesses under the supervision of representative directors.

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

(3) Status of approaches to improve corporate governance

Regulations of the Board of Directors were overhauled to achieve fair management and to enhance decision-making and supervisory functions in the fiscal year ended March 31, 2003. In addition, criteria for agendas to be proposed and matters to be reported to the Board have been made stricter and clearer. The Bank continues strictly observe these criteria through the fiscal year of 2004.

5. Summary of the long-term management plan and target indexes

In drastically changing environment and regulations surrounding financial institutions, customers' expectations from the Bank has become more and more sophisticated and diversified. They want the Bank to provide services including business management consultation assisting customers in enhancing their enterprise values, personal asset management consultation, and support to invigorate the economy in the regional community as well as to achieve "smooth supply of funds", "safe financial asset management", and "stable settlement operations". To respond to such expectations from customers, the Bank will continue to make effort to perform further management reform and self-responsible management.

In formulating a three-year management plan beginning from fiscal year 2004 through 2006, the Bank formed a corporate vision that requires the Bank to establish a banking group that will "positively find, challenge and quickly solve problems maintaining strong earning power and sound financial standings". This implies that the Bank aims to provide performance result that is expected by shareholders, customers, and partners in the community, and its own employees by constantly fulfilling its social responsibilities such as to protect environment, and to comply with laws and corporate ethics.

To materialize this vision, a three-year long-term management policy was formulated aiming to "expand business area utilizing management resources and provide customers and the regional community with high added value" and to establish a new business model fully capitalizing on the Bank's advantages. To be more precise, the Bank regards primary banking businesses of "deposit, loans and settlement" as core business areas, and further selected four areas to be reinforced, which are "sales of investment type products and services", "consultation services", "financial market investment", and "system development and sales".

In order to ensure effective performance in all of these business areas, the Bank will implement reforms in three items including "business organizations", "branch outlet concept", and "organization culture and action". All in all, the ultimate goal of the Bank is to become a corporation having strong earning power and financial standings by achieving the following numerical goals.

Goals to be achieved by March 31, 2007

(1) Return on equity (ROE)	6 %
(2) Capital ratio	11%
(3) Core business net profit	¥40 billion
(4) Ratio of core business net profit to assets (ROA)	0.7%
(5) Ratio of general and administrative expenses to core gross business profit (OHR)	59%

Business Performance and Financial Standings

1. Summary of business performance

The economy of Nagano prefecture, which is the primary business territory for the Bank, continued its recovery trend helped mainly by robust production driven by exports, and capital investments are expected to increase. Housing and public investments, however, remained stagnant even though some bright sign was seen in consumer spending owing to unprecedented hot summer weather and the Olympic Game in Athens. Employment conditions continued to improve (effective job-seeker-to-offers ratio went up to the 1.0 level), but income environment remained severe. The economy in Nagano Prefecture as a whole continues recovery trend, but full-fledged turnaround is yet to be achieved.

In the financial sector, although short-term interest rates remained stably low due to the continuation of quantitative monetary easing policy, long-term interest rate rose temporarily to the 1.9% level attributing to mounting expectation for departure from deflation. 10-year Japanese government bond yield, however, declined to the level of 1.4% on September 30, 2004, affected by sharp crude oil price rise and growing cautious view over the course of the economy. Although the Nikkei Stock Average jumped to the level of 12,000 points in April, which was the highest in the past three years, it remained in the level of 10,800 points at September 30, 2004.

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

Operating profit for the six months ended September 30, 2004 stood at ¥19,919 million, up ¥1,278 million from the previous corresponding period attributing mainly to increased non-consolidated earnings helped by a decrease in losses related to debt securities and in business expenses. Net income was ¥12,578 million, down ¥1,535 million from a year earlier due to a decrease in extraordinary income.

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

Operating income decreased by ¥1,898 million from the previous corresponding period to ¥63,134 million due to a decline in “Other operating income” such as profit on money in trust and in “Other business income” including gains related to debt securities.

Operating expenses decreased by ¥3,885 million to ¥44,777 million, due to decreases in “Other business expenses” such as losses related to debt securities, although “Other operating expenses” including the amounts of transfer to loan loss reserves and losses on money in trust increased.

As a result, operating profit increased by ¥1,986 million from the corresponding period a year earlier to ¥18,357 million.

Extraordinary income decreased by ¥3,991 million from the previous period to ¥2,109 million. This is because reversal from loan loss reserve and transfer of substitutional portion of employee pension obligations to the government were posted as extraordinary income in the previous period, even though past service liabilities in the amount of ¥1,575 million was recognized (reduction of liabilities) as extraordinary income for the current interim period.

As a result, net income for the current interim period decreased ¥1,315 million from the previous period to ¥12,373 million.

Business result by type of business: Banking business, leasing business and other businesses posted operating profits of ¥18,766 million, ¥952 million, and ¥119 million respectively.

Projections of consolidated earnings for the fiscal year ending March 31, 2005: Consolidated operating profit and net income are projected to be ¥37,500 million and ¥22,500 million respectively, which are about the same as those for the previous fiscal year.

Projections of non-consolidated earnings for the fiscal year ending March 31, 2005: Non-consolidated operating profit and net income are projected to be 34,500 million and ¥22,000 million respectively, both of which are exceeding the forecast disclosed in May 2004, mainly because results for the current interim period surpassed the announced forecast.

2. Summary of financial standings

Results of consolidated main accounts were as follows:

Outstanding balance of loans and bills discounted dropped by ¥23.6 billion during the semi-annual period to ¥3,678.2 billion as of September 30, 2004 due to a weak borrowing demand from businesses although consumer loans increased.

Outstanding balance of securities decreased by ¥2.6 billion to ¥1,508.5 billion attributing to a decrease in stocks

caused by decline in mark-to-market values due to a fall of stock prices.

Outstanding balance of deposits increased by ¥10.9 billion during the semi-annual period to ¥5,064.7 billion as of September 30, 2004 due to an increase in deposits from business corporations.

Results of non-consolidated major accounts are as follows:

Outstanding balance of loans and bills discounted decreased by ¥19.4 billion during the period to ¥3,734.5 billion.

Outstanding balance of securities decreased by ¥3.1 billion during the period to ¥1,498.0 billion

Outstanding balance of deposits increased ¥11.1 billion during the period to ¥5,074.6 billion. Outstanding balance of personal financial assets deposited with the Bank, which is composed of personal deposits, investment trusts and public bonds including Japanese government bonds, increased ¥61.2 billion during the period.

Consolidated cash flows: Cash flows provided from operating activities increased by ¥49.8 billion due to a decrease in call loans and due from banks, and to an increase in negotiable certificate of deposits, and cash flows provided from investment activities decreased ¥18.9 billion by purchases of securities. Cash flows provided from financing activities decreased by ¥2.5 billion due to payment of dividends. As a result, outstanding balance of cash and cash equivalents increased by ¥28.3 billion during the period to ¥185.0 billion.

Risk adjusted capital ratio (BIS standards) (preliminary basis) was 11.51% for consolidated basis and 11.32 % for non-consolidated basis.

Consolidated and non-consolidated capital ratio increased by 0.15 % and 0.12 % respectively from the fiscal year ended March 31, 2004, as Tier I capital used as a numerator for calculation of risk adjusted capital ratio increased although Tier II capital decreased due to a decline in latent profit on securities.

The total consolidated and non-consolidated outstanding balances of **assets under risk management** were ¥279.7 billion and ¥278.2 billion, decreased by ¥38.8 and ¥32.5 respectively from the fiscal year ended March 31, 2003.

3. Issues to be addressed and implementation status

(1) Improvement in net profit on core business transactions

A. Loan businesses

- (a) Regarding the loan businesses, which are a pillar of banking business as a whole, the Bank seeks to expand its line-up of loan products to respond various needs from customers and will continue to aim toward construction of interest rate system reflecting credit risks.
- (b) For loan businesses to individual customers, the Bank launched “housing loan attached with special cancer insurance agreement” and “housing loan utilizing on-peace work payment management system for construction fund ” in August 2004. Outstanding loans to individual customers stood at ¥814.4 billion as of September 30, 2004, an increase of ¥20.5 billion during the first six months, of which ¥701.6 billion was the outstanding housing related loan balance. Outstanding balance of product series named “Hachini-no Kantakun (a boy’s name)”, which was launched to make available for customers to use in “quicker and simpler” ways, increased approximately to about ¥10.0 billion at September 30, 2004. Further in October 2004, the Bank introduced a scoring model for credit examination for unsecured loans to individual customers and revised conditions for “loans by purposes”, and “Hachini-no Kantakun” to quickly respond to customers’ need for funds.
- (c) Also with regard to corporate business loans, the Bank puts emphasis on development of loan products pledged by guaranty of Credit Guaranty Association that could meet various needs of medium and small size corporations. The Bank adopted in May 2004 a scoring model for credit examination for loan products named “Skillful Management 30” and “Skillful Management 100” which enable customers to borrow sizable sum of working funds without collaterals, to quickly respond to customers’ needs. In addition, the Bank launched “Skillful Management 10” for the self-employed customers in July 2004, and “82L/C Pack” to provide support for importing businesses using credit guaranty system provided by Nagano Credit Guaranty Association to trading firm customers in September. As a result, the outstanding balance of loans with guarantees by Credit Guaranty Association reached ¥333.4 billion at September 30, 2004.

B. Market management businesses

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

outsourcing management in particular, the Bank has been making efforts to improve its performance, for instance, by the effect of portfolio reconstruction and other measures.

C. Improvement in profit on fees and commissions

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

(2) Reform of business organization

- A. The Bank sets an aspiration of becoming an organization of which services are satisfied by customers by transforming its business organization to a cost and profit oriented structure, focusing much on “the reinforcement of competency in investment management and the improvement of profitability”. The Bank tries to increase the number of specialized staff members of each department who are responsible to serve customers promptly in response to their diverse needs in cooperation with branches. The Bank assigned area money advisors (MA) with high expertise to various districts in Nagano Prefecture to strengthen its selling power of investment type financial products (such as investment trusts, foreign currency deposits, municipal bonds), and annuity insurances. Further, the Bank assigned staff responsible for a defined contribution pension system at each branch to respond to the needs of small-and mid size enterprise customers for implementing such pension system.
- B. As a new service channel to respond to a wide range of borrowing needs of individual customers, the Bank established “Loan Plaza” in Suwa-minami Branch in September 2004, where special staff with ample know-how and experiences in consumer loan businesses will provide consultation services to customers regarding housing loans and other consumer loans. Now the Bank has eight (8) such plazas in Nagano Prefecture. These plazas are open even on Saturday, Sunday and holidays (except New Year’s Eve and Day) so that the Bank can respond to customers’ borrowing needs any time.
- C. Concerning branch networks, the Bank moved Matsuocho Branch simultaneously changing its name to Uedahigashi Branch in August 2004, and plans to merge Someya Branch into Uedahigashi Branch in January 2005. Matsumoto-Ryuutsudanchi Branch was merged into Minami-Matsumoto Branch in September 2004. And the Bank continues to reinforce and boost efficiency of business promotion functions by enhancing ties among neighboring branches.
- D. With regard to outside-of-branch quick service corners, ATMs installed in nationwide outfits of Lawson, Inc and Seven-Eleven Japan Co., Ltd. (hereinafter “Convenient Store ATM”) have been made available by the alliance with Lawson ATM Networks Co., Ltd., and with I.Y. Bank Ltd. In addition, the Bank entered into ATM alliance with Japan Post in October 2004. Under these circumstances, the Bank continues to proactively establish efficient service networks to improve convenience for customers by shifting the services using existing outside-of-branch quick service corners to those with Convenient Store ATMs.
- E. Concerning the Internet banking services for individual customers, the Bank has won more than 40,000 subscriptions by September 30, 2004 with the number of its usages exceeding around 210,000 during September 2004. In addition, the Internet Banking Services for corporations (“NET EB”) won a favorable reputation from corporations as well as from unincorporated enterprises that are in need of achieving efficiency in their accounting related clerical works and streamlining of them. The number of subscriptions reached more than 6,000 as of September 30, 2004.
- F. The Bank has begun handling “Non-interest bearing ordinary deposit account” since October 1, 2004 as a “Deposit used for settlement”, which is fully protected by Deposit Insurance System even after the removal of blanket deposit insurance expected to be implemented by the government on April 1, 2005.
- G. The Bank has established representative offices in Shanghai and Singapore, in addition to Hong Kong Branch and a local subsidiary in Hong Kong to support customers in making inroads to Asia. Especially in Hong Kong, the Bank serves diversified customer needs through the Branch there that handles lending, deposit and foreign exchange businesses, and its subsidiary that is engaging in leasing businesses.

(3) Reinforcement of profit base

- A. In order to improve profitability, the Bank works positively toward expansion of its business fields. With regard to individual pension insurance businesses, the Bank has boosted its products lineup, as a result of which it succeeded in acquiring about 24,000 subscriptions by the end of September 2004. Concerning investment trust products for individual customers, the outstanding balance marked ¥84.1billion as of September 30, 2004, an

increase of ¥21.8 billion during the period, owing to successful sales promotion centering on risk reduction type funds. Outstanding balance of public bonds stood at ¥303.2 billion, an increase of ¥39.6 billion during the period as a result of mainly promoting sales of retail Japanese government bonds. In a bid to aggressively provide consulting services to enterprises that study the introduction of defined contribution pension systems, the Bank launched two service plans in February 2004. They are “single type” services that provide a specialized plan for each company, and “comprehensive type” services that provide a standardized plan enabling alleviation of operational works when and after such systems are adopted. The Bank has succeeded in entering into consignment contracts for 4 single type plans and 13 comprehensive type plans by the end of September 30. In addition the Bank informally accepted the applications for such consignment contracts from about 30 investment management institutions in the latter half of fiscal year 2004.

- B. Concerning asset management business, the Bank has further reinforced borrowers’ credit risk management functions using “new self-assessment system”. In addition, the Bank performs calculation of quantified credit risk exposure and makes it reflect on pricing and portfolio management corresponding to such risk exposures.
- C. The Bank has succeeded in improving its lending assets as a result of having placed great importance on services to assist customers in reconstruction or rehabilitation of their businesses. The Bank established “Credit Supervision Department” consolidating examination related divisions of Credit Supervision Department and credit claims management divisions of Credit Supervision Department in June 2004, to strengthen business rehabilitation support functions and to achieve the efficiency and streamlining of department organizations. The Bank also span off business rehabilitation support functions and research related functions from both Credit Supervision Department and , and assigned such works to a newly established “Corporate Consulting Office”, which is supposed also to tackle with M&A aiming for business rehabilitations in a professional manner. The Bank regards a two-year period (fiscal 2003 and 2004) as a “Response Reinforcement Period”, during which period, the Bank will take intensive measures to further improve its assets quality. With regard to disposal of nonperforming loans, “Yamabiko Services Co., Ltd.”, a subsidiary of the Bank, is now supporting the prompt disposal and collection of bad debts of the Bank.
- D. Meanwhile, the Bank succeeded in cost reduction of ¥2.1 billion substantially surpassing a goal set in the cost reduction program having been worked for during a period between fiscal year 2000 and 2003. It proactively continues its attempt to achieve further cost reduction in the fiscal year of 2004. In addition, the Bank has been emphasizing on personnel reduction to slim down its business organizations, and it plans to reduce 400 employees during a three-year period from April 2004 to March 2007.
- E. Concerning the operation system, the Bank is proceeding with a sharing project with “Juudan-kai” organized by our Bank and other seven regional banks (Ryukyu Bank, Shinwa Bank, Yamagata Bank, Awa Bank, Miyazaki Bank, Kanto Tsukuba Bank and newly joined Musashino Bank), which are using the same infrastructure system with our Bank. Each of such banks is now under the process of gradually shifting the presently using system to a shared version of the system in accordance with each bank’s schedule. In January 2004, Awa Bank completed its migration process to a shared version of the system.

(4) Reinforcement of risk management

- A. The Bank has established Risk Management Department in the Head Quarter charged with responsibility to find, monitor and control risk exposures in an integrated fashion, by aggregating key information concerning risks incidentally arising from integrated risk management operations, and by examining diversified risk management status of each department. The Department is performing integrated risk management by establishing and controlling risk limit for each department based on a proportionate shareholders’ equity allocated to each department corresponding to the estimated maximum risk quantity that such department is exposed to.
- B. The Bank positions information related to customers as most critical information assets, and established rules and standards requiring officers and employees to observe obligations to keep them confidential, and to treat such information assets appropriately, and also implemented a restrictive measures for access to an information protection system. The Bank is now proceeding with arrangement of a system to respond to the enactment of the Personal Information Protection Law scheduled in April 2005.

(5) Others

A. Reform of corporate culture

- (a) With regard to the personnel system, to respond to the time changes with the understanding that thorough personnel system reform is required, the Bank has shifted its personnel system to a new one since the fiscal year 2003. The new system wiped out consideration of seniority factors and makes “the degree of contribution to the organization and business performance” a base for determining compensation and benefits for employees. It will make the new system firmly established in the organization by reviewing some part of

the performance evaluation methods in the fiscal year 2004.

- (b) The Bank has worked hard to transform branches to those that can win customers' endorsement by setting its action goals for employees "to act [vigorously] and [aggressively] by demonstrating [wisdom] in accordance with the basics of customer-first principle" as a CS campaign slogan. The Bank will continue to try to set up a business organization where customers feel comfortable to consult with and where we can provide products and services most suitable to customers' needs

B. Progress status of the plan to reinforce relationship banking function

In accordance with an "Action Program concerning Improvement of the Relationship Banking Function" released by The Financial Service Agency in March 2003, the Bank formulated and announced in August 2003 an action program to reinforce such function making a period of fiscal year of 2003 and 2004 a term aiming for its intensive improvement. Two investment business associations that were established with a total of ¥3.0 billion in November 2003 for the purpose of invigorating the regional economy by assisting business start-ups and new business developments has performed investments in the amount of ¥0.8 billion to 29 businesses by the end of September 2004. The Bank established a "Hachijuni No.4 Investment Business Association" with ¥0.7 billion in September 2004 for customers outside Nagano Prefecture and it invested ¥20 million to one business. In addition, to reinforce the Bank's business consulting services and support functions for corporate customers, it launched a portal site named "Hachijuni Business Square" for them in October.

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

C. Approach to corporate social responsibilities (CSR)

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

Semi-Annual Consolidated Balance Sheet

(Millions of Yen)

	As of Sept. 30, 2004 (A)	As of Sept. 30, 2003 (B)	Inc/Dec (A)-(B)	As of March 31, 2004 (C)	Inc/Dec (A)-(C)
(ASSETS)					
Cash and due from banks	290,774	239,671	51,102	243,200	47,574
Call loan and bills bought	65,826	78,685	(12,859)	47,440	18,385
Receivable under resale agreement	-	-	-	559	(559)
Commercial paper and other debt purchased	41,514	30,713	10,801	37,632	3,881
Trading assets	12,477	8,132	4,344	10,592	1,884
Money in trust	28,972	30,590	(1,618)	31,272	(2,299)
Securities	1,508,588	1,465,386	43,202	1,511,249	(2,661)
Loans and bills discounted	3,678,237	3,710,256	(32,019)	3,701,904	(23,667)
Foreign exchanges	22,482	15,446	7,035	20,571	1,910
Other assets	79,031	92,215	(13,184)	93,202	(14,171)
Premises and equipment	122,204	123,547	(1,342)	119,395	2,808
Deferred tax assets	3,001	15,987	(12,986)	3,184	(182)
Customers' liabilities for acceptances and guarantees	78,437	74,375	4,061	78,629	(192)
Reserve for possible loan losses	(122,470)	(143,569)	21,099	(133,853)	11,383
Reserve for possible investment losses	(139)	(225)	86	(199)	59
Total assets	5,808,938	5,741,215	67,722	5,764,782	44,155
(LIABILITIES)					
Deposits	5,064,796	5,064,678	117	5,053,870	10,926
Negotiable certificate of deposits	96,113	60,100	36,012	54,877	41,235
Call money and bills sold	17,085	19,755	(2,670)	21,503	(4,418)
Payables under repurchase agreement	—	—	—	559	(559)
Margin money for bond lending transactions	22,258	16,209	6,049	21,215	1,043
Trading liabilities	8,179	4,872	3,306	6,330	1,848
Borrowed money	37,884	42,830	(4,946)	38,783	(899)
Foreign exchanges	2,506	1,977	529	1,142	1,363
Other liabilities	75,312	72,521	2,790	76,466	(1,154)
Reserve for employee retirement benefit	14,111	15,898	(1,786)	15,875	(1,763)
Deferred tax liabilities	4,008	-	4,008	7,400	(3,392)
Acceptances and guarantees	78,437	74,375	4,061	78,629	(192)
Total liabilities	5,420,692	5,373,220	47,472	5,376,656	44,036
Minority interest in consolidated subsidiaries	9,566	7,157	2,409	8,535	1,030
(SHAREHOLDERS' EQUITY)					
Capital stock	52,243	52,243	-	52,243	-
Capital surplus	28,514	28,509	5	28,509	5
Retained earnings	229,696	211,495	18,200	218,982	10,713
Gains on valuation on other securities	83,782	72,468	11,314	94,696	(10,913)
Foreign exchange conversion	(352)	(102)	(249)	(380)	28
Treasury stock	(15,205)	(3,776)	(11,428)	(14,460)	(745)
Total shareholders' equity	378,679	360,838	17,841	379,591	(911)
Liabilities, minority interest and shareholders' equity	5,808,938	5,741,215	67,722	5,764,782	44,155

Semi-Annual Consolidated Statements of Income

(Millions of yen)

Items	For the six months ended 9/30/04(A)	For the six months ended 9/30/03(B)	Inc/Dec. (A - B)	For the fiscal year ended 3/31/04(Summary)
Operating income	87,631	90,274	(2,642)	177,791
Interest income	49,217	49,086	131	98,327
Interests on loans and discounts	36,068	36,149	(80)	72,852
Interest & dividends on securities	12,185	12,089	96	23,648
Trust fees	-	0	0	0
Fees and commissions	10,509	9,906	602	19,264
Trading income	237	117	120	352
Other business income	23,162	24,567	(1,404)	49,673
Other operating income	4,504	6,597	(2,093)	10,173
Operating expenses	67,712	71,634	(3,921)	140,172
Interest expenses	4,890	4,708	181	9,283
Interest on deposits	1,594	1,656	(61)	2,998
Fees and commissions	2,056	2,041	14	4,036
Other business expenses	21,338	27,586	(6,247)	51,392
Operating expenses	32,785	34,907	(2,122)	67,594
Other operating expenses	6,641	2,389	4,251	7,864
Operating profit (loss)	19,919	18,640	1,278	37,619
Extraordinary income	2,911	5,928	(3,016)	4,140
Extraordinary losses	484	224	259	874
Income (loss) before income taxes and others	22,346	24,344	(1,997)	40,886
Income tax-current	4,845	5,795	(949)	7,416
Income tax-deferred	4,013	3,855	158	9,008
Minority interest (minority loss)	908	579	328	1,512
Net income (loss)	12,578	14,113	(1,535)	22,948

Semi-Annual Consolidated Statement of Retained Earnings

(Millions of yen)

Items	For the six months ended 9/30/04(A)	For the six months ended 9/30/03(B)	Inc/Dec. (A - B)	For the fiscal year ended 3/31/03
(Capital Surplus)				
Balance of capital surplus at beginning of the fiscal year	28,509	28,509	-	28,509
Increase in capital surplus	5	-	5	-
Gains on disposal of treasury stocks	5	-	5	-
Balance of capital surplus at the end of the semi-annual term	28,514	28,509	5	28,509
(Retained Earnings)				
Balance of retained earnings at the beginning of the fiscal year	218,982	198,765	20,217	198,765
Increase in retained earnings	12,578	14,113	(1,535)	22,948
Net income for six months	12,578	14,113	(1,535)	22,948
Decrease in retained earnings	1,864	1,383	481	2,731
Cash dividends paid	1,817	1,348	469	2,696
Directors' bonuses	47	34	12	34
Loss on disposal of treasury stock	-	0	0	0
Balance of retained earnings at the end of the semi-annual term	229,696	211,495	18,200	218,982

Semi-annual Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended 9/30/04(A)	For the six months ended 9/30/03 (B)	Inc/Dec. (A - B)	For the fiscal year ended 3/3/04
I Cash flows from operating activities				
Net income (loss) before income taxes and others	22,346	24,344	(1,997)	40,886
Depreciation and amortization	17,521	17,889	(367)	35,547
Increase (decrease) in reserve for possible loan losses	(11,383)	(6,553)	(4,829)	(16,269)
Increase (decrease) in reserve for possible investment losses	(59)	(63)	3	(89)
Increase (decrease) in reserve for employees retirement benefit	(1,763)	(145)	(1,618)	(168)
Interest income recognized on statement of income	(49,217)	(49,086)	(131)	(98,327)
Interest expenses recognized on statement of income	4,890	4,708	181	9,283
Net loss (gain) on securities	372	3,627	(3,254)	5,225
Net loss (gain) on money held in trust	241	(2,865)	3,107	(4,129)
Foreign exchange loss (gain)	10	(16)	26	26
Net loss (gain) on sale of premises and equipment	(526)	(575)	49	67
Net decrease (increase) in trading assets	(1,950)	(532)	(1,418)	(2,130)
Net increase (decrease) in trading liabilities	1,848	(79)	1,927	1,379
Net decrease (increase) in loans	23,673	20,474	3,198	28,826
Net increase (decrease) in deposits	10,893	(20,144)	31,037	(30,464)
Net increase (decrease) in negotiable certificate of deposits	41,235	12,450	28,784	7,227
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(899)	(1,286)	387	(5,333)
Net decrease (increase) in call loans	(21,707)	(49,812)	28,105	(26,047)
Net increase (decrease) in call money	(4,978)	(15,455)	10,477	(13,147)
Net decrease (increase) in due from banks excluding from BOJ	(19,230)	(42,210)	22,980	(25,680)
Net increase (decrease) in margin money for bond transaction	1,043	7,192	(6,148)	12,197
Net decrease (increase) in foreign exchange (assets)	(1,910)	1,436	(3,347)	(3,688)
Net increase (decrease) in foreign exchange (liabilities)	1,363	(335)	1,698	(1,169)
Interest income (cash basis)	51,057	51,211	(153)	93,343
Interest expenses (cash basis)	(4,779)	(5,500)	721	(11,524)
Others	(5,769)	(14,968)	9,198	11,954
Subtotal	52,319	(66,299)	118,618	7,797
Tax and others paid	(2,462)	(6,706)	4,243	(11,274)
Net cash provided by (used in) operating activities	49,856	(73,005)	122,862	(3,476)
II Cash flows from investing activities				
Purchase of investment securities	(167,687)	(369,475)	201,788	(631,717)
Proceeds from sales of investment securities	83,724	254,465	(170,741)	383,749
Proceeds from the maturity of investment securities	80,250	82,418	(2,167)	188,643
Increase in money held in trust	—	(464)	464	(8,044)
Decrease in money held in trust	2,058	12,987	(10,928)	21,148
Purchases of premises and equipment	(19,096)	(13,864)	(5,232)	(28,225)
Proceeds from sales of premises and equipment	1,832	2,054	(221)	5,173
Net cash provided (used in) investing activities	(18,919)	(31,880)	12,960	(69,272)
III Cash flows from financing activities				
Purchase of treasury stocks	(769)	(18)	(750)	(10,705)
Proceeds from sales of treasury stocks	29	1	28	4
Dividends paid	(1,817)	(1,348)	(469)	(2,696)
Dividends paid to minority shareholders	(26)	(15)	(11)	(15)
Net cash provided (used in) financing activities	(2,584)	(1,380)	(1,203)	(13,412)
IV Effect of exchange rate changes on cash and cash equivalents	(10)	16	(26)	(26)
V Net increase (decrease) in cash and cash equivalents	28,343	(106,250)	134,593	(86,187)
VI Cash & cash equivalents at the beginning of term	156,676	242,864	(86,187)	242,864
VII Cash & cash equivalents at the end of term	185,019	136,614	48,405	156,676

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Item	Current semi-annual fiscal term (From April 1, 2004 to September 30, 2004)
1. Scope of consolidation	<p>(1) The number of consolidated subsidiaries: 10 Names of consolidated subsidiaries Hachijuni Business Service Co., Ltd. Hachijuni Staff Service Co., Ltd. Hachijuni Asia Ltd. Yamabiko Service Co., Ltd. Hachijuni Lease Co., Ltd. Hachijuni DC Card Co., Ltd. Hachijuni Credit Guarantee Co., Ltd. Hachijuni System Development Co., Ltd. Hachijuni Capital Co., Ltd. Hachijuni Investment Management Co., Ltd.</p> <p>(2) Unconsolidated subsidiaries: N/A 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 this unconsolidated subsidiary 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 (2) Affiliated companies not accounted for using the equity method: N/A (3) Unconsolidated subsidiaries not accounted for using the equity method. Name of the company: Kodama Investment Limited Private Company Interim 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. (4) Affiliated companies not accounted for using the equity method N/A</p>
3. End of semi-annual term of the consolidated subsidiaries	<p>(1) The semi-annual term end of the consolidated subsidiaries are as follows: June 30: 1 September 30: 9 (2) Consolidation is based on consolidated subsidiaries' financial statements as of each semi-annual term-end. Necessary adjustments have been made for significant transactions carried out in a period between the above subsidiaries' semi-annual term end and consolidated semi-annual term end.</p>

Item	Current semi-annual fiscal term (From April 1, 2004 to September 30, 2004)
4. Significant accounting policies	<p>(1) Accounting standards for income/expenses on trading assets and liabilities: Transactions for “trading purposes” (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in “Trading assets” and “Trading liabilities” of the semi-annual consolidated balance sheet on a contract date basis, and profits and losses on such trading transactions are recognized in “Trading income” or “Trading expenses” of the semi-annual consolidated statements of income. Securities and monetary claims purchased for trading purposes are stated at market value at the semi-annual fiscal year end. 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 semi-annual fiscal year end. 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 consolidated semi-annual period plus (i) in the case of securities and monetary claims purchased; the difference between valuation gains or losses as of the beginning of the current consolidated semi-annual period and those as of the end of the current semi-annual period; or (ii) in the case of financial derivatives; the difference between the amount of gain or loss equivalents as of the beginning and end of the period for settlement if such transactions were terminated at the semi-annual fiscal year end.</p>
	<p>(2) Securities: (i) Bonds held to maturity are stated at amortized cost (straight-line method) 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 consolidated semi-annual fiscal year end and other non-marketable securities are stated at cost or amortized cost determined by the moving average method. Gains (losses) on valuation of other securities are all included in shareholders’ equity, net of income taxes. (ii) Securities managed as trust assets included in Money Held in Trust solely managed for security trading purpose are stated at the market value.</p>
	<p>(3) Derivative transactions: Derivative transactions for purposes other than trading are stated at market value.</p>
	<p>(4) Method of depreciation and amortization (i) Premises and equipment The amount of depreciation for the Bank’s premises and equipment are estimated on a prorated basis for semi-annual term using declining-balance method principally over the useful lives as follows: Buildings: 2 -50 years Equipment: 3 - 20 years Depreciation for premises and equipment of consolidated subsidiaries are as follows: Lease assets: using straight-line method over the lease period as their useful lives, making the estimated disposal value at expiration their residual values Others: mainly by declining-balance method (ii) Software The Bank and its consolidated subsidiaries amortize software for their internal use, which is included in “Other assets”, using straight-line method over the useful lives as determined. (5 years)</p>

Item	Current semi-annual fiscal term (From April 1, 2004 to September 30, 2004)
	<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 branches and credit supervision departments, based on the internal rules for self-assessment of asset quality and the Loan Administration Office, which is independent from branches and credit supervision departments, conducts audits of their assessment, and a reserve is provided based upon such audit results.</p> <p>Reserve amount for consolidated subsidiaries are provided as deemed necessary in accordance with the internal rules for charge-off and reserve standards prescribed by the Bank.</p>
	<p>(6) Reserve for possible investment losses</p> <p>Losses likely incur to non-marketable securities in future is estimated and the required amount based on such estimation 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 for the current semi-annual fiscal year calculated based on estimated amounts of the actuarial retirement benefit obligation and the pension assets as of fiscal year end. And accountings for past service liabilities and net actuarial gains (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 of incurrence (stated as either income or expense in the statement of income).</p>

Item	Current semi-annual fiscal term (From April 1, 2004 to September 30, 2004)
	<p>(8) Conversion standard of foreign currency items</p> <p>The Bank's foreign currency denominated assets and liabilities and all accounts of overseas branches, are mainly translated into the yen equivalent at the rate prevailing at the semi-annual 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 semi-annual 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>Of the deferred hedge gains and losses stated in this semi-annual term consolidated balance sheets, such deferred hedge gains and losses resulted from the application of the past macro-hedge method based on "Tentative Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry"(JIPCA Industry Audit Committee Report No. 15), under which the overall interest rate risks inherent to loans, deposits and other instruments are controlled on a macro-basis using derivatives amortized as "interest income" or "interest expenses" over two years beginning from the fiscal year 2003, according to remaining maturity and notional amounts of hedging instruments designated by the "macro hedge" accounting.</p> <p>Deferred hedge losses based on the "macro hedge" recognized at the end of this semi-annual fiscal year was ¥467 million.</p> <p>(ii) Foreign exchange risk hedge</p> <p>With respect to hedge accounting for foreign exchange risks attributable to foreign-currency denominated financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in "Treatment of Accounting and Auditing for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25)</p> <p>The Bank assesses the effectiveness of such hedge by designating currency swap transactions and foreign exchange swap transactions, which are for the purpose of offsetting foreign exchange rate risks involved in these assets and liabilities, as hedging instruments, and by verifying the existence of foreign currency positions of such hedging instruments matching up to the foreign-currency-denominated assets and liabilities, the hedged items.</p> <p>(iii) Transactions between consolidated subsidiaries, etc.</p> <p>With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap transactions and currency swap transactions designated as hedging instruments in conformity with the non-arbitrary and strict hedging criteria for mirror transactions with the third parties against these swap transactions stipulated in the Industry Audit Committee Report No.24 and 25. Therefore the Bank reported the gains and losses on these swap transactions in the current earnings or deferred as assets or liabilities without elimination.</p>

Item	Current semi-annual fiscal term (From April 1, 2004 to September 30, 2004)
	<p data-bbox="624 257 1485 349">For a part of assets and liabilities, the Bank applies deferral hedge accounting, fair value hedge accounting or exceptional treatments permitted for interest rate swaps.</p> <p data-bbox="624 353 1517 412">Domestic consolidated subsidiaries apply exceptional treatments permitted for interest rate swaps.</p> <p data-bbox="579 416 839 448">(11) Consumption taxes</p> <p data-bbox="624 452 1517 544">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> <p data-bbox="579 548 1070 580">(12) Matters concerning tax effect accounting</p> <p data-bbox="624 584 1501 734">The amount of taxes paid and corporate tax adjustment incurred during this consolidated semi-annual fiscal term were calculated under the preconditions that deferred profits on property for income tax purpose and special account for advanced depreciation will be provided or reversed under the method of appropriation of retained earnings expected at the fiscal year end book closing.</p>
5. Semi-annual consolidated statement of cash flows	The cash stated in the semi-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 semi-annual consolidated balance sheet.

Additional Information

Current semi-annual fiscal term (From April 1, 2004 to September 30, 2004)
<p data-bbox="172 1030 1517 1245">With the enactment of the “Revision of the Local Tax Law” (Law No.9, March 2003) on March 31, 2003, certain basis of enterprise taxes imposed on banks were changed to “amount of added value” and “amount of capital” effective the consolidated fiscal year beginning April 1, 2004. As a result, effective this semi-annual consolidated fiscal period, the Bank and some of its consolidated domestic subsidiaries included the enterprise taxes based on “amount of added value” and “amount of capital” in “Operating expenses” on the semi-annual consolidated statement of income pursuant to “Practical Treatment for Presentation of External Standards Taxation portion of Enterprise Taxes in the Statement of Income” (Accounting Standards Board, Practical Report of Practical Issues No.12).</p>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Semi-annual consolidated balance sheet)

Current Semi-Annual Fiscal Term (As of September 30, 2004)	
1.	<p>The amount of loans to debtors in bankruptcy and past due loans were ¥11,016million and ¥171,000million respectively. Loans to debtors in bankruptcy are loans, excluding loans written-off, to legally bankrupt debtors as defined in Article 96, paragraph 1, subparagraph 3-(a) to (e) or subparagraph 4 of Enforcement Ordinance for the Corporation Tax Law (Cabinet Order No. 97, 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectibility of either principal or interest because they are past due for a considerable period of time or for other reasons (“non-accrual loans”).</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 ¥362million.</p> <p>Loans contractually past due 3 months or more are defined as loans for which principal or interest payment is delinquent for 3months 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 ¥97,361million.</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 structured loans was ¥279,741 million. The amount reflected in notes 1 to 4 represents the gross receivable amounts prior to reduction for the reserve for possible loan losses.</p>
5.	<p>Bills discounted are treated as financial transactions in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (Industry Auditing Committee Report No.24 of the Japanese Institute of Certified Public Accountants). The Bank is entitled to sell or pledge commercial bills discounted and foreign exchange bills bought without restrictions. The total face value was ¥75,867million.</p>
6.	<p>Assets pledged as collaterals were as follows:</p> <p style="padding-left: 20px;">Assets pledged as collateral:</p> <p style="padding-left: 40px;">Investment securities: ¥224,584 million</p> <p style="padding-left: 40px;">Loan and bills discounted: ¥40,000 million</p> <p style="padding-left: 20px;">Liabilities related to above pledged assets:</p> <p style="padding-left: 40px;">Deposit: ¥32,528 million</p> <p style="padding-left: 40px;">Call money and bills sold: There is no outstanding balance as of the current semi-annual fiscal term-end.</p> <p style="padding-left: 40px;">Margin money for bond lending transactions: ¥22,258 million</p> <p>Other than the above-mentioned assets, securities of ¥104,890 million were pledged as collateral for exchange transactions, or instead of margin money for future trading.</p> <p>Security deposit included in Premises and equipment account was ¥1,938 million and margin money for future trading included in Other assets account was ¥1 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 total ¥1,260,840million. The unused amount related to contracts of which original terms expire within one year is ¥1,079,291million.</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 allow the Bank and its consolidated subsidiaries to refuse the customers’ application for a loan or decrease the contract limits with proper reasons (e.g., changes in financial conditions, deterioration in customers’ creditworthiness). At the inception of contracts, the Bank and its consolidated subsidiaries obtain real estate, securities, etc. as collaterals if considered necessary. Subsequently the Bank and its consolidated subsidiaries perform periodic review of the customers’ business results based on internal rules and take necessary measures to reconsider conditions in contracts and/or require additional collaterals and guarantees.</p>
8.	<p>Investment in capital of unconsolidated subsidiaries totaling ¥3 million was included in Other Assets.</p>
9.	<p>Gains (losses) or unrealized gains (losses) related to hedge accounting were included in Other Liabilities as a net amount of deferral gains (losses). Gross deferral losses on hedge and gross deferral gains on hedge before offsetting were ¥1,463 million and ¥2,711million respectively.</p>
10.	<p>Accumulated depreciation on premises and equipment totals ¥196,303 million.</p>
11.	<p>As collateral for borrowed money, lease contract assets for unexpired lease term of ¥25,689 million are pledged.</p>

(Semi-annual consolidated statements of income)

Current Semi-Annual Fiscal Term (From April 1, 2004 to September 30, 2004)	
1.	Extraordinary income includes the amount of disposal of past service liabilities (reduction of liabilities) incurred as a result of amending a retirement benefit system for ¥ 1,896 million.

(Semi-annual consolidated statements of cash flows)

Current Semi-Annual Fiscal Term (From April 1, 2004 to September 30, 2004)	
The reconciliation of the Cash and due from banks in Consolidated Balance Sheet to the Cash and cash equivalents at the end of fiscal year is as follows:	
(millions of yen)	
As of September 30, 2004	
Cash and due from banks	290,774
<u>Due from banks (excluding BOJ)</u>	<u>(105,754)</u>
Cash and cash equivalents	<u>185,019</u>

(Per share data)

	Current Semi-Annual Fiscal Term (From April 1, 2004 to September 30, 2004)
Stockholders' equity per common share	¥729.48
Net income per common share for the current semi-annual term	¥24.19
Net income per common share after adjustment of dilutive shares	¥23.93

Note 1. The basis for calculation of per share profit and per share profit after adjustment of dilutive shares of the current semi-annual fiscal term is as follows.

		Current Semi-Annual Fiscal Term (From April 1, 2004 to September 30, 2004)
Net income per common share		
Net income for the current term	¥ Million	12,578
Amount not reverting to common shareholders	¥ Million	-
(Bonuses paid to directors by income appropriation)	¥ Million	-
Net income related to common stock	¥ Million	12,578
Average number of common shares	Thousand shares	519,956

		Current Semi-Annual Fiscal Term (From April 1, 2004 to September 30, 2004)
Net income per common share after adjustment of dilutive shares		
Net income adjustment amount for this interim period	¥ Million	-
(Interest paid after tax equivalent deduction)	¥ Million	-
Increased number of common stocks	Thousand shares	5,497
(Shares with warrant)	Thousand shares	5,497

* The above shares with warrant were issued in accordance with a stock option system based on Article 210, Paragraph 2, sub-paragraph 2 of the old Commercial Code.

SEGMENT INFORMATION

1. Business Segment Information

Current semi-annual fiscal term (From April 1, 2004 to September 30, 2004) (Millions of yen)

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
Operating income						
(1) Operating income from customers	65,058	22,046	526	87,631	—	87,631
(2) Internal operating income among segments	329	375	41	746	(746)	—
Total	65,387	22,422	568	88,378	(746)	87,631
Operating expenses	46,621	21,469	448	68,539	(826)	67,712
Operating profit (loss)	18,766	952	119	19,838	80	19,919

Previous semi-annual fiscal term (From April 1, 2003 to September 30, 2003) (Millions of yen)

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
Operating income & profit						
(1) Operating income from customers	66,866	22,171	1,237	90,274		90,274
(2) Internal operating income among segments	438	503	40	982	(982)	—
Total	67,305	22,674	1,277	91,257	(982)	90,274
Operating expenses	50,251	21,978	373	72,603	(969)	71,634
Operating profit (loss)	17,053	696	903	18,653	(13)	18,640

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

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
Operating income & profit						
(1) Operating income from customers	129,956	46,055	1,779	177,791	-	177,791
(2) Internal operating income among segments	851	850	81	1,783	(1,783)	-
Total	130,807	46,906	1,860	179,575	(1,783)	177,791
Operating expenses	95,798	45,030	1,025	141,854	(1,682)	140,172
Operating profit (loss)	35,009	1,875	834	37,720	(100)	37,619

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

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.

Securities

1. Securities

(1) Bonds held-to-maturity with market values
(Millions of yen)

Term Type	Current semi-annual fiscal term (as of September 30, 2004)					Previous semi-annual fiscal term (as of September 30, 2003)					Previous fiscal year (as of March 31, 2004)				
	Book Value	Market Value	Gains (losses) on valuation			Book Value	Market Value	Gains (losses) on valuation			Book Value	Market Value	Gains (losses) on valuation		
			Gain	Loss				Gain	Loss				Gain	Loss	
JGB	5,031	5,032	0	1	1	4,161	4,170	9	9	-	5,096	5,097	1	4	3
Municipal Bond	-	-	-	-	-	5,307	5,323	16	16	-	-	-	-	-	-
Corporate Bond	-	-	-	-	-	13,364	13,409	44	44	0	4,701	4,705	3	3	-
Others	8,260	8,485	224	260	36	14,781	15,510	729	753	24	9,293	9,721	428	441	13
Total	13,292	13,517	225	262	37	37,614	38,413	798	823	24	19,091	19,524	433	450	16

Note: 1. Market values are based on the closing market prices at the end of semi-annual fiscal term.

2. "Gain" and "Loss" represent breakdowns of "Gains (losses) on valuation"

(2) Other securities with market values

(Millions of yen)

Term Type	Current semi-annual fiscal term (as of September 30, 2004)					Previous semi-annual fiscal term (as of September 30, 2003)					Previous fiscal year (as of March 31, 2004)				
	Acquisition cost	Book Value	Gains (losses) on valuation			Acquisi- tion cost	Book Value	Gains (losses) on valuation			Acquisi- tion cost	Book Value	Gains (losses) on valuation		
			Gain	Loss				Gain	Loss				Gain	Loss	
Stocks	95,225	220,088	124,863	126,334	1,471	93,279	202,499	109,220	110,489	1,269	95,121	236,540	141,418	141,855	437
Bonds	915,028	928,840	13,812	14,052	239	862,079	871,793	9,714	14,348	4,634	911,575	923,934	12,359	13,443	1,083
JGB	608,503	617,456	8,952	8,984	32	549,376	552,343	2,967	6,829	3,862	610,944	617,489	6,544	7,203	659
M.B.	133,618	136,671	3,053	3,218	164	145,761	149,971	4,209	4,586	376	133,143	136,740	3,596	3,869	272
C.B.	172,906	174,712	1,806	1,849	43	166,941	169,478	2,537	2,932	395	167,486	169,704	2,217	2,369	151
Others	305,434	309,759	4,324	5,705	1,380	307,741	312,072	4,330	6,850	2,519	279,991	287,203	7,211	7,841	630
Total	1,315,687	1,458,688	143,000	146,093	3,092	1,263,100	1,386,366	123,265	131,688	8,423	1,286,688	1,447,678	160,989	163,140	2,151

Note: 1. Book values are based on the closing market prices at the end of semi-annual fiscal term.

2. "Gain" and "Loss" represent breakdowns of "Gains (losses) on valuation"

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

	Current semi-annual fiscal term (as of September 30, 2004)	Previous semi-annual fiscal term (as of September 30, 2003)	Previous fiscal year (as of March 31, 2004)
Bonds held-to-maturity			
Unlisted municipal bonds	2,932	11,530	11,050
Unlisted corporate bonds	11,184	12,860	12,335
Other securities			
Unlisted securities (excluding OTC)	6,199	6,419	6,330
Unlisted corporate bonds	16,092	10,395	14,563

2. Money held in trust

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

None

(2) Other money held in trust (except for trading/held-to-maturity)

None

3. Gains on valuation of other securities

Composition of gains on the valuation of other securities allocated to the semi-annual balance sheet is as follows.

(Millions

of yen)

	Current semi-annual fiscal term (as of September 30, 2004)	Previous semi-annual fiscal term (as of September 30, 2003)	Previous fiscal year (as of March 31, 2004)
Gains on valuation	143,000	123,265	160,989
Other securities	143,000	123,265	160,989
Other money held in trust	-	-	-
Deferred tax assets	1,245	3,388	864
Deferred tax liabilities	58,707	53,024	65,550
Other gains on valuation of other securities (before adjustment of the amount equivalent to equity holding)	85,538	73,629	96,303
Minority interest equivalents	1,756	1,161	1,607
Equity equivalents held by parent company in gains on valuation of other securities held by companies accounted for equity method	-	-	-
Gains on valuation on other securities	83,782	72,468	94,696

Derivative Transactions

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

Production, Order Receipt and Sales

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