

SEMI-ANNUAL FINANCIAL REPORT (CONSOLIDATED)  
For the Fiscal Year Ending March 31, 2006

November 22, 2005

Company name: The Hachijuni Bank, Ltd.	Stock Exchange Listing: Tokyo
Code number: 8359	Location of company: Nagano Prefecture, Japan
(URL <a href="http://www.82bank.co.jp/">http://www.82bank.co.jp/</a> )	
Representative	(Name) Yoshiyuki Yamaura
	(Title) Director & President
For inquiry:	(Name) Akihito Fujimori
	(Title) Executive Officer & Manager, Planning and Coordination Department
	(Phone) 026-227-1182
Date of Board Meeting on the Financial Results:	November 22, 2005
Trading Account:	Yes
US Generally Accepted Accounting Principle:	No

## 1. Consolidated financial highlights for the six months ended September 30, 2005

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

	Operating income		Operating profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended 9/30/2005	90,929	3.7	15,397	(22.7)	13,060	3.8
For the six months ended 9/30/2004	87,631	(2.9)	19,919	6.8	12,578	(10.8)
For the fiscal year ended 3/31/2005	175,530	(1.2)	44,186	17.4	26,138	13.9

	Net income (loss) per share	Net income per share after adjustment of dilutive shares
	Yen	Yen
For the six months ended 9/30/2005	25.19	24.95
For the six months ended 9/30/2004	24.19	23.93
For the fiscal year ended 3/31/2005	50.25	49.73

Note:

- Profit (Loss) on investment (equity method):
  - For the six months ended September 30, 2005: - million
  - For the six months ended September 30, 2004: - million
  - For the fiscal year ended March 31, 2005: - million
- The average number of shares (consolidated):
  - For the six months ended September 30, 2005: 518,403,004
  - For the six months ended September 30, 2004: 519,956,436
  - For the fiscal year ended March 31, 2005: 519,185,704
- Change in accounting methods: Yes
- Percentages indicated in operating income, operating profit and net income are the changes from 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 standards)
	Millions of yen	Millions of yen	%	Yen	%
For the six months ended 9/30/2005	5,982,508	433,083	7.2	833.45	12.56
For the six months ended 9/30/2004	5,808,938	378,679	6.5	729.48	11.51
For the fiscal year ended 3/31/2005	5,880,702	400,391	6.8	772.72	12.18

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

September 30, 2005: 519,625,590

September 30, 2004: 519,105,436

March 31, 2005: 518,097,563

(3) Consolidated cash flows highlights

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financial activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the six months ended 9/30/2005	(39,791)	(61,535)	(1,065)	107,253
For the six months ended 9/30/2004	49,856	(18,919)	(2,584)	185,019
For the fiscal year ended 3/31/2005	99,464	(41,904)	(4,574)	209,658

(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 2006 (from April 1, 2005 to March 31, 2006)

	Operating income	Operating profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Full year	178,500	36,500	25,200

Projected net income per common share (full year): ¥48.49

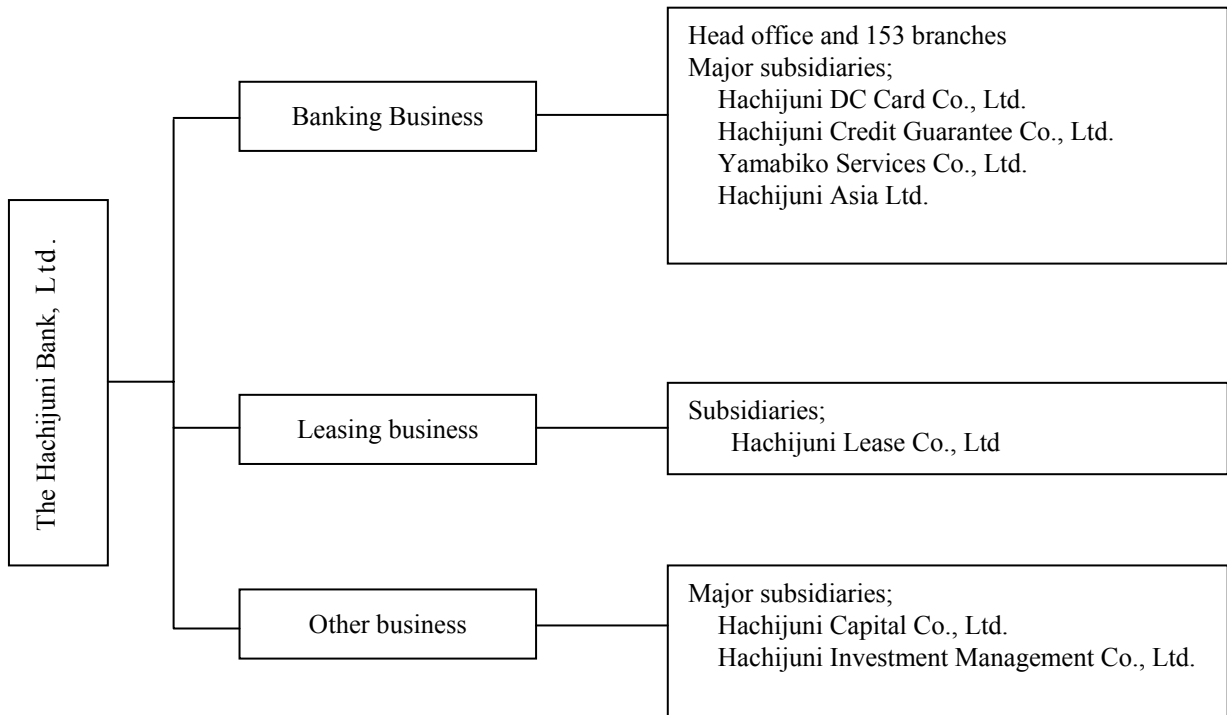
\* The above projections were made based upon information available at the date disclosing this financial data and a certain presumption the Bank considers reasonable and therefore actual business result may substantially change from this projections due to subsequent various factors.

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

### 2. Basic policies on profit sharing

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

Based on the foregoing basic policy, the Bank decided to pay interim dividend for ¥3.0 per share for the current semi-annual fiscal year.

### **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 investment amount.

### **4. The medium- and long-term management strategies (Summary of long-term management plan)**

The Bank set in the long-term management plan from fiscal year 2004 through 2006 a goal to become a banking group that "positively finds, challenges, and quickly solves problems maintaining strong earning power and sound financial standings". This implies that the Bank aims to be an enterprise which serves customers warmly, thinking from customers' viewpoints and grows with the regional community.

To achieve this goal, a three-year long-term management policy was formulated aiming to "expand business areas 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 competitive edge. 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 these business areas, the Bank will implement reforms in "business organizations", "branch outlet concept" and "organization culture and action". With these actions, the Bank aims to achieve the following numerical targets and become a corporation having strong earning power and sound financial standings.

### **5. Management index target**

Management index targets to be achieved by fiscal year ending March 31, 2007 are as follows:

Targets to be achieved in fiscal year ending March 31, 2007	
Return on equity (ROE)	6 %
Capital adequacy ratio	11 %
Core net business profit	¥40 billion
Rate of core net business profit to total assets (ROA)	0.7 %
Rate of G&A expenses to core business gross profit (OHR)	59 %

### **6. Issues to be addressed**

Deregulation in the financial business sector has been implemented at higher pace lately. Entry to securities broking business by banks has become possible, a range of insurance products that banks can sell have been expanded, and banking agency system has been amended. The unlimited government guarantee on deposits ended, and the Law Concerning Protection of Personal Information was enacted in April this year, while increases in crimes using forged credit cards and unauthorized uses of deposit accounts have become serious social problems.

In these drastic environment changes, the Bank is called for by customers to provide "safe custody services of financial assets including deposits", "financial products suitable to customers' needs", "supply of stable funds", "accurate fund settlement services" and "safety management of personal information". The Bank is also required to offer increasingly sophisticated and diversified management consultation services to enhance enterprise values, consultation services for asset management, and advices for revitalization of the regional economy. To this end, the Bank must achieve further management reform and pursue self-responsible management.

To achieve the long-term management plan, the Bank put up a slogan of "enhancement of earning power and risk management capabilities" as a management policy for the year ending March 31, 2006. To strengthen the earning power, the Bank will try hard to boost loan balances, strengthen each line of businesses, expand operation areas, and to improve quality of its assets by assisting customers' efforts to revitalize their businesses and reducing nonperforming loans.

On the front of the risk management, a scandal of swindling of customer's deposit money by a former employee occurred in April, and loss of a customer's personal data was found in July. The Bank took these cases seriously and

established a new organ in which management level staff members discuss and make decision for a basic policy to implement thorough compliance and operational risk management aiming to prevent recurrence of these incidents.

The Bank will strengthen measures to prevent fraudulent withdrawal of deposits using forged or stolen cash cards, and security measures to protect outside-of-branch ATM facilities. The Bank will also reinforce its system with which customers can use services of the Bank well at ease by ensuring employees' thorough accountability for diversified products and services to customers, and by improving the level of its operation services.

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

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

**7. 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 precise and prompter manner, and to reinforce its business execution and monitoring functions.

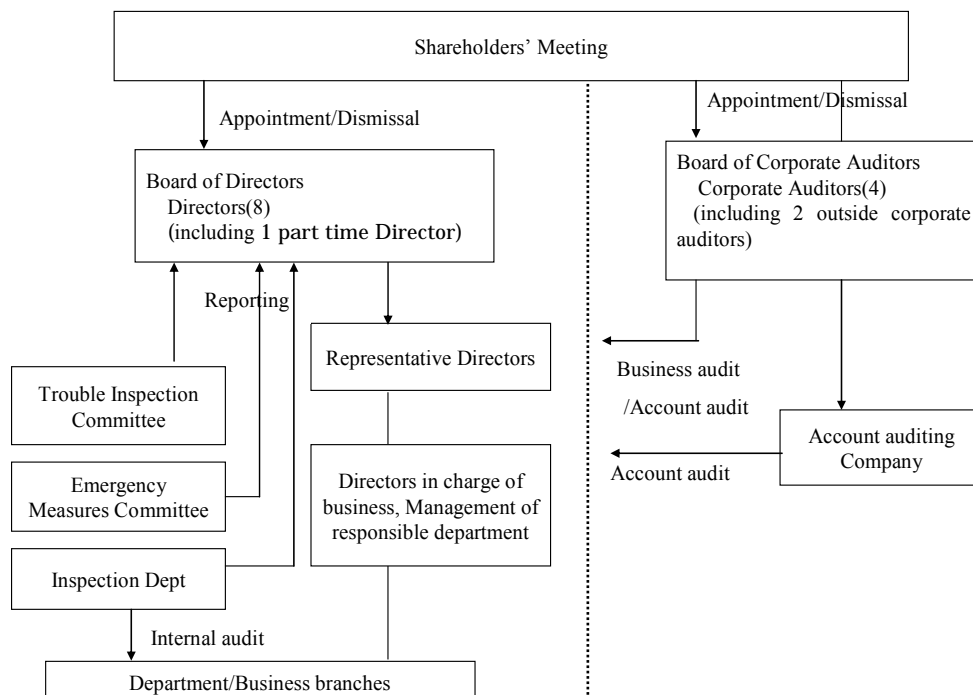
Although the number of members of the Board of Directors was seventeen (17) in 1998, it has been reduced since 1999 and now it became eight (8) in September 30, 2005, by which the Bank has enhanced flexibility of the Board's actions. The Bank is trying to achieve fair management by reexamining a range of matters to be resolved by and reported to the Board to reinforce its decision-making and monitoring functions.

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

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

**(Policy achievement status)**

(1) Chart of organization



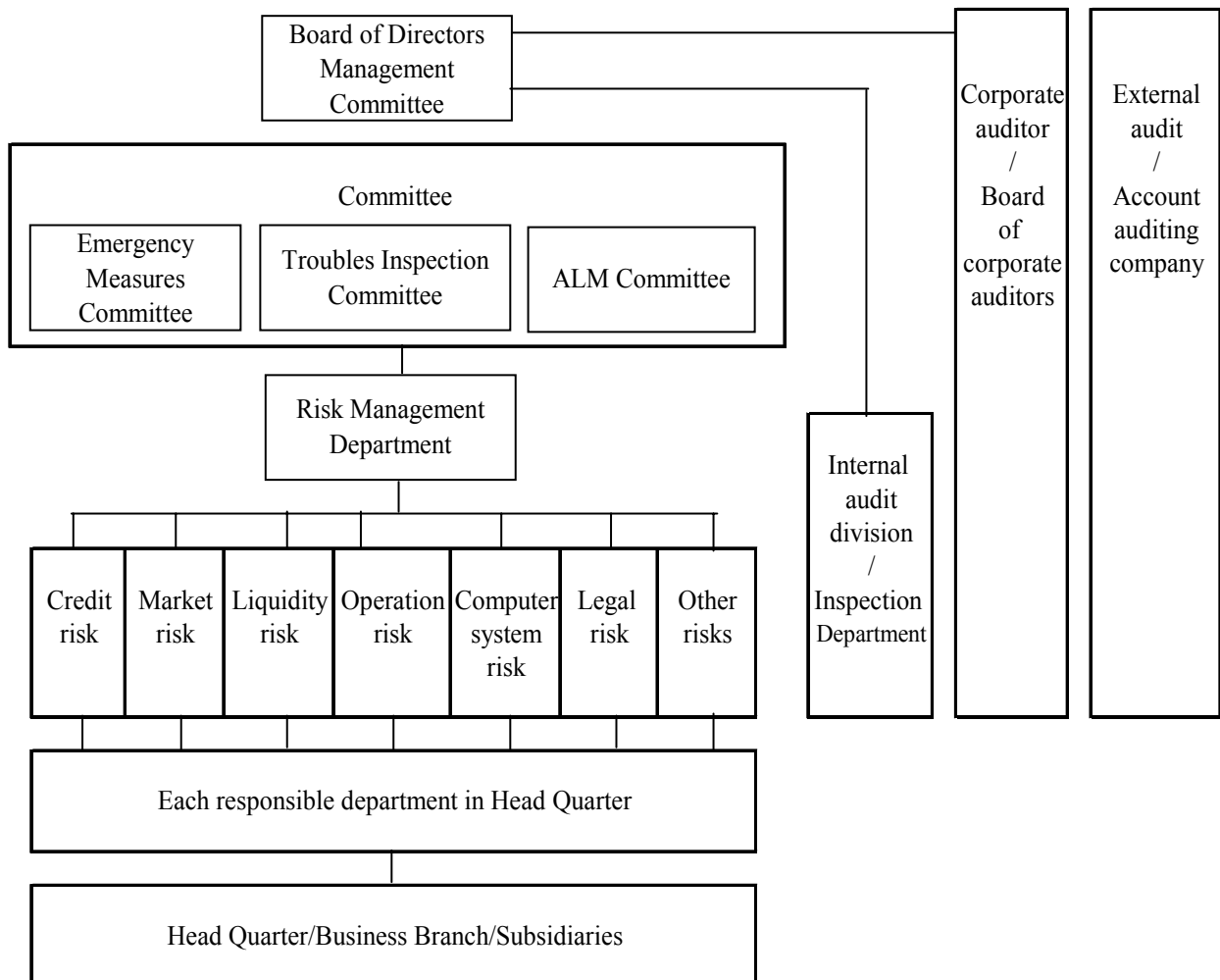
as of Sept.30 2005

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

(2) Establishment status of internal control system and risk management system

Each department and business branches properly performs risk control responsibility and independently reviews its working processes based on its internal check system. Risk Management Department finds and controls risks by conducting examination of their diversified risks management statuses as a whole in an integrated fashion. Key information relating to risk management is gathered by the Risk Management Department from each department and business branches, and they are being reflected in decision-making by executives.

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



(a) Internal audit

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

**(b) Audit by corporate auditors**

The Board of Auditors of the Bank is composed of four corporate auditors including two outside auditors and a Corporate Auditors Office was established to support the Board with two exclusive staff members. The corporate auditors examine and verify the business performance and financial conditions of head quarter and branches by attending board of directors' meetings and other important meetings, hearing the status of directors' performance of their duties, and inspecting important documents for decision making.

In conducting corporate auditor's audit, they regularly exchange opinions with accounting auditors and work together with internal audit segments by receiving reports and hearing from them.

**(c) Status of accounting audit**

The Bank signed an audit contract with Deloitte Touché Tohmatsu/Tohmatsu & Co., which conducts accounting audit for the Bank.

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

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

**(4) Status of approaches to improve corporate governance**

Regulations of the Board of Directors were reexamined 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 amended a part of office organization rules and regulations of the Board of Directors from the same viewpoint in the fiscal year 2005.

**8. Matters related to parent company**

There is no parent company for the Bank.

**9. Others (Status of efforts to address the issues)****(1) Improvement in core net business profit****A. Loan businesses**

- (a) Regarding the loan businesses, which are a pillar of banking business as a whole, the Bank seeks to 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 aimed to expand them centering on housing related loans and in August 2005, reinforced the quality of "housing loan attached with special cancer insurance agreement" and expanded the sales of loans for houses attached with term leasehold interests. The Bank started centralized examination by head quarter using a housing loan examination system as the first bank among financial institutions in Nagano Prefecture, by which the Bank succeeded in shortening hours for responding examination results thereby improved convenience for customers. In addition, the Bank began receiving housing loan consultation requests via the Internet. As a result of these efforts, outstanding loans to individual customers as of September 30, 2005 reached ¥859.6 billion, which represents an increase of ¥24.7 billion during the first six months, of which ¥751.9 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 ¥12.0 billion as of September 30, 2005.
- (c) Also with regard to corporate business loans, the Bank launched business loan products named "Skillful Management Aoba (green leaves)" tying up with Orix Corporation in May 2005. The Bank conducts the examination using the scoring method for applications for such loans and makes them widely available not only to general business corporations but also to businesses in the agriculture, forestry and fishery industry sector and venture businesses, which had been treated separately before. Quicker responses for the examination result for applications for loans became possible as well. As a result the outstanding lending balance of "Skillful Management Aoba" reached ¥3.4 billion as of September 30, 2005.

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

**(2) Reinforcement of business organization**

- A. The Bank is pushing forward with a plan to transform its business organization to the one that is focusing attention on “the reinforcement of competency in banking business and the improvement of profitability”, and emphasizing on the effort to secure profit worth the risk and cost. The Bank has increased the number of expert staff members for each department who are assigned to serve customers promptly in response to their diverse needs in cooperation with business branches. The Bank assigned area money advisors (MA) with high expertise to various districts in Nagano Prefecture to strengthen its selling power of investment type financial products such as investment trusts, foreign currency deposits, municipal bonds and annuity insurances. Further, the Bank assigned staff responsible for a defined contribution pension system at each branch to respond to the needs of customers for implementing such pension plan.
- B. As a new service channel to respond to a wide range of borrowing needs of individual customers, the Bank established a “Loan Plaza” in Ina Branch in September 2005, 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 nine (9) such plazas in Nagano Prefecture. These plazas are open even on Saturday, Sunday and holidays (except New Year’s Eve and Day) so that the Bank can respond to customers’ borrowing needs at any time.
- C. Concerning branch networks, the Bank opened “Kawaguchi Corporate Business Office” in Saitama Prefecture in May 2005, “Ota Corporate Business Office” in Gunma Prefecture in July, and “Kunitachi Corporate Business Office” in Tokyo as business units to cultivate the corporate business market in November 2005.
- D. In overseas, 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.

The Bank has a plan to hold a “meeting for business matching” in Shanghai in December 2005, jointly with Shizuoka Bank, Chiba Bank, Hokuohoku Financial Group and NC Network China (an organization dealing with manufacturing business matching support services in China), thereby will assist customers’ business development.

- E. The Bank started securities intermediary business and agent business in May 2005, and signed a memorandum of understanding in September 2005 with Alps Securities Co., Ltd. (a local securities firm in Nagano Prefecture) to make it a wholly owned subsidiary of the Bank. The Bank will push forward with a plan to make available its financial business services at “One-Stop-Shop”. The implementation of this plan is the first step for the Bank to establish a framework for organizing a Hachijuni version of financial conglomerate.

**(3) Reinforcement of profit base**

- A. In order to improve profitability, the Bank works positively toward expansion of its business fields. Concerning investment trust products for individual customers, the outstanding balance was ¥140.0 billion as of September 30, 2005, marking an increase of ¥35.7 billion during the period, owing to successful sales promotion centering on risk reduction type funds. As a result of aggressive provision of consultation services to such companies that were giving consideration to the introduction of defined contribution pension plan, the Bank has been entrusted with pension operation management business by 182 companies as of September 30, 2005. From April 2005, the Bank has started handling of a personal type defined contribution pension plan.

- B. Concerning credit management risk, the Bank has further reinforced borrowers' credit risk management functions using "new self-assessment system". In addition, the Bank quantified credit risk exposure and makes it reflect on pricing and portfolio management corresponding to such risk exposures.
- C. To reinforce activities to assist and respond more widely to customers' efforts to improve and revitalize their businesses, the Bank positioned a two-year period (fiscal 2003 and 2004) as a "Response Reinforcement Period", and had taken intensive measures to improve its assets' quality. To further improve the quality of its assets, the Bank decided to extend the period for another one year. With regard to disposal of nonperforming loans, "Yamabiko Services Co., Ltd.", a subsidiary of the Bank, is now supporting the prompt disposal and collection of bad debts of the Bank.
- D. The Bank will proactively continue its attempt to achieve further cost reduction in the fiscal year of 2005, and is making strenuous effort to reduce its workforce. It plans to reduce 400 employees during a three-year period between April 2005 and March 2007.
- E. The Bank is focusing on the cultivation of and provision of support to enterprises, and on nurturing of industries to build a base for future profit-making source. The Bank established six (6) investment funds during a period between July 1996 and June 2005 and has made investments to ninety one (91) projects in total amount of slightly below ¥2.4 billion by September 30, 2005.

#### (4) Others

##### A. Reform of corporate culture

The Bank is working 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. Formulation and progress status of the region-based relationship banking promotion plan

The Bank formulated a region-based relationship banking promotion plan in accordance with "Action Program Concerning Promotion of Strengthening Region-based Financial Function (fiscal year 2005-2006)" announced by the Financial Services Agency in March 2005.

The Bank will fulfill its duties as a leader of financial service providers to small and medium size enterprises in the region based on this plan. The Bank will publish the following three targets and announce every semi-annual progress status.

Item	Target values	Progress status (as of Sept. 30, 2005)
Strengthening functions to support creation and opening of new businesses	Fund investment in two years Target amount: ¥1,600 million Number of customers: 50	Fund investment for ¥400 million to 16 customers
Strengthening of functions of consultation and providing information to SME	Business matching in two years Number of concluded contracts: 400	Number of succeeded cases: 278
Proactive efforts to improve support skill for SME and to make loans under close observation sound	Number of graded-up customers in two years 70 customers out of 312 customers being supported for management improvement	Number of graded-up customers: 34

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 element of "corporate social responsibilities" (CSR), and is deploying energetic environment activities, by advocating a slogan of "Ecology Bank Hachijuni". The Bank has established an organizational framework to continuously and expansively tackle with environmental protection issues. The "Environment Office", which was established on the occasion of expansion of the application of ISO 14001 to entire branches, is assigned to take the initiative.
- (b) Effective from fiscal year 2004, the Bank has adopted, as the first bank in the industry, an environment

accounting system through which environment protection expenses or economic effects through primary business are calculated, and announced its results in a Disclosure Magazine of this year. From this time on too, the Bank will further strengthen the environment management system based on the result of environment accounting, and will expand activities to contribute to the improvement of the regional community's environment by harmonizing ecology and economy through corporate activities.

- (c) Attributing to these corporate activities, the Bank has been registered as an investment target company for social responsibility investment funds and its shares have been selected by social responsibility investment index (FTSE4Good Index).

## Business Performance and Financial Standings

### 1. Summary of business performance

Although the economy of Nagano prefecture, which is the primary business territory for the Bank, has shown some weakening trend in the manufacturing sector in early part of the current semi-annual fiscal year 2005, gradual recovery trend has been seen in later part of the term.

On the demand front, capital investment is expected to increase comparing the same term a year earlier mainly by large firms with the recovery of production and improvement in corporate earnings results. Housing investments overall maintained the year-earlier level attributing to robust investments in housings for sales and leasing primarily in urban areas although those in mainstay owner occupied housings continued stagnant. Public investment remained weaker affected by severe fiscal conditions. Income environment improved with the decline of regular wages coming to a halt, and personal consumption maintained the year-earlier level. Although a sign of recovery is seen in the economy of Nagano Prefecture as a whole mainly in the manufacturing sector in the latter half of this semi-annual fiscal term, a full-blown recovery is yet to be expected.

In the financial sector, short-term interest rate remained stably low due to the continuation of quantitative monetary easing policy. Long-term interest rate, however, followed an upward trend and ended up with a level of slightly below 1.5 percent at the current semi-annual fiscal year end, attributing to rising expectations for economic recovery, the end of quantitative easing policy, and the effect of structural reform and other factors.

Stock market has continued uptrend since April and the Nikkei Stock Average topped ¥13,000 in September, which was the highest in the past four years, and it jumped to a level surpassing ¥13,500 at the end of this semi-annual fiscal term.

Under such economic environment, **the consolidated business results** of the Bank were as follows:

Operating profit for the six months ended September 30, 2005 marked ¥15,397 million, down ¥4,522 million from the previous corresponding period mainly attributing to decreased non-consolidated earnings caused by increases in funding costs and in the amount of "Transfer to reserve for loan losses". Net income was ¥13,060 million, up ¥481 million from a year earlier helped by increased "Extraordinary income".

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

Operating income increased ¥2,984 million from the previous corresponding period to ¥66,118 million due to increases in "Other business income" such as income on fees and commissions and gains related to bonds and also in "Other operating income" such as profit on money in trust.

Operating expenses increased ¥ 8,631 million to ¥53,409 million, due to increases in "Other operating expenses", including funding costs, the amounts of "Transfer to reserve for loan losses" and in losses on money in trust, although "Other business expenses" decreased with declines in business expenses and in losses on sales of bonds.

As a result, operating profit decreased ¥5,647 million from the corresponding period a year earlier to ¥12,709 million.

"Profit on unrecognized pension assets" in the amount of ¥8,251 million was included in "Extraordinary income" based on the change in Accounting Standard for Retirement Benefit. "Impairment losses" in the amount of ¥843 million was stated in "Extraordinary losses" with the adoption of impairment loss accounting for fixed assets. Net extraordinary income marked ¥8,496 million, up ¥6,387 million from a year earlier.

As a result, net income for the current semi-annual fiscal year increased ¥223 million from the previous period to ¥12,596 million.

**Business result by type of business:** Banking business, leasing business and other businesses posted operating profits of ¥13,872 million, ¥1,367 million, and ¥163 million respectively.

**Projections of consolidated earnings for the fiscal year ending March 31, 2006:** Consolidated operating profit and net income are projected to be ¥36,500 million and ¥25,200 million respectively.

**Projections of non-consolidated earnings for the fiscal year ending March 31, 2006:** Non-consolidated operating profit and net income are projected to be ¥32,500 million and ¥24,500 million respectively, both of which are the same as the forecast announced in May 2005.

## 2. Summary of financial standings

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

**Outstanding balance of loans and bills discounted** increased ¥59.1 billion during the semi-annual period to ¥3,757.7 billion as of September 30, 2005 due to increases in loans both for corporations and consumers.

**Outstanding balance of securities** increased ¥78.2 billion to ¥1,625.3 billion attributing to increases in valuation gains of stocks helped by rises in stock prices, and in balance of bonds.

**Outstanding balance of deposits** increased ¥61.1 billion during the semi-annual period to ¥5,152.6 billion as of September 30, 2005 due mainly to increases in deposits from public institutions and business corporations.

**Results of non-consolidated major accounts** are as follows:

**Outstanding balance of loans and bills discounted** increased ¥59.6 billion during the period to ¥3,815.4 billion.

**Outstanding balance of securities** increased ¥78.0 billion during the period to ¥1,612.2 billion

**Outstanding balance of deposits** increased ¥60.9 billion during the period to ¥5,162.8 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 ¥74.0 billion during the period.

**Consolidated cash flows:** Cash flows provided from operating activities decreased by ¥39.7 billion due to an increase in loans and bills discounted and a decrease in negotiable certificate of deposits, and cash flows provided from investment activities decreased ¥61.5 billion by purchases of securities. Cash flows provided from financing activities decreased by ¥1.0 billion due to payment of dividends.

As a result, outstanding balance of cash and cash equivalents decreased ¥102.4 billion during the period to ¥107.2 billion.

**Risk adjusted capital ratio (BIS standards) (preliminary basis)** was 12.56 % for consolidated basis and 12.24 % for non-consolidated basis.

Consolidated and non-consolidated capital ratio increased by 0.38 % and 0.30 % respectively from the fiscal year ended March 31, 2005, as Tier I capital used as a numerator for calculation of risk adjusted capital ratio increased with the recognition of increased net income and Tier II capital also increased due to an increase in latent profit on securities.

The total consolidated and non-consolidated outstanding balances of **assets under risk management** were ¥228.0 billion and ¥226.7 billion, down ¥21.8 billion for both from the fiscal year ended March 31, 2005.

## 3. Risk factors

Major risk factors related to business and result of operations of the Bank and its group companies which may have material impact on investors' judgment are described as follows. With full recognition of the potential for such events to occur, the Bank will take necessary measures to prevent the occurrence of them and respond quickly and appropriately when such events do occur.

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

### (1) Credit risk

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

(2) Market risk

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

(3) Liquidity risk

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

(4) Operational risk

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

(5) Computer system risk

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

(6) Legal risk

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

(7) Other risks

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

## Semi-Annual Consolidated Balance Sheet

(Millions of Yen)

	As of Sept. 30, 2005 (A)	As of Sept. 30, 2004 (B)	Inc/Dec (A)-(B)	As of Mar. 31, 2005 (C)	Inc/Dec (A)-(C)
<b>(ASSETS)</b>					
Cash and due from banks	218,835	290,774	(71,938)	317,251	(98,415)
Call loan and bills bought	81,892	65,826	16,066	34,098	47,794
Receivable under resale agreement	—	—	—	579	(579)
Commercial paper and other debt purchased	40,122	41,514	(1,392)	45,894	(5,772)
Trading assets	28,526	12,477	16,048	20,792	7,734
Money in trust	25,944	28,972	(3,027)	24,466	1,478
Securities	1,625,386	1,508,588	116,797	1,547,129	78,256
Loans and bills discounted	3,757,721	3,678,237	79,484	3,698,562	59,159
Foreign exchange	20,526	22,482	(1,955)	22,626	(2,100)
Other assets	80,705	79,031	1,673	71,188	9,516
Premises and equipment	119,336	122,204	(2,868)	120,106	(770)
Deferred tax assets	2,821	3,001	(180)	3,043	(222)
Customers' liabilities for acceptances and guarantees	77,118	78,437	(1,318)	76,637	480
Reserve for possible loan losses	(96,120)	(122,470)	26,349	(101,311)	5,190
Reserve for possible investment losses	(308)	(139)	(169)	(364)	55
<b>Total assets</b>	<b>5,982,508</b>	<b>5,808,938</b>	<b>173,570</b>	<b>5,880,702</b>	<b>101,806</b>
<b>(LIABILITIES)</b>					
Deposits	5,152,697	5,064,796	87,900	5,091,590	61,106
Negotiable certificate of deposits	44,942	96,113	(51,171)	95,191	(50,249)
Call money and bills sold	50,291	17,085	33,206	21,580	28,711
Payables under repurchase agreement	—	—	—	579	(579)
Margin money for bond lending transactions	25,452	22,258	3,194	27,227	(1,774)
Trading liabilities	13,984	8,179	5,805	14,817	(832)
Borrowed money	34,070	37,884	(3,813)	35,539	(1,468)
Foreign exchanges	1,608	2,506	(898)	1,032	575
Other liabilities	83,487	75,312	8,174	72,220	11,266
Reserve for employee retirement benefit	14,451	14,111	339	14,037	413
Deferred tax liabilities	39,366	4,008	35,358	18,983	20,382
Acceptances and guarantees	77,118	78,437	(1,318)	76,637	480
<b>Total liabilities</b>	<b>5,537,470</b>	<b>5,420,692</b>	<b>116,777</b>	<b>5,469,437</b>	<b>68,032</b>
(Minority interest in consolidated subsidiaries)	11,954	9,566	2,388	10,872	1,082
Minority interest in consolidated subsidiaries					
<b>(SHAREHOLDERS' EQUITY)</b>					
Capital stock	52,243	52,243	—	52,243	—
Capital surplus	28,717	28,514	202	28,540	176
Retained earnings	247,255	229,696	17,559	236,309	10,945
Gains on valuation on other securities	114,600	83,782	30,817	94,015	20,584
Foreign exchange conversion	(308)	(352)	43	(443)	135
Treasury stock	(9,425)	(15,205)	5,780	(10,274)	848
<b>Total shareholders' equity</b>	<b>433,083</b>	<b>378,679</b>	<b>54,403</b>	<b>400,391</b>	<b>32,691</b>
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>5,982,508</b>	<b>5,808,938</b>	<b>173,570</b>	<b>5,880,702</b>	<b>101,806</b>

## Semi-Annual Consolidated Statements of Income

(Millions of yen)

Items	For the six months ended 9/30/05(A)	For the six months ended 9/30/04(B)	Inc/Dec. (A - B)	For the fiscal year ended 3/31/05(Summary)
Operating income	90,929	87,631	3,297	175,530
Interest income	49,074	49,217	(143)	99,293
Interests on loans and discounts	35,316	36,068	(752)	71,881
Interest & dividends on securities	11,593	12,185	(591)	24,816
Trust fees	—	—	—	0
Fees and commissions	11,512	10,509	1,002	21,439
Trading income	157	237	(80)	572
Other business income	24,022	23,162	859	46,353
Other operating income	6,163	4,504	1,659	7,871
Operating expenses	75,532	67,712	7,819	131,343
Interest expenses	7,124	4,890	2,234	10,809
Interest on deposits	3,422	1,594	1,827	3,744
Fees and commissions	2,525	2,056	468	4,520
Other business expenses	21,037	21,338	(301)	42,145
Operating expenses	32,606	32,785	(178)	63,640
Other operating expenses	12,238	6,641	5,597	10,228
Operating profit ( loss )	15,397	19,919	(4,522)	44,186
Extraordinary income	9,386	2,911	6,475	2,999
Extraordinary losses	889	484	405	677
Income (loss) before income taxes and others	23,893	22,346	1,547	46,508
Income tax-current	3,080	4,845	(1,765)	6,057
Income tax-deferred	6,672	4,013	2,658	12,091
Minority interest (minority loss)	1,081	908	172	2,219
Net income (loss)	13,060	12,578	481	26,138

## Semi-Annual Consolidated Statement of Retained Earnings

(Millions of yen)

Items	For the six months ended 9/30/05(A)	For the six months ended 9/30/04 (B)	Inc/Dec. (A - B)	For the fiscal year ended 3/31/05
(Capital Surplus)				
Balance of capital surplus at beginning of the fiscal year	28,540	28,509	30	28,509
Increase in capital surplus	176	5	171	30
Gains on disposal of treasury stocks	176	5	171	30
Balance of capital surplus at the end of the semi-annual term	28,717	28,514	202	28,540
(Retained Earnings)				
Balance of retained earnings at the beginning of the fiscal year	236,309	218,982	17,327	218,982
Increase in retained earnings	13,060	12,578	481	26,138
Net income for six months	13,060	12,578	481	26,138
Decrease in retained earnings	2,114	1,864	249	8,811
Cash dividends paid	2,069	1,817	251	3,113
Directors' bonuses	45	47	(1)	47
Losses on disposal of treasury stock	—	—	—	5,651
Balance of retained earnings at the end of the semi-annual term	247,255	229,696	17,559	236,309

## Semi-annual Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended 9/30/05(A)	For the six months ended 9/30/04 (B)	Inc/Dec. (A - B)	For the fiscal year ended 3/3/05
<b>I Cash flows from operating activities</b>				
Net income (loss) before income taxes and others	23,893	22,346	1,547	46,508
Depreciation and amortization	15,495	17,521	(2,026)	31,456
Impairment loss	843	—	843	—
Increase (decrease) in reserve for possible loan losses	(5,190)	(11,383)	6,192	(32,542)
Increase (decrease) in reserve for possible investment losses	(55)	(59)	4	164
Increase (decrease) in reserve for employees retirement benefit	413	(1,763)	2,177	(1,838)
Interest income recognized on statement of income	(49,074)	(49,217)	143	(99,293)
Interest expenses recognized on statement of income	7,124	4,890	2,234	10,809
Net loss (gain) on securities	(192)	372	(564)	(344)
Net loss (gain) on money held in trust	(784)	241	(1,025)	(1,614)
Foreign exchange loss (gain)	11	10	1	4
Net loss (gain) on sale of premises and equipment	(1,066)	(526)	(540)	(413)
Net decrease (increase) in trading assets	(10,085)	(1,950)	(8,135)	(11,292)
Net increase (decrease) in trading liabilities	(730)	1,848	(2,578)	8,036
Net decrease (increase) in loans	(59,108)	23,673	(82,781)	3,329
Net increase (decrease) in deposits	60,871	10,893	49,978	37,794
Net increase (decrease) in negotiable certificate of deposits	(50,249)	41,235	(91,484)	40,313
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(1,468)	(899)	(569)	(3,244)
Net decrease (increase) in call loans	(41,442)	(21,707)	(19,735)	5,060
Net increase (decrease) in call money	28,131	(4,978)	33,109	96
Net decrease (increase) in due from banks excluding from BOJ	(3,987)	(19,230)	15,243	(21,071)
Net increase (decrease) in margin money for bond transaction	(1,774)	1,043	(2,817)	6,011
Net decrease (increase) in foreign exchange (assets)	2,100	(1,910)	4,010	(2,055)
Net increase (decrease) in foreign exchange (liabilities)	575	1,363	(787)	(110)
Interest income (cash basis)	50,682	51,057	(374)	102,022
Interest expenses (cash basis)	(6,836)	(4,779)	(2,057)	(10,627)
Others	5,064	(5,769)	10,834	(2,017)
Subtotal	(36,837)	52,319	(89,156)	105,143
Tax and others paid	(2,954)	(2,462)	(491)	(5,678)
Net cash provided by (used in) operating activities	(39,791)	49,856	(89,648)	99,464
<b>II Cash flows from investing activities</b>				
Purchase of investment securities	(289,095)	(167,687)	(121,408)	(351,050)
Proceeds from sales of investment securities	122,279	83,724	38,555	161,033
Proceeds from the maturity of investment securities	119,825	80,250	39,575	170,239
Increase in money held in trust	(698)	—	(698)	(7,713)
Decrease in money held in trust	3	2,058	(2,055)	16,134
Purchases of premises and equipment	(15,489)	(19,096)	3,607	(33,269)
Proceeds from sales of premises and equipment	1,639	1,832	(192)	2,721
Net cash provided by (used in) investing activities	(61,535)	(18,919)	(42,616)	(41,904)
<b>III Cash flows from financing activities</b>				
Purchase of treasury stocks	(68)	(769)	701	(1,620)
Proceeds from sales of treasury stocks	1,094	29	1,064	185
Dividends paid	(2,069)	(1,817)	(251)	(3,113)
Dividends paid to minority shareholders	(22)	(26)	4	(26)
Net cash provided by (used in) financing activities	(1,065)	(2,584)	1,518	(4,574)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	(11)	(10)	(1)	(4)
<b>V Net increase (decrease) in cash and cash equivalents</b>	(102,405)	28,343	(130,748)	52,981
<b>VI Cash &amp; cash equivalents at the beginning of term</b>	209,658	156,676	52,981	156,676
<b>VII Cash &amp; cash equivalents at the end of term</b>	107,253	185,019	(77,766)	209,658

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Item	Current semi-annual fiscal term (From April 1, 2005 to September 30, 2005)
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 Capital Co., Ltd. Hachijuni Investment Management Co., Ltd. Hachijuni System Development Co., Ltd.</p> <p>(2) Unconsolidated subsidiaries: Name of unconsolidated subsidiary Kodama Investment Limited Private Company The total assets, operating income, net income (based on owned interest), and retained earnings (based on owned interest) of 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 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 company September 30: 9 companies (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, 2005 to September 30, 2005)
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:</p> <p>(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 the 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.</p> <p>(ii) Securities comprising trust assets included in Money Held in Trust are stated in the same way for those mentioned in the above (1) and (2) (i).</p>
	<p>(3) Derivative transactions: Derivative transactions for purposes other than trading are stated at market value.</p>
	<p>(4) Method of depreciation and amortization</p> <p>(i) Premises and equipment The amount of depreciation for the Bank’s premises and equipment are estimated on a prorated basis for semi-annual term using the declining-balance method principally over the useful lives as follows: Buildings: 2 -50 years Equipment: 2 - 20 years Consolidated subsidiaries depreciate lease assets using the straight-line method over the lease term based on the residual value of assets at the end of the lease term, and other premises and equipment primarily using the declining-balance method, in which case they calculated the depreciation cost for the semi-annual term by proportionally allocating the estimated annual cost to the semi-annual term.</p> <p>(ii) Software The Bank and its consolidated subsidiaries amortize software for their internal use, which is included in “Other assets”, using straight-line method over the useful lives as determined. (5 years)</p>

Item	Current semi-annual fiscal term (From April 1, 2005 to September 30, 2005)
	<p>(5) Booking standards for reserve for possible loan losses</p> <p>A reserve for possible loan losses of the Bank is provided as detailed below, pursuant to the internal rules for charge-off and reserve standards.</p> <p>For claims to debtors who are legally bankrupt (due to bankruptcy, composition, suspension of transactions with banks by the rules of clearing houses, etc.) or virtually bankrupt, a reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to debtors who are not virtually bankrupt at present but are likely to become bankrupt, a reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through disposal of collateral or execution of guarantees.</p> <p>In case of debtors under close observation and borrowers with restructured loans, if the total loans from the Bank exceed a certain amount, reserves are provided as follows: (i) if future cash flows of the principal and interest to be collected and received can be reasonably estimated, the discounted cash flow method is applied, where the reserve is determined as the difference between the book value and the present value of expected future cash flows discounted by the contractual interest rate before concession for loan conditions were granted, and (ii) if future cash flows of the principal and interest cannot be reasonably estimated, the remaining loan periods are individually calculated and the estimated loss amount for a certain future period corresponding to such remaining loan period is provided as a reserve.</p> <p>For claims to other debtors, a reserve is provided based on historical loan loss ratio computed for each loan loss result during a certain period in the past.</p> <p>All claims are being assessed for their quality by the business related sections in charge of the claims, based on the internal rules for self-assessment of asset quality and the loan administration section, which is independent from such related sections, conducts audits of their assessment, and a reserve is provided based upon such audit results.</p> <p>Reserve amount for consolidated subsidiaries are provided as deemed necessary in accordance with the internal rules for charge-off and reserve standards prescribed by the Bank.</p>
	<p>(6) Reserve for possible investment losses</p> <p>Losses likely incur to non-marketable securities in future is estimated and the required amount based on such 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:</p> <p>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):</p> <p>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, 2005 to September 30, 2005)
	<p>(Change in accounting policy)</p> <p>When pension assets exceeded the amount of retirement benefit obligations related to corporate pension system as a result of accrual of past service liabilities caused by the amendment of corporate pension system, The Bank had not recognized such exceeded amount (hereinafter, “unrecognized pension assets”) as asset and profit in accordance with Note1-1 of “Commentary for Accounting Standard Concerning Retirement Benefit”. A part of “Accounting Standard for Retirement Benefit” (issued by the Business Accounting Council on June 16, 1998) was amended effective as of March 16, 2005, by which recognition of unrecognized pension assets as assets and profit became allowable. Therefore, effective from this semi-annual fiscal term, the Bank applied “Guidelines on Implementation of Partial Amendment of [Accounting Standard for Retirement Benefit]” (Guidelines on Implementation of Business Accounting Standard No.7 issued on March 16, 2005) and reasonably classified unrecognized pension assets to past service liabilities and to actuarial differences and made them target items for expense deduction. As a result, “Prepaid pension expenses” increased ¥8,251 million in this semi-annual fiscal term and “Income before income taxes and others” also increased by the same amount.</p>
	<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 their semi-annual fiscal year ends.</p>
	<p>(9) Equipment used under finance lease agreement</p> <p>The Bank’s and its domestic subsidiaries’ equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those leases which transfer the ownership of the leased equipment to the lessee, in which case the equipment is capitalized.</p>
	<p>(10) Significant hedge accounting method</p> <p>(i) Interest rate risk hedge</p> <p>As for the hedge accounting for interest rate risks arising from financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in the Industry Audit Committee Report No. 24, “Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry” issued by the JICPA. With regard to hedging activities offsetting changes in interest rate, the Bank assesses the effectiveness of such hedge by grouping the hedged items (such as deposits and loans) and the hedging instruments (such as interest swaps) by their maturities. As for hedges to fix cash flows, the Bank assesses the effectiveness of such hedges by verifying correlation of interest fluctuation factors between the hedged items and the hedging instruments.</p> <p>(ii) Foreign exchange risk hedge</p> <p>With respect to hedge accounting for foreign exchange risks arising from 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</p>

Item	Current semi-annual fiscal term (From April 1, 2005 to September 30, 2005)
	<p>internal transactions between trading accounts and other accounts, the Bank manages interest rate swap transactions and currency swap transactions designated as hedging instruments in conformity with the non-arbitrary and strict hedging criteria for mirror transactions with the third parties against these swap transactions stipulated in the Industry Audit Committee Report No.24 and 25. Therefore the Bank reported the gains and losses on these swap transactions in the current earnings or deferred as assets or liabilities without elimination.</p> <p>For a part of assets and liabilities, the Bank applies deferral hedge accounting, or exceptional treatments permitted for interest rate swaps. Domestic consolidated subsidiaries apply exceptional treatments permitted for interest rate swaps.</p>
	<p>(11) Consumption taxes 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>(12) Matters concerning tax effect accounting 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.

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

Current semi-annual fiscal term (From April 1, 2005 to September 30, 2005)
<p>(Accounting standards for impairment of fixed assets) Effective from this semi-annual fiscal term, the Bank applied “Accounting Standards for Impairment of Fixed Assets” (“Opinion Concerning Establishment of Accounting Standards for Impairment of Fixed Assets” issued by the Business Accounting Council on August 9, 2002) and “Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets” (Guidelines on Implementation of Business Accounting Standard No.6, issued on October 31, 2003). As a result, net income before income taxes decreased by ¥843 million.</p> <p>In the banking industry, fixed assets are stated at cost less accumulated depreciation pursuant to the Enforcement Ordinance of the Banking Law ( MOF Ordinance No.10, 1982). Accumulated impairment loss is also deducted from the book value of each asset.</p>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Semi-annual consolidated balance sheet)

Current Semi-Annual Fiscal Term (As of September 30, 2005)	
1.	<p>The amount of loans to debtors in bankruptcy and past due loans were ¥17,300million and ¥126,737million 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 ¥952million.</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 ¥83,064million.</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 ¥228,055 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 ¥68,934million.</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: ¥234,643 million</p> <p style="padding-left: 40px;">Loans and bills discounted: ¥36,019million</p> <p style="padding-left: 20px;">Liabilities related to above pledged assets:</p> <p style="padding-left: 40px;">Deposit: ¥32,536 million</p> <p style="padding-left: 40px;">Call money and bills sold: ¥25,100</p> <p style="padding-left: 40px;">Margin money for bond lending transactions: ¥25,452 million</p> <p>Other than the above-mentioned assets, securities of ¥101,438 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 ¥1,937 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 ¥1,304,730million. The unused amount related to contracts of which original terms expire within one year is ¥1,115,855million.</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 Assets as a net amount of deferral gains (losses). Gross deferral losses on hedge and gross deferral gains on hedge before offsetting were ¥2,436 million and ¥1,075million respectively.</p>
10.	<p>Accumulated depreciation on premises and equipment totals ¥204,177 million.</p>
11.	<p>As collateral for borrowed money, lease contract assets for unexpired lease term of ¥20,328 are pledged.</p>

## (Semi-annual consolidated statements of income)

Current Semi-Annual Fiscal Term (From April 1, 2005 to September 30, 2005)	
1.	Other operating expenses include transfer to reserve for possible loan losses in the amount of ¥6,516 million.
2.	Extraordinary income includes profit on unrecognized pension assets for ¥8,251 million posted as a result of applying “Guidelines on Implementation Amending a part of [Accounting Standards for Retirement Benefit]” (Guidelines on Implementation of Business Accounting Standard No.7, issued on March 16, 2005).
3.	Our group reduced book values of nine (9) items of premises and equipment including branch buildings and idle properties in Nagano Prefecture down to their recoverable values. Total values of cash flows generated by these properties before discount fell short of their book values due to declines in cash flow provided by operating activities and land prices. Reduced amount was ¥843 million (Land: ¥790 million, buildings: ¥52 million, and movable assets: ¥0 million) and it was stated as “Impairment losses”, which is included in “Extraordinary losses”. Concerning facilities for business, every branch is generally designated by the Bank as the smallest unit of group for recognition and measurement of impairment loss. In case of idle assets, individual asset is assessed as a unit of group. Each subsidiary is designated as one asset group. The recoverable amounts used for the measurement of such impairment loss were net sales prices, which were calculated, based on appraisal values and assessed value of fixed assets for taxation estimated in accordance with the Real Estate Appraisal Standard.

## (Semi-annual consolidated statements of cash flows)

Current Semi-Annual Fiscal Term (From April 1, 2005 to September 30, 2005)	
The reconciliation of the Cash and due from banks in Semi-annual Consolidated Balance Sheet to the Cash and cash equivalents at the end of semi-annual fiscal year is as follows:	
	( millions of yen )
As of September 30, 2005	
Cash and due from banks	218,835
<u>Due from banks (excluding BOJ)</u>	<u>( 111,582)</u>
Cash and cash equivalents	<u>107,253</u>

## SEGMENT INFORMATION

## 1. Business Segment Information

Current semi-annual fiscal term (From April 1, 2005 to September 30, 2005) (Millions of yen)

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
Operating income & profit						
(1) Operating income from customers	68,497	22,168	263	90,929	—	90,929
(2) Internal operating income among segments	438	330	36	806	( 806)	—
Total	68,935	22,499	300	91,735	( 806)	90,929
Operating expenses	55,063	21,132	137	76,333	( 800)	75,532
Operating profit (loss)	13,872	1,367	163	15,402	( 5)	15,397

Previous 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 & profit						
(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 fiscal year (From April 1, 2004 to March 31, 2005) (Millions of yen)

	Banking business	Leasing business	Other business	Total	(Elimination)	Consolidated
Operating income & profit						
(1) Operating income from customers	130,093	44,795	641	175,530	-	175,530
(2) Internal operating income among segments	613	690	75	1,379	( 1,379)	-
Total	130,706	45,485	717	176,910	( 1,379)	175,530
Operating expenses	89,315	42,799	603	132,718	( 1,374)	131,343
Operating profit (loss)	41,391	2,686	114	44,192	( 5)	44,186

Note: 1. Operating income and profit are shown in place of sales and operating profit of ordinary companies.

2. Main lines of businesses in each business are as follows:

- (1) Banking business   ••••• banking, credit card business
- (2) Leasing business   ••••• leasing business
- (3) 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 Sept. 30, 2005)					Previous semi-annual fiscal term (as of Sept. 30, 2004)					Previous fiscal year (as of Mar. 31, 2005)				
	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	3,005	3,003	(2)	-	2	5,031	5,032	0	1	1	3,006	3,014	8	8	-
Others	4,701	4,730	29	78	49	8,260	8,485	224	260	36	6,033	6,115	82	127	45
Total	7,706	7,733	26	78	51	13,292	13,517	225	262	37	9,039	9,130	90	136	45

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 each "Gains (losses) on valuation".

## (2) Other securities with market values

(Millions of yen)

Term Type	Current semi-annual fiscal term (as of Sept. 30, 2005)					Previous semi-annual fiscal term (as of Sept. 30, 2004)					Previous fiscal year (as of Mar. 31, 2005)				
	Acquisition cost	Book Value	Gains (losses) on valuation			Acquisition cost	Book Value	Gains (losses) on valuation			Acquisition cost	Book Value	Gains (losses) on valuation		
			Gain	Loss				Gain	Loss				Gain	Loss	
Stocks	95,300	277,361	182,060	182,483	423	95,225	220,088	124,863	126,334	1,471	94,992	235,485	140,492	141,622	1,129
Bonds	960,841	965,879	5,037	8,209	3,172	915,028	928,840	13,812	14,052	239	920,895	935,679	14,784	14,889	105
JGB	615,123	619,131	4,007	5,709	1,701	608,503	617,456	8,952	8,984	32	607,958	618,368	10,410	10,426	16
Municipal bond	113,797	115,435	1,637	1,796	158	133,618	136,671	3,053	3,218	164	122,950	125,620	2,670	2,746	75
Corporate bond	231,921	231,312	(608)	704	1,312	172,906	174,712	1,806	1,849	43	189,985	191,689	1,703	1,717	13
Others	320,239	327,768	7,528	8,748	1,219	305,434	309,759	4,324	5,705	1,380	314,727	319,535	4,808	5,980	1,172
Total	1,376,382	1,571,009	194,626	199,441	4,815	1,315,687	1,458,688	143,000	146,093	3,092	1,330,615	1,490,700	160,084	162,492	2,407

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

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

## (3) Main book values of non-marketable securities

(Millions of yen)

	Current semi-annual fiscal term (as of Sept. 30, 2005)	Previous semi-annual fiscal term (as of Sept. 30, 2004)	Previous fiscal year (as of Mar. 31, 2005)
Bonds held-to-maturity			
Unlisted municipal bonds	-	2,932	2,912
Unlisted corporate bonds	8,539	11,184	10,809
Other securities			
Unlisted securities (excluding OTC)	6,479	6,199	6,363
Unlisted corporate bonds	20,282	16,092	17,682

## 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)

(Millions of yen)

Term Type	Current semi-annual fiscal term (as of Sept. 30, 2005)					Previous semi-annual fiscal term (as of Sept. 30, 2004)					Previous fiscal year (as of Mar. 31, 2005)				
	Acquisition cost	Book Value	Gains (losses) on valuation			Acquisition cost	Book Value	Gains (losses) on valuation			Acquisition cost	Book Value	Gains (losses) on valuation		
			Gain	Loss				Gain	Loss				Gain	Loss	
Other money held in trust	700	699	(1)	-	1	-	-	-	-	-	-	-	-	-	-

## 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 Sept. 30, 2005)	Previous semi-annual fiscal term (as of Sept. 30, 2004)	Previous fiscal year (as of Mar. 31, 2005)
Gains on valuation	194,625	143,000	160,084
Other securities	194,626	143,000	160,084
Other money held in trust	(1)	—	—
( + )Deferred tax assets	1,934	1,245	963
( - )Deferred tax liabilities	80,185	58,707	65,281
Other gains on valuation of other securities (before adjustment of the amount equivalent to equity holding)	116,375	85,538	95,766
( - )Minority interest equivalents	1,774	1,756	1,751
( + )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	114,600	83,782	94,015

## DERIVATIVE TRANSACTIONS

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

## PRODUCTION, ORDER AND SALES

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

(Per share data)

	Current Semi-Annual Fiscal Term (From April 1, 2005 to September 30, 2005)
Stockholders' equity per common share	¥833.45
Net income per common share for the current semi-annual term	¥25.19
Net income per common share after adjustment of dilutive shares	¥24.95

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, 2005 to September 30, 2005 )
Net income per common share		
Net income for the current term	¥ Million	13,060
Amount not reverting to common shareholders	¥ Million	-
(Bonuses paid to directors by income appropriation)	¥ Million	-
Net income related to common stock	¥ Million	13,060
Average number of common shares	Thousand shares	518,403

		Current Semi-Annual Fiscal Term ( From April 1, 2005 to September 30, 2005 )
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	4,907
(Shares with warrant)	Thousand shares	4,907

\* 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.