

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

THE HACHIJUNI BANK, LTD

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<For inquiry>

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

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

Progress status for main items is as follows.

1. Business revitalization and facilitation of small and medium enterprises (SME) financing
 - (1) To increase loans to venture businesses, a new fund was established in the amount of ¥1,000 million, and efforts to cultivate new investment targets have been strengthened. As a result we achieved investments in the amount of ¥434 million to 16 customers toward a target of making investments of ¥1,600 million to 50 customers in two years. We have also expanded a relationship network by holding information exchange meetings with candidate ventures for investment, and entering into tie-up agreements with Shinshu University and with Organization for Small and Medium Enterprises and Regional Innovation, Japan.
 - (2) We played business matchmakers for 278 cases (target is 400 cases) by proactively using information at business branches and departments at the head quarter.
 - (3) The number of customers whose credit classifications were upgraded was 34 (target is 70 customers) by continuous promotion of a project to improve assets qualities.

<Accomplishment list for numerical targets>

Item	Numerical target for two years	Result of the six months ended Sept.30, 2005
Strengthening functions to support creation and opening of new businesses	Fund investment for ¥1,600 million to 50 customers	Fund investment for ¥434 million to 16 customers
Strengthening of functions of consultation and providing information to SME	Number of successful cases of business matching: 400	Number of succeeded cases: 278
Proactive efforts to improve support skill for SME and to make loans under close observation sound and normal	Number of upgraded customers: 70 customers out of 312 supported	Number of upgraded customers: 34

- (4) To promote loans without excessive reliance on collateral and guarantee, we started sales of a product titled “Skillful Management <Aoba>” which is a type of loan without collateral and third party guarantee but with guarantee by external institutions, and also began study of a new loan product using scoring model. Further we initiated the development of a new scheme aiming for liquidation of assets held by customers.
- (5) To improve systems of giving explanation about products to customers and to strengthen functions of dealing with complaints from customers, we initiated the work to overhaul contents of “Guidelines for explanation of loan transactions to customers” in accordance with revised Civil Code and Real Estate Registration Law. We convey results of analysis of voices and complaints from customers to business branches via in-house LAN and held workplace training sessions.
- (6) We conducted “communication training” twice to improve employees’ skills to communicate with people. To improve judgment capabilities and SME supporting skills, we held a training seminar for corporate business trainees once and implemented 19 sessions of voluntary participation training using holidays (752 participants).

2. Strengthening of management functions

- (1) To enhance and sophisticate risk management systems, we started preparation for running operational risk information gathering and reporting systems. We also conducted a new BIS field test (QIS4).
- (2) To develop a profit management system and to improve profitability, we reexamined a management framework based on risk and return. We also developed a policy to apply a separate interest rate to each borrower depending on its credit rating, under which we underwent interest negotiations with customers.
- (3) To confirm appropriateness of financial conditions provided in securities report and other documents, we prepared business procedure manuals for each department in the head quarter and made the internal check works stricter.

As a policy to strengthen compliance systems, we decided to establish a new organ for discussing basic policies and critical issues concerning compliance and operational risk management. In addition, to prevent the occurrence of scandals, we started to overhaul our inspection methods. As a measure in response to the enactment of the Personal Information Protection Law, we improved our control system. Under the improved system, special examination related to the Law will be conducted at each branch and also items subject to internal audit were expanded.

3. Enhancement of convenience for regional users

- (1) As a part of information disclosure efforts related to contribution to regional communities, we published a Disclosure Magazine which includes full of CSR reports.
- (2) We requested a Consumer Advisors Association to conduct monitoring for counter services provided in all branches in Nagano Prefecture. We conveyed the results of such monitoring to all business branches and held work place training sessions at each branch.
- (3) To promote revitalization of regional economies, we completed extension of a Project Finance concerning PFI business to construct and operate facilities to use hot spring in Nuruyu district in Nagano City (No.1 project in Nagano Prefecture). In addition, we requested Nagano Economic Research Institute to conduct a survey regarding PFI targeting public organizations in Nagano Prefecture, through which we studied measures to grasp needs and strengthen tie-up.

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

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

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
I. Business revitalization and facilitation of SME financing							
(1) Strengthening functions to support creation and opening of new business	<ul style="list-style-type: none"> Improvement judgment ability for venture businesses Proactive cultivation of new projects and supply of fund Providing support mainly to investment candidate enterprises for them to grow by improving hand-on ability and strengthening tie-up network with supporting institutions 	<ul style="list-style-type: none"> Fund supply to venture businesses (cultivation of prospective enterprises, utilization of a Fund) Strengthening tie-up network with supporting institutions Nurturing personnel who have judgment and hand-on abilities and who can support listing of stocks 	<ul style="list-style-type: none"> Establishment of Fund No.5 (1.0 billion yen in total) Meetings with investment candidate firms Execution of tie-up agreements with Shinshu University and Organization for Small and Medium Enterprises and Regional Innovation, Japan 	<ul style="list-style-type: none"> Meetings with investment candidate firms Meeting for handing-on Investment candidate firms with Hachijuni Capital Co., Ltd. Execution of tie-up agreements with universities in Nagano 	Fund investment for 1,600 Million yen to 50 customers in two years	<p>< Fund investment: 434 million yen to 16 customers ></p> <ul style="list-style-type: none"> Cultivated 82 projects for Fund 1.0 Billion Yen Fund No.5 was established in June Meeting with investment candidate firms (36 firms participated) Signed tie-up agreements with Shinshu University and Organization for Small and Medium Enterprises and Regional Innovation, Japan 	<ul style="list-style-type: none"> Will continue investment through the Fund to achieve the target (400 million yen for the 2nd Half of FY2005) Meeting for hand-on Investment candidate firms with Hachijuni Capital Co., Ltd. (2nd Half of FY 2005) Execution of tie-up agreements with Nagano Technical Junior College, Shinshu TLO and major trading firms and other institutions (2nd Half of FY 2005)
(2) Strengthening functions of management consultations and support for customers	<ul style="list-style-type: none"> Strengthening business capability to find issues and to solve them Providing consultation and information services through Hachijuni Business Squares Increase in conclusion of business matching agreements by activating information exchange. Providing consultation services in collaboration with group companies, audit corporations and tax accountant firms Responding to M&A needs to solve successor issues and to diversify and expand businesses 	<ul style="list-style-type: none"> Information sharing by head quarters and business branches and support by head quarters Expansion of customers with whom business matching agreements can be executed. Strengthening tie-up with outside consultation institutions 	<ul style="list-style-type: none"> Campaign for gaining members of Hachijuni Business Square. Strengthening tie-up with outside experts such as audit corporations 	<ul style="list-style-type: none"> Efforts to increase members of Hachijuni Business Square. Study sessions for learning M&A business at regions and branches 	Conclusion of business matching agreements: 400 cases in two years	<p><Number of cases of concluded business matching agreements: 278></p> <ul style="list-style-type: none"> 5 agreements have been concluded with consulting firms, etc. Number of Hachijuni Business Square members: 2,162 (as of the end of September) Execution of tie-up agreement with a medical consulting firm Regional M&A study session (3 times) 	<ul style="list-style-type: none"> Support to firms participating in business talk meetings (whole FY 2005) Holding seminars by constructing network with consulting firms (whole FY2005) Campaign for gaining members of Hachijuni Business Square. (Dec-Jan) Execution of tie-up agreements with outside consulting firms (2nd Half of FY 2005) Regional M&A study session (2nd Half of FY 2005) Establishment of collaboration network with professionals (2nd Half of FY2005)
Strengthening efforts to improve skills to support SME and proactive efforts aiming to improve to make loans under close observation sound and normal	<ul style="list-style-type: none"> Prevention of the emergence of new non-performing loans by strengthening cash flow monitoring functions Strengthening approach aiming to make loans under close observation sound and normal 	<ul style="list-style-type: none"> Thorough check and follow-up for statuses of formulation and implementation of management improvement plan Providing know-how in holding meetings by each industry Starting of fee-based consultation services to assist revitalization by Loan Supervision Dept. 	<ul style="list-style-type: none"> Check-up of statuses of formulation and progress of management improvement plan Meetings by each industry Implementation of a project to improve quality of assets 	<ul style="list-style-type: none"> Check-up of statuses of formulation and progress of management improvement plan Meetings by each industry 	Number of upgraded customers: 70 customers out of 312 supported in two years	<ul style="list-style-type: none"> Of 105 firms designated to formulate management improvement plan, 29 firms have accomplished in formulation of plans Meetings by industry (liquor industry, industrial waste industry, oil products sales industry) were held and participants gained know-how of each industry. 	<ul style="list-style-type: none"> Will review designated firms and continue to strengthen support based on management improvement plans Plan to hold a meeting by industry (manufacturing industry)(January)

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
Announcement of results regarding efforts to make quality of credits sound	• Announcement of rank up results for companies for which efforts have been made to assist their management improvement	• Accurately ascertaining the results such as rank-up in each semi-annual period for companies selected to be assisted for their management improvement by Credit Division	The same as left	The same as left		<p><Number of firms that were upgraded: 34></p> <ul style="list-style-type: none"> • Promoted the project to improve asset quality which have been carried out since 2003 by head office and branches in its entirety. 	<ul style="list-style-type: none"> • Thorough separate management by firms to which support for management improvement is provided and thereby increasing the number of upgraded firms
(3) Proactive efforts for business revitalization							
Proactive efforts for business revitalization • Sharing of revitalization know-how • Dissipation of excessive debts of SME • Reconstruction of businesses in response to changes in social needs	<ul style="list-style-type: none"> • Promotion of sharing revitalization know-how • Support for speedy formulation of thorough reconstruction plan and support its implementation 	<ul style="list-style-type: none"> • Providing and gathering of revitalization know-how through actual examples • Selection of prospective firms for which Civil Rehabilitation or civil liquidation guidelines can be used, and management of its progress • Strengthening tie-up with SME Revitalization Support Council and proactive use of revitalization funds 	<ul style="list-style-type: none"> • Selection of prospective firms which can be covered by Civil Rehabilitation or civil liquidation guidelines • Utilization of functions of SME Revitalization Support Council and selection of prospective firms for which revitalization fund can be supplied 	<ul style="list-style-type: none"> • Progress management regarding selected firms and reshuffle of selected firms • Study of necessity for providing DIP finance to those selected firms. 		<ul style="list-style-type: none"> • Four prospective firms have been selected, which can be covered by Civil Rehabilitation Law and civil liquidation guidelines, and efforts have been made to work for their revitalization. • Study was conducted mainly for hotel and ryokan businesses if their businesses can be revitalized using functions of SME Revitalization Support Councils. Continued to select prospective firms and proceed with using Council's functions. 	<ul style="list-style-type: none"> • Progress management for the selected firms and continue to select of new prospective firms
Expansion of disclosure of information concerning revitalization support results and further promotion of revitalization know-how sharing	<ul style="list-style-type: none"> • Announcement of revitalization support results and know-how to the possible extent • Accumulation of other banks' examples and know-how gained through Regional Bankers Association and utilization thereof for the Bank's projects 	<ul style="list-style-type: none"> • Gathering of other banks' cases and know-how through Regional Banks Associations and announcement of our Bank's results • Announcement of our understandings for actual status of business revitalization to the possible extent 	The same as left	The same as left		<ul style="list-style-type: none"> • Reporting format is being studied at Regional Banks Association. Study result will be reported in 2nd Half. • A book "Methods for Revising Actual Status of Financial Report" was published in April 	<ul style="list-style-type: none"> • Reporting will be made based on Regional Banks Association' s format. (November)

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
(4) Promoting loans without excessive reliance on collateral and guarantee							
<p>Promoting loans without excessive reliance on collateral and guarantee</p> <ul style="list-style-type: none"> Strengthening approach to accurately assess enterprises' potentiality and technical capabilities Reviewing comprehensive revolving guarantee agreement and excessive third party guarantee in line with the enactment of "Law Amending a Part of Civil Code" 	<ul style="list-style-type: none"> Establishment of business promotion and assessment systems without excessive reliance on collateral and guarantee (including third party guarantee) Review of maturity date management system for revolving guarantee agreement and appropriate conversion of comprehensive revolving guarantee agreements. 	<ul style="list-style-type: none"> Improvement of no-collateral, no-third-party-guarantee type products (such as Speedup) Usage expansion of scoring model and promotion of loans using such model Review of maturity date management system for revolving guarantee agreement and execution of new comprehensive revolving guarantee agreement with appropriate newly converted guarantor 	<ul style="list-style-type: none"> Verification of scoring model and efforts to establish application methods Review of revolving guarantee agreement control system and study of the future directions 	<ul style="list-style-type: none"> Usage expansion of scoring model and promotion of loans using such model Starting appropriate conversion of comprehensive revolving guarantee agreements in line with review, and implementation of review results for revolving guarantee agreement management system 		<ul style="list-style-type: none"> Introduction of no-collateral, no-third-party-guarantee type loan products guaranteed by outside institutions Verification of scoring model, and study for effort to establish application method Study of sales of loan products using scoring model Review of summary of revolving guarantee agreement management system 	<ul style="list-style-type: none"> Improvement of no-collateral, no-third-party-guarantee type loan products Verification of scoring model, and continuance of study for effort to establish application method Continuation of study of sales of loan products using scoring model Finalization of requirement for revolving guarantee agreement management system and initiation of its development (from 2nd Half of FY2005 ~) Usage expansion of scoring model and promotion of loans using scoring model Start and establish the system and conversion of existing agreements (from FY 2006~)
<p>Diversifying SME financing</p> <ul style="list-style-type: none"> Strengthening efforts to alleviate regionally concentrating risks 	<ul style="list-style-type: none"> Implementing measures to help SME financing through liquidation of assets held by customers Strengthening loan management system by establishing management methods for non-recourse loan and project finance. 	<ul style="list-style-type: none"> Establishment of new scheme to liquidate assets held by customers Implementation of measures for project finance Strengthening promotion to sell syndicate loans 	<ul style="list-style-type: none"> Review of new scheme Establishment of specific credit rating system Promotion to sell syndicate loans 	<ul style="list-style-type: none"> Strengthening approach mainly toward new liquidation scheme Promotion to sell syndicate loans 		<ul style="list-style-type: none"> Decided to adopt SPC method for new scheme for liquidation of assets held by customers Establishment of specific credit rating system (June) Extended syndicated loans (4 cases) 	<ul style="list-style-type: none"> Start up of SPC method Strengthening syndicate loan sales promotion (2nd Half of FY2005 ~) Strengthening approach mainly toward new liquidation scheme (FY2006~)
(5) Developing system of explanation to customers and strengthening functions to deal with consultation needs and complaints from customers							
<p>Establishment of in-house regulations including a manual of how to explain to customers</p>	<ul style="list-style-type: none"> Establishment of in-house regulations including a manual of how to explain to customers Enhancement of customer presentation system at business branch 	<ul style="list-style-type: none"> Review of "Guidelines for explanation of loan transactions to customers" Developing system of explanation to customers by making sure to keep everyone informed of revised contents at meetings or other occasions 	<ul style="list-style-type: none"> Overhaul of guidelines stated in the left in line with amendment of Civil Code and Real Estate Registration Law 	<ul style="list-style-type: none"> Continuous implementation of measures to improve the systems as needed adopting a P-D-C cycle. 		<ul style="list-style-type: none"> Kept everyone informed about measures and treatment responding to each law by issuing instructions, and initiated review of "Guidelines for explanation of loan transactions to customers" 	<ul style="list-style-type: none"> Revision of Guideline (2nd Half of FY2005~) Implementing improvement measures and revision of guidelines based on the results of efficiency verification of item as mentioned below (FY 2006 ~)

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
Ensuring efficiency at business branches	<ul style="list-style-type: none"> Implementation of unified management system for loan related subjects and establishment of efficiency verification system Implementation of improvement measures based on verification results 	<ul style="list-style-type: none"> Thorough verification, and providing guidance to employees at branches by Inspection Dept. Gathering operation risk information; establishment of reporting system and utilization of such system 	<ul style="list-style-type: none"> Verification of efficiency using information gathering and reporting system (related to the establishment of operational risk management system) 	<ul style="list-style-type: none"> Verification of efficiency using systems specified in the left Thorough implementation again of the systems based on verification results and also improvement measures 		<ul style="list-style-type: none"> Verification of statuses of how employees observe customer explanation obligation and how they deal with customers' complaints at branches when Inspection Dept visit there to conduct inspection Verification and guidance at branches by Inspection Dept Preparation for actual operation of operational risk reporting system 	<ul style="list-style-type: none"> Verification of reporting frameworks using information gathering and reporting system as well as existing methods Systems specified in the left are scheduled to start operating (in Dec) and reporting practices by branches thoroughly put in place (2nd Half of FY2005 ~) Inspection Dept will continue its verification by offering guidance at branches; Efficiency will be verified using reporting system (FY2006 ~)
Analysis of examples of complaints and conveying results of such analysis to parties concerned	<ul style="list-style-type: none"> Unified management of complaints In-house information sharing and prevention measures for recurrence of such complaints and improvement of such systems 	<ul style="list-style-type: none"> Regularly conveying customers' direct opinions or complaints to employees via in-house LAN. Holding workshop training seminar to prevent recurrence of complaints 	<ul style="list-style-type: none"> Analyzing complaints by businesses and contents, and conveying the analysis results to employees via in-house LAN Holding workshop training seminar to prevent recurrence of complaints and troubles 	The same as left		<ul style="list-style-type: none"> Regularly conveyed analysis results of customers direct opinions, opinion examples and complaints to employees using in-house LAN Held workshop training seminar to prevent recurrence of complaints 	<ul style="list-style-type: none"> Regularly conveying analysis results of customers direct opinions, opinion examples and complaints to employees using in-house LAN Holding workshop training seminar to prevent recurrence of complaints
(6) Development of human resources							
Enhancement of abilities to precisely assess potentials and technical capabilities of enterprises (judgment ability) and to assist their management	<ul style="list-style-type: none"> Mastering a wide range of knowledge and skill centering on three themes of "Improvement in judgment capability", "Improvement in SME support skill" and "Revitalization support skill". 	<ul style="list-style-type: none"> Holding training seminars for strengthening interpersonal communication skill, judgment capabilities, SME management support and revitalization support skills 	<ul style="list-style-type: none"> Enrichment of various group training and holiday voluntary participation type training Sending employees to outside training session held by Regional Banks Association and others, and continuing to dispatch staff members to outside enterprises 	The same as left		<ul style="list-style-type: none"> Interpersonal communication skill: Communication basic training seminar (twice) Judgment skill, SME support: Training seminar for corporate business trainees (once) Holiday voluntary participation training seminar: 19 sessions (752 participants) Sent 6 employees in total to seminars sponsored by Regional Banks Association Dispatched employees to outside enterprises for long-term training (32 employees as of October 1) 	<ul style="list-style-type: none"> Continuing to hold various types of group training sessions, holiday voluntary participation training thereby trying to improve employees' skill level Planning to hold a training seminar for corporate business trainees (once), training session for learning how to handle ailing enterprises (once), and holiday voluntary participation training seminars (27 sessions) in the 2nd Half of FY2005 Continuing to send employees to outside training sessions sponsored by Regional Banks Association and others, and to dispatch employees to outside enterprises.

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
2. Strengthening of management functions							
(1) Enhancing risk management							
Initiatives to sophisticate computing methods for capital adequacy ratio in preparation for the introduction of Basle II (new capital adequacy system) and establishment of a proper system concerning expansion of information disclosure practices	<ul style="list-style-type: none"> Establishment of a framework toward more sophisticated calculation method of capital adequacy ratio Establishment of risk management system Expansion of information disclosure 	<ul style="list-style-type: none"> Establishment and level up of internal credit rating system; improvement in internal audit structure Improvement of information gathering and reporting framework by computerization Expansion of information disclosure 	<ul style="list-style-type: none"> Confirmation of improvement status of risk management system (by performing a review) Study of improvement in internal credit rating system; study of improvement of internal audit structure 	<ul style="list-style-type: none"> Full-scale adoption of operational risk management scheme Expansion of information disclosure in response to new Basle II (new capital adequacy ratio requirement) 		<ul style="list-style-type: none"> Preparation for running operational risk reporting system Study for framework of internal credit rating system 	<ul style="list-style-type: none"> Planning to start running the system (December) In particular, clarifying division of roles with Asset Audit Office and improving internal audit structure (during the first half of FY2006) Preparation of an internal credit rating system plan
Sophistication of risk management scheme	<ul style="list-style-type: none"> Establishment of a risk management structure in response to new BIS regulation in FY ending March 2007 	<ul style="list-style-type: none"> Participating in new BIS regulation field-test Reviewing credit risk management system Establishment of operational risk management system 	<ul style="list-style-type: none"> Establishment of new credit rating system (Specific Credit Rating System) Implementation of gap analysis aiming toward the establishment of integrated risk management system Establishment of a Risk Management Committee 	<ul style="list-style-type: none"> Establishment of new credit rating system (rating for each loan item) Implementation of organizational measures for portfolio management structure Establishment of operational risk management structure 		<ul style="list-style-type: none"> Conducted a new BIS field test (QIS4) Established specific credit rating system (June) 	<ul style="list-style-type: none"> Conducting a new BIS field test (QIS5)
(2) Establishment of earnings management systems and improvement in profitability							
Establishment of earnings management systems	<ul style="list-style-type: none"> Establishment of earnings management systems Formulation of management strategy based on risk & return 	<ul style="list-style-type: none"> Sophistication of integrated risk management 	<ul style="list-style-type: none"> Reviewing of assets and liabilities to be covered by an integrated risk management 	<ul style="list-style-type: none"> Verification of divisional risk & return and extraction of issues to be resolved. 		<ul style="list-style-type: none"> Incorporated private-equity-fund (without market values) into an integrated risk management framework Estimated actual values of ROE by divisions for the first and 2nd half of FY 2004 and tentatively setup a ROE expected values by divisions for the 2nd half of FY2005 	<ul style="list-style-type: none"> Starting development aiming toward re-establishment of profitability systems by divisions and markets Challenging toward sophistication of capital distribution and integrated risk management systems based on divisional ROE and quantities of risks

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
<p>Establishment of internal credit rating system consistent with borrower classification, and development of a system by which interest rate for loan will be quoted corresponding to its risk</p> <p>Capitalizing on management accounting data and developing a framework of comprehensive profitability system</p>	<ul style="list-style-type: none"> Establishment of loan interest rate system corresponding to credit risks by setting up target rate by credit rating based on credit risk data, and enhancement of profitability Further sophistication of profit management system by establishing and reviewing business branch profit management system Development of a framework of comprehensive profitability system 	<ul style="list-style-type: none"> Executing pricing negotiation in line with the policy and making efforts to have customers agree with such pricing Improvement in profit management system; level up of business branch profitability management system Level up of profitability by divisions and markets 	<ul style="list-style-type: none"> Execution of pricing negotiation aiming to achieve lowest target interest rate by credit ratings Formulation of loan interest rate application policy for FY2006 Improvement and development of profitability management system 	<ul style="list-style-type: none"> Execution of pricing negotiation aiming to achieve lowest target interest rate by credit ratings Formulation of loan interest rate application policy for FY2007 Execution of test run of profitability management system Study for level up of cost accounting method 		<ul style="list-style-type: none"> Formulation of rate policy for each borrower corresponding to its credit rating has become widespread by obliging loan officers to prepare pricing worksheet. Executed pricing negotiations aiming to achieve the lowest target interest rate by credit ratings and performed monthly check for yield improvement statuses. Revised loan interest rate policy and business branch spread for the 2nd half of FY2005 in line with the actual status. Finalized requirements for profitability level-up by divisions. Started preparation for the development of profitability system by markets. Pointed out the issues concerning cost accounting system. 	<ul style="list-style-type: none"> Establishment of loan interest rate policy and business branch spreads consistent with risk conditions every fiscal year. Study for overhauling incentives granted to pricing performance assessment system (2nd half of FY2005) Execution of monthly check for pricing negotiation and yield statuses aiming to achieve the lowest interest rate by credit ratings (policy is to be formulated every fiscal year) Running profitability system by divisions (cutover in the 1st half of FY 2006); starting development of a profitability-by-markets system; study of cost accounting level-up
(3) Strengthening governance							
<p>Confirmation of appropriateness of financial conditions</p> <ul style="list-style-type: none"> Confirmation of appropriateness of financial conditions in securities report and other reports 	<ul style="list-style-type: none"> Strictly carrying out confirmation of appropriateness of financial conditions in securities report and other reports by executives 	<ul style="list-style-type: none"> Preparation and updating of procedure manuals for computation and reporting of financial related figures Collection of internal confirmation documents from each division and consolidated subsidiaries Conducting internal 	<ul style="list-style-type: none"> Preparation of procedure manuals for each division and consolidated subsidiary Carrying out a study based on reports by Internal Control Task Force of Business Accounting Council 	<ul style="list-style-type: none"> Carrying out internal audit for preparation works of securities report Attaching "Confirmation Document" stipulated in the Securities and Exchange Law to securities report. 		<ul style="list-style-type: none"> Prepared procedure manual for each division to confirm appropriateness of financial conditions in securities report and other reports Studied reports issued by Internal Control Task Force of Business Accounting Council. 	<ul style="list-style-type: none"> Studying appropriateness confirmation methods tying with CPA Preparation of procedure manuals for consolidated subsidiaries (in the 2nd half of FY2005) Attachment of "Confirmation Document" from account settlement for FY ending March 2006
(4) Strengthening compliance							
<p>Strengthening the internal inspection of compliance practice statuses of business branches to prevent occurrence of scandals</p>	<ul style="list-style-type: none"> Studying the establishment of an organ that will discuss and report measures for events violating compliance rules and for prevention of their recurrence Formulation of inspection method using operational risk information from compliance viewpoint 	<ul style="list-style-type: none"> Studying the establishment of an organ specified on the left Reexamination of assessment items for compliance Establishment of the inspection method using operational risk information 	<ul style="list-style-type: none"> Studying the establishment of an organ to discuss and report Studying the inspection method using operational risk information 	<ul style="list-style-type: none"> Formulation of tentative plan for detailed inspection method 		<ul style="list-style-type: none"> Determined to establish a new organ that will discuss basic policies and critical matters for compliance and operational risks management Reexamined (still ongoing) the inspection methods including moving state inspection and interview to prevent the occurrence of scandals 	<ul style="list-style-type: none"> Establishment of a new organ (committee) in December 2005 Starting gathering and analysis of events after risk information reporting system starts operation Establishment and implementation of new inspection method (during 2nd half of FY2005) Initiation of monitoring of operational risk information and review of its utilization status (during 1st half of FY 2006)

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
Ensuring proper management and treatment of customer information based on the "Personal Information Protection Law"	<ul style="list-style-type: none"> Establishment of storage keeping and management system for customer information Keeping everyone informed of issues to be addressed for treatment of personal information at training seminars Stable implementation of technical safety management measures 	<ul style="list-style-type: none"> Reviewing related regulations and crystallization of storage keeping and management methods for customer information; expansion of scope of items subject to internal inspection Effort of keeping everyone informed of by division and branch managers; holding training session at work places Standardization of rules for instruction items regarding treatment of personal information Stable implementation of technical safety measures centering on distribution system 	<ul style="list-style-type: none"> Clarification of storage keeping and management method for ledger books and expansion of scope of items subject to the internal inspection Implementation of learning level test for personal information treatment and work place training at every branch Standardization of rules for instruction items and reexamination of personal data book Computerization of report slips Continuous implementation of technical safety measures centering on distribution system based on a roadmap 	<ul style="list-style-type: none"> Expansion of items to be processed centrally at head quarter to decrease loss risks Continuous implementation of technical safety measures centering on distribution system based on a roadmap Continuous education for officers and employees by group training sessions, etc. 		<ul style="list-style-type: none"> Reexamination of personal data book Addition of items subject to the internal inspection Revision of related rules (general rules for operations) (clarification of storage keeping management method of ledgers) Conducted specific partial inspection based on Personal Information Protection Law at 48 branches Conducted theme inspection for Risk Management Department checking its compliance status for Personal Information Protection Law and verified its compliance status 	<ul style="list-style-type: none"> Study of details of centralized storage keeping system for images; study of application method of centralized storage keeping system (1st half of FY 2006) Study of centralized storage keeping of documents for a certain business branches (during 2nd half of FY2005) Continuous verification of compliance status as a part of consolidated inspections (establishment of new method)
(5) Strategic utilization of IT							
Strategic utilization of IT in accordance with business models	<ul style="list-style-type: none"> Payment of "local taxes and public fees" by expanding fee payment service system Sophistication of retail database in response to new capital adequacy ratio requirement Seeking for advantages of system common use through "Juudan Kai" 	<ul style="list-style-type: none"> Leveling up of Internet banking for corporate customers Establishment of retail database Providing proper support to "Juudan Kai" 	<ul style="list-style-type: none"> Completion of requirement definition of items subject to level-up and initiation of development; negotiation with enterprises for which public charges are to be collected Studying establishment of consumption retail database Providing support for system migration 	<ul style="list-style-type: none"> Negotiation to expand enterprises for which public charges are to be collected Carrying out measurement of quantity of credit risk Study of expansion of businesses covered by common system 		<ul style="list-style-type: none"> Initiation of level-up development of Internet banking for corporate customers; starting negotiation with enterprises for collecting utility charges from them Starting study of consumption retail database Providing support to Musashino Bank and Ryukyu Bank for their system migration 	<ul style="list-style-type: none"> Starting to provide services (scheduled to be in January 2006) Study of data source management method and database construction (from FY 2006 ~) Completion of system migration of Musashino Bank and Ryukyu Bank (January 2006) Implementation of common use of backup center (2nd half of FY 2005)

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
3. Enhancement of convenience for regional users							
(1) Disclosure of information related to regional contribution							
Contribution status to local communities such as statuses of fund supply to regional SME and of appropriation of deposits to local communities	<ul style="list-style-type: none"> Continuance of information disclosure related to regional contribution Implementation of proactive disclosure activities by group companies 	<ul style="list-style-type: none"> Continuance of disclosure of proactively challenging CSR activities Disclosure of statuses of fund supply to SME and appropriation of deposits to local communities at the time of announcing financial statements Disclosure via HP of major group companies 	<ul style="list-style-type: none"> Continuation of ongoing disclosure activities Selection of group companies that are to start up HP and implementation 	<ul style="list-style-type: none"> Continuation of ongoing disclosure activities Enrichment of HPs of group companies 		<ul style="list-style-type: none"> Continuation of ongoing disclosure activities Issuance of disclosure magazine with full of CSR report Selection of group companies that would start up HP 	<ul style="list-style-type: none"> Continuation of ongoing disclosure activities Starting up HPs of group companies
Rich information disclosure easy to understand closer to users viewpoints <ul style="list-style-type: none"> Preparation of response examples for frequent inquiries or consultation requests from users and disclosure of them in HP, etc. 	<ul style="list-style-type: none"> Preparation of disclosure magazine closer to users viewpoints Improvement of HP focusing on the enhancement of convenience of users 	<ul style="list-style-type: none"> Conducting survey targeting readers of disclosure magazine and implementing bookmaking from users viewpoints Reexamination of HP's Q&A 	<ul style="list-style-type: none"> Conducting survey for the present readers of "Hachijuni Bank Present Status 2005" Reexamination of HP's Q&A 	<ul style="list-style-type: none"> Editing and publication of disclosure magazine capitalizing on survey results 		<ul style="list-style-type: none"> Conducted survey targeting readers of "Hachijuni Bank Present Status 2005" 	<ul style="list-style-type: none"> Analysis of conducted survey results and issuance of the next disclosure magazine and formulation of plans reflecting such analysis Reexamination of HP's Q&A
(3) Establishment of financial institutions' management focusing on regional customers' satisfaction							
Establishment of financial institutions' management focusing on regional customers' satisfaction such as development of business models based on regional characteristics and users' needs <ul style="list-style-type: none"> Conducting user satisfaction survey and having the results reflect on management policy 	<ul style="list-style-type: none"> Enhancement of service level capitalizing on the results of user satisfaction survey 	<ul style="list-style-type: none"> Requesting "Consumer Advisors Association" to conduct monitoring for counter service of all branches in Nagano Prefecture 	<ul style="list-style-type: none"> Monitoring by "Consumer Advisors Association" Carrying out work place training based on the results of monitoring 	The same as left		<ul style="list-style-type: none"> Counter service monitoring by "Consumer Advisors Association" was conducted for all branches in Nagano Prefecture (April-May) Analysis report on the monitoring results were notified to all branches in June and work place training was carried out at each branch (July-September) 	<ul style="list-style-type: none"> Counter service monitoring by "Consumer Advisors Association" will be conducted for all branches in Nagano Prefecture (Oct-Nov) Analysis report on the monitoring results and degrees of improvement from the former monitoring will be notified to all branches and work place training will be carried out at each branch

Item	Policy	Detailed measures	Schedule		Target	Progress status (1st half of FY2005)	Plan for 2nd half of FY2005 and beyond
			FY2005	FY2006			
(4) Combining with other measures to promote revitalization of regional economies							
Providing support to regional efforts toward PFI based on a concept of "Revitalization of Local Town" in combination with various measures for revitalization of regional economies	<ul style="list-style-type: none"> • Conducting group wide consultation services aiming toward the establishment of PFI projects in the Prefecture • Backing up regional businesses • Providing proactive support using our group's know-how for PFI projects for revitalizing local town planned by local authorities (Klein Garten, Electricity Generation by Biomass, and Hot Spring Facilities, etc.) 	<ul style="list-style-type: none"> • Construction of network with enterprises; continuous information gathering • Strengthening tie with local authorities • Accumulation of know-how 	<ul style="list-style-type: none"> • Efforts aiming toward closing of projects • Information gathering of large-scale projects; study for participation • Conducting survey targeting local authorities in Nagano • on construction of social infrastructure; grasping needs 	The same as left		<ul style="list-style-type: none"> • Completed extension of a Project Finance concerning PFI business to construct and operate facilities to use hot spring in Nuruyu district in Nagano City (No.1 project in Nagano Prefecture) • Improved internal structure to handle information gathering of large-scale projects and to study the possibility to participate in such projects • Conducted a survey targeting local authorities in Nagano to grasp PFI needs through Nagano Economic Research Institute. 	<ul style="list-style-type: none"> Continuous information gathering of projects in the Prefecture (2nd half of FY 2005 ~) • Study for participation in PFI projects outside Nagano • Continuous efforts to strengthen ties with local authorities Continuous information gathering of projects in the Prefecture (2nd half of FY 2006 ~) • Study for participation in PFI projects outside Nagano • Continuous efforts to strengthen ties with local authorities

III Statistics

1. Credit facilities extended to the regional community

Overall loan business

(1) Loans and bills discounted (balance at fiscal year end) (100 millions of yen, %)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)		
Total loans and bills discounted	38,154	596	809	37,558
By branches in Nagano	25,583	(320)	(152)	25,904
Share of Nagano /	67.0	(1.9)	(1.9)	68.9

(2) Loan breakdown by type of industry of borrower

Domestic branches

(100 millions of yen)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)		
Loans by domestic branches	38,069	583	759	37,485
Manufacturing industry	7,321	137	48	7,184
Agriculture	250	28	3	222
Forestry	5	0	1	5
Fishery	2	(10)	(11)	13
Mining industry	50	(1)	0	52
Construction	2,006	(155)	(244)	2,162
Electricity, gas, waterworks	262	36	15	226
Information and telecommunications	344	14	84	329
Transportation	1,203	45	38	1,157
Wholesale and retail businesses	5,321	(46)	(226)	5,367
Banks and other financial institutions	2,418	191	503	2,226
Real estate	3,294	237	361	3,057
Various services	5,696	(64)	(8)	5,760
Local public sector	1,728	(219)	38	1,948
Others	8,160	388	154	7,771
(For personal customers)	7,735	245	451	7,489
(For central government)	360	139	(302)	220

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

Loans by branches in Nagano Prefecture

(100 millions of yen)

	As of Sept. 30, 2005 (A)			As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Loans by branches in Nagano	25,583	(320)	(152)	25,904	25,736
Manufacturing industry	4,886	(50)	(60)	4,936	4,947
Agriculture	236	29	3	207	233
Forestry	5	0	1	5	4
Fishery	2	0	(1)	3	3
Mining industry	36	(1)	(3)	37	39
Construction	1,609	(136)	(165)	1,746	1,775
Electricity, gas, waterworks	48	10	34	37	14
Information and telecommunications	167	(8)	35	175	131
Transportation	615	13	0	602	616
Wholesale and retail businesses	3,235	(51)	(143)	3,286	3,378
Banks and other financial institutions	265	(8)	(9)	273	274
Real estate	1,723	(54)	(26)	1,777	1,749
Various services	3,964	(84)	(101)	4,048	4,065
Local public sector	1,521	(209)	(143)	1,731	1,664
Others	7,265	231	428	7,033	6,837
(For personal customers)	7,240	233	428	7,007	6,812

Loan business for small and medium-sized companies

(1) Loans to small and midsize companies

Loans by domestic branches

(100 millions of yen)

	As of Sept. 30, 2005 (A)			As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Outstanding balance of loans to small & midsize companies (A)	25,624	232	592	25,392	25,032
Total outstanding loans (B)	38,069	583	759	37,485	37,309
As a percentage of total outstanding loans (A)/(B) (%)	67.3	(0.4)	0.3	67.7	67.0

The number of small & midsize borrowers (C)	235,090	130	(2,284)	234,960	237,374
The number of all borrowers (D)	235,883	152	(2,236)	235,731	238,119
Ratio of small and midsize borrowers (C)/(D) (%)	99.6	0.0	0.0	99.6	99.6

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

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

Loans by branches in Nagano

(100 millions of yen)

		As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)	Inc/Dec (A) - (C)		
Outstanding balance of loans to small & midsize companies (A)	21,416	(110)	109	21,527	21,307
Total outstanding loans (B)	25,583	(320)	(152)	25,904	25,736
As a percentage of total outstanding loans (A)/(B) (%)	83.7	0.6	1.0	83.1	82.7

The number of small & midsize borrowers (C)	224,073	83	(2,187)	223,990	226,260
The number of all borrowers (D)	224,345	74	(2,203)	224,271	226,548
Ratio of small and midsize borrowers (C)/(D) (%)	99.8	0.0	0.0	99.8	99.8

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

Loans by branches in Nagano

(100 millions of yen)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)	
	Inc/Dec (A) - (B)	Inc/Dec (A) - (C)			
Loans guaranteed by Credit Guarantee Association	2,954	(64)	(90)	3,019	3,045

Personal loan businesses

Outstanding balance of consumer loans

Total

(100 millions of yen)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)	
	Inc/Dec (A) - (B)	Inc/Dec (A) - (C)			
Balance of consumer loans	8,596	247	451	8,348	8,144
Housing loans	7,519	263	503	7,256	7,016
Other consumer loans	1,076	(15)	(51)	1,092	1,128

Consumer loans by branches in Nagano

(100 millions of yen)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)	
	Inc/Dec (A) - (B)	Inc/Dec (A) - (C)			
Balance of consumer loans	7,979	238	433	7,741	7,545
Housing loans	6,998	250	475	6,747	6,523
Other consumer loans	980	(12)	(41)	993	1,022
					(%)
Share of Nagano /	92.8	0.1	0.2	92.7	92.6

2. Convenience made available to customers in the regional community

Deposits (outstanding balances) (100 millions of yen, %)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)		
Total deposits	51,628	609	882	51,019
With branches in Nagano	46,168	342	306	45,825
Share of Nagano branches /	89.4	(0.4)	(0.9)	89.8

Personal financial assets (outstanding balance) (100 millions of yen, %)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)		
Balance of Personal financial assets	40,268	740	1,321	39,528
With branches in Nagano	37,545	670	1,206	36,874
Share of Nagano branches /	93.2	0.0	(0.1)	93.2

Breakdown of outstanding balance of financial assets with branches in Nagano (100 millions of yen)

	As of Sept. 30, 2005 (A)		As of Mar. 31, 2005 (B)	As of Sept. 30, 2004 (C)
		Inc/Dec (A) - (B)		
Yen deposits	32,510	83	88	32,422
Foreign currency deposits	255	(41)	3	296
Investment trusts	1,343	342	533	1,001
Public bonds (Government bonds, etc.)	3,436	286	580	2,855
Total	37,545	670	1,206	36,874