

SEMI-ANNUAL FINANCIAL REPORT (CONSOLIDATED)
For the Fiscal Year Ending March 31, 2007

November 22, 2006

Company name:	The Hachijuni Bank, Ltd.	Stock Exchange Listing:	Tokyo
Code number:	8359	Location of company:	Nagano Prefecture, Japan
(URL http://www.82bank.co.jp/)			
Representative		(Name)	Yoshiyuki Yamaura
		(Title)	President
For inquiry:		(Name)	Shigetaka Shimizu
		(Title)	Executive Officer & General Manager, Planning and Coordination Department
		(Phone)	026-227-1182
Date of Board Meeting on the Financial Results:			November 22, 2006
Trading Account:			Yes
US Generally Accepted Accounting Principle:			No

1. Consolidated financial highlights for the six months ended September 30, 2006

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

	Operating income		Operating profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended 9/30/2006	95,709	5.2	18,814	22.1	11,643	(10.8)
For the six months ended 9/30/2005	90,929	3.7	15,397	(22.7)	13,060	3.8
For the fiscal year ended 3/31/2006	185,072	5.4	41,381	(6.3)	27,639	5.7

	Net income (loss) per share	Net income per share after adjustment of dilutive shares
	Yen	Yen
For the six months ended 9/30/2006	22.13	-
For the six months ended 9/30/2005	25.19	24.95
For the fiscal year ended 3/31/2006	53.05	-

Note: 1. Profit (Loss) on investment (equity method):

For the six months ended September 30, 2006: - million

For the six months ended September 30, 2005: - million

For the fiscal year ended March 31, 2006: - million

2. The average number of shares (consolidated):

For the six months ended September 30, 2006: 525,979,239

For the six months ended September 30, 2005: 518,403,004

For the fiscal year ended March 31, 2006: 520,030,884

3. Change in accounting methods: Yes

4. 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	Net assets	Net assets ratio	Net assets per common share	Consolidated risk adjusted capital ratio (preliminary basis) (BIS standard)
	Millions of yen	Millions of yen	%	Yen	%
For the six months ended 9/30/2006	6,064,088	503,956	8.0	933.71	12.68
For the six months ended 9/30/2005	5,982,508	433,083	7.2	833.45	12.56
For the fiscal year ended 3/31/2006	6,033,397	483,498	8.0	924.41	13.16

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

September 30, 2006: 525,954,211

September 30, 2005: 519,625,590

March 31, 2006: 522,981,041

Note: 1. Net assets ratio = (Net assets at the end of semi-annual term – Stock acquisition rights at the end of semi-annual term – Minority interest at the end of semi-annual term) / Total assets at the end of semi-annual term.

2. Consolidated risk adjusted capital ratio (preliminary basis) (BIS standard) is calculated in accordance with “Announcement concerning the establishment of standards for risk-adjusted capital ratio based on the provision of Article 14-2 of Banking Law (MOF Announcement No. 55, 1993)”

(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 period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the six months ended 9/30/2006	(17,851)	(6,402)	(2,343)	82,389
For the six months ended 9/30/2005	(39,791)	(61,535)	(1,065)	107,253
For the fiscal year ended 3/31/2006	(65,184)	(35,094)	(369)	108,988

(4) Scope of consolidation and use of equity method

The number of consolidated subsidiaries: 12

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: 1

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

	Operating income	Operating profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Full year	185,000	37,000	22,500

Projected net income per common share (full year): ¥42.77

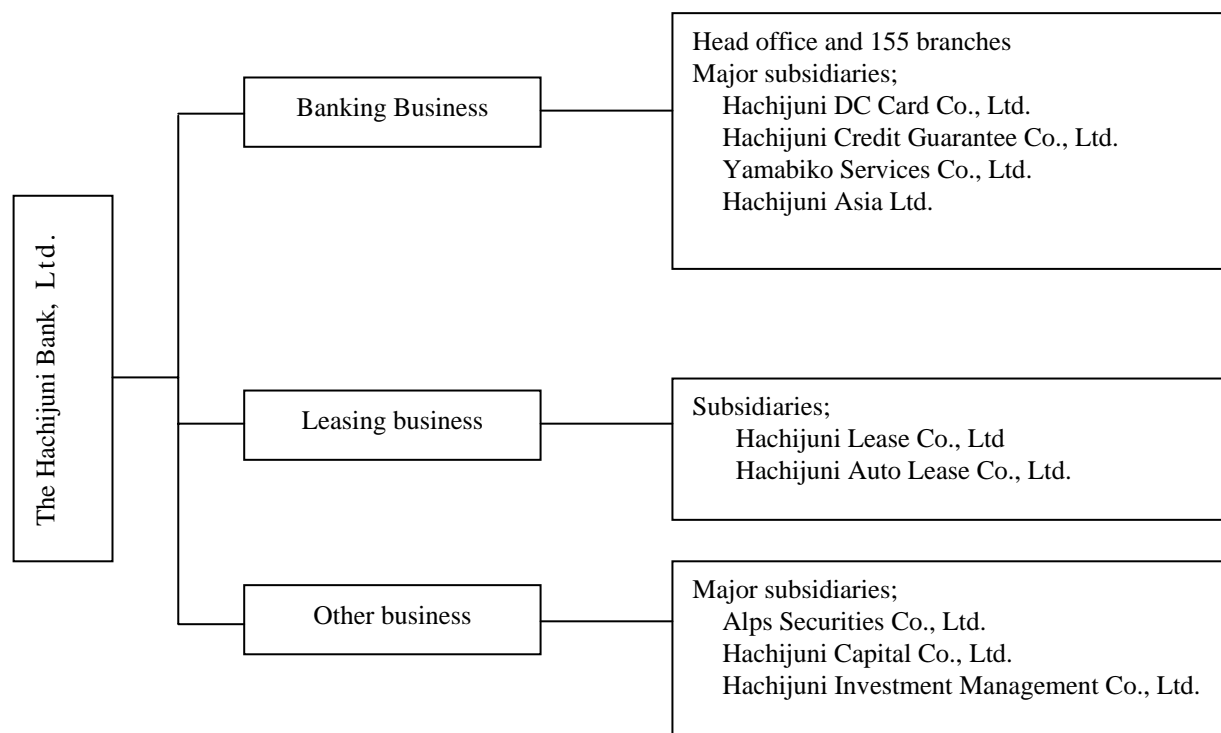
* The above projections were made based upon information available at the date disclosing this financial data and a certain presumption the Bank considers reasonable and therefore actual business result may substantially change from this projections due to subsequent various factors.

Status of the Corporate Group

1. Contents of business

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

The Bank made Alps Securities Co., Ltd. its wholly owned subsidiary during the current semi-annual term through stock exchange.

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 to 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 ¥3.5 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. 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 gross business profit (OHR)	59 %

5. The medium- and long-term management strategies (Summary of long-term management plan)

The Bank set a goal to become a banking group that "will positively find and support to solve problems maintaining strong earning power and sound financial standings" in its three-year long-term management plan from fiscal year 2004 through 2006.

To achieve this goal, the Bank formulated a long-term management policy aiming to "expand business areas practically utilizing its management resources and provide customers and the regional community with high added value" and the Bank will establish a new business model fully capitalizing on the Bank's strong points. To be more precise, the Bank positions primary banking businesses of "Deposit, loans and settlement" as core business areas, and further selected four areas to be reinforced, which are "Sales of investment type products and services", "Consultation services", "Financial market investment", and "System development and sales".

In order to ensure effective performance in all of these business areas, the Bank will implement reforms in three items including "Business organizations", "Branch outlet concept", and "Organization culture and action". With these actions, the Bank aims to achieve the above numerical targets and become a corporation having strong earning power and sound financial standings.

6. Issues to be addressed

The progress has increasingly been seen in easing of regulations for the financial sector. Included in items covered by such deregulations are increases in types of insurance products that banks are now allowed to handle, overhaul of banking agency system, and privatization of the postal services. On the other hand, increases in financial crimes such as forged and stolen credit cards and billing fraud have become serious social problems. Amid these environment changes, customers' needs have become sophisticated and diversified. They now require the Bank to provide not only "safe investment and management services for financial assets including deposits", "financial products suitable to customers' needs", "stable funds", and "accurate settlement services" but also business consulting services to enhance enterprise values, consulting services for asset management for individual customers, and advices for revitalization of the regional economy.

To meet the above mentioned expectations, and to aim to become an enterprise which looks straight to customers' needs, makes customers feel warmly and grows with the regional community, the Bank will aspire to provide expected services and business fruits to customers, shareholders, employees and the community by making efforts to achieve its management policy of "stick firmly to the sound management and contribute to the regional development", and stably fulfilling "corporate social responsibilities".

7. Matters related to parent company

There is no parent company for the Bank.

8. Others (Status of efforts to address the issues)

(1) Management policy for the fiscal year ending March 31, 2007

Included in the management policy for the fiscal year ending March 31, 2007 are "perfection of the long-term management

plan”, “reconstruction of operational organizations”, and “enrichment and reinforcement of compliance system”.

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

Regarding “reconstruction of operational organizations”, the Bank will steadily carry out its business improvement plan, improve its operation system and enhance its clerical work processing power, and provide high-quality services to customers. Further, the Bank will improve response measures to prevent fraudulent withdrawal of deposits using forged or stolen cash cards, and safety measures protecting outside-of-branch ATM facilities. The Bank will also make sure to give explanation of diversified and sophisticated financial products to customers, and reinforce its system with which customers can use its services well at ease.

As to “enrichment and reinforcement of compliance system”, the Bank will put compliance programs in execution, and set in place compliance-oriented practices among all officers and employees.

(2) Improvement in core net business profit

A. Products and services for corporations

As for funds for business use, the Bank launched sales in April of a loan product titled “Skillful Management<Speed MAX>”, an application for which the Bank will approve or turn-down using scoring system in a bid to respond proactively and quickly to customers’ needs for funds. This loan can be applied by visiting branches and through telephone calls or FAX. The result of examination of such application has become available on the same day at the shortest. The Bank established a “Business Loan Center” in Kamisuwa Ekimae Branch in April and in Iida Ekimae Branch in July which is specialized in handling sales promotions of such products or small-lot business loan products.

The Bank established a “Medical Welfare Team” in April, 2005 to respond to special and sophisticated needs in the medical welfare areas, and started “services receiving consultation requests for opening medical clinics” through the Internet in September, 2005. The Bank launched sales of a business loan product titled “Medical Loan<Doctors Support>” in October, 2006 especially for practicing doctors and doctors who plan to open private clinics. In this way, the Bank tries to strengthen a support system for people engaging in medical businesses.

The Bank had established already seven investment Funds to support enterprises and foster industries that could contribute to the development of the economy of Nagano Prefecture. The Bank is aggressively working to foster local industries.

In addition, the Bank concluded a tie-up agreement with Nagano National College of Technology in August this year following tie-up agreements with Shinshu University and with Organization for Small and Medium Enterprises and Regional Innovation, Japan signed last year to strengthen alliance among industry, government and academia, to provide support to local small and medium enterprises and foster venture businesses as well as to assist small and medium enterprises in their reconstruction efforts.

B. Products and services for individual customers

To respond to a wide range of borrowing needs of individual customers, the Bank established eleven “Loan Plazas” in total, ten in Nagano Prefecture and one in Niigata Prefecture (Joetsu-shi), where specialist staffs provide consultation services to customers regarding housing loans and other consumer loans. These plazas are open even on Saturday, Sunday and holidays (except year end and New Year holidays). The Bank offers “entire term fixed interest rate type housing loans” to meet needs for long-term fixed interest rate, and started sales of “Housing Loan with Guarantee for <Three Major Diseases + Five Serious Chronic Diseases>” in October, this year, thereby having enriched lines of loan products.

To meet customers’ needs for asset management, the Bank has substantially expanded securities intermediary businesses and networks of branches handling agent businesses of securities account since May, tying-up with Alps Securities Co., Ltd., Nomura Securities Co., Ltd., and Nagano Securities Co., Ltd. Besides, the Bank deployed area money advisors who can respond to any sophisticated consultation needs for asset management at every region in Nagano Prefecture, and the Bank did so for Niigata regions as well.

The Bank started in May the sales of four products including lump-sum permanent life insurances and accumulation casualty insurances, types of insurance products of which ban on sales at bank counters is lifted at the third stage. Besides, the Bank launched the sales of six new investment trust products including series of “Chersy 82” which are risk mitigation type products. In this way, the Bank is trying hard to offer a wide range of financial instruments.

C. Market management

The Bank is trying to improve yields gaining from bond portfolio composing mainly of Japanese Government Bonds in the current circumstances where interest rate environment is coming near to a turning point, by making proper risk taking efforts responding to interest rate trend. The Bank will also continue to address to the investment in securitized products, outsourcing, and J-REIT with advancing “evaluate/analyze system of market risk”, thereby focusing efforts to

construct securities portfolio which would achieve diversification of risks and generate stable income.

(3) Branch network

The Bank opened Nakatsugawa Branch as the first branch in Gifu Prefecture which has close links with Nagano both historically and geographically in May 2006.

And in August, the Bank also opened “Tokorozawa Corporate Business Office” in Saitama Prefecture which is the fourth office as a business base to cultivate new corporate business market. In the meantime, this office will become the Bank’s first business units that do not provide any services at the counter in response to deregulation for branch opening implemented in May this year.

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

Regarding “the region-based relationship banking promotion plan” publicly announced in August 2005, implementation of each item in the plan has progressed as scheduled with the Bank’s unified efforts.

Business Performance and Financial Standings

1. Summary of business performance

The economy of Nagano prefecture, which is the primary business territory for the Bank, remained generally firm on the back of robust private demand such as capital investments.

Production continued to be on growing trend centering on that of industrial machineries, electric components and devices. With such strong production, many enterprises planned their capital investments surpassing the previous year levels due to improved corporate earnings and sense of shortage in plant and equipment, and such trend are spreading not only to large companies but to small and medium enterprises.

Housing investments continued to be higher on the year helped by growing investments in housings for leases and sales primarily in urban areas although those in mainstay owner occupied housings edged up only slightly.

Personal consumption remained firm with the growth of sales by large and small scale stores such as department stores and supermarkets outpacing a year-earlier level on the backdrop of improved consumer confidence in the wake of economic recovery.

Public investment, on the other hand, remained on a declining trend affected by severe fiscal conditions.

In the financial sector, wild movement has been seen in interest rates. Market interest rates rose as quantitative monetary easing policy ended in March 2006, and the zero interest rate policy was lifted in July. Medium and long-term market interest rates, however, fell again since consumer price index released in August showed some weakness. The 10-year JGB yield rose from a level of 1.8 % to 2.0% temporarily, but it fell to a level of 1.6% at the end of September, 2006. The Bank raised interest rates for time deposits and regular savings deposit during this period, and lifted short-term prime rate in September for the first time in sixteen years.

The Nikkei Stock Average remained at a level of 17,000 yen at the beginning of the current fiscal year, but it went down to a level of 14,000 yen in June, 2006 influenced by worldwide stock price decline and a so-called Murakami-fund shock. Weakened stock prices gradually recovered, however, on the backdrop of firm domestic economic recovery and the Nikkei Stock Average reached a 16,000 yen level at the end of the current semi-annual term.

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

Operating profit for the six months ended September 30, 2006 was ¥18,814 million, up ¥3,416 million from the previous corresponding period mainly attributing to growth in non-consolidated earnings due to increases in interest on loans & discounts and interest & dividends on securities, and a decrease in general and administrative expenses. Net income stood at ¥11,643 million, down ¥1,416 million from the same term a year earlier due to a decrease in extraordinary income.

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

Operating income increased ¥2,829 million from the same term a year earlier to ¥68,948 million due to increases in “Interest income” such as Interest on loans & discounts and Interest & dividends on securities, and “Fees and commissions”.

Operating expenses decreased ¥ 2,444 million from the same term a year earlier to ¥50,964 million, owing to a decline in general and administrative expenses and “Other operating expense” including losses on sales of loans and transfer to reserve for possible loan losses, although funding costs such as interest on deposits and interest on call money increased after the lifting of zero interest rate policy.

As a result, operating profit increased ¥5,273 million from the same term a year earlier to ¥17,983 million.

“Unrecognized pension assets” in the amount of ¥8,251 million was stated in extraordinary income in the same term a year earlier due to change in accounting standards for retirement benefit, in reaction to which extraordinary income in this semi-annual period shrank ¥ 8,666 million to a negative ¥169 million.

As a result, net income for the current semi-annual fiscal year stood at ¥11,056 million, down ¥1,539 million from the same period a year earlier.

Business result by type of business: The Bank posted operating profits of ¥18,795 million and ¥478 million respectively for its banking business, and other businesses, but operating losses of ¥460 million for its leasing businesses.

Projections of consolidated earnings for the fiscal year ending March 31, 2007: Consolidated operating profit and net income are projected to be ¥37,000 million and ¥22,500 million respectively.

Projections of non-consolidated earnings for the fiscal year ending March 31, 2007: Non-consolidated operating profit and net income are projected to be 36,000 million and ¥22,000million respectively, both of which are the same as the forecast announced in May 2006.

2. Summary of financial standings

Results of consolidated main accounts were as follows:

Outstanding balance of loans and bills discounted increased ¥82.3 billion during the semi-annual period to ¥3,860.1 billion as of September 30, 2006 due to increases in loans both for corporations and consumers.

Outstanding balance of securities decreased ¥15.2 billion to ¥1,657.9 billion due to decreases in stocks and municipal bonds.

Outstanding balance of deposits decreased ¥15.7 billion during the semi-annual period to ¥5,126.0 billion as of September 30, 2006 due mainly to a decline in deposits from financial institutions although deposits from individual persons and business corporations increased.

Results of non-consolidated major accounts are as follows:

Outstanding balance of loans and bills discounted increased ¥84.4 billion during the period to ¥3,920.8 billion.

Outstanding balance of securities decreased ¥12.3 billion during the period to ¥1,643.8 billion.

Outstanding balance of deposits decreased ¥14.1 billion during the period to ¥5,137.3 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 ¥54.5 billion during the period.

Consolidated cash flows: Cash flows provided from operating activities decreased ¥17.8 billion due to an increase in loans and bills discounted and a decrease in call loans, and cash flows provided from investment activities decreased ¥6.4 billion by purchases of securities. Cash flows provided from financing activities decreased ¥2.3 billion due mainly to dividend payment.

As a result, outstanding balance of cash and cash equivalents decreased ¥26.5 billion during the period to ¥82.3 billion.

Risk adjusted capital ratio (BIS standard) (preliminary basis) was 12.68 % for consolidated basis and 12.55 % for non-consolidated basis.

Consolidated and non-consolidated risk adjusted capital ratio declined 0.48 % and 0.26 % respectively from the fiscal year ended March 31, 2006, risk assets used as a numerator for calculation of risk adjusted capital ratio substantially increased due to soared loans and bills discounted, although shareholders' equity used for the calculation increased attributing to the recognition of increased net income and disposition of treasury stocks.

The total consolidated and non-consolidated outstanding balances of **assets under risk management** were ¥166.3 billion and ¥164.5 billion respectively, increase ¥13.9 billion and 13.6 billion respectively from the fiscal year ended March 31, 2006.

3. Risk factors

Major risks 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 likeliness for such risks to emerge, the Bank will take necessary measures to prevent the emergence of such risks and respond quickly and appropriately when such risks do emerge.

(The followings are based on the information which was 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 incur losses to the Bank because the Bank is unable 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 emerge 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 Sheets

(Millions of yen)

	As of Sept. 30, 2006 (A)	As of Sept. 30, 2005 (B)	Inc/Dec (A)-(B)	As of March 31, 2006 (C)	Inc/Dec (A)-(C)
(ASSETS)					
Cash and due from banks	175,589	218,835	(43,245)	186,136	(10,547)
Call loan and bills bought	27,522	81,892	(54,370)	68,388	(40,866)
Receivable under resale agreement	—	—	—	1,009	(1,009)
Commercial paper and other debt purchased	54,297	40,122	14,175	46,949	7,347
Trading assets	34,968	28,526	6,441	35,544	(576)
Money held in trust	15,936	25,944	(10,008)	14,938	997
Securities	1,657,991	1,625,386	32,605	1,673,274	(15,282)
Loans and bills discounted	3,860,111	3,757,721	102,389	3,777,737	82,373
Foreign exchange	23,316	20,526	2,790	22,644	672
Other assets	82,435	80,705	1,730	82,502	(66)
Premises and equipment	—	119,336	—	118,206	—
Tangible fixed assets	118,019	—	—	—	—
Intangible fixed assets	12,375	—	—	—	—
Deferred tax assets	3,728	2,821	907	2,688	1,040
Customers' liabilities for acceptances and guarantees	74,994	77,118	(2,123)	75,462	(468)
Reserve for possible loan losses	(76,868)	(96,120)	19,252	(71,764)	(5,103)
Reserve for possible investment losses	(330)	(308)	(22)	(322)	(8)
Total assets	6,064,088	5,982,508	81,580	6,033,397	30,691
(LIABILITIES)					
Deposits	5,126,087	5,152,697	(26,609)	5,141,806	(15,718)
Negotiable certificate of deposits	37,454	44,942	(7,487)	34,330	3,123
Call money and bills sold	60,704	50,291	10,412	44,072	16,631
Payables under repurchase agreement	—	—	—	1,009	(1,009)
Margin money for bond lending transactions	25,228	25,452	(224)	24,907	320
Trading liabilities	9,331	13,984	(4,652)	14,017	(4,685)
Borrowed money	36,675	34,070	2,605	34,054	2,621
Foreign exchanges	2,291	1,608	683	1,683	608
Other liabilities	103,258	83,487	19,771	78,817	24,440
Reserve for employee retirement benefit	14,172	14,451	(278)	14,294	(122)
Reserve under special laws	46	—	46	—	46
Deferred tax liabilities	68,300	39,366	28,933	72,103	(3,803)
Negative goodwill	1,585	—	—	—	—
Acceptances and guarantees	74,994	77,118	(2,123)	75,462	(468)
Total liabilities	5,560,132	5,537,470	22,661	5,536,561	23,570

	As of Sept. 30, 2006 (A)	As of Sept. 30, 2005 (B)	Inc/Dec (A)-(B)	As of March 31, 2006 (C)	Inc/Dec (A)-(C)
Capital stock	52,243	—	—	—	—
Capital surplus	30,192	—	—	—	—
Retained earnings	269,604	—	—	—	—
Treasury stock	(5,893)	—	—	—	—
Total shareholders' equity	346,147	—	—	—	—
Valuation gains on other securities	146,690	—	—	—	—
Deferred hedge gains (losses)	(1,534)	—	—	—	—
Foreign exchange conversion adjustment	(211)	—	—	—	—
Total valuation & conversion gains (losses)	144,944	—	—	—	—
Minority interest in consolidated subsidiaries	12,864	—	—	—	—
Total net assets	503,956	—	—	—	—
Liabilities and net assets	6,064,088	—	—	—	—
Minority interests	—	11,954	—	13,336	—
Capital stock	—	52,243	—	52,243	—
Capital surplus	—	28,717	—	29,091	—
Retained earnings	—	247,255	—	260,278	—
Valuation gains on other securities	—	114,600	—	149,593	—
Foreign exchange conversion adjustment	—	(308)	—	(151)	—
Treasury stock	—	(9,425)	—	(7,556)	—
Total shareholders' equity	—	433,083	—	483,498	—
Liabilities, minority interest and shareholders' equity	—	5,982,508	—	6,033,397	—

Semi-Annual Consolidated Statements of Income

(Millions of yen)

Items	For the six months ended 9/30/06(A)	For the six months ended 9/30/05(B)	Inc/Dec. (A-B)	For the fiscal year ended 3/31/06 (Summary)
Operating income	95,709	90,929	4,779	185,072
Interest income	51,222	49,074	2,147	100,389
Interests on loans and discounts	36,050	35,316	733	70,755
Interest & dividends on securities	12,878	11,593	1,284	24,597
Trust fees	—	—	—	1
Fees and commissions	12,932	11,512	1,420	23,898
Trading income	470	157	312	514
Other business income	24,611	24,022	589	49,071
Other operating income	6,471	6,163	308	11,196
Operating expenses	76,894	75,532	1,362	143,690
Interest expenses	7,943	7,124	819	14,945
Interest on deposits	3,863	3,422	441	6,948
Fees and commissions	2,770	2,525	245	5,108
Other business expenses	22,745	21,037	1,708	43,231
Operating expenses	31,319	32,606	(1,286)	64,120
Other operating expenses	12,114	12,238	(124)	16,284
Operating profit (loss)	18,814	15,397	3,416	41,381
Extraordinary income	36	9,386	(9,349)	9,612
Extraordinary losses	248	889	(641)	1,912
Income (loss) before income taxes and others	18,602	23,893	(5,291)	49,081
Income tax-current	8,743	3,080	5,662	4,271
Income tax-deferred	(1,569)	6,672	(8,241)	15,435
Minority interest (minority loss)	(214)	1,081	(1,295)	1,734
Net income (loss)	11,643	13,060	(1,416)	27,639

Semi-Annual Consolidated Statement of Changes in Net Assets

(Millions of yen)

Current semi-annual fiscal term	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of March 31, 2006	52,243	29,091	260,278	(7,556)	334,056
Changes during semi-annual period					
Dividend from surplus (Note)			(2,230)		(2,230)
Directors' bonuses (Note)			(87)		(87)
Net income			11,643		11,643
Acquisition of treasury stocks				(105)	(105)
Disposal of treasury stocks		1		3	4
Disposal of treasury stock by stock exchange		1,099		1,765	2,865
Changes in items other than shareholders' equity during consolidated semi-annual period (net)					
Total changes during semi-annual period	—	1,101	9,326	1,663	12,091
Balance as of Sept 30, 2006	52,243	30,192	269,604	(5,893)	346,147

Current semi-annual fiscal term	Valuation and conversion adjustments			
	Valuation gains (losses) on other securities	Deferred gains (losses) on hedging instruments	Foreign exchange conversion adjustment	Total
Balance as of March 31, 2006	149,593	—	(151)	149,442
Changes during semi-annual period				
Dividend from surplus (Note)				
Directors' bonuses (Note)				
Net income				
Acquisition of treasury stocks				
Disposal of treasury stocks				
Disposal of treasury stock by stock exchange				
Changes in items other than shareholders' equity during consolidated semi-annual period (net)	(2,903)	(1,534)	(60)	(4,497)
Total changes during semi-annual period	(2,903)	(1,534)	(60)	(4,497)
Balance as of Sept 30, 2006	146,690	(1,534)	(211)	144,944

Current semi-annual fiscal term	Minority interest	Total net assets
Balance as of March 31, 2006	13,336	496,835
Changes during semi-annual period		
Dividend from surplus (Note)		(2,230)
Directors' bonuses (Note)		(87)
Net income		11,643
Acquisition of treasury stocks		(105)
Disposal of treasury stocks		4
Disposal of treasury stock by stock exchange		2,865
Changes in items other than shareholders' equity during consolidated semi-annual period (net)	(472)	(4,970)
Total changes during semi-annual period	(472)	7,120
Balance as of Sept 30, 2006	12,864	503,956

Note: These are items proposed for income appropriation resolved at the general shareholders' meeting held in June 2006.

Semi-Annual Consolidated Statements of Retained Earnings

(Millions of yen)

Items	Previous semi-annual fiscal term	Previous fiscal year
(Capital Surplus)		
Balance of capital surplus at the beginning of the period	28,540	28,540
Increase in capital surplus	176	550
Gains(losses) on disposal of treasury stocks	176	550
Balance of capital surplus at the end of the period	28,717	29,091
(Retained Earnings)		
Balance of retained earnings at the beginning of the period	236,309	236,309
Increase in retained earnings	13,060	27,639
Net income for six months (fiscal year)	13,060	27,639
Decrease in retained earnings	2,114	3,670
Cash dividends paid	2,069	3,625
Directors' bonuses	45	45
Balance of retained earnings at the end of the period	247,255	260,278

Semi-Annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended 9/30/06(A)	For the six months ended 9/30/05 (B)	Inc/Dec. (A - B)	For the fiscal year ended 3/3/06
I Cash flows from operating activities				
Net income (loss) before income taxes and others	18,602	23,893	(5,291)	49,081
Depreciation and amortization	16,943	15,495	1,448	31,124
Impairment loss	12	843	(831)	896
Amortization of negative goodwill	(176)	—	—	—
Other extraordinary loss	—	—	—	2
Increase (decrease) in reserve for possible loan losses	5,103	(5,190)	10,294	(29,547)
Increase (decrease) in reserve for possible investment losses	(1)	(55)	53	(41)
Increase (decrease) in reserve for employees retirement benefit	(232)	413	(646)	257
Interest income recognized on statement of income	(51,222)	(49,074)	(2,148)	(100,389)
Interest expenses recognized on statement of income	7,943	7,124	819	14,945
Net loss (gain) on securities	(1,509)	(192)	(1,316)	(3,105)
Net loss (gain) on money held in trust	595	(784)	1,379	(1,701)
Foreign exchange loss (gain)	2	11	(9)	22
Net loss (gain) on sale of premises and equipment	—	(1,066)	—	(277)
Net loss (gain) on sale of fixed assets	163	—	—	—
Net decrease (increase) in trading assets	1,022	(10,085)	11,108	(13,584)
Net increase (decrease) in trading liabilities	(4,885)	(730)	(4,155)	(699)
Net decrease (increase) in loans	(82,391)	(59,108)	(23,282)	(79,065)
Net increase (decrease) in deposits	(15,616)	60,871	(76,488)	49,707
Net increase (decrease) in negotiable certificate of deposits	3,123	(50,249)	53,373	(60,860)
Net increase (decrease) in borrowed money	1,121	(1,468)	2,589	(1,484)
Net decrease (increase) in call loans	34,528	(41,442)	75,971	(35,775)
Net increase (decrease) in call money	15,621	28,131	(12,510)	22,922
Net decrease (increase) in due from banks excluding from BOJ	(7,085)	(3,987)	(3,098)	30,449
Net increase (decrease) in margin money for bond transaction	320	(1,774)	2,095	(2,319)
Net decrease (increase) in foreign exchange (assets)	(672)	2,100	(2,772)	(17)
Net increase (decrease) in foreign exchange (liabilities)	608	575	32	650
Interest income (cash basis)	50,905	50,682	222	103,081
Interest expenses (cash basis)	(7,412)	(6,836)	(576)	(15,358)
Others	97	5,064	(4,967)	(19,017)
Subtotal	(14,490)	(36,837)	22,347	(60,106)
Tax and others paid	(3,361)	(2,954)	(406)	(5,077)
Net cash provided by (used in) operating activities	(17,851)	(39,791)	21,940	(65,184)
II Cash flows from investing activities				
Purchase of investment securities	(189,507)	(289,095)	99,587	(504,137)
Proceeds from sales of investment securities	86,636	122,279	(35,643)	293,445
Proceeds from the maturity of investment securities	115,822	119,825	(4,003)	192,997
Increase in money held in trust	(2,091)	(698)	(1,392)	(6,997)
Decrease in money held in trust	501	3	498	18,222
Purchases of premises and equipment	—	(15,489)	—	(31,399)
Purchases of fixed assets	(19,135)	—	—	—
Proceeds from sales of premises and equipment	—	1,639	—	2,776
Proceeds from sales of fixed assets	1,331	—	—	—
Proceeds from acquisition of subsidiaries' stocks by exchange	40	—	40	—
Net cash provided by (used in) investing activities	(6,402)	(61,535)	55,133	(35,094)
III Cash flows from financing activities				
Proceed from issuance of stocks	—	—	—	10
Purchase of treasury stocks	(96)	(68)	(28)	(160)
Proceeds from disposal of treasury stocks	4	1,094	(1,089)	3,428
Dividends paid	(2,230)	(2,069)	(160)	(3,625)
Dividends paid to minority shareholders	(21)	(22)	1	(22)
Net cash provided by (used in) financing activities	(2,343)	(1,065)	(1,277)	(369)
IV Effect of exchange rate changes on cash and cash equivalents	(2)	(11)	9	(22)
V Net increase (decrease) in cash and cash equivalents	(26,599)	(102,405)	75,806	(100,669)
VI Cash & cash equivalents at the beginning of term	108,988	209,658	(100,669)	209,658
VII Cash & cash equivalents at the end of term	82,389	107,253	(24,863)	108,988

SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Items	Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)
1. Scope of consolidation	<p>(1) The number of consolidated subsidiaries: 12 Names of consolidated subsidiaries Hachijuni Business Service Co., Ltd. Hachijuni Staff Service Co., Ltd. Alps Securities Co., Ltd. Hachijuni Asia Ltd. Yamabiko Service Co., Ltd. Hachijuni Lease Co., Ltd. Hachijuni DC Card Co., Ltd. Hachijuni Credit Guarantee Co., Ltd. Hachijuni Capital Co., Ltd. Hachijuni Investment Management Co., Ltd. Hachijuni System Development Co., Ltd. Hachijuni Auto Lease Co., Ltd.</p> <p>The Bank has made Alps Securities Co., Ltd., its wholly owned subsidiary during the current semi-annual term through stock exchange, and therefore it is included in consolidated subsidiaries.</p> <p>(2) The number of unconsolidated subsidiaries: 11 Name of a main company: Kodama Investment Limited Private Company The total assets, operating income, net income (based on owned interest), retained earnings (based on owned interest), and deferred hedge gains (losses) (based on owned interests) 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: 11 Name of a main company: Kodama Investment Limited Private Company Interim net income (based on owned interest), retained earnings (based on owned interest), and deferred hedge gains (losses) (based on owned interests) 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: 11 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>

Items	Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)
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.</p> <p>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.</p> <p>The amount of the above trading income and expenses stated in the statement of income are the sum of interest received or paid in cash during the current 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 end of the previous fiscal year 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 end of the previous fiscal year period and the end of the current semi-annual 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. Stocks of unconsolidated subsidiaries not accounted for using the equity method are stated at cost determined by the moving-average method, and 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.</p> <p>Valuation gains (losses) of other securities are all directly included in Net assets, net of income taxes.</p> <p>(Change in accounting policy) Synthetic collateralized debt obligations (CDO) (asset backed securities using derivatives) were classified as Other securities. And its bond portion and implied derivative portion had been evaluated altogether by market values, and its valuation gains (losses) had been stated in income statement. In response, however, to the “Accounting Treatment for Other Compound Financial Instrument (Compound Financial Instruments Other than Those with Options to Increase Paid-in Capital)” (Business Accounting Standard Application Guideline No. 12 issued on March 30, 2006) publicly announced, the Bank adopted such application guideline commencing with the current consolidated semi-annual term. So such synthetic CDOs are stated at amortized cost with book value as of March 31, 2006 to be acquired cost, and valuation gains (losses) (net of deferred tax liabilities) are included in Net assets. With this treatment, Valuation gains on other securities decreased ¥32 million, Deferred tax liabilities decreased ¥22 million, and interim net income before taxes increased ¥55 million comparing with those computed by the former treatment.</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 (2) (i).</p>
	<p>(3) Derivative transactions: Derivative transactions for purposes other than trading are stated at market value.</p>

Items	Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)
	<p>(4) Method of depreciation and amortization</p> <p>(i) Tangible fixed assets The Bank's tangible fixed assets are depreciated using the declining-balance method, and the Bank calculated the depreciation cost for the semi-annual term by proportionally allocating the estimated annual cost to the semi-annual term. The estimated useful lives of them are 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 tangible fixed assets 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) Intangible fixed assets Intangible fixed assets are amortized using the straight-line method. Capitalized software for their internal use is amortized using straight-line method over the useful lives as determined by the Bank and its consolidated subsidiaries (5 years).</p> <p>(5) Booking standards for reserve for possible loan losses A reserve for possible loan losses of the Bank is provided as detailed below, pursuant to the predetermined internal rules for charge-off and reserve standards. For claims to debtors that are legally or formally insolvent (that have entered into bankruptcy or special liquidation proceedings, or transactions with banks have been suspended by the rules of clearing houses, etc.) (bankrupt debtors) or claims to debtors that are virtually insolvent (virtually bankrupt debtors), 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 that are not virtually bankrupt at present but are likely to become bankrupt (debtors 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. In case of debtors likely to become bankrupt 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. 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. 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. 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 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>

Items	Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)
	<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 current fiscal year end. And accountings for actuarial differences is as follows:</p> <p>Actuarial differences:</p> <p>Actuarial differences 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>
	<p>(8) Reserve under Special Law</p> <p>Reserve under special law represents liability reserve for securities transactions in the amount of ¥46 million.</p> <p>Liability reserve for securities transactions:</p> <p>The Bank states in the consolidated balance sheet the amount calculated in accordance with provisions specified in Article 51 of Securities Exchange Law and Article 32 of Cabinet Ordinance Concerning Securities Business by Financial Institutions, applying correspondingly with Article 65, Paragraph 2, and Sub-paragraph 7 to cover possible losses from contingent events related to securities futures transactions.</p>
	<p>(9) 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>(10) 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>

Items	Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)
	<p>(11) Significant hedge accounting method</p> <p>(i) Interest rate risk hedge 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 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) 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. With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap transactions and currency swap transactions designated as hedging instruments in conformity with the non-arbitrary and strict hedging criteria for mirror transactions with the third parties against these swap transactions stipulated in the Industry Audit Committee Report No.24 and 25. Therefore the Bank reported the gains and losses on these swap transactions in the current earnings or deferred as assets or liabilities without elimination.</p> <p>For a part of assets and liabilities, the Bank applies deferral hedge accounting, or exceptional treatments permitted for interest rate swaps. Domestic consolidated subsidiaries apply exceptional treatments permitted for interest rate swaps.</p>
	<p>(12) 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>(13) 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, 2006 to September 30, 2006)
<p>(Accounting Standards for Presentation of Net Assets in the Balance Sheet) Commencing with the current consolidated semi-annual fiscal term, the Bank adopted “Accounting Standards for Presentation of Net Assets in the Balance Sheet” (the Accounting Standard Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets on the Balance Sheet” (ASBJ Guidance No. 8, issued on December 9, 2005). The amount corresponding to the former “Shareholders’ equity” at September 30, 2006 was ¥492,626 million. Net assets in the current consolidated semi-annual fiscal term balance sheet were presented in accordance with the revised Regulations Concerning Interim Financial Statements and Banking Law Enforcement Regulations.</p>
<p>(Practical Solution on Investors’ Accounting for Investment Partnerships) In response to the “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Partnerships” (Practical Response Report No.20 issued on September 8, 2006) effective from the interim term ending upon or after the public announcement, the Bank adopted this Practical Response Report commencing with the current consolidated semi-annual term. The impact by this on the balance sheet is immaterial.</p>
<p>(Accounting Standards for Business Combinations and Divestitures) “Opinion Concerning Establishment of Accounting Standards for Business Combinations,” issued by Business Accounting Council on October 31, 2003, “Accounting Standards for Business Divestiture” (ASBJ Statement No.7, issued on December 27, 2005), and “Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No.10, issued on December 27, 2005) became applicable from the fiscal year beginning on April 1, 2006. Commencing with the current consolidated semi-annual term, the Bank adopted the new accounting standards.</p>

Change in Presentation Method

Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)
<p>The appendix form of “Banking Law Enforcement Regulation” (Ministry of Finance Ordinance No.10, 1982) was revised by the “Cabinet Office Ordinance to Amend Part of Detailed Enforcement Regulation on Mutual Loan Business Law (Cabinet Office Ordinance No.60, April 28, 2006) and became applicable from the fiscal year beginning on April 1, 2006. Accordingly, presentation of account items was changed commencing with the current consolidated semi-annual term as follows.</p> <p>(Semi-annual consolidated balance sheet)</p> <ol style="list-style-type: none"> (1) Gains (losses) or unrealized gains (losses) related to hedge accounting which had been included in other assets on a net basis were presented as “Deferred hedge gains (losses)” in valuation and conversion adjustments, net of tax effect on a net basis. (2) “Minority interests” which had been presented below liabilities section were presented in Net assets. (3) “Premises and equipment” were separately presented as “Tangible assets”, “Intangible assets”, and “Other assets”. (4) Software which had been included in “Other assets” was included in “Intangible assets”. <p>(Semi-annual consolidated statement of cash flows)</p> <p>In accordance with reclassification of account item “Premises and equipment” in the current semi-annual consolidated balance sheet to “Tangible assets” and “Intangible assets”, “Gains (losses) on disposal of premises and equipment” were presented as “Gains (losses) on disposal of fixed assets”.</p> <p>In addition, “Purchases of premises and equipment” and “Proceeds from sales of premises and equipment” were presented as “Purchases of fixed assets” and “Proceeds from sales of fixed assets” respectively.</p>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Semi-annual consolidated balance sheet)

Current semi-annual fiscal term(As of September 30, 2006)

1. Shares of and investments to unconsolidated subsidiaries for ¥3 million and ¥9,290 million respectively were included in Securities.
2. The amount of loans to debtors in bankruptcy and past due loans were ¥7,962 million and ¥117,419 million respectively. Loans to debtors in bankruptcy are loans to legally bankrupt debtors as defined in Article 96, paragraph 1, subparagraph 3-(a) to (e) or subparagraph 4 of Enforcement Ordinance for the Corporation Tax Law (Cabinet Order No. 97, 1965) and are included in loans on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectibility of either principal or interest because they are past due for a considerable period of time or for other reasons (excluding loans written-off, "non-accrual loans").
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.
3. The amount of loans contractually past due 3 months or more totaled ¥476 million.
Loans contractually past due 3 months or more are defined as loans for which principal or interest payment is delinquent for 3 months or more from the next day of the contract payment date. Loans classified as loans to debtors in bankruptcy or past due loans are excluded.
4. The amount of restructured loans totaled ¥40,533 million.
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.
5. Total amount of the loans to debtors in bankruptcy, past due loans, loans contractually past due 3 months or more and structured loans was ¥166,392 million. The amount reflected in notes 2 to 5 represents the gross receivable amounts prior to reduction for the reserve for possible loan losses.
6. Of participation loans, participated loan principal amount treated and presented in the current semi-annual consolidated balance sheet as loans to original debtors in accordance with Report No.3 issued on June 1, 1995 by Accounting System Council of JICPA was ¥59,954 million.
7. 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 ¥71,743 million.
8. Assets pledged as collaterals were as follows:
Assets pledged as collateral:
Investment securities: ¥226,334 million
Liabilities related to above pledged assets:
Deposit: ¥9,357 million
Call money and bills sold: ¥29,000 million
Margin money for bond lending transactions: ¥25,228 million
Other than the above-mentioned assets, securities of ¥106,317 million were pledged as collateral for exchange transactions, or instead of margin money for future trading.
Security deposit and margin money for future trading included in Other assets account were ¥1,143 million and ¥1 million respectively.
9. 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 ¥1,290,536 million. The unused amount related to contracts of which original terms expire within one year is ¥1,100,937 million.
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.
10. Accumulated depreciation on tangible fixed assets totals ¥204,423 million.
11. Accumulated advanced depreciation on tangible fixed assets totals ¥8,682 million.
(Advanced depreciation for this semi-annual term: Nil)
12. As collateral for borrowed money, lease contract assets for unexpired lease term of ¥18,617 million are pledged.

(Semi-annual consolidated statement of income)

Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)
Transfer to Reserve for possible loan losses amounting to ¥7,421 million is included in Other operating expenses.

(Semi-annual consolidated statement of changes in net assets)

Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)

1. Matters related to types and total number of outstanding stocks and types and total number of treasury stocks.

(Thousand shares)

	As of March 31, 2006	Increase	Decrease	As of September 30, 2006	Ref.
Outstanding stock					
Common stock	536,303	—	—	536,303	
Treasury stock					
Common stock	13,322	136	3,109	10,349	

(Note) Changes in treasury stock were caused mainly by purchases and sales of stocks short of trading unit (thousand shares), and exchange of stocks.

2. Matters related to dividends

(Resolution)	Type of stock	Total amount (Millions of yen)	Amount per share (yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2006	Common stock	2,092	4.00	March 31, 2006	June 29, 2006

(Note) Dividend from surplus shown in the Consolidated Semi-annual Statement of Changes in Net Assets includes dividend paid by the Bank plus dividends amounting to ¥141 million paid by Alps Securities Co., Ltd., on the base date of March 31, 2006.

Of dividends of which payment base date falls within the current semi-annual fiscal term, dividends of which effective date is any day after the end of the current semi-annual fiscal year is as shown below.

(Resolution)	Type of stock	Total amount (Millions of yen)	Source of dividend	Amount per share (yen)	Record date	Effective date
Board of Directors' meeting held on November 22, 2006	Common stock	1,841	Capital surplus	3.50	September 30, 2006	December 11, 2006

(Semi-annual consolidated statements of cash flows)

Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)

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, 2006	
Cash and due from banks	175,589
Due from banks (excluding BOJ)	(93,200)
Cash and cash equivalents	<u>82,389</u>

SEGMENT INFORMATION

1. Business Segment Information

Current semi-annual fiscal term (From April 1, 2006 to September 30, 2006)

(Millions of yen)

	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
Operating income						
(1) Operating income from customers	71,563	22,811	1,334	95,709	—	95,709
(2) Internal operating income among segments	316	401	35	753	(753)	—
Total	71,879	23,213	1,369	96,462	(753)	95,709
Operating expenses	53,084	23,674	891	77,650	(755)	76,894
Operating profit (loss)	18,795	(460)	478	18,812	1	18,814

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

(Millions of yen)

	Banking business	Leasing business	Other business	Total	Elimination	Consolidated
Operating income & profit						
(1) Operating income from customers	139,962	44,720	388	185,072	—	185,072
(2) Internal operating income among segments	517	714	71	1,303	(1,303)	—
Total	140,480	45,435	460	186,375	(1,303)	185,072
Operating expenses	101,916	42,734	337	144,987	(1,296)	143,690
Operating profit (loss)	38,563	2,701	123	41,388	(6)	41,381

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, securities businesses (securities businesses are included in Other businesses from the current semi-annual fiscal year because Alps Securities Co., Ltd. was made a consolidated subsidiary).

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, 2006)			Previous semi-annual fiscal term (as of Sept 30, 2005)					Previous fiscal year (as of March 31, 2006)				
	Book Value	Market Value	Valuation gains (losses)	Book Value	Market Value	Valuation gains (losses)		Book Value	Market Value	Valuation Gains (losses)			
						Gain	Loss			Gain	Loss		
JGB	5,002	4,977	(25)	3,005	3,003	(2)	—	2	5,002	4,942	(60)	—	60
Others	3,216	3,238	21	4,701	4,730	29	78	49	3,590	3,622	31	42	10
Foreign Bond	3,216	3,238	21						3,590	3,622	31	42	10
Total	8,218	8,215	(3)	7,706	7,733	26	78	51	8,592	8,564	(28)	42	71

Note: 1. Market values are based on the closing market prices at the end of period.

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

(2) Other securities with market values (Millions of yen)

Term Type	Current semi-annual fiscal term (as of Sept 30, 2006)			Previous semi-annual fiscal term (as of Sept 30, 2005)					Previous fiscal year (as of March 31, 2006)				
	Acquisition cost	Book Value	Valuation gains (losses)	Acquisition cost	Book Value	Valuation gains (losses)		Acquisition cost	Book Value	Valuation gains (losses)			
						Gain	Loss			Gain	Loss		
Stocks	97,736	347,491	249,754	95,300	277,361	182,060	182,483	423	98,699	360,246	261,547	261,769	222
Bonds	955,173	949,388	(5,785)	960,841	965,879	5,037	8,209	3,172	959,988	944,898	(15,090)	1,246	16,337
JGB	607,592	604,053	(3,538)	615,123	619,131	4,007	5,709	1,701	608,385	598,132	(10,252)	305	10,557
Municipal bond	91,378	91,910	531	113,797	115,435	1,637	1,796	158	97,894	98,243	348	774	426
Corporate bond	256,203	253,424	(2,778)	231,921	231,312	(608)	704	1,312	253,708	248,522	(5,186)	166	5,352
Others	299,377	304,678	5,300	320,239	327,768	7,528	8,748	1,219	302,102	310,092	7,990	9,717	1,727
Foreign Bond	271,885	271,995	110						277,562	280,082	2,520	4,228	1,707
Total	1,352,288	1,601,558	249,270	1,376,382	1,571,009	194,626	199,441	4,815	1,360,789	1,615,236	254,446	272,733	18,287

Note: 1. Book values are based on the closing market prices at the end of period.

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

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

	Current semi-annual fiscal term (as of Sept 30, 2006)	Previous semi-annual fiscal term (as of Sept 30, 2005)	Previous fiscal year (as of March 31, 2006)
Bonds held-to-maturity			
Unlisted corporate bonds	5,889	8,539	6,809
Other securities			
Unlisted securities (excluding OTC)	6,296	6,479	6,418
Unlisted corporate bonds	25,112	20,282	24,082

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, 2006)			Previous semi-annual fiscal term (as of Sept 30, 2005)					Previous fiscal year (as of March 31, 2006)				
	Acquisition cost	Book Value	Valuation gains (losses)	Acquisition cost	Book Value	Valuation gains (losses)		Acquisition cost	Book Value	Valuation gains (losses)			
						Gain	Loss			Gain	Loss		
Other money held in trust	2,300	2,298	(1)	700	699	(1)	—	1	700	695	(4)	—	4

3. Gains on valuation of other securities

Composition of valuation gains 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, 2006)	Previous semi-annual fiscal term (as of Sept 30, 2005)	Previous fiscal year (as of March 31, 2006)
Valuation gains	249,268	194,625	254,442
Other securities	249,270	194,626	254,446
Other money held in trust	(1)	(1)	(4)
(+)Deferred tax assets	4,795	1,934	7,357
(△)Deferred tax liabilities	105,079	80,185	109,714
Other valuation gains on other securities (before adjustment of the amount equivalent to equity holding)	148,984	116,375	152,084
(△)Minority interest equivalents	2,294	1,774	2,490
(+)Equity equivalents held by parent company in gains on valuation of other securities held by companies accounted for equity method	—	—	—
Valuation gains on other securities	146,690	114,600	149,593

DERIVATIVE TRANSACTIONS

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

BUSINESS CONSOLIDATION

Current semi-annual fiscal term
(From April 1, 2006 to September 30, 2006)

1. Name, business description, main reasons for business consolidation, effective consolidated date, legal type of consolidation, and name and ratio of acquired voting rights regarding a company acquired													
(1) Name of a company acquired	Alps Securities Co., Ltd.												
(2) Business description	(a) To buy and sell securities (b) To act as an intermediary, broker and agent with respect to buying and selling of securities, and act as an intermediary, broker and agent with respect to entrustment of transactions on a securities market (c) To underwrite and effect secondary distribution of securities (d) To handle offerings and secondary distribution of securities												
(3) Main reasons for consolidation	To prepare for further deregulation of securities businesses and to meet customers' sophisticated and diversified needs.												
(4) Date of consolidation	April 1, 2006												
(5) Legal type of business consolidation	Exchange of stocks												
(6) Name after consolidation	Alps Securities Co., Ltd.												
(7) Ratio of voting rights acquired	100%												
2. A period within which business results of the company acquired are included in the current consolidated semi-annual term: 6 months													
3. Acquisition cost and its breakdown: ¥2,897 million (treasury stocks: ¥2,865 million, acquisition expenses: ¥32 million)													
4. Rate of exchange by types of stocks delivered as consideration for the acquisition, its calculation method, number of shares and their values													
(1) Exchange ratio by types of stocks	Shareholders of Alps Securities Co., Ltd. receives 0.98 shares of common stock of the Bank to 1 share of common stock of Alps Securities Co., Ltd.												
(2) Calculation method	Each of the Bank and Alps Securities Co., Ltd. requested third parties to calculate stock exchange ratio respectively and based on the results two parties consulted each other and agreed upon the above exchange ratio. The Bank used Market Price Average Method, and Alps Securities Co., Ltd. used Discount Cash Flow Method, Comparable Peer Company Analysis Method, and Market Net Equity Value Method to calculate stock values respectively and two parties comprehensively reviewed analysis of their calculation results and computed exchange ratio in a certain range.												
(3) Number of shares delivered	3,104,106												
(4) Valuation amount	¥923 per share												
5. Negative goodwill generated, causes, amortization method and period													
(1) Negative goodwill amount generated	¥1,771 million												
(2) Causes	By exchange of stocks												
(3) Amortization method	Straight-line method												
(4) Amortization period	5 years												
6. Amounts of assets received and liabilities accepted on the consolidation date and their amounts (Millions of yen)													
<table border="1"> <tr> <td>Total assets</td> <td>18,526</td> </tr> <tr> <td> Thereof, cash and deposits</td> <td>9,007</td> </tr> <tr> <td> Thereof, margin trading assets</td> <td>8,337</td> </tr> <tr> <td>Total liabilities</td> <td>13,775</td> </tr> <tr> <td> Thereof, margin trading liabilities</td> <td>4,802</td> </tr> <tr> <td> Thereof, money deposited</td> <td>5,548</td> </tr> </table>		Total assets	18,526	Thereof, cash and deposits	9,007	Thereof, margin trading assets	8,337	Total liabilities	13,775	Thereof, margin trading liabilities	4,802	Thereof, money deposited	5,548
Total assets	18,526												
Thereof, cash and deposits	9,007												
Thereof, margin trading assets	8,337												
Total liabilities	13,775												
Thereof, margin trading liabilities	4,802												
Thereof, money deposited	5,548												

PRODUCTION, ORDER AND SALES

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