

# Kyushu-Shinwa Financial Group

ANNUAL REPORT 2004

## PRESIDENT'S STATEMENT

The term under review started with the creation of a new bank at 1 April 2003, when The Shinwa Bank, Ltd. and The Kyushu Bank, Ltd. amalgamated with its new name as "The Shinwa Bank, Ltd." under the umbrella of Kyushu-Shinwa Holdings, Inc. The new bank is headquartered in Sasebo City, Nagasaki Prefecture, with Shinwa Bank being the surviving entity.

The Shinwa Bank, Ltd. was established in 1939 as a result of the consolidation of a number of community banks in Nagasaki, one of which was found in 1879. The Kyushu Bank, Ltd. was founded in 1940 as Sasebo Mutual Savings Association, as a result of the merger of three Nagasaki-based mutual savings associations. On 1 April 2002 the two banks jointly established Kyushu-Shinwa Holdings as holding company; concurrently, the two banks were converted into subsidiaries to the company. One year later, as said above, the new Shinwa Bank was set up, with its head office located in Sasebo City, Nagasaki. The holding company and the new bank have formed Kyushu-Shinwa Financial Group, together with their subsidiaries.

The establishment of the new bank is the milestone of the Group. In addition to the Nagasaki area — a stronghold for the Bank, it has created a wider business base over the Northern Kyushu zone. The Bank's network spreads over the zone — Fukuoka, Saga, and Nagasaki Prefectures, with 166 offices.

During the term under review the Bank put emphasis upon pursuing higher merger effect and establishing a financial basis for the future. Following the consolidation of the operating systems of the old two banks, the Bank addressed itself to reduction in personnel and administrative costs to enhance the effect of the amalgamation. Its branch offices decreased by fourteen to 166 sites; the number of the work force dropped by 9.5% to 2,336. The costs and expenses were reduced by 11.3% to ¥35,096 million. Thanks to these efforts the operating profit before extraordinary items was ¥17,159 million. On the other hand, the Bank wrote off ¥52,825 million of possible loan losses to create a strong fiscal structure for further developments. Such a write-off caused the Bank to mark ¥35,621 million in the operating loss and ¥34,373 million in the net loss. The capital adequacy ratio was 6.32% at the end of the term.

FY 2004 is the term of finishing in strengthening earning power and operational efficiency. For such purposes, we continuously promote reducing administrative costs and restructuring corporate clients who are weak in financial standing. With clear strategy and high morale of the staff, our prospect is encouraging. To you, our stockholders, and customers, we extend our cordial gratitude for your ongoing support.

June 2004

*Nobuhiko Oda*

Nobuhiko Oda  
President

The Shinwa Bank, Ltd.

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**Foreign Exchange Offices**

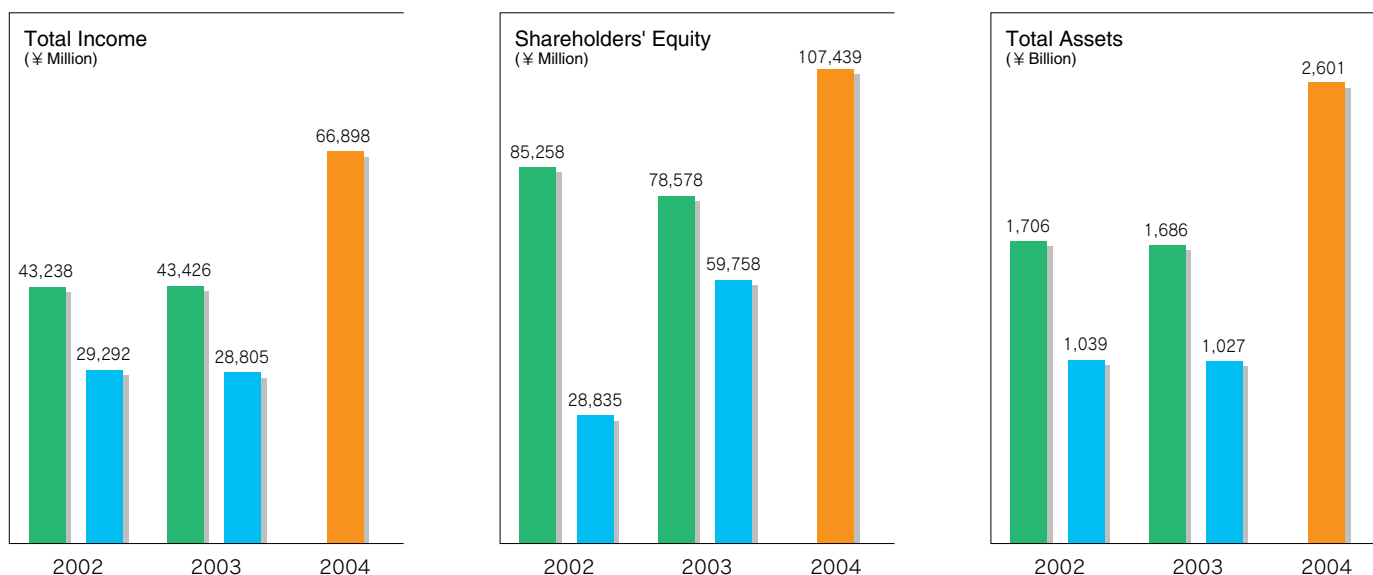
Head Office Business Division Nagasaki Branch Fukuoka Branch  
Tokyo Branch

Number of Office:166  
Number of Employees:2,336

**Board of Directors and Auditors**

<i>President</i>	<i>Director</i>
Nobuhiko Oda	Kazuo Yamamoto
	Toshiyuki Kamikawa
<i>Senior Managing Director</i>	Takashige Araki
Juji Kume	
Hitoshi Katayama	<i>Standing Corporate Auditor</i>
	Hiroshi Sakamoto
<i>Managing Director</i>	<i>Corporate Auditor</i>
Masanobu Yano	Tsunehiro Sasanami
Teruo Sakurai	Keijiro Murakami
Seigo Matsuo	
Yasuhiro Kawahara	

FINANCIAL HIGHLIGHTS



■ The Shinwa Bank, Ltd. ■ The Kyushu Bank, Ltd. ■ The Shinwa Bank, Ltd. ( after amalgamation )

**Non-Consolidated Balance Sheets**

As of March 31, 2004 and 2003

	Millions of yen			Thousands of U.S.dollars (Note 2)
	2004	2003	2003	2004
		Shinwa Bank	Kyushu Bank	
<b>Assets:</b>				
<b>Cash and due from banks</b> .....	¥ 93,935	¥ 89,677	¥ 85,561	\$ 887,016
<b>Call loans</b> .....	847	503	-	7,998
<b>Commercial paper and other debt purchased</b> .....	55	58	-	519
<b>Trading account securities</b> .....	67	156	-	632
<i>Japanese government bonds</i> .....	67	156	-	632
<b>Money held in trust</b> .....	3,000	-	-	28,328
<b>Investment securities</b> .....	508,561	327,626	97,941	4,802,275
<i>Japanese government bonds</i> .....	237,098	145,661	42,138	2,238,885
<i>Japanese local government bonds</i> .....	62,995	55,672	7,767	594,853
<i>Corporate bonds</i> .....	85,296	67,684	34,699	805,439
<i>Corporate stocks</i> .....	56,211	29,478	12,335	530,793
<i>Others</i> .....	66,958	29,130	999	632,275
<b>Loans and bills discounted (Note 4)</b> .....	1,901,534	1,211,261	796,108	17,955,939
<i>Bills discounted</i> .....	41,751	34,186	12,917	394,249
<i>Loans on bills</i> .....	328,541	200,296	179,736	3,102,370
<i>Loans on deeds</i> .....	1,313,733	819,449	563,300	12,405,410
<i>Overdrafts</i> .....	217,507	157,328	40,152	2,053,890
<b>Foreign exchange</b> .....	2,772	1,773	318	26,175
<i>Due from foreign banks</i> .....	2,560	1,609	237	24,173
<i>Foreign bills of exchange bought</i> .....	169	143	75	1,595
<i>Foreign bills of exchange receivable</i> .....	42	20	5	396
<b>Other assets</b> .....	15,226	6,470	5,789	143,777
<i>Domestic exchange settlement account, debit</i> .....	0	0	89	0
<i>Prepaid expenses</i> .....	26	25	-	245
<i>Accrued income</i> .....	2,203	1,255	627	20,802
<i>Derivatives</i> .....	2,762	34	-	26,081
<i>Deferred hedge losses</i> .....	282	604	-	2,662
<i>Others</i> .....	9,949	4,550	5,072	93,947
<b>Premises and equipment (Note 4)</b> .....	73,525	52,688	28,608	694,287
<b>Deffered Income Taxes (Note 6)</b> .....	42,332	25,787	18,461	399,735
<b>Customer's liabilities for acceptances and guarantees</b> .....	36,522	16,995	16,407	344,872
<b>Reserve for possible loan losses</b> .....	(76,013)	(46,712)	(21,515)	(717,780)
<b>Reserve for possible losses on investment securities</b> .....	(579)	-	-	(5,467)
<b>Total assets</b> .....	¥ 2,601,786	¥ 1,686,287	¥ 1,027,680	\$ 24,568,328

The accompanying notes are an integral part of these statements.

	Millions of yen			Thousands of U.S.dollars (Note 2)
	2004	2003	2003	2004
		Shinwa Bank	Kyushu Bank	
<b>Liabilities:</b>				
<b>Deposits</b> .....	¥ 2,331,552	¥ 1,512,264	¥ 936,754	\$ 22,016,543
<i>Current deposits</i> .....	93,848	65,455	28,139	886,194
<i>Ordinary deposits</i> .....	805,068	572,907	206,836	7,602,152
<i>Savings deposits</i> .....	27,286	26,526	2,786	257,658
<i>Deposits at notice</i> .....	15,384	12,913	-	145,269
<i>Time deposits</i> .....	1,343,238	780,952	672,605	12,684,022
<i>Installment savings</i> .....	14,705	10,935	15,138	138,857
<i>Others</i> .....	32,020	42,573	11,247	302,360
<b>Negotiable certificates of deposits</b> .....	<b>46,290</b>	<b>36,704</b>	-	<b>437,110</b>
<b>Call money</b> .....	-	3,958	-	-
<b>Payables under repurchase agreements (Note 4)</b> .....	<b>1,011</b>	-	-	<b>9,546</b>
<b>Collateral money for bond lending (Note 4)</b> .....	<b>29,825</b>	1,165	-	<b>281,633</b>
<b>Borrowed money (Note 4)</b> .....	<b>11,898</b>	11,726	210	<b>112,351</b>
<b>Foreign exchange</b> .....	<b>9</b>	10	2	<b>84</b>
<i>Foreign bills of exchange sold</i> .....	5	7	2	47
<i>Foreign bills of exchange payable</i> .....	3	2	-	28
<b>Other liabilities</b> .....	<b>7,791</b>	<b>4,643</b>	<b>5,088</b>	<b>73,569</b>
<i>Domestic exchange settlement account, credit</i> .....	12	17	186	113
<i>Accrued income taxes</i> .....	104	279	742	982
<i>Accrued expenses</i> .....	3,375	1,119	2,399	31,869
<i>Unearned income</i> .....	2,766	1,649	1,388	26,118
<i>Reserve for interest on installment savings</i> .....	3	6	4	28
<i>Derivatives</i> .....	530	621	18	5,004
<i>Others</i> .....	997	949	347	9,414
<b>Reserve for bonus</b> .....	<b>925</b>	661	422	<b>8,734</b>
<b>Accrued severance and pension liabilities</b> .....	<b>11,324</b>	6,019	3,230	<b>106,931</b>
<b>Deferred income tax on land revaluation</b> .....	<b>17,197</b>	13,558	5,805	<b>162,389</b>
<b>Acceptances and guarantees</b> .....	<b>36,522</b>	16,995	16,407	<b>344,872</b>
<b>Total liabilities</b> .....	<b>¥ 2,494,346</b>	¥ 1,607,708	¥ 967,921	<b>\$ 23,553,786</b>
<b>Shareholders' equity:</b>				
<b>Capital stock (Note 4)</b> .....	¥ 20,915	¥ 20,915	¥ 32,300	\$ 197,497
<b>Capital surplus</b> .....	<b>62,383</b>	15,936	17,898	<b>589,074</b>
<b>Legal retained earnings</b> .....	<b>12,195</b>	12,195	-	<b>115,155</b>
<b>Voluntary reserves</b> .....	<b>3,363</b>	7,364	-	<b>31,756</b>
<b>Retained earnings (accumulated deficits)</b> .....	<b>(28,235)</b>	(672)	817	<b>(266,619)</b>
<b>Land revaluation reserve, net of tax (Note 4)</b> .....	<b>25,332</b>	19,977	8,546	<b>239,206</b>
<b>Unrealized gain on securities, net</b> .....	<b>11,484</b>	2,860	196	<b>108,441</b>
<b>Total shareholders' equity</b> .....	<b>107,439</b>	78,578	59,758	<b>1,014,532</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>¥ 2,601,786</b>	¥ 1,686,287	¥ 1,027,680	<b>\$ 24,568,328</b>

The accompanying notes are an integral part of these statements.

**Non-Consolidated Statements of Income and Retained Earnings**

For the years ended March 31, 2004 and 2003

	Millions of yen			Thousands of U.S.dollars (Note 2)
	2004	2003	2003	2004
		Shinwa Bank	Kyushu Bank	
<b>Income:</b>				
<b>Interest income</b>	¥ 57,673	¥ 35,145	¥ 25,636	\$ 544,598
Interest on loans and discounts	51,328	29,515	24,417	484,683
Interest and dividends on securities	6,287	5,537	1,212	59,367
Interest on call loans	18	35	1	169
Interest on bills purchased	0	0	-	0
Interest on deposits with banks	0	2	0	0
Interest on interest swap	16	5	-	151
Other interest income	21	48	4	198
<b>Fees and commissions</b>	<b>6,612</b>	<b>5,218</b>	<b>1,414</b>	<b>62,436</b>
<b>Other operating income</b>	<b>532</b>	<b>905</b>	<b>1,151</b>	<b>5,023</b>
Gains on foreign exchange transactions	145	152	35	1,369
Gains on sale of trading account securities	1	-	-	9
Gains on sale of bonds	258	729	1,107	2,436
Gains on redemption of bonds	0	-	-	0
Gains on derivatives	126	23	8	1,189
Other	0	0	0	0
<b>Other income</b>	<b>2,080</b>	<b>2,156</b>	<b>602</b>	<b>19,641</b>
Gains on sales of stock and other securities	1,337	1,778	230	12,625
Gains on money held in trust	110	-	-	1,038
Others	632	378	371	5,967
<b>Total income</b>	<b>¥ 66,898</b>	<b>¥ 43,426</b>	<b>¥ 28,805</b>	<b>\$ 631,709</b>
<b>Expenses:</b>				
<b>Interest expenses</b>	¥ 3,635	¥ 2,014	¥ 2,389	\$ 34,324
Interest on deposits	2,420	980	2,183	22,851
Interest on negotiable certificates of deposits	27	33	2	254
Interest on call money	46	107	1	434
Interest on payables under repurchase agreements	1	-	-	9
Interest on collateral money for bond lending	40	2	-	377
Interest on borrowed money	153	260	1	1,444
Interest on convertible bonds	-	-	189	-
Interest on interest swaps	890	565	9	8,404
Other interest expenses	54	64	1	509
<b>Fees and commissions</b>	<b>3,405</b>	<b>1,954</b>	<b>1,517</b>	<b>32,152</b>
<b>Other operating expenses</b>	<b>36</b>	<b>104</b>	<b>51</b>	<b>339</b>
Losses on sale of trading account securities	-	0	1	-
Losses on sale of bonds	36	2	49	339
Losses on devaluation of bonds	-	101	-	-
<b>General and administrative expenses</b>	<b>35,285</b>	<b>25,470</b>	<b>14,445</b>	<b>333,191</b>
<b>Other expenses</b>	<b>60,157</b>	<b>11,676</b>	<b>9,670</b>	<b>568,054</b>
Provision for reserve for possible loan losses	54,194	9,344	7,098	511,746
Write-off of loans	403	122	8	3,805
Losses on sales of stock and other securities	40	4	186	377
Losses on devaluation of stocks and other securities	294	1,721	1,617	2,776
Losses on money held in trust	-	38	-	-
Others	5,224	446	759	49,329
<b>Total expenses</b>	<b>¥ 102,520</b>	<b>¥ 41,222</b>	<b>¥ 28,075</b>	<b>\$ 968,083</b>

The accompanying notes are an integral part of these statements.

	Millions of yen			Thousands of U.S.dollars (Note 2)
	2004	2003	2003	2004
		Shinwa Bank	Kyushu Bank	
Operating profit (loss) .....	¥ (35,621)	¥ 2,203	¥ 730	\$ (336,364)
Extraordinary profit .....	1,446	1,015	1,285	13,654
Extraordinary loss .....	1,973	785	1,339	18,630
Income (loss) before income taxes .....	¥ (36,148)	¥ 2,434	¥ 676	\$ (341,340)
Income taxes .....	71	694	766	670
Deferred income taxes .....	(1,845)	1,036	(859)	(17,422)
Net income (loss) .....	¥ (34,373)	¥ 702	¥ 768	\$ (324,579)
<b>Appropriations:</b>				
Retained earnings brought forward .....	¥ 2,946	¥ 1,178	¥ -	\$ 27,818
Reversal of land revaluation reserve .....	3,191	157	48	30,132
Interim dividends paid .....	-	2,710	-	-
Retained earnings (accumulated deficits) at the end of the year .....	¥ (28,235)	¥ (672)	¥ 817	\$ (266,619)
		Yen		U.S.dollars
Net income (loss) per share .....	¥ (112.08)	¥ 3.36	¥ 4.44	\$ (1.058)

**Subsequent event**

On June 29, 2004, the shareholders authorized the disposition of accumulated deficits as follows:

March 31	Millions of yen	Thousands of U.S.dollars
<b>Accumulated deficits as</b>		
of March 31, 2004 .....	¥ (28,235)	\$ (266,619)
Reversal of voluntary reserves .....	3,363	31,756
Reversal of capital surplus .....	24,871	234,853
<b>Accumulated deficits carried</b>		
forward .....	¥ -	\$ -

## Notes to The Non-Consolidated Financial Statements

### 1. Basis of presenting non-consolidated financial statements

The accompanying non-consolidated financial statements have been prepared based on the accounts maintained by the Shinwa Bank, Ltd.(the“Bank”) in accordance with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Commercial Code and other applicable rules and regulations, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accompanying non-consolidated financial statements are compiled from the non-consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, and include certain additional financial information for the convenience of readers outside Japan.

Under the Enforcement Regulations of the Japanese Banking Law, all yen figures are rounded down to the nearest one million yen. Accordingly, breakdown figures may not add up to sums.

The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Bank merged with The Kyushu Bank, Ltd. on April 1, 2003, then starting the first fiscal year (from April 1, 2003 to March 31, 2004) of the consolidated bank. As for the year ended March 31, 2003, hence, these consolidated financial statements show data and notes of the two banks.

### 2. U.S.dollar amounts

U.S.dollar amounts presented in the accompanying financial statements are included solely for convenience of readers outside Japan. The rate of ¥105.90= US\$1.00, prevailing on March 31, 2004, has been used for the translation. The inclusion of such amounts should not be construed as representations that Japanese yen amounts have been or could be converted into U.S.dollars at this rate or any other rate.

### 3. Significant accounting policies

#### (1) Trading account securities

Listed trading account securities are stated at fair value. The cost is determined by the moving average method.

#### (2) Investment securities

a. Equity investments in subsidiaries and affiliates are stated at cost. Marketable equity securities and debt securities classified as other securities are carried at fair value with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. Unquoted equity securities are carried at cost determined by the moving average or amortized cost.

b. Securities, managed as trust assets for money in trust, primarily for the sole purpose of investing in securities, are stated at fair value.

#### (3) Derivatives

Derivatives transactions are stated at fair value.

#### (4) Depreciation

#### a. Premises and equipment

Depreciation of premises and equipment is calculated using the declining balance method, except that depreciation for buildings (excluding building improvements) acquired on or after April 1, 1998, is calculated using the straight-line method.

For the Years ended March 31	2004	2003	
		Shinwa Bank	Kyushu Bank
Useful Life			
Building	3-50 years	18-50 years	3-50 years
Equipment	3-20 years	3-20 years	3-20 years

#### b. Software

Software for internal use is amortized on a straight-line basis over the estimated useful lives (five years).

#### (5) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued the "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005. The Bank has not yet applied this new standard nor has determined the effect of applying it on the Bank's non-consolidated financial statements for the year ended March 31, 2004.

#### (6) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the respective balance sheet dates.

#### (7) Reserve for possible loan losses

Write-offs of loans and reserves for possible loan losses are calculated as follows:

a. For claims to legally bankrupt customers and those to virtually bankrupt customers, a reserve is provided on the balance after deducting from the book value of claims the anticipated amount recoverable through disposal of collateral and the anticipated amount recoverable by guarantees.

b. For claims to potentially bankrupt customers, a reserve is provided on the balance considered necessary after deducting from the amount of claims the anticipated amount recoverable through disposal of collateral and the anticipated amount recoverable by guarantees.

c. For the other claims, a reserve is provided using default rates computed based on the loan loss incurred during a certain period in the past.

All claims are assessed by our branch offices and business divisions based on the self-assessment rules for asset quality, and asset inspection divisions which are independent from branches and business divisions audit their assessment. Based on the results of the audits, reserves are provided. For a portion of claims, with a collateral or a guarantee, to legally or virtually

bankrupt customers, the assessed amount of collateral and the anticipated amount recoverable by guarantees are deducted from the amount of claims. The balance written off as unrecoverable is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Write-offs as Unrecoverable	94,532	20,979	43,892	892,653

#### (8) Reserve for Possible Losses on Investment Securities

Reserve for possible losses on investment securities is provided, in provision for losses on investment securities, by the necessary amount after consideration for financial condition of issuers.

#### (9) Employee Bonus

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to the respective fiscal year.

#### (10) Employees' Retirement Benefits

Effective April 1, 2000, the Accounting Standards for Retirement Benefit was issued by the Business Accounting Deliberation Council. In accordance with the new standards, accrued severance indemnities are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the annual period. Prior service costs are amortized over a certain period (10 years) within employees' average remaining service period on straight-line basis. Actuarial gains or losses are amortized over a certain period (10 years) within employees' average remaining service period on straight-line basis from the next period in which they arise. The unrecognized transitional obligation at date of adoption was partly offset against a gain on securities contribution to an employee retirement benefit trust in 2001 and the remaining amount is amortized over 5 years. The unrecognized transitional obligation taken over from The Kyushu Bank, Ltd. (¥1,382 million or US\$13,050 thousand) was appropriated this fiscal year.

Transitional obligation is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Transition Obligation	6,973	6,973	4,301	65,845
Contribution to Employee Retirement Trust	3,626	3,626	-	34,239
Remaining Amount Amortized	3,347	3,347	4,301	31,605

The Kyushu Bank's change of accounting method:

In the prior years, The Kyushu Bank, Ltd. had amortized its transitional obligation over 15 years and reported as an operating expense. However, from the year ended March 31, 2003, The Kyushu Bank, Ltd. changed its accounting method of amortization such that its transitional obligation is amortized over 3 years and reported as an extraordinary loss. This change was to establish its sound financial condition at an earlier stage and set up the same accounting method as The Shinwa Bank, Ltd. applies (amortization period: 5 years) since the year ended March 31, 2001, in accordance with

"Accounting Treatment for Transitional Obligation of Retirement Benefit (JICPA Research Center's Deliberation Bulletin No. 13 Issued on March 22, 2000)." As a result of this accounting change, the operating profit and the income before income taxes for the year ended March 31, 2003, increased by ¥286 million and decreased by ¥955 million, respectively, compared to the figures that would have been reported based on the previous accounting method.

#### (11) Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method similar to that applicable to ordinary operating leases.

#### (12) Consumption tax

No national and local consumption taxes are included in expenses. However, those consumption taxes, etc. for premises and equipment which are not tax-deductible are expensed as incurred.

#### (13) Hedge Accounting

From the fiscal year ended March 31, 2004, the Bank started utilizing a deferral method of hedge accounting for interest rate risks in financial assets and liabilities. In the previous year as the transitional treatment the Bank employed the macro-hedge method to manage the overall interest rate risk inherent in various financial assets and liabilities by using derivatives in accordance with "Accounting and Audit Treatment of Accounting Standards for Financial Instruments in Banking Industry (JICPA Industry Audit Committee Report No. 24)."

Of the deferred hedge losses at the end of the current fiscal year, ¥282 million (US\$2,662 thousand) was attributable to the macro-hedge method. For the fiscal years ended March 31, 2004 and 2003, such a loss was employed as fund-raising costs according to remaining periods and notional principals of hedge instruments.

## 4. Notes to Balance Sheets

(1) Investments in subsidiaries are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Stock issued by Affiliated Companies	170	40	80	1,605

(2) Loans and bills discounted include "loans to legally bankrupt borrowers" and "delinquent loans" listed as follows.

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Loans to Legally Bankrupt Borrowers	15,233	17,011	7,756	143,843
Delinquent Loans	142,472	85,107	40,877	1,345,344

"Loans to legally bankrupt borrowers" represent loans meeting the following conditions:

- Loans on which no interest is accrued(excluding the portion written off, referred to hereinafter as the "loans without accrued interest"), as their



principal or interest amounts are deemed uncollectable due to the delinquency of principal or interest over the considerable time of period and other factors.

- b. Loans meeting the conditions prescribed by the item 3-(a) through (e) or item 4 of Paragraph 2, Article 96 of the Corporation Tax Law Enforcement Regulations (1965 Government Ordinance No.97).

"Delinquent loans" represent the loans without accrued interest, excluding "loans to legally bankrupt borrowers" or "loans with interest payments postponed for purposes of restructuring or supporting borrowers' business".

(3) Loans and bills discounted include "loans with overdue period of three months or more" listed as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Loans with Overdue Period of Three Months or More	114	212	83	1,076
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"Loans with overdue period of three months or more" represent those loans for which principal or interest payments are in arrears for three months or more from the day following the agreed payment date, but do not come under "loans to legally bankrupt borrowers" or "delinquent loans".

(4) Loans and bills discounted include "loans with relaxed conditions" listed as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Loans with Relaxed Conditions	60,246	23,932	45,409	568,895
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"Loans with relaxed conditions" refers to the following:

Loans for which certain conditions have been relaxed for the benefit of the borrower through measures such as the reduction and exemption of interest, the deferment of interest payments, the deferment of principal repayments, or the abandonment of claims in order to reconstruct or support the borrowers' business, but do not come under "loans to legally bankrupt borrowers", "delinquent loans", or "loans with overdue period of three months or more".

(5) "Loans to legally bankrupt borrowers", "delinquent loans", "loans with overdue period of three months or more" and "loans with relaxed conditions" totaled as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Total Amount of Loans and Bills Discounted Listed in Items (2), (3) and (4) above	218,067	126,263	94,126	2,059,178
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#### (6) Land Revaluation

In accordance with the law concerning the revaluation of land (Law No.34 promulgated on March 31, 1998), land for business use has been revalued. The tax effect of the revaluation difference is recorded as "Deferred income tax on land revaluation" in liabilities and the remaining after-tax amount is recorded as "Land revaluation reserve, net of tax" in shareholders' equity.

Date of revaluation: March 31, 1998.

Methods for revaluation set forth in Article 3, paragraph 3 of the law concerning revaluation of land: Land prices are determined based on assessed amount for taxes on fixed assets as set forth in Article 2, item 3 of the enforcement ordinance concerning land revaluation (Government Ordinance No. 119 promulgated on March 31, 1998), reflecting appropriate adjustments including the price adjustment for depth of the land, time adjustment, and adjustment based on recent sales prices of adjacent land.

Excess of the total fair value of the land for business use revalued under Article 10 of the law over the total book value of the land after revaluation are as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Excess of the Total Fair Value of the Land for Business Use Revalued	22,307	16,088	8,154	210,642
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(7) Accumulated depreciation of premises and equipment are as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Accumulated Depreciation of Premises and Equipment	39,896	28,586	12,020	376,732
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(8) Gain on sales of premises and equipment deducted from the acquisition costs of newly acquired premises and equipment as replacements are as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Deduction of Cost of Premises and Equipment	17,234	15,708	1,526	162,738
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#### (9) Pledged Assets

Assets that are pledged as collateral are as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Assets that are Pledged as Collateral

Securities	1,409	1,530	4,326	13,305
Obligations Corresponding to Collateral Assets				
Cash and Due from Bank	-	-	927	-
Acceptances and Guarantees	622	249	-	5,873
Collateral Money for Bond Lending	-	1,165	-	-

In addition, Securities sold under repurchase agreements and those lending with cash collateral are ¥31,035 million (US\$293,059 thousand) as at March 31, 2004, which correspond to ¥1,011 million (US\$9,546 thousand) of

payables under repurchase agreements and ¥29,825 million (US\$281,633 thousand) of collateral money for bond lending.

Besides, the following assets are pledged as collateral.

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Collateral to Exchange Settlements and for Deposit Money of Future				
Securities	116,919	88,624	22,142	1,104,050
Deposits	6	-	8	56

#### (10) Commitment lines

Commitment lines are agreements relating to loans and current accounts where borrowing is applicable up to a certain limit upon the request of borrowers as long as no breach is made under the terms and conditions of relative loan agreements. The unused commitment balance relating to these loan agreements is listed as below, all of which can terminate within one year, or can be unconditionally cancelled at any time.

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Unused Commitment Balance	457,852	329,452	56,013	4,323,437

Many of the agreements cease, with no loan applied; thereby, the unused loan commitment will not necessarily affect future cash flows. Such conditions are included in the agreements that allow us to stop loans or to decrease applicable limits for the purpose of our protecting loan assets or of addressing material change in business conditions. We implement protection of loan assets through, if necessary, securing collaterals (real estate, securities, etc.) or other measures. After agreement effected, according to our lending procedures we review financial condition of borrowers. If any, we take necessary measures including revision of agreement and security of loan assets.

(11) "Borrowed money" include loans of which repayment orders are subordinated to all other debts as follows:

As of March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Borrowed Money of which Repayment Orders are Subordinated to All Other Debts	4,900	4,900	-	46,270

#### (12) Authorized stocks

As of March 31	Thousands		
	2004	2003	
	Shinwa Bank	Kyushu Bank	
Common Stocks	1,100,000	400,000	286,000
Preferred Stocks	100,000	-	43,000
Issued and Outstanding Stocks			
Common Stocks	306,671	208,501	130,894
Preferred Stocks	30,000	-	30,000

#### 5. Finance Leases

Finance lease transactions, except where the ownership of the leased assets is regarded as being transferred to the lessee, are as follows:

For the Year ended March 31, 2004	Millions of yen			Thousands of U. S. dollars(Note 2)
	Movables	Others	Total	Total
Amount Equivalent to the Purchased Prices of the Leased Assets	3,961	-	3,961	37,403
Amount Equivalent to Accumulated Depreciation	1,666	-	1,666	15,731
Amount Equivalent to Balance at Fiscal Year-End	2,294	-	2,294	21,661

#### For the Year ended March 31, 2003

Shinwa Bank	Millions of yen		
	Movables	Others	Total
Amount Equivalent to the Purchased Prices of the Leased Assets	2,903	-	2,903
Amount Equivalent to Accumulated Depreciation	1,311	-	1,311
Amount Equivalent to Balance at Fiscal Year-End	1,591	-	1,591

#### For the Year ended March 31, 2003

Kyushu Bank	Millions of yen		
	Movables	Others	Total
Amount Equivalent to the Purchased Prices of the Leased Assets	906	-	906
Amount Equivalent to Accumulated Depreciation	529	-	529
Amount Equivalent to Balance at Fiscal-Year End	376	-	376

#### Amount Equivalent to Lease Payable:

For the Years ended March 31	Millions of yen		Thousands of U. S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Within One Year	717	463	159	6,770
Over One Year	1,577	1,128	188	14,891
Total	2,294	1,591	348	21,661

For the Years ended March 31	Millions of yen			Thousands of U. S. dollars(Note 2)
	2004	2003		2004
		Shinwa Bank	Kyushu Bank	
Lease Fees Paid	944	489	304	8,914
Amount Equivalent to Depreciation	944	489	223	8,914
Amount Equivalent to Interest Paid	-	-	38	-

Note: The lease period is set at the useful life of the assets and the straight-line method of depreciation is used to compute the remaining value of the assets.

## 6. Income Taxes

(1) The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities are as follows:

As of March 31	Millions of yen			Thousands of U. S. dollars(Note 2)
	2004	2003		2004
		Shinwa Bank	Kyushu Bank	
<b>Deferred Tax Assets:</b>				
Reserve for Possible Loan Losses	52,283	23,497	18,048	493,701
Accrued Severance and Pension Liabilities	5,113	2,934	1,169	48,281
Tax Loss Carryforwards	2,833	-	-	26,751
Depreciation Expense	994	559	518	9,386
Accrued Business Taxes	-	28	61	-
Loss on Write-Down of Investment Securities	-	-	1,128	-
Others	1,440	731	2,195	13,597
Deferred Tax Assets – Sub-total	62,665	27,752	23,122	591,737
Valuation Allowance	(14,115)	-	(4,527)	(133,286)
Total Deferred Tax Assets	48,549	27,752	18,595	458,441
<b>Deferred Tax Liabilities:</b>				
Unrealized Gains on Securities	(6,217)	(1,941)	(133)	(58,706)
Reserve for Deduction of Cost of Premises and Equipment	-	(23)	-	-
Total Deferred Tax Liabilities	(6,217)	(1,965)	(133)	(58,706)
Net Deferred Tax Assets	42,332	25,787	18,461	399,735

(2) For the year ended March 31, 2004, the reconciliation between the normal effective statutory tax rate and the actual effective tax rate is not shown, because the balance before income taxes in the fiscal year was a loss. For the year ended March 31, 2003, the reconciliation is as follows:

For the Year Ended March 31, 2003	Shinwa Bank	Kyushu Bank
Normal Effective Statutory Tax Rate	41.74%	41.70%
Increase (Decrease) in Taxes Resulting from		
Nondeductible Expenses	2.57%	-
Non-Profitable Dividends Received	(5.76%)	-
Equal Allocation of Resident Tax	-	5.41%
Decrease in Deferred Tax Assets Due to Change of Tax Rate	27.84%	66.76%
Gains from Sale of Land Revalued	4.63%	-
Adjustment from Reversal of Land Revaluation Reserve	-	5.16%
Revision of Revaluation Allowance	-	(129.42%)
Others	0.12%	(3.32%)
Effective Income Tax Rate	71.14%	(13.71%)

## 7. Per-Share Information

For the Years ended March 31	yen			U. S. dollars (Note 2)
	2004	2003		2004
		Shinwa Bank	Kyushu Bank	
Net Assets Per-share	252.51	376.87	225.91	2.38
Net Income (Loss) Per-share	(112.08)	3.36	4.44	(1.05)
Diluted Net Income Per-share	-	-	4.08	-

The above information is based on the following data:

For the Years ended March 31	Millions of yen			Thousands of U. S. dollars(Note 2)
	2004	2003		2004
		Shinwa Bank	Kyushu Bank	
Net Income (Loss)	(34,373)	702	768	(324,579)
Net Income (Loss) not Attributable to Common Shareholders	-	-	187	-
Dividends Paid on Preferable Stocks	-	-	187	-
Net Income (Loss) Available to Common Shareholders	(34,373)	702	581	(324,579)
Adjusted Net Income	-	-	110	-
Interest Paid, Net of Taxes	-	-	110	-
Thousands				
Weighted Average Number of Shares of Common Stocks Outstanding	306,671	208,501	130,894	
Increase in Common Stocks	-	-	84,507	
Common Stocks Converted	-	-	84,507	

Notes: (1) For the year ended March 31, 2004, diluted net income per-share is not shown, because the net balance in the fiscal year was a loss. For the year ended March 31, 2003, diluted net income per-share for Shinwa Bank is not shown, because there were no potential common shares.

(2) 30,000 thousand of preferred stocks issued and outstanding are not included in the said diluted computation, because such stocks do not have dilution impact.

**8. Merger**

On November 27, 2002, The Shinwa Bank, Ltd. and The Kyushu Bank, Ltd. held Extraordinary Meeting of Shareholders, where the amalgamation of the two banks was approved. In compliance with the resolution, on April 1, 2003, The Shinwa Bank, Ltd. took over from The Kyushu Bank, Ltd. its whole assets, liabilities, other claims and obligations, and employees, with the name "The Shinwa Bank, Ltd."

The details are outlined as follows:

(1)The Shinwa Bank, Ltd. allocated newly-issued 98,170,500 common stocks for common shareholders registered on the list of shareholders dated on March 31, 2003 in the proportion of a common stock of The Kyushu Bank, Ltd. to that of The Shinwa Bank, Ltd. being 1:0.75. Besides, The Shinwa Bank, Ltd. allocated newly-issued 30,000,000 preferred stocks for preferred shareholders registered on the list of shareholders dated on March 31, 2003, in the proportion of a preferred stock of The Kyushu Bank, Ltd. to that of The Shinwa Bank, Ltd. being 1:1.

(2)In consequence of the merger, the shareholders' equity of The Shinwa Bank, Ltd. is changed as follows:

	Billions of yen		Millions of U. S. dollars(Note 2)
	2004	2003	2004
	As of April 1, 2004	Increase in Shareholder's Equity	As of April 1, 2004
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock	20.9	-	197
Capital Surplus	62.3	46.4	588
Retained Earnings	19.7	0.8	186
Land Revaluation Reserve, Net of Taxes	28.5	8.5	269

(3)The Shinwa Bank, Ltd. took over from The Kyushu Bank, Ltd. its assets and liabilities listed as follows:

	Billions of yen		Thousands of U. S. dollars(Note 2)
	2004	2003	2004
<b>ASSETS</b>			
Cash and Due from Banks	85,561	-	807,941
Investment Securities	97,941	-	924,844
Loans and Bills Discounted	796,108	-	7,517,544
Foreign Exchanges	318	-	3,002
Other Assets	5,789	-	54,664
Premises and Equipment	23,692	-	223,720
Deferred Income Taxes	21,008	-	198,375
Customer's Liabilities for Acceptances and Guarantees	16,407	-	154,929
Reserve for Possible Loan Losses	(21,515)	-	(203,163)
<b>TOTAL ASSETS</b>	<b>1,025,310</b>	<b>-</b>	<b>9,681,869</b>

**LIABILITIES**

Deposits	936,754	8,845,646
Borrowed Money	210	1,983
Foreign Exchanges	2	18
Other Liabilities	5,088	48,045
Reserve for Bonus	422	3,984
Accrued Severance and Pension Liabilities	4,613	43,559
Deferred Income Taxes on Land Revaluation	5,805	54,815
Acceptances and Guarantees	16,407	154,929
<b>TOTAL LIABILITIES</b>	<b>969,304</b>	<b>9,153,012</b>
<b>NET ASSETS</b>	<b>56,006</b>	<b>528,857</b>

**Consolidated Balance Sheets**

As of March 31, 2004 and 2003

	Millions of yen			Thousands of U.S.dollars (Note 2)
	2004	2003	2003	2004
	Shinwa Bank		Kyushu Bank	
<b>Assets:</b>				
<i>Cash and due from banks</i> .....	¥ 93,935	¥ 89,667	¥ 85,562	\$ 887,016
<i>Call loans</i> .....	847	503	-	7,998
<i>Commercial paper and other debt purchased</i> .....	55	58	-	519
<i>Trading account securities (Note 7)</i> .....	67	156	-	632
<i>Money held in trust</i> .....	3,000	-	-	28,328
<i>Investment securities (Notes 6 and 7)</i> .....	508,564	327,748	97,886	4,802,304
<i>Loans and bills discounted (Note 6)</i> .....	1,899,672	1,211,261	794,443	17,938,356
<i>Foreign exchange</i> .....	2,772	1,773	318	26,175
<i>Other assets</i> .....	16,302	6,503	6,787	153,937
<i>Premises and equipment (Note 6)</i> .....	75,916	52,691	30,674	716,864
<i>Deferred income taxes (Note 11)</i> .....	42,483	25,814	18,563	401,161
<i>Customer's liabilities for acceptances and guarantees</i> .....	36,522	16,995	16,407	344,872
<i>Reserve for possible loan losses</i> .....	(76,402)	(46,712)	(21,807)	(721,454)
<i>Reserve for possible losses on investment securities</i> .....	(580)	-	-	(5,476)
<b>Total assets</b> .....	<b>¥ 2,603,157</b>	<b>¥ 1,686,471</b>	<b>¥ 1,028,836</b>	<b>\$ 24,581,274</b>
<b>Liabilities:</b>				
<i>Deposits</i> .....	¥ 2,331,100	¥ 1,512,064	¥ 936,332	\$ 22,012,275
<i>Negotiable certificates of deposits</i> .....	46,290	36,704	-	437,110
<i>Call money</i> .....	-	3,958	-	-
<i>Payables under repurchase agreements (Note 6)</i> .....	1,011	-	-	9,546
<i>Collateral money for bond lending (Note 6)</i> .....	29,825	1,165	-	281,633
<i>Borrowed money (Note 6)</i> .....	11,898	11,726	210	112,351
<i>Foreign exchanges</i> .....	9	10	2	84
<i>Other liabilities</i> .....	8,992	4,684	6,393	84,910
<i>Reserve for bonus</i> .....	997	703	453	9,414
<i>Accrued severance and pension liabilities (Note 8)</i> .....	11,352	6,054	3,241	107,195
<i>Deferred income taxes on land revaluation</i> .....	17,197	13,558	5,805	162,389
<i>Negative goodwill</i> .....	65	-	87	613
<i>Acceptances and guarantees</i> .....	36,522	16,995	16,407	344,872
<b>Total liabilities</b> .....	<b>¥ 2,495,261</b>	<b>¥ 1,607,626</b>	<b>¥ 968,932</b>	<b>\$ 23,562,426</b>
<b>Minority interest</b> .....	<b>¥ 163</b>	<b>¥ 16</b>	<b>¥ 136</b>	<b>\$ 1,539</b>
<b>Shareholders' equity:</b>				
<i>Capital stock</i> .....	¥ 20,915	¥ 20,915	¥ 32,300	\$ 197,497
<i>Capital surplus</i> .....	62,383	15,936	17,898	589,074
<i>Retained earnings (accumulated deficits)</i> .....	(12,341)	19,138	826	(116,534)
<i>Land revaluation reserve, net of taxes (Note 6)</i> .....	25,332	19,977	8,546	239,206
<i>Unrealized gain on securities, net</i> .....	11,443	2,859	195	108,054
<b>Total shareholders' equity</b> .....	<b>¥ 107,733</b>	<b>¥ 78,827</b>	<b>¥ 59,767</b>	<b>\$ 1,017,308</b>
<b>Total liabilities, minority interest and shareholders' equity</b> .....	<b>¥ 2,603,157</b>	<b>¥ 1,686,471</b>	<b>¥ 1,028,836</b>	<b>\$ 24,581,274</b>

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Income and Retained Earnings**

For the years ended March 31, 2004 and 2003

	Millions of yen			Thousands of U.S.dollars (Note 2)
	2004	2003	2003	2004
	Shinwa Bank		Kyushu Bank	
<b>Income:</b>				
<i>Interest income</i> .....	¥ 57,697	¥ 35,144	¥ 25,633	\$ 544,825
<i>Interest on loans and discounts</i> .....	51,349	29,515	24,414	484,881
<i>Interest and dividends on securities</i> .....	6,289	5,536	1,212	59,386
<i>Interest on call loans</i> .....	18	35	1	169
<i>Interest on deposits with banks</i> .....	0	2	0	0
<i>Other interest income</i> .....	38	53	4	358
<i>Fees and commissions</i> .....	7,129	5,218	2,010	67,318
<i>Other operating income</i> .....	669	975	1,151	6,317
<i>Other income</i> .....	2,751	2,153	1,233	25,977
<b>Total income</b> .....	<b>¥ 68,247</b>	<b>¥ 43,491</b>	<b>¥ 30,029</b>	<b>\$ 644,447</b>
<b>Expenses:</b>				
<i>Interest expenses</i> .....	¥ 3,642	¥ 2,015	¥ 2,396	\$ 34,390
<i>Interest on deposits</i> .....	2,419	980	2,183	22,842
<i>Interest on negotiable certificates of deposits</i> .....	27	33	2	254
<i>Interest on call money</i> .....	46	107	1	434
<i>Interest on payables under repurchase agreements</i> .....	1	-	-	9
<i>Interest on collateral money for bond lending</i> .....	40	2	-	377
<i>Interest on borrowed money</i> .....	159	260	8	1,501
<i>Interest on convertible bonds</i> .....	-	-	189	-
<i>Other interest expenses</i> .....	946	629	11	8,932
<i>Fees and commissions</i> .....	3,405	1,954	1,421	32,152
<i>Other operating expenses</i> .....	39	106	51	368
<i>General and administrative expenses</i> .....	36,156	25,503	15,345	341,416
<i>Other expenses</i> .....	60,386	11,681	10,094	570,217
<b>Total expenses</b> .....	<b>¥ 103,630</b>	<b>¥ 41,261</b>	<b>¥ 29,309</b>	<b>\$ 978,564</b>
<i>Operating profit(loss)</i> .....	(35,383)	2,230	720	(334,117)
<i>Extraordinary profit</i> .....	1,467	1,015	1,539	13,852
<i>Extraordinary loss</i> .....	2,124	785	1,457	20,056
<i>Income(loss) before income taxes</i> .....	(36,039)	2,460	802	(340,311)
<i>Income taxes</i> .....	91	703	770	859
<i>Deferred income taxes</i> .....	(1,844)	1,039	(845)	(17,412)
<i>Minority Interests</i> .....	10	2	6	94
<b>Net income(loss)</b> .....	<b>¥ (34,297)</b>	<b>¥ 715</b>	<b>¥ 870</b>	<b>\$ (323,862)</b>

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Shareholders' Equity**

For the years ended March 31, 2004 and 2003

	Millions of yen			Thousands of U.S.dollars (Note 2)
	2004	2003	2003	2004
		Shinwa Bank	Kyushu Bank	
<b>Capital surplus:</b>				
<b>Balance at the beginning of year</b> .....	¥ 15,936	¥ 15,936	¥ 11,576	\$ 150,481
<b>Increase of capital surplus</b> .....	<b>46,446</b>	-	15,000	<b>438,583</b>
<i>Increase due to merger</i> .....	46,446	-	-	438,583
<i>Increase due to issuance of preferred stocks</i> .....	-	-	15,000	-
<b>Decrease of capital surplus</b> .....	-	-	8,677	-
<i>Decrease due to compensation for loss</i> .....	-	-	8,677	-
<b>Balance at the end of year</b> .....	<b>¥ 62,383</b>	<b>¥ 15,936</b>	<b>¥ 17,898</b>	<b>\$ 589,074</b>
<b>Retained earnings:</b>				
<b>Balance at the beginning of year</b> .....	19,138	21,496	(8,770)	180,717
<b>Increase of retained earnings</b> .....	<b>4,081</b>	873	9,596	<b>38,536</b>
<i>Net income</i> .....	-	715	870	-
<i>Transfer from capital surplus</i> .....	-	-	8,677	-
<i>Transfer from land revaluation reserve</i> .....	3,191	157	48	30,132
<i>Increase due to merger</i> .....	833	-	-	7,865
<i>Increase due to merger of subsidiaries</i> .....	24	-	-	226
<i>Increase due to addition of subsidiaries</i> .....	31	-	-	292
<b>Decrease of retained earnings</b> .....	<b>35,561</b>	3,231	-	<b>335,797</b>
<i>Net loss</i> .....	34,297	-	-	323,862
<i>Cash dividends paid</i> .....	1,200	3,231	-	11,331
<i>Decrease due to addition of subsidiaries</i> .....	63	-	-	594
<b>Balance at the end of year</b> .....	<b>¥ (12,341)</b>	<b>¥ 19,138</b>	<b>¥ 826</b>	<b>\$ (116,534)</b>

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Cash Flows**

For the years ended March 31, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2004	2003	2003	2004
		Shinwa Bank	Kyushu Bank	
<b>Cash Flows from Operating Activities:</b>				
Income (Loss) before income taxes	¥ (36,039)	¥ 2,460	¥ 802	\$ (340,311)
Depreciation	2,455	1,604	1,149	23,182
Amortization of negative goodwill	(21)	-	(21)	(198)
Equity in loss of affiliates	28	4	-	264
Increase (decrease) in reserve for possible loan losses	7,882	(2,121)	(2,041)	74,428
Increase in reserve for possible losses on investment securities	580	-	-	5,476
Decrease in reserve for possible losses on sale of loans	-	(8)	-	-
Decrease in reserve for bonus	(158)	(314)	(127)	(1,491)
Increase in accrued severance and pension liabilities	673	880	603	6,355
Income from investments	(57,697)	(35,144)	(25,633)	(544,825)
Expenses for procurement of funds	3,642	2,015	2,396	34,390
Net (gain) loss related to securities transactions	(1,224)	(678)	655	(11,558)
Net (gain) loss from money held in trust	(110)	38	-	(1,038)
Exchange gain	(14)	(15)	-	(132)
Net (gain) loss from disposition of premises and equipment	1,181	(227)	(123)	11,152
Net change in loans and bills discounted	106,032	(20,037)	4,851	1,001,246
Net change in deposits	(116,188)	12,779	(1,182)	(1,097,148)
Net change in negotiable certificates of deposit	9,586	(1,355)	-	90,519
Net change in borrowings excluding subordinated debt	(39)	(201)	(36)	(368)
Net change in due from banks (excluding due from Bank of Japan)	3,881	969	3,037	36,647
Net change in call loans	(341)	26,708	-	(3,220)
Net change in call money	(2,947)	(2,015)	(58)	(27,828)
Net change in deposits for securities loans	28,659	1,165	-	270,623
Net change in foreign exchanges (assets)	(681)	(991)	(148)	(6,430)
Net change in foreign exchanges (liabilities)	(3)	7	1	(28)
Interest received	57,406	36,247	26,336	542,077
Interest paid	(3,772)	(2,085)	(2,187)	(35,618)
Other, net	161	(328)	(2,057)	1,520
<b>Sub-total</b>	<b>2,931</b>	<b>19,356</b>	<b>6,215</b>	<b>27,677</b>
Income taxes paid	(1,730)	(1,026)	(47)	(16,336)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,200</b>	<b>18,330</b>	<b>6,168</b>	<b>11,331</b>
<b>Cash Flows from Investing Activities :</b>				
Payment for purchase of securities	(178,079)	(85,268)	(32,001)	(1,681,576)
Proceeds from sales of securities	32,113	27,836	42,426	303,238
Proceeds from maturity of securities	73,547	53,764	26,740	694,494
Increase in money held in trust	(3,000)	(1,000)	-	(28,328)
Decrease in money held in trust	-	2,961	-	-
Payment for purchase of premises and equipment	(2,233)	(1,157)	(1,892)	(21,085)
Proceeds from sales of premises and equipment	1,372	783	1,448	12,955
Payment for purchase of subsidiaries' stocks	(49)	-	(67)	(462)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>76,327</b>	<b>(2,080)</b>	<b>36,653</b>	<b>720,745</b>
<b>Cash Flows from Financing Activities :</b>				
Repayment of subordinated loans	-	(5,000)	-	-
Cash dividends paid	(1,200)	(3,230)	-	(11,331)
Dividends paid to minority interests	(1)	-	(2)	(9)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(1,201)</b>	<b>(8,230)</b>	<b>(2)</b>	<b>(11,340)</b>
Effect of exchange rate-changes on cash and cash equivalents	14	15	-	132
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(76,314)</b>	<b>8,035</b>	<b>42,819</b>	<b>(720,623)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>89,119</b>	<b>81,083</b>	<b>37,427</b>	<b>841,539</b>
<b>Increase in cash and cash equivalents incidental to the amalgamation</b>	<b>80,246</b>	<b>-</b>	<b>-</b>	<b>757,752</b>
Increase in cash and cash equivalents incidental to the amalgamation of consolidated subsidiaries	0	-	-	0
Increase in cash and cash equivalents incidental to the consolidation	0	-	-	0
<b>Cash and Cash Equivalents at the End of Year</b>	<b>¥ 93,051</b>	<b>¥ 89,119</b>	<b>¥ 80,246</b>	<b>\$ 878,668</b>

The accompanying notes are an integral part of these statements.



## Notes to Consolidated Financial Statements

### 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by The Shinwa Bank, Ltd.(the“Bank”) and its subsidiaries in accordance with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Commercial Code, other applicable rules and regulations, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accompanying consolidated financial statements are compiled from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, and include certain additional financial information for the convenience of readers outside Japan.

Under the Enforcement Regulations of the Japanese Banking Law, all yen figures are rounded down to the nearest one million yen. Accordingly, breakdown figures may not add up to sums.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Bank merged with The Kyushu Bank, Ltd. on April 1, 2003, then starting the first fiscal year (from April 1, 2003 to March 31, 2004) of the consolidated bank. As for the year ended March 31, 2003, hence, these consolidated financial statements show data and notes of the two banks.

### 2. U.S.dollar amounts

U.S.dollar amounts presented in the accompanying financial statements are included solely for convenience of readers outside Japan. The rate of ¥105.90 = US\$1.00, prevailing on March 31, 2004, has been used for the translation. The inclusion of such amounts should not be construed as representations that Japanese yen amounts have been or could be converted into U.S.dollars at this rate or any other rate.

### 3. Consolidated subsidiaries

Shinwa Business Services Co., Ltd.

Shinwa System Services Co., Ltd.

Shinwa Real Estate Services Co., Ltd.

Shinwa Research Institute of Economy and Culture, Inc.

Shinwa Venture Capital Co., Ltd.

Kyushu Union Credit Co., Ltd.

Taisei Finance Co., Ltd.

### 4. Fiscal year of subsidiaries

All consolidated subsidiaries have their fiscal year ends on March 31.

### 5. Significant accounting policies

#### (1) Trading account securities

Listed trading account securities are stated at fair value. The cost is determined by the moving average method.

#### (2) Investment securities

a. Equity investments in subsidiaries and affiliates are stated at cost. Marketable equity securities and debt securities classified as other securities are carried at fair value with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. Unquoted equity securities are carried at cost determined by the moving average or amortized cost.

b. Securities, managed as trust assets for money in trust, primarily for the sole purpose of investing in securities, are stated at fair value.

#### (3) Derivatives

Derivatives transactions are stated at fair value.

#### (4) Depreciation

##### a. Premises and equipment

Depreciation of premises and equipment is calculated using the declining balance method, except that depreciation for buildings (excluding building improvements) acquired on or after April 1, 1998, is calculated using the straight-line method.

Useful Life:	2004		2003	
	For the Years ended March 31		Shinwa Bank	Kyushu Bank
Useful Life				
Building	3-50 years	18-50 years	3-50 years	
Equipment	3-20 years	3-20 years	3-20 years	

##### b. Software

Software for internal use is amortized on a straight-line basis over the estimated useful lives (five years).

#### (5) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued the "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005. The Bank has not yet applied this new standard nor has determined the effect of applying it on the Bank's consolidated financial statements for the year ended March 31, 2004.

#### (6) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the respective balance sheet dates.

#### (7) Reserve for possible loan losses

Write-offs of loans and reserves for possible loan losses are calculated as follows:

a. For claims to legally bankrupt customers and those to virtually bankrupt customers, a reserve is provided on the balance after deducting from the book value of claims the anticipated amount recoverable

through disposal of collateral and the anticipated amount recoverable by guarantees.

b. For claims to potentially bankrupt customers, a reserve is provided on the balance considered necessary after deducting from the amount of claims the anticipated amount recoverable through disposal of collateral and the anticipated amount recoverable by guarantees.

c. For the other claims, a reserve is provided using default rates computed based on the loan loss incurred during a certain period in the past.

All claims are assessed by our branches and business divisions based on the self-assessment rules for asset quality, and asset inspection divisions which are independent from branches and business divisions audit their assessment. Based on the results of the audits, reserves are provided. For a portion of claims, with a collateral or a guarantee, to legally or virtually bankrupt customers, the assessed amount of collateral and the anticipated amount recoverable by guarantees are deducted from the amount of claims.

The balance written off as unrecoverable is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
			Shinwa Bank	Kyushu Bank
Write-offs as Unrecoverable	94,532	20,979	43,998	892,653

#### (8) Reserve for Possible Losses on Investment Securities

Reserve for possible losses on investment securities is provided, in provision for losses on investment securities, by the necessary amount after consideration for financial standing of issuers.

#### (9) Employee Bonus

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses, which are attributable to this fiscal term.

#### (10) Employees' Retirement Benefits

Effective April 1, 2000, the Accounting Standard for Retirement Benefit was issued by the Business Accounting Deliberation Council. In accordance with the new standard, accrued severance indemnities are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the annual period. Prior service costs are amortized over a certain period (10 years) within employees' average remaining service period on a straight-line basis. Actuarial gains or losses are amortized over a certain period (10 years) within employees' average remaining service period on a straight-line basis from the next period. The unrecognized transition obligation at the date of adoption was partly offset against a gain on securities contribution to an employee retirement benefit trust in 2001 and the remaining amount is amortized over 5 years.

Transitional obligation is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
			Shinwa Bank	Kyushu Bank
Transition Obligation	6,973	6,973	4,302	65,845
Contribution to Employee Retirement Trust	3,626	3,626	-	34,239
Remaining Amount Amortized	3,347	3,347	4,302	31,605

The Kyushu Bank's change of accounting method:

In the prior years, The Kyushu Bank, Ltd. had amortized its transitional obligation over 15 years and reported as an operating expense. However, from the year ended March 31, 2003, The Kyushu Bank, Ltd. changed its accounting method of amortization such that its transitional obligation is amortized over 3 years and reported as an extraordinary loss. This change was to establish its sound financial condition at an earlier stage and set up the same accounting method as The Shinwa Bank applies (amortization period: 5 years) in accordance with "Accounting Treatment for Transitional Obligation of Retirement Benefit (JICPA Research Center's Deliberation Bulletin No. 13 Issued on March 22, 2000)." As a result of this accounting change, the operating profit and the income before income taxes for the year ended March 31, 2003 increased by ¥286 million and decreased by ¥955 million, respectively, compared to the figures that would have been reported based on the previous accounting method.

#### (11) Leases

Finance leases other than those, which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method similar to that applicable to ordinary operating leases.

#### (12) Consumption Taxes

No national and local consumption taxes are included in expenses.

#### (13) Hedge Accounting

From the fiscal year ended March 31, 2004, the Bank started utilizing a deferral method of hedge accounting for interest rate risks in financial assets and liabilities. In the previous year as the transitional treatment the Bank employed the macro-hedge method to manage the overall interest rate risk inherent in various financial assets and liabilities by using derivatives in accordance with "Accounting and Audit Treatment of Accounting Standards for Financial Instruments in Banking Industry (JICPA Industry Audit Committee Report No. 24)." Of the deferred hedge losses at the end of the current fiscal year, ¥282 million (US\$2,662 thousand) was attributable to the macro-hedge method. For the fiscal years ended March 31, 2004 and 2003, such a loss was employed as fund-raising costs according to remaining periods and notional principals of hedge instruments.

**6. Notes to Balance Sheets**

(1) Investment securities include stock issued by affiliated companies listed as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
			Shinwa Bank	Kyushu Bank
Stock issued by Affiliated Companies	157	190	-	1,482

(2) Loans and bills discounted include "loans to legally bankrupt borrowers" and "delinquent loans" listed as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
			Shinwa Bank	Kyushu Bank
Loans to Legally Bankrupt Borrowers	15,504	17,011	7,978	146,402
Delinquent Loans	142,472	85,107	40,877	1,345,344

"Loans to legally bankrupt borrowers" represent loans meeting the following conditions:

- Loans on which no interest is accrued(excluding the portion written off, referred to hereinafter as the "loans without accrued interest"), as their principal or interest amounts are deemed uncollectable due to the delinquency of principal or interest continued over the considerable time of period and other factors.
- Loans meeting prescribed by the item 3-(a) through (e) or item 4 of Paragraph 2, Article 96 of the Corporation Tax Law Enforcement Regulations (1965 Government Ordinance No.97).

"Delinquent loans" represent the loans without accrued interest, excluding loans to "legally bankrupt borrowers" or "loans with interest payments postponed for purposes of restructuring or supporting borrowers' business".

(3) Loans and bills discounted include "Loans with overdue period of three months or more" listed as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
			Shinwa Bank	Kyushu Bank
Loans with Overdue Period of Three Months or More	114	212	83	1,076

"Loans with overdue period of three months or more" represent those loans for which principal or interest payments are in arrears for three months or more from the day following the agreed payment date, but do not come under "loans to legally bankrupt borrowers" or "delinquent loans".

(4) Loans and bills discounted include "loans with relaxed conditions" listed as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
			Shinwa Bank	Kyushu Bank
Loans with Relaxed Conditions	60,246	23,932	45,409	568,895

"Loans with relaxed conditions" refers to the following:

Loans for which certain conditions have been relaxed for the benefit of the borrower through measures such as the reduction and exemption of interest, the deferment of interest payments, the deferment of principal repayments, or the abandonment of claims in order to reconstruct or support the borrowers'

business, but do not come under "loans to legally bankrupt borrowers", "delinquent loans", or "loans with overdue period of three months or more".

(5) "Loans to legally bankrupt borrowers," "delinquent loans," "loans with overdue period of three months or more" and "loans with relaxed conditions" totaled as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
			Shinwa Bank	Kyushu Bank
Total Amount of Loans and Bills Discounted				
Listed in Items (2), (3) and (4) above	218,338	126,263	94,348	2,061,737

**(6) Land Revaluation**

In accordance with the law concerning the revaluation of land (Law No.34 promulgated on March 31, 1998), land for business use has been revalued. The tax effect of the revaluation difference is recorded as "Deferred income tax on land revaluation" in liabilities and the remaining after-tax amount is recorded as "Land revaluation reserve, net of tax" in shareholders' equity.

Date of revaluation: March 31, 1998.

Methods for revaluation set forth in Article 3, paragraph 3 of the law concerning revaluation of land: Land prices are determined based on assessed amount for taxes on fixed assets as set forth in Article 2, item 3 of the enforcement ordinance concerning land revaluation (Government Ordinance No. 119 promulgated on March 31, 1998), reflecting appropriate adjustments including the price adjustment for depth of the land, time adjustment, and adjustment based on recent sales prices of adjacent land.

Excess of the total fair value of the land for business use revalued under Article 10 of the law over the total book value of the land after revaluation are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
			Shinwa Bank	Kyushu Bank
Excess of the Total Fair Value of the Land for Business Use Revalued	22,307	16,088	8,154	210,642

(7) Accumulated depreciation of premises and equipment are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
			Shinwa Bank	Kyushu Bank
Accumulated Depreciation of Premises and Equipment	41,050	28,591	13,012	387,629

**(8) Pledged Assets**

Assets that are pledged as collateral at March 31, 2004 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
	Shinwa Bank	Kyushu Bank		
Assets that are Pledged as Collateral				
Securities	1,409	1,530	4,326	13,305
Obligations Corresponding to Collateral Assets				
Deposits	-	-	927	-
Acceptances and Guarantees	622	249	-	5,873
Collateral Money for Bond Lending	-	1,165	-	-

In addition, Securities sold under repurchase agreements and those lending with cash collateral are ¥31,035 million (US\$293,059 thousand) as at March 31, 2004, which correspond to ¥1,011 million (US\$9,546 million) of payables under repurchase agreements and ¥29,825 million (US\$281,633 thousand) of collateral money for bond lending.

Besides, the following assets are pledged as collateral.

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
	Shinwa Bank	Kyushu Bank		
Collateral to Exchange Settlements and for				
Deposit Money of Future				
Securities	116,919	88,624	22,142	1,104,050
Cash and Due from Banks	6	-	8	56
Premises and Equipment				
Guarantee Deposits	4,017	887	3,199	37,932

Collateral to Exchange Settlements and for

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
	Shinwa Bank	Kyushu Bank		
Deposit Money of Future				
Securities	116,919	88,624	22,142	1,104,050
Cash and Due from Banks	6	-	8	56
Premises and Equipment				
Guarantee Deposits	4,017	887	3,199	37,932

**(9) Commitment lines**

Commitment lines are agreements relating to loans and current accounts where borrowing is applicable up to a certain limit upon the request of borrowers as long as no breach is made under the terms and conditions of relative loan agreements. The unused commitment balance relating to these loan agreements is listed as below, all of which can terminate within one year, or can be unconditionally cancelled at any time.

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
	Shinwa Bank	Kyushu Bank		
Unused Commitment Balance	468,413	329,452	68,013	4,423,163

Many of the agreements cease, with no loan applied; thereby, the unused loan commitment will not necessarily affect future cash flows. Such conditions are included in the agreements that allow us to stop loans or to decrease applicable limits for the purpose of our protecting loan assets or of addressing material change in business conditions. We implement protection of loan assets through, if necessary, securing collaterals (real estate, securities, etc.) or other measures. After agreement effected, according to our lending procedures we review financial condition of borrowers. If any, we take necessary measures including revision of agreement and security of loan assets.

**(10) "Borrowed money" include loans of which repayment orders are subordinated to all other debts as follows:**

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
	Shinwa Bank	Kyushu Bank		
Borrowed Money of which Repayment Orders are				
Subordinated to All Other Debts	4,900	4,900	-	46,270

**7. Market Values of Securities****(1) Trading account securities**

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2004
	Shinwa Bank	Kyushu Bank		
Book Value	67	156	-	632
Unrealized Profit (Loss)	(0)	0	-	(0)

**(2) Marketable bonds to be held until maturity**

None

**(3) Other marketable securities**

As of March 31, 2004	Millions of yen			Thousands of U.S. dollars(Note 2)
	Cost	Book value	Unrealized profit(loss)	Unrealized profit(loss)
Stocks	41,172	49,665	8,492	80,188
Bonds	373,960	378,430	4,470	42,209
Government bonds	235,615	237,098	1,483	14,003
Local government bonds	61,454	62,995	1,541	14,551
Corporate bonds	76,890	78,335	1,445	13,644
Others	63,224	67,904	4,679	44,183
Total	478,357	496,000	17,642	166,591

Book value is calculated by using the closing prices of the Tokyo Stock Exchange at the end of the fiscal year .

As of March 31, 2003	Millions of yen		
	Cost	Book Value	Unrealized Profit (Loss)
Stocks	31,161	27,936	(3,224)
Bonds	257,172	264,791	7,619
Government Bonds	142,588	145,661	3,072
Local Government Bonds	53,210	55,672	2,462
Corporate Bonds	61,373	63,458	2,084
Others	29,132	29,540	408
Total	317,466	322,269	4,802

Book value is calculated by using the closing prices of the Tokyo Stock Exchange at the end of the fiscal year.

Kyushu Bank As of March 31, 2003	Millions of yen		
	Cost	Book Value	Unrealized Profit (Loss)
Stocks	8,821	7,820	(1,000)
Bonds	82,910	84,610	1,700
Government Bonds	41,760	42,138	377
Local Government Bonds	7,284	7,767	483
Corporate Bonds	33,865	34,704	839
Others	1,671	1,302	(369)
Total	93,404	93,733	329

Book value is calculated by using the closing prices of the Tokyo Stock Exchange at the end of the fiscal year.

#### (4) Bonds sold before maturity

None

#### (5) Other marketable securities sold

As of March 31, 2004			Thousands of U.S. dollars (Note 2)		
Millions of yen			Thousands of U.S. dollars (Note 2)		
Amount	Gain	Loss	Amount	Gain	Loss
32,110	1,595	76	303,210	15,061	717

Shinwa Bank As of March 31, 2003		
Millions of yen		
Amount	Gain	Loss
27,836	2,508	6

Kyushu Bank As of March 31, 2003		
Millions of yen		
Amount	Gain	Loss
41,261	1,338	236

#### (6) Book value of other securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Unlisted Stocks (excluding OTC Stocks)	6,394	1,495	4,455	60,377
Private Placement Corporate Bonds	6,993	4,235	-	60,033

#### (7) Securities the Bank changed aims of holding

None

#### (8) Other Securities with maturities are redeemable under the following schedule:

As of March 31, 2004	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Stocks	-	-	-	3,780
Bonds	40,700	239,243	70,857	34,623
Government Bonds	27,484	153,154	21,836	34,623
Local Government Bonds	950	27,088	34,957	-
Corporate Bonds	12,265	59,000	14,063	-
Others	-	21,916	20,550	7,289
Total	40,700	261,159	91,407	45,693

As of March 31, 2004	Thousands of U.S. dollars (Note 2)			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Stocks	-	-	-	35,694
Bonds	384,324	2,259,140	669,093	326,940
Government Bonds	259,527	1,446,213	206,194	326,940
Local Government Bonds	8,970	255,788	330,094	-
Corporate Bonds	115,816	557,129	132,795	-
Others	-	206,949	194,050	68,829
Total	384,324	2,466,090	863,144	431,473

As of March 31, 2003	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Shinwa Bank				
Stocks	-	-	-	-
Bonds	36,218	134,929	74,451	23,418
Government Bonds	17,921	83,798	20,522	23,418
Local Government Bonds	660	12,661	42,351	-
Corporate Bonds	17,636	38,479	11,577	-
Others	-	10,233	7,938	5,301
Total	36,218	145,173	82,390	28,720

As of March 31, 2003	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Kyushu Bank				
Stocks	-	-	-	3,280
Bonds	17,691	48,462	16,973	1,483
Government Bonds	5,583	29,264	5,806	1,483
Local Government Bonds	104	1,648	6,015	-
Corporate Bonds	12,003	17,549	5,151	-
Others	-	302	696	-
Total	17,691	48,764	17,670	4,763

**8. Retirement Benefits**

(1) Information on the accrued severance and pension liabilities is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Projected Benefit Obligation	(26,111)	(14,941)	(9,231)	(246,562)
Plan Assets at Fair Value	9,584	4,197	2,415	90,500
Unfunded Benefit Obligation	(16,526)	(10,744)	(6,815)	(156,052)
Unrecognized Net Benefit Obligation in Transition	621	1,243	1,382	5,864
Unrecognized Actuarial Differences	4,581	3,446	2,224	43,257
Unrecognized Prior Service Costs	(28)	-	(32)	(264)
Net Amount Recognized in the Consolidated Balance Sheets	(11,352)	(6,054)	(3,241)	(107,195)
Accrued Severance and Pension Liabilities	(11,352)	(6,054)	(3,241)	(107,195)

(2) Net periodic severance and pension costs are as follows:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Service Costs	1,283	1,384	655	12,115
Interest Costs	602	440	399	5,684
Expected Return on Plan Assets	(135)	(122)	(192)	(1,274)
Amortization of Prior Service Costs	(4)	-	(40)	(37)
Amortization of Actuarial Differences	614	359	363	5,797
Amortization of Net Benefit Obligation in Transition	621	669	1,242	5,864
Gain or Loss on the Release from the Substitutional Portion of the Government's Welfare Pension Insurance Scheme	-	(385)	(812)	-
Others	(87)	(188)	(97)	(821)
Net Periodic Severance and Pension Costs	2,895	2,157	1,517	27,337

(3) Assumptions used in the accounting for the retirement benefits are as follows:

For the Years ended March 31	2004		2003	
	Shinwa Bank		Kyushu Bank	
Discount Rate	2.0%	2.5%	2.5%	
Expected Return Rate	2.5%	2.5%	3.0%	
Method Attributing Expected Benefits to Periods of Service	Straight-Line	Straight-Line	Straight-Line	
Amortization Period of Prior Service Costs	10 years	-	10 years	
Amortization Period of Actuarial Differences	10 years	10 years	10 years	
Amortization Period of Net Benefit Obligation in Transition	5 years	5 years	3 years	

**9. Finance Leases**

Finance lease transactions, except where the ownership of the leased assets is regarded as being transferred to the lessee, are as follows:

(1) As Lessee

For the Year ended March 31, 2004	Millions of yen			Thousands of U.S. dollars(Note 2)
	Movables	Others	Total	Total
Amount Equivalent to the Purchased Prices of the Leased Assets	2,917	-	2,917	27,544
Amount Equivalent to Accumulated Depreciation	1,239	-	1,239	11,699
Amount Equivalent to Balance at Fiscal-Year End	1,678	-	1,678	15,845

For the Year ended March 31, 2003

Shinwa Bank	Millions of yen		
	Movables	Others	Total

Amount Equivalent to the Purchased Prices of the Leased Assets

	2,903	-	2,903
Amount Equivalent to Accumulated Depreciation	1,311	-	1,311
Amount Equivalent to Balance at Fiscal-Year End	1,591	-	1,591

For the Year ended March 31, 2003

Kyushu Bank	Millions of yen		
	Movables	Others	Total

Amount Equivalent to the Purchased Prices of the Leased Assets

	143	-	143
Amount Equivalent to Accumulated Depreciation	71	-	71
Amount Equivalent to Balance at Fiscal-Year End	71	-	71

Amount Equivalent to Lease Payable:

For the year ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Within One Year	525	463	14	4,957
Over One Year	1,153	1,128	-	10,887
Total	1,678	1,591	14	15,845

For the year ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		

Lease Fees Paid	710	489	90	6,704
Amount Equivalent to Depreciation	710	489	48	6,704
Amount Equivalent to Interest Paid	-	-	3	-

Note: The lease period is set at the useful life of the assets and the straight-line method of depreciation is used to compute the remaining value of the assets.

## (2) As Lessor

For the Year ended March 31, 2004	Millions of yen			Thousands of U.S. dollars(Note 2)
	Movables	Others	Total	Total
Purchased Prices of the Leased Assets	2,267	-	2,267	21,406
Accumulated Depreciation	746	-	746	7,044
Balance at Fiscal Year-End	1,520	-	1,520	14,353

## For the Year ended March 31, 2003

Kyushu Bank	Millions of yen			Thousands of U.S. dollars(Note 2)
	Movables	Others	Total	
Purchased Prices of the Leased Assets	1,806	-	1,806	
Accumulated Depreciation	444	-	444	
Balance at Fiscal Year-End	1,362	-	1,362	

## Amount Equivalent to Lease Receivable:

For the Years ended March 31	Millions of yen			Thousands of U.S. dollars(Note 2)
	2004	2003	2004	2004
		Shinwa Bank	Kyushu Bank	
Within One Year	591	-	479	5,580
Over One Year	1,170	-	1,088	11,048
Total	1,761	-	1,567	16,628

For the Years ended March 31	Millions of yen			Thousands of U.S. dollars(Note 2)
	2004	2003	2004	2004
		Shinwa Bank	Kyushu Bank	
Lease Fees Paid	598	-	513	5,646
Depreciation Costs	522	-	437	4,929
Interest Incomes Included in Lease Incomes	28	-	43	264

**10. Financial Derivative Transactions**

## (1) Financial Derivatives Transactions

The Bank enters into bond futures, bond over-the-counter (OTC) options and interest rate swaps for the purpose of hedging risks associated with interest rate fluctuations. In addition, the Bank enters into forward foreign exchange contracts for the purpose of hedging risks associated with currency fluctuation.

The Bank applies the Japanese standards for capital adequacy ratio to calculate the amount of credit risk associated with interest rate related transactions. The current risk as of March 31, 2004 and 2003 is as follows:

As of March 31	Millions of yen			Thousands of U.S. dollars(Note 2)
	2004	2003	2004	2004
		Shinwa Bank	Kyushu Bank	
Current Risk	53	72	-	500

## (2) Market value of derivative financial instruments

## a. Interest Rate Related Transactions

March 31	Millions of yen				Thousands of U.S. dollars
	Contractual or notional amounts	Over one year	Market value	Unrealized Profit/(Loss)	2004 Unrealized Profit/(Loss)
Over-the-counter Transactions:					
Forward Rate Agreements:	-	-	-	-	-
Interest Rate Swaps					
Receipts Fixed/ payments Floating	-	-	-	-	-
Receipts Floating/ Payments Fixed	10,716	10,716	(380)	(380)	(3,588)
Receipts Floating/ Payments Floating	-	-	-	-	-
Interest Rate Options:	-	-	-	-	-
Others:	-	-	-	-	-
Total	/	/	(380)	¥ (380)	\$ (3,588)

Note: The Market values of the over-the-counter transactions are calculated according to the discounted current value, the pricing model and etc.

As of March 31, 2003 Kyushu Bank	Millions of yen			
	Contractual or notional amounts	Over one year	Market value	Unrealized Profit/(Loss)
Over-the-counter Transactions:				
Forward Rate Agreements	-	-	-	-
Interest Rate Swaps				
Receipts Fixed/Payments Floating	-	-	-	-
Receipts Floating/Payments Fixed	249	249	(18)	(18)
Receipts Floating/Payments Floating	-	-	-	-
Interest Rate Options	-	-	-	-
Others	-	-	-	-
Total	/	/	(18)	(18)

Note: The market values of the over-the-counter transactions are calculated according to the discounted current value, the pricing model and so on.

Note: As for the Shinwa Bank, Ltd., the macro-hedge method was employed for interest rate-related transactions as of March 31, 2003.

## b. Foreign Exchange Related Transactions

March 31	Millions of yen				Thousands of U.S. dollars
	Contractual or notional amounts	Over one year	Market value	Unrealized Profit/(Loss)	2004 Unrealized Profit/(Loss)
Over-the-counter Transactions:					
Currency swaps:					
U.S.\$	¥ 31,415	¥ 31,415	¥ (131)	¥ (131)	\$ (1,237)
Over-the-counter Transactions:					
Forward foreign exchange contracts:					
Sold	2,890	-	(1)	(1)	(9)
Bought	2,857	-	15	15	141
Currency options:	-	-	-	-	-
Other:	-	-	-	-	-
Total	/	/	¥(118)	¥(118)	\$ (1,114)

Note: The market values are calculated according to the discounted current value and the market value.

As of March 31, 2003 Shinwa Bank	Millions of yen			
	Contractual or Notional Amounts	Over One Year	Market Value	Unrealized Profit/(Loss)
Over-the-Counter Transactions				
Currency Swaps				
U.S.\$	12,180	10,954	(17)	(17)
Others	-	-	-	-
Total	/	/	(17)	(17)

Note: The market values are calculated according to the discounted current value and the market value.

As of March 31, 2003	Millions of yen	
	Shinwa Bank	Kyushu Bank
Over-the-Counter Transactions		
Forward Foreign Exchange Contracts		
Sold	164	67
Bought	567	60
Currency Options		

## c. Equity Related Transactions

None

## d. Bond Related Transactions

None

## e. Commodity-Related Transactions

None

## f. Credit Derivative Transactions

As of March 31, 2004	Millions of yen				Thousands of U.S. dollars(Note 2)
	Contractual or Notional Amounts	Over One Year	Market Value	Unrealized Profit/(Loss)	Unrealized Profit/(Loss)
Over-the-Counter Transactions					
Credit Default Swap					
Sold	1,000	1,000	33	33	311
Bought	-	-	-	-	-
Total	/	/	33	33	311

Note: The market values are calculated according to the discounted current value and the market value. Derivative transactions under hedge accounting are excluded from these figures.

As of March 31, 2003 Shinwa Bank	Millions of yen			
	Contractual or Notional Amounts	Over One Year	Market Value	Unrealized Profit/(Loss)
Over-the-Counter Transactions				
Credit Default Swap				
Sold	1,000	1,000	34	34
Bought	-	-	-	-
Total	/	/	34	34

Note: The market values are calculated according to the discounted current value and the market value. Derivative transactions under hedge accounting are excluded from these figures.

**11. Income Tax**

(1) The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	2003
		Shinwa Bank	Kyushu Bank	
Deferred Tax Assets:				
Reserve for Possible Loan Losses	52,285	23,497	18,039	493,720
Accrued Severance and Pension Liabilities	5,121	2,945	1,172	48,356
Tax Loss Carryforwards	2,859	-	41	26,997
Depreciation Expense	994	559	518	9,386
Accrued Business Taxes	-	29	61	-
Loss on Write-Down of Investment Securities	-	-	1,128	-
Others	1,531	747	2,265	14,457
Deferred Tax Assets - Sub-total	62,792	27,779	23,227	592,936
Valuation Allowance	(14,115)	-	(4,530)	(133,286)
Total Deferred Tax Assets	48,677	27,779	18,696	459,650
Deferred Tax Liabilities:				
Unrealized Gains on Securities	(6,193)	(1,941)	(133)	(58,479)
Reserve for Deduction of Cost of Premises and Equipment	-	(23)	-	-
Total Deferred Tax Liabilities	(6,193)	(1,965)	(133)	(58,479)
Net Deferred Tax Assets	42,483	25,814	18,563	401,161

(2) For the year ended March 31, 2004, the reconciliation between the normal effective statutory tax rate and the actual effective tax rate is not shown, because the balance before income taxes in the fiscal year was a loss. For the year ended March 31, 2003, the reconciliation is as follows:

For the Year Ended March 31, 2003	Shinwa Bank	Kyushu Bank
Normal Effective Statutory Tax Rate	41.74%	41.70%
Increase (Decrease) in Taxes Resulting from		
Non-deductible Expenses	2.54%	-
Non-Profitable Dividends Received	(5.70%)	-
Equal Allocation of Resident Tax	-	4.67%
Decrease in Deferred Tax Assets Due to Change of Tax Rate	27.58%	56.24%
Gains from Sale of Land Revalued	4.58%	-
Adjustment from Reversal of Land Revaluation Reserve	-	4.34%
Revision of Valuation Allowance	-	(108.45%)
Others	0.08%	(7.76%)
Effective Income Tax Rate	70.82%	(9.26%)



**12. Per-Share Information**

For the Years ended March 31	yen		U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Net Assets Per-share	253.47	378.06	225.98	2.39
Net Income (Loss) Per-share	(111.83)	3.43	5.21	(1.05)
Diluted Net Income Per-share	-	-	4.55	-

The above information is based on the following data:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2004	2003	2004	
	Shinwa Bank	Kyushu Bank		
Net Income (Loss)	(34,297)	715	870	(323,862)
Net Income (Loss) not attributable to Common Shareholders	-	-	187	-
Dividends Paid on Preferable Stocks	-	-	187	-
Net Income (Loss) Available to Common Shareholders	(34,297)	715	683	(323,862)
Adjusted Net Income	-	-	110	-
Interest Paid, Net of Taxes	-	-	110	-
	Thousands			
Weighted Average Number of Shares of Common Stocks Outstanding	306,671	208,501	130,894	
Increase in Common Stocks	-	-	84,507	
Common Stocks Converted	-	-	84,507	

Notes: (1) For the year ended March 31, 2004, diluted net income per-share is not shown, because the net balance in the relative fiscal year was a loss. For the year ended March 31, 2003, diluted net income per-share for Shinwa Bank is not shown, because there were no potential common stocks.

(2) 30,000 thousand of preferred stocks issued and outstanding are not included in the said diluted computation, because such stocks do not have dilution impact.

**13. Merger**

On November 27, 2002, The Shinwa Bank, Ltd. and The Kyushu Bank, Ltd. held Extraordinary Meeting of Shareholders, where the amalgamation of the two banks was approved. In compliance with the resolution, on April 1, 2003, The Shinwa Bank, Ltd. took over from The Kyushu Bank, Ltd. its whole assets, liabilities, other claims and obligations, and employees, with the name "The Shinwa Bank, Ltd."

The details are outlined as follows:

(1)The Shinwa Bank, Ltd. allocated newly-issued 98,170,500 common stocks for common shareholders registered on the list of shareholders dated on March 31, 2003 in the proportion of a common stock of The Kyushu Bank, Ltd. to that of The Shinwa Bank, Ltd. being 1:0.75. Besides, The Shinwa Bank, Ltd. allocated newly-issued 30,000,000 preferred stocks for preferred shareholders registered on the list of shareholders dated on March 31, 2003 in the proportion of a preferred stock of The Kyushu Bank, Ltd. to that of The Shinwa Bank, Ltd. being 1:1.

(2)In consequence of the merger, the shareholders' equity of The Shinwa Bank, Ltd. is changed as follows:

	Billions of yen		Millions of
			U.S. dollars (Note 2)
	As of April 1, 2004	Increase in	As of April 1, 2004
		Shareholder's	
		Equity	
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock	20.9	-	197
Capital Surplus	62.3	46.4	588
Retained Earnings	19.7	0.8	186
Land Revaluation Reserve, Net of Taxes	28.5	8.5	269

(3)The Shinwa Bank, Ltd. took over from The Kyushu Bank, Ltd. its assets and liabilities listed as follows:

	Millions of yen	Thousands of
		U.S. dollars(Note 2)
<b>ASSETS</b>		
Cash and Due from Banks	85,561	807,941
Investment Securities	97,941	924,844
Loans and Bills Discounted	796,108	7,517,544
Foreign Exchanges	318	3,002
Other Assets	5,789	54,664
Premises and Equipment	23,692	223,720
Deferred Income Taxes	21,008	198,375
Customer's Liabilities for Acceptances and Guarantees	16,407	154,929
Reserve for Possible Loan Losses	(21,515)	(203,163)
<b>TOTAL ASSETS</b>	<b>1,025,310</b>	<b>9,681,869</b>
<b>LIABILITIES</b>		
Deposits	936,754	8,845,646
Borrowed Money	210	1,983
Foreign Exchanges	2	18
Other Liabilities	5,088	48,045
Reserve for Bonus	422	3,984
Accrued Severance and Pension Liabilities	4,613	43,559
Deferred Income Taxes on Land Revaluation	5,805	54,815
Acceptances and Guarantees	16,407	154,929
<b>TOTAL LIABILITIES</b>	<b>969,304</b>	<b>9,153,012</b>
<b>NET ASSETS</b>	<b>56,006</b>	<b>528,857</b>