

### PRESIDENT'S STATEMENT

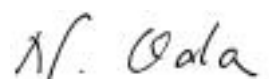
On 1 April 2003, The Shinwa Bank, Ltd. and The Kyushu Bank, Ltd. amalgamated with its new name as "The Shinwa Bank, Ltd." The new bank is headquartered in Sasebo City, Nagasaki Prefecture, with its network spreading over the zone – Fukuoka, Saga, and Nagasaki Prefectures.

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 Kyusyu 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 the holding company; concurrently, the two banks were converted into subsidiaries of the holding company. One year later, as said above, the new Shinwa Bank was set up. The holding company and the new bank have formed Kyushu-Shinwa Financial Group, together with their subsidiaries.

During the term under review the Bank put emphasis upon pursuing higher merger effect and establishing a financial basis for the future. The Bank addressed itself to reduction in personnel and administrative cost to enhance the effect of the amalgamation. Its branch offices decreased by 28 to 138 sites; the number of the work force dropped by 211 to 2,125. On the other hand, the Bank wrote off ¥43,128 million of possible loan losses to create a strong fiscal structure for further developments. Such a write-off caused the Bank to mark ¥17,870 million in the operating loss and ¥20,522 million in the net loss. The capital adequacy ratio was 5.33% at the end of the term.

FY 2005 is the term of finishing in strengthening earning power and operational efficiency. For such purposes, we continuously promote reducing administrative cost 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 2005



Nobuhiko Oda

President

kyushu Shinwa Holdings, Inc.

### Bank Data

The Shinwa Bank, Ltd.

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## Consolidated Balance Sheets as of March 31, 2005 and 2004

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
<b>ASSETS</b>			
Cash and Due from Banks	139,995	93,935	1,301,068
Call Loans	484	847	4,498
Commercial Paper and Other Debt Purchased	46	55	427
Trading Account Securities (Note 7)	547	67	5,083
Money Held in Trust	3,000	3,000	27,881
Investment Securities (Notes 6 and 7)	513,190	508,515	4,769,423
Loans and Bills Discounted (Note 6)	1,826,448	1,899,672	16,974,423
Foreign Exchanges	3,108	2,772	28,884
Other Assets	12,588	16,641	116,988
Premises and Equipment (Note 6)	57,004	60,168	529,776
Deferred Income Taxes (Note 11)	29,784	32,056	276,802
Customer's Liabilities for Acceptances and Guarantees	30,626	36,522	284,628
Reserve for Possible Loan Losses	(84,564)	(76,402)	(785,910)
Reserve for Possible Losses on Investment Securities	-	(580)	-
<b>TOTAL ASSETS</b>	<b>2,532,262</b>	<b>2,577,272</b>	<b>23,534,033</b>
<b>LIABILITIES</b>			
Deposits	2,301,478	2,329,788	21,389,200
Negotiable Certificates of Deposits	42,959	46,290	399,247
Payables under Repurchase Agreements (Note 6)	1,492	1,011	13,866
Collateral Money for Bond Lending (Note 6)	43,137	29,825	400,901
Borrowed Money (Note 6)	12,430	11,898	115,520
Foreign Exchanges	65	9	604
Other Liabilities	9,015	9,015	83,782
Reserve for Bonus	931	1,008	8,652
Accrued Severance and Pension Liabilities (Note 8)	14,401	14,523	133,838
Negative Goodwill	71	65	659
Acceptances and Guarantees	30,626	36,522	284,628
<b>TOTAL LIABILITIES</b>	<b>2,456,610</b>	<b>2,479,957</b>	<b>22,830,947</b>
<b>MINORITY INTERESTS</b>	<b>70</b>	<b>163</b>	<b>650</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock (Note 6)	35,000	35,000	325,278
Capital Surplus	89,633	89,638	833,020
Accumulated Deficits	(57,104)	(35,686)	(530,706)
Unrealized Gain on Securities, Net	8,556	8,973	79,516
Treasury Stock	(502)	(773)	(4,665)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>75,581</b>	<b>97,152</b>	<b>702,425</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>2,532,262</b>	<b>2,577,272</b>	<b>23,534,033</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Income for the years ended March 31, 2005 and 2004

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
<b>INCOME</b>			
Interest Income	53,569	55,798	497,853
Interest on Loans and Discounts	47,853	51,349	444,730
Interest and Dividends on Securities	5,658	4,390	52,583
Interest on Call Loans	20	18	185
Interest on Deposits with Banks	0	0	0
Other Interest Income	37	38	343
Fees and Commissions	7,620	7,129	70,817
Other Operating Income	6,832	666	63,494
Other Income	4,048	2,583	37,620
<b>TOTAL INCOME</b>	<b>72,071</b>	<b>66,177</b>	<b>669,804</b>
<b>EXPENSES</b>			
Interest Expenses	3,481	3,642	32,351
Interest on Deposits	1,767	2,419	16,421
Interest on Negotiable Certificates of Deposits	35	27	325
Interest on Call Money	-	46	-
Interest on Payables under Repurchase Agreements	22	1	204
Interest on Collateral Money for Bond Lending	365	40	3,392
Interest on Borrowed Money	150	159	1,394
Other Interest Expenses	1,140	946	10,594
Fees and Commissions	3,329	3,405	30,938
Other Operating Expenses	154	22	1,431
General and Administrative Expenses	33,994	35,713	315,929
Other Expenses	51,097	60,202	474,879
Provision for Reserve for Possible Loan Losses	43,253	54,291	401,979
Others	7,843	5,911	72,890
<b>TOTAL EXPENSES</b>	<b>92,058</b>	<b>102,986</b>	<b>855,557</b>
Operating Loss	(19,986)	(36,809)	(185,743)
Extraordinary Profit	3,670	1,528	34,107
Gain on Sale of Premises and Equipment	175	79	1,626
Gain on Collection of Loans Written-off	3,080	1,448	28,624
Others	414	-	3,847
Extraordinary Loss	1,694	1,226	15,743
Loss on Sale of Premises and Equipment	1,562	924	14,516
Others	131	301	1,217
Loss before Income Taxes	(18,010)	(36,507)	(167,379)
Income Taxes	297	128	2,760
Deferred Income Taxes	2,710	(2,221)	25,185
Minority Interests in Net Income	13	10	120
<b>Net Loss</b>	<b>(21,032)</b>	<b>(34,425)</b>	<b>(195,464)</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Shareholders' Equity for the years ended March 31, 2005 and 2004

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
<b>CAPITAL SURPLUS</b>			
Balance at the Beginning of the Year	89,638	89,638	833,066
Increase of Capital Surplus	-	-	-
Decrease of Capital Surplus	5	-	46
Loss on Disposal of Treasury Stock	5	-	46
Balance at the End of the Year	89,633	89,638	833,020
<b>RETAINED EARNINGS(ACCUMULATED DEFICITS)</b>			
Balance at the Beginning of the Year	(35,686)	639	(331,654)
Increase of Retained Earnings	-	-	-
Decrease of Retained Earnings	(21,418)	(36,325)	(199,052)
Cash Dividends Paid	(375)	(1,900)	(3,485)
Net Loss	(21,032)	(34,425)	(195,464)
Decrease due to Exclusion of Subsidiaries	(10)	-	(92)
Balance at the End of the Year	(57,104)	(35,686)	(530,706)

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows for the years ended March 31, 2005 and 2004

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before Income Taxes	(18,010)	(36,507)	(167,379)
Depreciation	2,336	2,456	21,710
Amortization of Negative Goodwill	(17)	(21)	(157)
Equity in Loss of Affiliates	105	28	975
Increase in Reserve for Possible Loan Losses	7,972	7,882	74,089
(Decrease) Increase in Reserve for Possible Losses on Investment Securities	(580)	580	(5,390)
Decrease in Reserve for Bonus	(56)	(176)	(520)
Decrease in Accrued Severance and Pension Liabilities	(106)	(281)	(985)
Income from Investments	(53,569)	(55,798)	(497,853)
Interest Expenses	3,481	3,642	32,351
Net Gain Related to Securities Transactions	(4,799)	(1,258)	(44,600)
Net Gain from Money Held in Trust	(10)	(110)	(92)
Exchange Gain	(9)	(14)	(83)
Net Loss on Disposed Premises and Equipment	1,386	844	12,881
Net Change in Loans and Bills Discounted	72,686	106,032	675,520
Net Change in Deposits	(28,438)	(114,800)	(264,293)
Net Change in Negotiable Certificate of Deposit	(3,331)	9,586	(30,957)
Net Change in Borrowings Excluding Subordinated Debt	932	(39)	8,661
Net Change in Due from Banks (Excluding Due from Bank of Japan)	(163)	3,881	(1,514)
Net Change in Call Loans	372	(341)	3,457
Net Change in Call Money	481	(2,947)	4,470
Net Change in Deposits for Securities Loans	13,312	28,659	123,717
Net Change in Foreign Exchanges (Assets)	(335)	(681)	(3,113)
Net Change in Foreign Exchanges (Liabilities)	56	(3)	520
Interest Received	55,074	57,398	511,840
Interest Paid	(2,872)	(3,772)	(26,691)
Others, Net	227	112	2,109
<b>SUB TOTAL</b>	<b>46,123</b>	<b>4,351</b>	<b>428,652</b>
Income Taxes Refund	1,327	-	12,332
Income Taxes Paid	(353)	(2,450)	(3,280)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>47,097</b>	<b>1,900</b>	<b>437,704</b>

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for Purchases of Securities	(139,291)	(178,079)	(1,294,526)
Proceeds from Sales of Securities	83,504	32,113	776,059
Proceeds from Maturity of Securities	55,522	73,547	516,003
Increase in Money Held in Trust	-	(3,000)	-
Payment for Purchase of Premises and Equipment	(1,587)	(2,233)	(14,749)
Proceeds from Sale of Premises and Equipment	1,283	1,372	11,923
Payment for Purchase of Subsidiaries' Stocks	(33)	(49)	(306)
Payment for Purchase of Subsidiary's Stocks Incidental to Change in Consolidation	(215)	-	(1,998)
Proceeds from Sale of Subsidiaries' Stocks Incidental to Change in Consolidation	408	-	3,791
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(408)</b>	<b>(76,327)</b>	<b>(3,791)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment for Subordinated Loans	(400)	-	(3,717)
Cash Dividends Paid	(376)	(1,884)	(3,494)
Dividends Paid to Minority Interests	(3)	(1)	(27)
Payment for Purchase of Treasury Stock	(36)	(32)	(334)
Proceeds from Sale of Treasury Stock	10	16	92
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(804)</b>	<b>(1,901)</b>	<b>(7,472)</b>
EFFECT OF EXCHANGE-RATE CHANGES ON CASH AND CASH EQUIVALENTS	9	14	83
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>45,893</b>	<b>(76,314)</b>	<b>426,514</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	93,051	169,365	864,786
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>138,945</b>	<b>93,051</b>	<b>1,291,310</b>

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements  
Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Kyushu Shinwa Holdings, Inc. (the "Company") 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, the figures in the breakdowns may not add up to their 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.

2. U.S. dollar amounts

U.S. dollar amounts presented in the accompanying financial statements are included solely for the convenience of readers outside Japan. The rate of ¥107.60 = US\$1.00, prevailing on March 31, 2005, 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 (For the year ended March 31, 2005)

- (1) The Shinwa Bank, Ltd. (The "Bank")
- (2) Shinwa DC Card Co., Ltd.
- (3) Shinwa Business Services Co., Ltd.
- (4) Shinwa Real Estate Services Co., Ltd.
- (5) Shinwa Research Institute of Economy and Culture, Inc.
- (6) Shinwa Venture Capital Co., Ltd.
- (7) Shinwa Lease Co., Ltd.

4. Fiscal year of subsidiaries

All consolidated subsidiaries have their fiscal year ending 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. Marketable equity securities and debt securities classified as other securities are carried at fair value with the unrealized gains and losses, net of taxes, reported in a separate component of shareholders' equity. Unquoted equity securities are carried at cost determined by the moving average method or at 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.

In the previous years, equity interests in limited liability partnerships (LLPs), in voluntary partnership under the Civil Code and silent partnership under the Commercial Code, characteristics of which are similar to those of LLPs, had been included in "Other Assets". However, from this fiscal year, these are included in "Investment Securities" as they are defined as securities under the Securities and Exchange Law by the "Partial Revision of

Securities and Exchange Law ” (Law No.97 dated June 9, 2004).

In addition, income or loss from the investments as described above, which was included in “Other Interest Income/Expenses” of “Interest Income/Expenses” in the prior year, is included in “Interest and Dividends on Securities” of “Interest Income” from the current year.

(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:

Building	3-50 years
Equipment	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 the impaired assets or a group of assets to the recoverable amount to be measured as the higher of the net selling price and the value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, 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 Company has not yet applied this new standard nor has it determined the effect of applying it on the Company's consolidated financial statements for the year ended March 31, 2005.

(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 balances written off as unrecoverable are as



follows:

As of March 31	Millions of yen		Thousands of
	2005	2004	U.S. dollars(Note 2)
Write - offs as Unrecoverable	75,530	94,532	701,951

(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 the 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 attributable to the respective fiscal year.

(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. Unrecognized prior service costs and unrecognized actuarial differences are amortized based on a certain period (10 years) within employees' average remaining service period on a straight-line basis from the next period in which they arise.

(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

In the previous year ended March 31, 2004, the Company started utilizing a deferral method of hedge accounting for interest rate risks in financial assets and liabilities. Before the previous year, as the transitional treatment, the Company had 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 as of March 31, 2004, ¥282 million 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.

(14) Supplemental Information for Enterprise Taxes

With the promulgation of "The Law for Partial Amendments to Local Tax Law" (Law No. 9) on March 31, 2003, a portion of taxation basis of enterprise taxes was changed (pro forma standard taxation basis introduced), and "added value component" and "capital component" were newly added to the taxation basis from the fiscal years beginning on April 1, 2004. As a result, the Company included the portion of enterprise tax amounts calculated based on "added value component" and "capital component" in "General and administrative expenses" on the consolidated statements of income from this fiscal year pursuant to "Practical Treatment for Presentation of Pro Forma Standard Taxation Portion of Enterprise Tax on Corporation in the Statement of Income" (Accounting Standards Board of Japan, Practice Report No. 12).

6. Notes to Balance Sheets

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Stocks issued by Affiliated Companies	39	108	362

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Loans to Legally Bankrupt Borrowers	12,084	15,504	112,304
Delinquent Loans	120,565	142,472	1,120,492

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

- a. 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 continued delinquency of principal or interest over a considerable period of time and other factors.
- b. Loans meeting the conditions prescribed by 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" as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Loans with Overdue Period of Three Months or More	299	114	2,778

"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" as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Loans with Relaxed Conditions	63,390	60,246	589,126

"Loans with relaxed conditions" refer 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" totalled as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Total Amount of Loans and Bills Discounted Listed in Items (2), (3) and (4) above	196,339	218,338	1,824,711

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Accumulated Depreciation of Premises and Equipment	39,133	41,054	363,689

(7) 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)
	2005	2004	2005
Assets that are Pledged as Collateral			
Securities	-	1,409	-
Premises and Equipment	2,277	-	21,161
Obligations Corresponding to Collateral Assets			
Acceptances and Guarantees	-	622	-
Other Liabilities	432	-	4,014

In addition, securities sold under repurchase agreements and those lending with cash collateral amount to ¥45,648 million (US\$424,237 thousand) as at March 31, 2005, which correspond to ¥1,492 million (US\$13,866 million) of payables under repurchase agreements and ¥43,137 million (US\$400,901 thousand) of collateral money for bond lending.

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Collateral to Exchange Settlements and for Deposit Money of Futures			
Securities	127,453	116,919	1,184,507
Cash and Due from Banks	6	6	55
Premises and Equipment			
Guarantee Deposits	3,728	4,017	34,646

(8) 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)
	2005	2004	2005
Unused Commitment Balance	456,041	468,413	4,238,299

Many of the agreements cease with no loan applied; thereby, the unused loan commitment do not necessarily affect future cash flows. Such conditions are included in the agreements that allow the Company to stop loans or to decrease applicable limits for the purpose of protecting loan assets or of addressing material change in business conditions. The Company implements protection of loan assets through, if necessary, securing collaterals (real estate, securities, etc.) or other measures. After agreement is effected, according to internal lending procedures the Company reviews financial condition of borrowers. The Company takes necessary measures including revision of agreement and security of loan assets.

(9) "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)
	2005	2004	2005
Borrowed Money of which Repayment Orders are Subordinated to All Other Debts	4,500	4,900	41,821

(10) In the fiscal year ended March 31, 2004, the Company decreased capital reserve of ¥6,000 million in compliance with Clause 2, Article 289 of the Commercial Code, which had no impact on the capital surplus.

(11) Authorized stocks

As of March 31	2005
Common Stocks	1,100,000,000
Preferred Stocks	100,000,000
Issued and Outstanding Stocks	
Common Stocks	306,671,954
Preferred Stocks	30,000,000

## 7. Market Values of Securities

### (1) Trading Account Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Book Value	547	67	5,083
Unrealized Gain (Loss)	0	(0)	0

### (2) Marketable Bonds to be held until Maturity

None

### (3) Other Marketable Securities

As of March 31, 2005	Millions of yen			Thousands of U.S. Dollars (Note 2)
	Cost	Book Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Stocks	34,594	45,272	10,677	99,228
Bonds	386,643	390,197	3,554	33,029
Government Bonds	261,386	263,388	2,002	18,605
Local Government Bonds	56,537	57,266	729	6,775
Corporate Bonds	68,719	69,541	821	7,630
Others	66,864	66,998	134	1,245
Total	488,102	502,469	14,366	133,513

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, 2004	Millions of yen		
	Cost	Book Value	Unrealized Gain (Loss)
Stocks	40,940	49,665	8,724
Bonds	377,304	378,430	1,125
Government Bonds	236,937	237,098	161
Local Government Bonds	62,626	62,995	369
Corporate Bonds	77,741	78,335	594
Others	62,347	67,567	5,219
Total	480,593	495,663	15,070

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, 2005

Amount	Millions of yen		Amount	Thousands of U.S. dollars (Note 2)	
	Gain	Loss		Gain	Loss
83,504	9,150	260	776,059	85,037	2,416

As of March 31, 2004

Amount	Millions of yen	
	Gain	Loss
32,111	1,469	53

### (6) Book Value of Other Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Unlisted Stocks (excluding OTC Stocks)	3,195	6,394	29,693
Private Placement Corporate Bonds	6,946	6,993	64,553

## (7) Securities whose aims of holding were changed

None

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

As of March 31, 2005	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Stocks	-	-	-	764
Bonds	52,784	250,286	38,609	48,542
Government Bonds	26,050	171,154	17,641	48,542
Local Government Bonds	8,535	38,460	10,271	-
Corporate Bonds	18,199	40,671	10,696	-
Others	5,108	28,177	12,371	18,058
<b>Total</b>	<b>57,893</b>	<b>278,463</b>	<b>50,980</b>	<b>67,366</b>

As of March 31, 2005	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	-	-	-	7,100
Bonds	490,557	2,326,078	358,819	451,133
Government Bonds	242,100	1,590,650	163,949	451,133
Local Government Bonds	79,321	357,434	95,455	-
Corporate Bonds	169,135	377,983	99,405	-
Others	47,472	261,868	114,972	167,825
<b>Total</b>	<b>538,039</b>	<b>2,587,946</b>	<b>473,791</b>	<b>626,078</b>

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
<b>Total</b>	<b>40,700</b>	<b>261,159</b>	<b>91,407</b>	<b>45,693</b>

## 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)
	2005	2004	2005
Projected Benefit Obligation	(21,251)	(26,111)	(197,500)
Plan Assets at Fair Value	9,041	9,584	84,024
Unfunded Benefit Obligation	(12,210)	(16,526)	(113,475)
Unrecognized Actuarial Differences	2,779	2,003	25,827
Unrecognized Prior service Cost	(4,970)	-	(46,189)
Net Amount Recognized in the Consolidated Balance Sheets	(14,401)	(14,523)	(133,838)
Accrued Severance and Pension Liabilities	(14,401)	(14,523)	(133,838)

(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)
	2005	2004	2005
Service Costs	1,203	1,283	11,180
Interest Costs	513	602	4,767
Expected Return on Plan Assets	(133)	(135)	(1,236)
Amortization of Prior Service Cost	(41)	-	(381)
Amortization of Actuarial Differences	228	276	2,118
Others	(81)	(87)	(752)
Net Periodic Severance and Pension Costs	1,688	1,939	15,687

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

For the Year ended March 31	2005	2004
Discount Rate	2.0%	2.0%
Expected Return Rate	2.0%	2.5%
Method Attributing Expected Benefits to Periods of Service	Point Basis	Straight-Line
Amortization Period of Prior Service Cost	10 years	-
Amortization Period of Actuarial Differences	10 years	10 years

## 9. Finance Lease

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, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Others	Total	Total
Amount Equivalent to the Purchase Prices of the Leased Assets	3,633	-	3,633	33,763
Amount Equivalent to Accumulated Depreciation	1,822	-	1,822	16,933
Amount Equivalent to Balance at Fiscal-Year End	1,811	-	1,811	16,830

For the Year ended March 31, 2004	Millions of yen		
	Movables	Others	Total
Amount Equivalent to the Purchase Prices of the Leased Assets	2,917	-	2,917
Amount Equivalent to Accumulated Depreciation	1,239	-	1,239
Amount Equivalent to Balance at Fiscal-Year End	1,678	-	1,678

Amount Equivalent to Lease Payable:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Within One Year	669	525	6,217
Over One Year	1,141	1,153	10,604
Total	1,811	1,678	16,830

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Lease Fees Paid	601	710	5,585
Amount Equivalent to Depreciation	601	710	5,585

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, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Others	Total	Total
Purchase Prices of the Leased Assets	2,846	-	2,846	26,449
Accumulated Depreciation	1,247	-	1,247	11,589
Balance at Fiscal Year-End	1,598	-	1,598	14,851

For the Year ended March 31, 2004	Millions of yen			
	Movables	Others	Total	
Purchase Prices of the Leased Assets	2,258	-	2,258	
Accumulated Depreciation	743	-	743	
Balance at Fiscal Year-End	1,515	-	1,515	

Amount Equivalent to Lease Receivable:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Within One Year	568	589	5,278
Over One Year	1,061	1,167	9,860
Total	1,629	1,756	15,139

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Lease income	701	596	6,514
Depreciation Costs	610	521	5,669
Interest Income Included in Lease Income	103	28	957

10. Financial Derivative Transactions

(1) Financial Derivative Transactions

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

The Company applies the Japanese standards for capital adequacy ratio to calculate the amount of credit risk associated with interest rate-related transactions.

(2) Market Value of Derivative Financial Instruments

a. Interest Rate-Related Transactions

As of March 31, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)	
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-counter transactions					
Forward Rate Agreements	-	-	-	-	-
Interest Rate Swaps					
Receipts Fixed/Payments Floating	-	-	-	-	-
Receipts Floating/Payments Fixed	6,602	4,565	(168)	(168)	(1,561)
Receipts Floating/Payments Floating	-	-	-	-	-
Interest Rate Options	-	-	-	-	-
Others	-	-	-	-	-
Total			(168)	(168)	(1,561)

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

As of March 31, 2004	Millions of yen			
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (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)
Receipts Floating/Payments Floating	-	-	-	-
Interest Rate Options	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>/</b>	<b>/</b>	<b>(380)</b>	<b>(380)</b>

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

b. Foreign Exchange-Related Transactions

As of March 31, 2005	Millions of yen				Thousands of U.S. dollars (Note 2)
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions					
Currency Swaps	27,363	20,451	(96)	(96)	(892)
Over-the-Counter Transactions					
Forward Foreign Exchange Contracts					
Sold	91	-	(1)	(1)	(9)
Bought	100	-	1	1	9
Currency Options	-	-	-	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>/</b>	<b>/</b>	<b>(96)</b>	<b>(96)</b>	<b>(892)</b>

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

As of March 31, 2004	Millions of yen			
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Transactions				
Currency Swaps	31,415	31,415	(131)	(131)
Over-the-Counter Transactions				
Forward Foreign Exchange Contracts				
Sold	2,890	-	(1)	(1)
Bought	2,857	-	15	15
Currency Options	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>/</b>	<b>/</b>	<b>(118)</b>	<b>(118)</b>

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

c. Equity-Related Transactions

None

d. Bond-Related Transactions

None

e. Commodity-Related Transactions

None



f. Credit Derivative Transactions

As of March 31, 2005	Millions of yen				Thousands of U.S. dollars (Note 2)
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions					
Credit Default Swap					
Sold	1,000	1,000	25	25	232
Bought					-
<b>Total</b>	<b>/</b>	<b>/</b>	<b>25</b>	<b>25</b>	<b>232</b>

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

As of March 31, 2004	Millions of yen				
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	
Over-the-Counter Transactions					
Credit Default Swap					
Sold	1,000	1,000	33	33	
Bought	-	-	-	-	
<b>Total</b>	<b>/</b>	<b>/</b>	<b>33</b>	<b>33</b>	

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

11. 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)
	2005	2004	2005
Deferred Tax Assets:			
Tax Loss Carryforward	7,583	2,859	70,473
Non-Approved Amortization of Securities	3,937	-	36,589
Accrued Severance and Pension Liabilities	6,477	6,475	60,195
Reserve for Possible Loan Losses	52,476	52,285	487,695
Depreciation expense	1,553	994	14,433
Business Tax Payable	-	2	-
Others	2,948	1,537	27,397
<b>Deferred Tax Assets – Sub-total</b>	<b>74,977</b>	<b>64,154</b>	<b>696,812</b>
Valuation Allowance	(29,027)	(14,115)	(269,767)
<b>Total Deferred Tax Assets</b>	<b>45,950</b>	<b>50,039</b>	<b>427,044</b>
Deferred Tax Liabilities:			
Unrealized Gains on Securities	(5,811)	(6,095)	(54,005)
Market Revaluation at Transition for Unrealized Gains on Securities	(86)	(867)	(799)
Market Revaluation at Transition for Unrealized Gains on Land	(10,266)	(11,020)	(95,408)
<b>Total Deferred Tax Liabilities</b>	<b>(16,165)</b>	<b>(17,983)</b>	<b>(150,232)</b>
<b>Net Deferred Tax Assets</b>	<b>29,784</b>	<b>32,056</b>	<b>276,802</b>

(2) For the years ended March 31, 2005 and 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 respective year was a loss.

## 12. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars (Note 2)
	2005	2004	2005
Net Assets Per-share	149.62	219.74	1.39
Net Loss Per-share	(69.63)	(114.13)	(0.64)

The above information is based on the following data:

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Net Loss	(21,032)	(34,425)	(195,464)
Net Income not Attributable to Common Shareholders	187	375	1,737
Dividends Paid on Preferable Stocks	187	375	1,737
Net Loss Available to Common Shareholders	(21,220)	(34,800)	(197,211)
Thousands			
Weighted Average Number of Shares of Common Stocks Outstanding	304,717	304,899	

Notes: (1) Diluted net income per-share is not shown above because the net balance in the respective year was a loss.

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

## 13. Issuance of Stock Acquisition Rights Through Third-Party Allocation

The Board of Directors meeting convened on April 25, 2005 resolved to issue the following stock acquisition rights through allocation to a third party for the purpose of investing in The Shinwa Bank, Ltd.

- (1) The party to be issued: Mizuho Securities Co., Ltd.
- (2) Total number of stock acquisition rights to be issued: 250
- (3) Number and type of shares to be issued under stock acquisition rights: 25,000,000 common stocks
- (4) Issue price of stock acquisition rights: ¥152,000 per right
- (5) Issue date: May 11, 2005
- (6) Amount to be paid upon exercise of stock acquisition rights: ¥209 per stock
- (7) Aggregate issue price of stock issued due to exercise of stock acquisition rights: ¥5,263,000,000.
- (8) Portion of issue price of stock issued due to exercise of stock acquisition rights to be transferred to the common stock account: 50% of amount of stocks issued
- (9) Exercise period: From May 12, 2005 through November 28, 2008

## Consolidated Balance Sheets as of March 31, 2005 and 2004

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
<b>ASSETS</b>			
Cash and Due from Banks	139,994	93,935	1,301,059
Call Loans	484	847	4,498
Commercial Paper and Other Debt Purchased	46	55	427
Trading Account Securities (Note 7)	547	67	5,083
Money Held in Trust	3,000	3,000	27,881
Investment Securities (Notes 6 and 7)	513,252	508,564	4,770,000
Loans and Bills Discounted (Note 6)	1,826,517	1,899,672	16,975,065
Foreign Exchanges	3,108	2,772	28,884
Other Assets	11,864	16,302	110,260
Premises and Equipment (Note 6)	71,863	75,916	667,871
Deferred Income Taxes (Note 11)	39,567	42,483	367,723
Goodwill	26	-	241
Customer's Liabilities for Acceptances and Guarantees	30,626	36,522	284,628
Reserve for Possible Loan Losses	(84,271)	(76,402)	(783,187)
Reserve for Possible Losses on Investment Securities	-	(580)	-
<b>TOTAL ASSETS</b>	<b>2,556,630</b>	<b>2,603,157</b>	<b>23,760,501</b>
<b>LIABILITIES</b>			
Deposits	2,302,989	2,331,100	21,403,243
Negotiable Certificates of Deposits	42,959	46,290	399,247
Payables under Repurchase Agreements (Note 6)	1,492	1,011	13,866
Collateral Money for Bond Lending (Note 6)	43,137	29,825	400,901
Borrowed Money (Note 6)	12,430	11,898	115,520
Foreign Exchanges	65	9	604
Other Liabilities	8,836	8,992	82,118
Reserve for Bonus	915	997	8,503
Accrued Severance and Pension Liabilities (Note 8)	12,181	11,352	113,206
Deferred Income Taxes on Land Revaluation	16,410	17,197	152,509
Negative Goodwill	-	65	-
Acceptances and Guarantees	30,626	36,522	284,628
<b>TOTAL LIABILITIES</b>	<b>2,472,045</b>	<b>2,495,261</b>	<b>22,974,395</b>
<b>MINORITY INTERESTS</b>	<b>17</b>	<b>163</b>	<b>157</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock	20,915	20,915	194,377
Capital Surplus	37,511	62,383	348,615
Accumulated Deficits	(7,109)	(12,341)	(66,068)
Land Revaluation Reserve, Net of Taxes (Note 6)	24,180	25,332	224,721
Unrealized Gain on Securities, Net	9,069	11,443	84,284
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>84,567</b>	<b>107,733</b>	<b>785,938</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>2,556,630</b>	<b>2,603,157</b>	<b>23,760,501</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Income for the years ended March 31, 2005 and 2004

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
<b>INCOME</b>			
Interest Income	54,950	57,697	510,687
Interest on Loans and Discounts	47,814	51,349	444,368
Interest and Dividends on Securities	7,078	6,289	65,780
Interest on Call Loans	20	18	185
Interest on Deposits with Banks	0	0	0
Other Interest Income	36	38	334
Fees and Commissions	7,068	7,129	65,687
Other Operating Income	6,832	669	63,494
Other Income	5,044	2,751	46,877
<b>TOTAL INCOME</b>	<b>73,894</b>	<b>68,247</b>	<b>686,747</b>
<b>EXPENSES</b>			
Interest Expenses	3,479	3,642	32,332
Interest on Deposits	1,767	2,419	16,421
Interest on Negotiable Certificates of Deposits	35	27	325
Interest on Call Money	-	46	-
Interest on Payables under Repurchase Agreements	22	1	204
Interest on Collateral Money for Bond Lending	365	40	3,392
Interest on Borrowed Money	150	159	1,394
Other Interest Expenses	1,137	946	10,566
Fees and Commissions	3,329	3,405	30,938
Other Operating Expenses	154	39	1,431
General and Administrative Expenses	34,079	36,156	316,719
Other Expenses	50,812	60,386	472,230
<b>TOTAL EXPENSES</b>	<b>91,855</b>	<b>103,630</b>	<b>853,671</b>
Operating Loss	(17,961)	(35,383)	(166,923)
Extraordinary Profit	3,403	1,467	31,626
Extraordinary Loss	3,075	2,124	28,578
Loss before Income Taxes	(17,633)	(36,039)	(163,875)
Income Taxes	225	91	2,091
Deferred Income Taxes	2,910	(1,844)	27,044
Minority Interests	0	10	0
<b>Net Loss</b>	<b>(20,769)</b>	<b>(34,297)</b>	<b>(193,020)</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Shareholders' Equity for the years ended March 31, 2005 and 2004

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
<b>CAPITAL SURPLUS:</b>			
Balance at the Beginning of the Year	62,383	15,936	579,767
Increase of Capital Surplus	-	46,446	-
Increase due to Merger	-	46,446	-
Decrease of Capital Surplus	24,871	-	231,143
Decrease due to Compensation for Deficits	24,871	-	231,143
Balance at the End of the Year	37,511	62,383	348,615
<b>RETAINED EARNINGS(ACCUMULATED DEFICITS):</b>			
Balance at the Beginning of the Year	(12,341)	19,138	(114,693)
Increase of Retained Earnings	26,026	4,081	241,877
Transfer from Capital Surplus	24,871	-	231,143
Transfer from Land Revaluation Reserve	1,154	3,191	10,724
Increase due to Merger	-	833	-
Increase due to Merger of Subsidiaries	-	24	-
Increase due to Addition of Subsidiaries	-	31	-
Decrease of Retained Earnings	(20,794)	(35,561)	(193,252)
Net Loss	(20,769)	(34,297)	(193,020)
Cash Dividends Paid	-	(1,200)	-
Decrease due to Addition of Subsidiaries	-	(63)	-
Decrease due to Exclusion of Subsidiaries	(24)	-	(223)
Balance at the End of the Year	(7,109)	(12,341)	(66,068)

The accompanying notes are an integral part of these statements

## Consolidated Statements of Cash Flows for the years ended March 31, 2005 and 2004

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before Income Taxes	(17,633)	(36,039)	(163,875)
Depreciation	2,332	2,455	21,672
Amortization of Negative Goodwill	6	(21)	55
Equity in Loss of Affiliates	121	28	1,124
Increase in Reserve for Possible Loan Losses	8,278	7,882	76,933
(Decrease) Increase in Reserve for Possible Losses on Investment Securities	(580)	580	(5,390)
Decrease in Reserve for Bonus	(55)	(158)	(511)
Increase in Accrued Severance and Pension Liabilities	849	673	7,890
Income from Investments	(54,950)	(57,697)	(510,687)
Interest Expenses	3,479	3,642	32,332
Net Gain Related to Securities Transactions	(6,025)	(1,224)	(55,994)
Net Gain from Money Held in Trust	(10)	(110)	(92)
Exchange Gain	(9)	(14)	(83)
Net Loss on Disposed Premises and Equipment	2,257	1,181	20,975
Net Change in Loans and Bills Discounted	72,561	106,032	674,358
Net Change in Deposits	(28,273)	(116,188)	(262,760)
Net Change in Negotiable Certificate of Deposit	(3,331)	9,586	(30,957)
Net Change in Borrowings Excluding Subordinated Debt	932	(39)	8,661
Net Change in Due from Banks (Excluding Due from Bank of Japan)	(165)	3,881	(1,533)
Net Change in Call Loans	372	(341)	3,457
Net Change in Call Money	481	(2,947)	4,470
Net Change in Deposits for Securities Loans	13,312	28,659	123,717
Net Change in Foreign Exchanges (Assets)	(335)	(681)	(3,113)
Net Change in Foreign Exchanges (Liabilities)	56	(3)	520
Interest Received	55,034	57,406	511,468
Interest Paid	(2,870)	(3,772)	(26,672)
Other, Net	262	161	2,434
<b>SUB TOTAL</b>	<b>46,098</b>	<b>2,931</b>	<b>428,420</b>
Income Taxes Returned	673	-	6,254
Income Taxes Paid	(339)	(1,730)	(3,150)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>46,431</b>	<b>1,200</b>	<b>431,514</b>

For the Years ended March 31	Millions of yen		Thousands of
	2005	2004	U.S. dollars (Note 2)
			2005
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for Purchase of Securities	(139,291)	(178,079)	(1,294,526)
Proceeds from Sale of Securities	83,504	32,113	776,059
Proceeds from Maturity of Securities	55,522	73,547	516,003
Increase in Money Held in Trust	-	(3,000)	-
Payment for Purchase of Premises and Equipment	(1,585)	(2,233)	(14,730)
Proceeds from Sale of Premises and Equipment	1,283	1,372	11,923
Payment for Purchase of Subsidiaries' Stocks	(33)	(49)	(306)
Proceeds from Sale of Subsidiaries' Stocks Incidental to Change in Consolidation	450	-	4,182
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(148)</b>	<b>(76,327)</b>	<b>(1,375)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment for Subordinated Loans	(400)	-	(3,717)
Cash Dividends Paid	(0)	(1,200)	(0)
Dividends Paid to Minority Interests	-	(1)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(400)</b>	<b>(1,201)</b>	<b>(3,717)</b>
EFFECT OF EXCHANGE-RATE CHANGES ON CASH AND CASH EQUIVALENTS	9	14	83
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>45,893</b>	<b>(76,314)</b>	<b>426,514</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>93,051</b>	<b>89,119</b>	<b>864,786</b>
INCREASE IN CASH AND CASH EQUIVALENTS INCIDENTAL TO THE AMALGAMATION	-	80,246	-
INCREASE IN CASH AND CASH EQUIVALENTS INCIDENTAL TO THE AMALGAMATION OF CONSOLIDATED SUBSIDIARIES	-	0	-
INCREASE IN CASH AND CASH EQUIVALENTS INCIDENTAL TO THE CONSOLIDATION	-	0	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>138,944</b>	<b>93,051</b>	<b>1,291,301</b>

The accompanying notes are an integral part of these statements.

## Notes to Consolidated Financial Statements

### The Shinwa Bank, Ltd. and Consolidated Subsidiaries

#### 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, the figures in the breakdowns may not add up to their 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.

#### 2. U.S. Dollar Amounts

U.S. dollar amounts presented in the accompanying financial statements are included solely for the convenience of readers outside Japan. The rate of ¥107.60 = US\$1.00, prevailing on March 31, 2005, 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 (For the year ended March 31, 2005)

- (1) Shinwa Business Services Co., Ltd.
- (2) Shinwa Real Estate Services Co., Ltd.
- (3) Shinwa Research Institute of Economy and Culture, Inc.
- (4) Shinwa Venture Capital Co., Ltd.
- (5) Shinwa Lease Co., Ltd.

#### 4. Fiscal year of subsidiaries

All consolidated subsidiaries have their fiscal year ending 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 taxes, reported in a separate component of shareholders' equity. Unquoted equity securities are carried at cost determined



by the moving average method 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.

In the previous years, equity interests in limited liability partnerships (LLPs), in voluntary partnership under the Civil Code and silent partnership under the Commercial Code, characteristics of which are similar to those of LLPs, had been included in "Other Assets". However, from this fiscal year, these are included in "Investment Securities" as they are defined as securities under the Securities and Exchange Law by the "Partial Revision of Securities and Exchange Law" (Law No.97 dated June 9, 2004).

In addition, income or loss from the investments as described above, which was included in "Other Interest Income/Expenses" of "Interest Income/Expenses" in the prior year, is included in "Interest and Dividends on Securities" of "Interest Income" from the current year.

(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

Building	3-50 years
Equipment	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 the impaired assets or a group of assets to the recoverable amount to be measured as the higher of the net selling price and the value in use. The standard shall be effective for fiscal years beginning April 1, 2005. However, 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 it determined the effect of applying it on the Bank's consolidated financial statements for the year ended March 31, 2005.

(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 balances written off as unrecoverable are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Write-offs as Unrecoverable	75,530	94,532	701,951

(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 the 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 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. Unrecognized prior service costs and unrecognized actuarial differences 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 by a gain on securities contribution to an employee retirement benefit trust in 2001 and the remaining amount is amortized over 5 years.

Transitional obligation was as follows:

	Millions of yen
Transition Obligation	6,973
Contribution to Employee Retirement Trust	3,626
Remaining Amount Amortized	3,347

(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

In the previous year ended March 31, 2004, the Bank started utilizing a deferral method of hedge accounting for interest rate risks in financial assets and liabilities. Before the previous year, as the transitional treatment, the Bank had 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 as of March 31, 2004, ¥282 million 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.

(14) Supplemental Information for Enterprise Taxes

With the promulgation of "The Law for Partial Amendments to Local Tax Law" (Law No. 9) on March 31, 2003, a portion of taxation basis of enterprise taxes was changed (pro forma standard taxation basis introduced), and "added value component" and "capital component" were newly added to the taxation basis from the fiscal years beginning on April 1, 2004. As a result, the Company included the portion of enterprise tax amounts calculated based on "added value component" and "capital component" in "General and administrative expenses" on the consolidated statements of income from this fiscal year pursuant to "Practical Treatment for Presentation of Pro Forma Standard Taxation Portion of Enterprise Tax on Corporation in the Statement of Income" (Accounting Standards Board of Japan, Practice Report No. 12).

6. Notes to Balance Sheets

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Stock issued by Affiliated Companies	36	157	334

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Loans to Legally Bankrupt Borrowers	12,084	15,504	112,304
Delinquent Loans	120,395	142,472	1,118,912

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

- a. 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 continued delinquency of principal or interest over a considerable period of time 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” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Loans with Overdue Period of Three Months or More	299	114	2,778

“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” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Loans with Relaxed Conditions	63,390	60,246	589,126

“Loans with relaxed conditions” refer 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” totalled as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Total Amount of Loans and Bills Discounted Listed in Items (2), (3) and (4) above	196,169	218,338	1,823,131

- (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 Taxes on Land Revaluation” in liabilities and the remaining after-tax amount is recorded as “Land Revaluation Reserve, Net of Taxes” in shareholders’ equity.

Date of revaluation: March 31, 1998

Methods for revaluation as set forth in Article 3, paragraph 3 of the law concerning revaluation of land: Land prices are determined based on the 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. 199 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 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Excess of the Total Fair Value of the Land for Business Use Revalued	27,895	22,307	259,247

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

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Accumulated Depreciation of Premises and Equipment	39,111	41,050	363,485

(8) 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)
	2005	2004	2005
Assets that are Pledged as Collateral			
Securities	-	1,409	-
Premises and Equipment	2,277	-	21,161
Obligations Corresponding to Collateral Assets			
Acceptances and Guarantees	-	622	-
Other Liabilities	432	-	4,014

In addition, Securities sold under repurchase agreements and those lending with cash collateral amount to ¥45,648 million (US\$424,237 thousand) as at March 31, 2005, which correspond to ¥1,492 million (US\$13,866 million) of payables under repurchase agreements and ¥43,137 million (US\$400,901 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)
	2005	2004	2005
Collateral to Exchange Settlements and for Deposit Money of Future			
Securities	127,453	116,919	1,184,507
Cash and Due from Banks	6	6	55
Premises and Equipment			
Guarantee Deposits	3,718	4,017	34,553

(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)
	2005	2004	2005
Unused Commitment Balance	447,153	468,413	4,155,697

Many of the agreements cease with no loan applied; thereby, the unused loan commitment do not necessarily affect future cash flows. Such conditions are included in the agreements that allow the Bank to stop loans or to decrease applicable limits for the purpose of protecting loan assets or of addressing material change in business conditions. The Bank implements protection of loan assets through, if necessary, securing collaterals (real estate, securities, etc.) or other measures. After agreement is effected, according to internal lending procedures the Bank reviews financial condition of borrowers. The Bank takes 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)
	2005	2004	2005
Borrowed Money of which Repayment Orders are Subordinated to All Other Debts	4,500	4,900	41,821

## 7. Market Values of Securities

### (1) Trading Account Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Book Value	547	67	5,083
Unrealized Gain (Loss)	0	(0)	0

### (2) Marketable Bonds to be held until Maturity

None

### (3) Other Marketable Securities

As of March 31, 2005	Millions of yen			Thousands of U.S. Dollars (Note 2)
	Cost	Book Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Stocks	36,025	45,272	9,247	85,938
Bonds	384,715	390,197	5,482	50,947
Government Bonds	260,686	263,388	2,702	25,111
Local Government Bonds	55,832	57,266	1,434	13,327
Corporate Bonds	68,196	69,541	1,344	12,490
Others	67,522	67,174	(347)	(3,224)
<b>Total</b>	<b>488,262</b>	<b>502,644</b>	<b>14,381</b>	<b>133,652</b>

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, 2004	Millions of yen		
	Cost	Book Value	Unrealized Gain (Loss)
Stocks	41,172	49,665	8,492
Bonds	373,960	378,430	4,470
Government Bonds	235,615	237,098	1,483
Local Government Bonds	61,454	62,995	1,541
Corporate Bonds	76,890	78,335	1,445
Others	63,224	67,904	4,679
<b>Total</b>	<b>478,357</b>	<b>496,000</b>	<b>17,642</b>

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, 2005

Amount	Millions of yen		Thousands of U.S. dollars (Note 2)		
	Gain	Loss	Amount	Gain	Loss
83,504	10,166	246	776,059	94,479	2,286

As of March 31, 2004

Amount	Millions of yen	
	Gain	Loss
32,110	1,595	76

(6) Book Value of Other Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Unlisted Stocks (excluding OTC Stocks)	3,195	6,394	29,693
Private Placement Corporate Bonds	6,946	6,993	64,553

(7) Securities the Bank changed aims of holding

None

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

As of March 31, 2005	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Stocks	-	-	-	764
Bonds	52,784	250,286	38,609	48,542
Government Bonds	26,050	171,154	17,641	48,542
Local Government Bonds	8,535	38,460	10,271	-
Corporate Bonds	18,199	40,671	10,696	-
Others	5,108	28,177	12,371	18,058
<b>Total</b>	<b>57,893</b>	<b>278,463</b>	<b>50,980</b>	<b>67,366</b>

As of March 31, 2005	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	-	-	-	7,100
Bonds	490,557	2,326,078	358,819	451,133
Government Bonds	242,100	1,590,650	163,949	451,133
Local Government Bonds	79,321	357,434	95,455	-
Corporate Bonds	169,135	377,983	99,405	-
Others	47,472	261,868	114,972	167,825
<b>Total</b>	<b>538,039</b>	<b>2,587,946</b>	<b>473,791</b>	<b>626,078</b>

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
<b>Total</b>	<b>40,700</b>	<b>261,159</b>	<b>91,407</b>	<b>45,693</b>

## 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)
	2005	2004	2005
Projected Benefit Obligation	(21,246)	(26,111)	(197,453)
Plan Assets at Fair Value	9,041	9,584	84,024
Unfunded Benefit Obligation	(12,205)	(16,526)	(113,429)
Unrecognized Net Benefit Obligation in Transition	-	621	-
Unrecognized Actuarial Differences	5,018	4,581	46,635
Unrecognized Prior Service Costs	(4,994)	(28)	(46,412)
Net Amount Recognized in the Consolidated Balance Sheets	(12,181)	(11,352)	(113,206)
Accrued Severance and Pension Liabilities	(12,181)	(11,352)	(113,206)

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

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Service Costs	1,200	1,283	11,152
Interest Costs	513	602	4,767
Expected Return on Plan Assets	(133)	(135)	(1,236)
Amortization of Prior Service Costs	(45)	(4)	(418)
Amortization of Actuarial Differences	565	614	5,250
Amortization of Net Benefit Obligation in Transition	621	621	5,771
Others	(81)	(87)	(752)
Net Periodic Severance and Pension Costs	2,641	2,895	24,544

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

For the Years ended March 31	2005	2004
Discount Rate	2.0%	2.0%
Expected Return Rate	2.0%	2.5%
Method Attributing Expected Benefits to Periods of Service	Point-Basis	Straight-Line
Amortization Period of Prior Service Costs	10 years	10 years
Amortization Period of Actuarial Differences	10 years	10 years
Amortization Period of Net Benefit Obligation in Transition	5 years	5 years

## 9. Finance Lease

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, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Others	Total	Total
Amount Equivalent to the Purchase Prices of the Leased Assets	3,633	-	3,633	33,763
Amount Equivalent to Accumulated Depreciation	1,822	-	1,822	16,933
Amount Equivalent to Balance at Fiscal-Year End	1,811	-	1,811	16,830

For the Year ended March 31, 2004	Millions of yen		
	Movables	Others	Total
Amount Equivalent to the Purchase Prices of the Leased Assets	2,917	-	2,917
Amount Equivalent to Accumulated Depreciation	1,239	-	1,239
Amount Equivalent to Balance at Fiscal-Year End	1,678	-	1,678



Amount Equivalent to Lease Payable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Within One Year	669	525	6,217
Over One Year	1,141	1,153	10,604
Total	1,811	1,678	16,830

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Lease Fees Paid	601	710	5,585
Amount Equivalent to Depreciation	601	710	5,585

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, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Others	Total	Total
Purchase Prices of the Leased Assets	2,854	-	2,854	26,524
Accumulated Depreciation	1,252	-	1,252	11,635
Balance at Fiscal Year-End	1,602	-	1,602	14,888

For the Year ended March 31, 2004	Millions of yen		
	Movables	Others	Total
Purchase Prices of the Leased Assets	2,267	-	2,267
Accumulated Depreciation	746	-	746
Balance at Fiscal Year-End	1,520	-	1,520

Amount Equivalent to Lease Receivable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Within One Year	570	591	5,297
Over One Year	1,063	1,170	9,879
Total	1,633	1,761	15,176

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
Lease Income	702	598	6,524
Depreciation Costs	612	522	5,687
Interest Income Included in Lease Income	103	28	957

10. Financial Derivative Transactions

(1) Financial Derivative Transactions

The Bank enters into bond futures, over-the-counter (OTC) bond 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 fluctuations. 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, 2005 and 2004 is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Current Risk	22	53	204

(2) Market Value of Derivative Financial Instruments

a. Interest Rate-Related Transactions

As of March 31, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)	
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-counter transactions					
Forward Rate Agreements	-	-	-	-	-
Interest Rate Swaps					
Receipts Fixed/Payments Floating	-	-	-	-	-
Receipts Floating/Payments Fixed	6,602	4,565	(168)	(168)	(1,561)
Receipts Floating/Payments Floating	-	-	-	-	-
Interest Rate Options	-	-	-	-	-
Others	-	-	-	-	-
Total	/	/	(168)	(168)	(1,561)

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

As of March 31, 2004	Millions of yen			Thousands of U.S. dollars (Note 2)	
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (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)	
Receipts Floating/Payments Floating	-	-	-	-	-
Interest Rate Options	-	-	-	-	-
Others	-	-	-	-	-
Total	/	/	(380)	(380)	

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

b. Foreign Exchange-Related Transactions

As of March 31, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)	
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions					
Currency Swaps	27,363	20,451	(96)	(96)	(892)
Over-the-Counter Transactions					
Forward Foreign Exchange Contracts					
Sold	91	-	(1)	(1)	(9)
Bought	100	-	1	1	9
Currency Options	-	-	-	-	-
Others	-	-	-	-	-
Total	/	/	(96)	(96)	(892)

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

As of March 31, 2004	Millions of yen			
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Transactions				
Currency Swaps	31,415	31,415	(131)	(131)
Over-the-Counter Transactions				
Forward Foreign Exchange Contracts				
Sold	2,890	-	(1)	(1)
Bought	2,857	-	15	15
Currency Options	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>/</b>	<b>/</b>	<b>(118)</b>	<b>(118)</b>

c. Equity-Related Transactions

None

d. Bond-Related Transactions

None

e. Commodity-Related Transactions

None

f. Credit Derivative Transactions

As of March 31, 2005	Millions of yen				Thousands of U.S. dollars (Note 2)
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions					
Credit Default Swap					
Sold	1,000	1,000	25	25	232
Bought	-	-	-	-	-
<b>Total</b>	<b>/</b>	<b>/</b>	<b>25</b>	<b>25</b>	<b>232</b>

As of March 31, 2004	Millions of yen			
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Transactions				
Credit Default Swap				
Sold	1,000	1,000	33	33
Bought	-	-	-	-
<b>Total</b>	<b>/</b>	<b>/</b>	<b>33</b>	<b>33</b>

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 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)
	2005	2004	2005
<b>Deferred Tax Assets:</b>			
Reserve for Possible Loan Losses	52,450	52,285	487,453
Accrued Severance and Pension Liabilities	5,578	5,121	51,840
Tax Loss Carryforward	7,453	2,859	69,265
Depreciation Expense	1,551	994	14,414
Non-Approved Amortization of Securities	3,937	-	36,589
Others	2,934	1,531	27,267
Deferred Tax Assets – Sub-total	73,906	62,792	686,858
Valuation Allowance	(29,027)	(14,115)	(269,767)
Total Deferred Tax Assets	44,878	48,677	417,081
<b>Deferred Tax Liabilities:</b>			
Unrealized Gains on Securities	(5,311)	(6,193)	(49,358)
Total Deferred Tax Liabilities	(5,311)	(6,193)	(49,358)
Net Deferred Tax Assets	39,567	42,483	367,723

(2) For the years ended March 31, 2005 and 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 respective year was a loss.

## 12. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars(Note 2)
	2005	2004	2005
Net Assets Per-share	177.93	253.47	1.65
Net Loss Per-share	(67.72)	(111.83)	(0.62)

The above information is based on the following data:

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Net Loss	(20,769)	(34,297)	(193,020)
Net Income not Attributable to Common Shareholders	-	-	-
Dividends Paid on Preferable Stocks	-	-	-
Net Loss Available to Common Shareholders	(20,769)	(34,297)	(193,020)
Thousands			
Weighted Average Number of Shares of Common Stocks Outstanding	306,671	306,671	

Notes: (1) Diluted net income per-share is not shown above because the net balance in the respective year was a loss.

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

## Non-Consolidated Balance Sheets as of March 31, 2005 and 2004

The Shinwa Bank, Ltd.

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
<b>ASSETS</b>			
Cash and Due from Banks	139,993	93,935	1,301,050
Call Loans	484	847	4,498
Commercial Paper and Other Debt Purchased	46	55	427
Trading Account Securities	547	67	5,083
Japanese Government Bonds	531	67	4,934
Japanese Local Government Bonds	15	-	139
Money Held in Trust	3,000	3,000	27,881
Investment Securities	513,359	508,561	4,770,994
Japanese Government Bonds	263,388	237,098	2,447,843
Japanese Local Government Bonds	57,266	62,995	532,211
Corporate Bonds	76,461	85,296	710,604
Corporate Stocks	48,601	56,211	451,682
Others	67,640	66,958	628,624
Loans and Bills Discounted (Note 4)	1,828,767	1,901,534	16,995,975
Bills Discounted	39,566	41,751	367,713
Loans on Bills	271,790	328,541	2,525,929
Loans on Deeds	1,309,139	1,313,733	12,166,719
Overdrafts	208,271	217,507	1,935,604
Foreign Exchanges	3,108	2,772	28,884
Due from Foreign Banks	2,935	2,560	27,276
Foreign Bills of Exchange Bought	132	169	1,226
Foreign Bills of Exchange Receivable	40	42	371
Other Assets	11,794	15,226	109,609
Domestic Exchange Settlement Account, Debit	0	0	0
Prepaid Expenses	25	26	232
Accrued Income	2,319	2,203	21,552
Derivatives	37	2,762	343
Deferred Hedge Losses	-	282	-
Others	9,411	9,949	87,462
Premises and Equipment (Note 4)	69,554	73,525	646,412
Deferred Income Taxes (Note 6)	39,542	42,332	367,490
Customer's Liabilities for Acceptances and Guarantees	30,626	36,522	284,628
Reserve for Possible Loan Losses	(84,255)	(76,013)	(783,039)
Reserve for Possible Losses on Investment Securities	-	(579)	-
<b>TOTAL ASSETS</b>	<b>2,556,571</b>	<b>2,601,786</b>	<b>23,759,953</b>

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2005	2004	2005
<b>LIABILITIES</b>			
Deposits	2,303,230	2,331,552	21,405,483
Current Deposits	94,514	93,848	878,382
Ordinary Deposits	841,679	805,068	7,822,295
Savings Deposits	24,336	27,286	226,171
Deposits at Notice	12,207	15,384	113,447
Time Deposits	1,237,115	1,343,238	11,497,351
Installment Savings	11,015	14,705	102,369
Others	82,361	32,020	765,436
Negotiable Certificates of Deposits	42,959	46,290	399,247
Payables under Repurchase Agreements (Note 4)	1,492	1,011	13,866
Collateral Money for Bond Lending (Note 4)	43,137	29,825	400,901
Borrowed Money (Note 4)	12,430	11,898	115,520
Foreign Exchanges	65	9	604
Foreign Bills of Exchange Sold	6	5	55
Foreign Bills of Exchange Payable	59	3	548
Other Liabilities	8,674	7,791	80,613
Domestic Exchange Settlement Account, Credit	3	12	27
Accrued Income Taxes	177	104	1,644
Accrued Expenses	3,682	3,375	34,219
Unearned Income	2,749	2,766	25,548
Reserve for Interest on Installment Savings	1	3	9
Derivatives	267	530	2,481
Others	1,791	997	16,644
Reserve for Bonus	866	925	8,048
Accrued Severance and Pension Liabilities	12,169	11,324	113,094
Deferred Income Taxes on Land Revaluation	16,410	17,197	152,509
Acceptances and Guarantees	30,626	36,522	284,628
<b>TOTAL LIABILITIES</b>	<b>2,472,064</b>	<b>2,494,346</b>	<b>22,974,572</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock (Note 4)	20,915	20,915	194,377
Capital Surplus	37,511	62,383	348,615
Legal Retained Earnings	12,195	12,195	113,336
Voluntary Reserves	-	3,363	-
Accumulated Deficits	(19,367)	(28,235)	(179,990)
Land Revaluation Reserve, Net of Taxes (Note 4)	24,180	25,332	224,721
Unrealized Gain on Securities, Net	9,071	11,484	84,302
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>84,507</b>	<b>107,439</b>	<b>785,381</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,556,571</b>	<b>2,601,786</b>	<b>23,759,953</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, 2005 and 2004

The Shinwa Bank, Ltd.

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
<b>INCOME</b>			
Interest Income	54,996	57,673	511,115
Interest on Loans and Discounts	47,859	51,328	444,786
Interest and Dividends on Securities	7,080	6,287	65,799
Interest on Call Loans	20	18	185
Interest on Bills Purchased	-	0	-
Interest on Deposits with Banks	0	0	0
Interest on Interest Swap	21	16	195
Other Interest Income	14	21	130
Fees and Commissions	7,068	6,612	65,687
Other Operating Income	6,770	532	62,918
Gains on Foreign Exchange Transactions	75	145	697
Gains on Sale of Trading Account Securities	1	1	9
Gains on Sale of Bonds	6,453	258	59,972
Gains on Redemption of Bonds	1	0	9
Gains on Derivatives	238	126	2,211
Others	-	0	-
Other Income	4,311	2,080	40,065
Gains on Sale of Stocks and Other Securities	3,712	1,337	34,498
Gains on Money held in Trust	13	110	120
Others	585	632	5,436
<b>TOTAL INCOME</b>	<b>73,147</b>	<b>66,898</b>	<b>679,804</b>
<b>EXPENSES</b>			
Interest Expenses	3,477	3,635	32,314
Interest on Deposits	1,767	2,420	16,421
Interest on Negotiable Certificates of Deposits	35	27	325
Interest on Call Money	-	46	-
Interest on Payables under Repurchase Agreements	22	1	204
Interest on Collateral Money for Bond Lending	365	40	3,392
Interest on Borrowed Money	150	153	1,394
Interest on Interest Swap	1,111	890	10,325
Other Interest Expenses	24	54	223
Fees and Commissions	3,329	3,405	30,938
Other Operating Expenses	152	36	1,412
Losses on Sale of Bonds	152	36	1,412
General and Administrative Expenses	33,410	35,285	310,501
Other Expenses	50,646	60,157	470,687
Provision for Reserve for Possible Loan Losses	43,128	54,194	400,817
Write-off of Loans	920	403	8,550
Losses on Sale of Stocks and Other Securities	93	40	864
Losses on Devaluation of Stocks and Other Securities	3,586	294	33,327
Losses on Money Held in Trust	2	-	18
Others	2,913	5,224	27,072
<b>TOTAL EXPENSES</b>	<b>91,017</b>	<b>102,520</b>	<b>845,882</b>

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Operating Loss	(17,870)	(35,621)	(166,078)
Extraordinary Profit	3,500	1,446	32,527
Extraordinary Loss	3,028	1,973	28,141
Loss before Income Taxes	(17,397)	(36,148)	(161,682)
Income Taxes	212	71	1,970
Deferred Income Taxes	2,912	(1,845)	27,063
Net Loss	(20,522)	(34,373)	(190,724)
APPROPRIATION			
Retained Earnings Brought forward	-	2,946	-
Reversal of Land Revaluation Reserve	1,154	3,191	10,724
Accumulated Deficits at the End of the Year	(19,367)	(28,235)	(179,990)
	Yen		U.S. dollar
Net Loss Per Share	(66.91)	(112.08)	(0.62)

#### Subsequent Event

On June 28, 2005, the shareholders authorized the disposition of accumulated deficits as follows:

	Millions of Yen	Thousands of U.S. dollars (Note 2)
March 31		
Accumulated Deficits as of March 31, 2005	(19,367)	(179,990)
Reversal of Capital Surplus	19,367	179,990
Accumulated Deficits Carried forward	-	-

The accompanying notes are an integral part of these statements.



## Notes to Non-Consolidated Financial Statements

The Shinwa Bank, Ltd.

### 1. Basis of Presenting 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, the figures in the breakdown may not add up to their 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.

### 2. U.S. Dollar Amounts

U.S. dollar amounts presented in the accompanying financial statements are included solely for the convenience of readers outside Japan. The rate of ¥107.60 = US\$1.00, prevailing on March 31, 2005, 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 taxes, reported in a separate component of shareholders' equity. Unquoted equity securities are carried at cost determined by the moving average method 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.

In the previous years, equity interests in limited liability partnerships (LLPs), in voluntary partnership under the Civil Code and silent partnership under the Commercial Code characteristics of which are similar to those of LLPs, had been included in "Other Assets". However, from this fiscal year, these are included in "Investment Securities" as they are defined as securities under the Securities and Exchange Law by the "Partial Revision of Securities and Exchange Law" (Law No.97 dated June 9, 2004).

In addition, income or loss from the investments as described above, which was included in "Other Interest Income/Expenses" of "Interest Income/Expenses" in the prior year, is included in "Interest and Dividends on Securities" of "Interest Income" from the current year.

### (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

Building	3-50 years
Equipment	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 the impaired assets or a group of assets to the recoverable amount to be measured as the higher of the net selling price and the value in use. The standard shall be effective for fiscal years beginning April 1, 2005. However, 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 it determined the effect of applying it on the Bank's non-consolidated financial statements for the year ended March 31, 2005.

### (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 balances written off as unrecoverable are as follows:

As of March 31	Millions of yen		Thousands of
	2005	2004	U.S. dollars(Note 2)
Write-offs as Unrecoverable	75,530	94,532	701,951

(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 the 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 attributable to the respective fiscal year.

(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 in

which they arise. The unrecognized transitional obligation at the date of adoption was partly offset by a gain on securities contribution to an employee retirement benefit trust in 2001 and the remaining amount is amortized over 5 years.

Transitional obligation was as follows:

	Millions of yen
Transition Obligation	6,973
Contribution to Employee Retirement Trust	3,626
Remaining Amount Amortized	3,347

(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. However, those consumption taxes, etc. for premises and equipment which are not tax-deductible are expensed as incurred.

(13) Hedge Accounting

In the previous year ended March 31, 2004, the Bank started utilizing a deferral method of hedge accounting for interest rate risks in financial assets and liabilities. Before the previous year, as the transitional treatment, the Bank had 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 as of March 31, 2004, ¥282 million 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.

(14) Supplemental Information for Enterprise Taxes

With the promulgation of "The Law for Partial Amendments to Local Tax Law" (Law No. 9) on March 31, 2003, a portion of taxation basis of enterprise taxes was changed (pro forma standard taxation basis introduced), and "added value component" and "capital component" were newly added to the taxation basis from the fiscal years beginning on April 1, 2004. As a result, the Company included the portion of enterprise tax amounts calculated based on "added value component" and "capital component" in "General and administrative expenses" on the consolidated statements of income from this fiscal year pursuant to "Practical Treatment for Presentation of Pro Forma Standard Taxation Portion of Enterprise Tax on Corporation in the Statement of Income" (Accounting Standards Board of Japan, Practice Report No. 12).

#### 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)
	2005	2004	2005
Stock issued by Affiliated Companies	133	170	1,236

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

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Loans to Legally Bankrupt Borrowers	12,084	15,233	112,304
Delinquent Loans	120,395	142,472	1,118,912

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

- a. 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 continued delinquency of principal or interest over a considerable period of time 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" as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Loans with Overdue Period of Three Months or More	299	114	2,778

"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" as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Loans with Relaxed Conditions	63,390	60,246	589,126

"Loans with relaxed conditions" refer 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” totalled as follows:

As of March 31	Millions of yen		Thousands of U.S.dollars (Note 2)
	2005	2004	2005
Total Amount of Loans and Bills Discounted Listed in Items (2), (3) and (4) above	196,169	218,067	1,823,131

(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 Taxes on Land Revaluation” in liabilities and the remaining after-tax amount is recorded as “Land Revaluation Reserve, Net of Taxes” in shareholders’ equity.

Date of revaluation: March 31, 1998

Methods for revaluation as set forth in Article 3, paragraph 3 of the law concerning revaluation of land: Land prices are determined based on the 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. 199 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)
	2005	2004	2005
Excess of the Total Fair Value of the Land for Business Use Revalued	27,895	22,307	259,247

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

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Accumulated Depreciation of Premises and Equipment	37,734	39,896	350,687

(8) Gains on sale 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)
	2005	2004	2005
Deduction of Cost of Premises and Equipment	17,234	17,234	160,167

(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)
	2005	2004	2005
Assets that are Pledged as Collateral			
Securities	-	1,409	-
Premises and Equipment	2,277	-	21,161
Obligations Corresponding to Collateral Assets			
Acceptances and Guarantees	-	622	-
Other Liabilities	432	-	4,014

In addition, Securities sold under repurchase agreements and those lending with cash collateral amount to ¥45,648 million (US\$424,237 thousand) as at March 31, 2005, which correspond to ¥1,492 million (US\$13,866 million) of payables under repurchase agreements and ¥43,137 million (US\$400,901 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)
	2005	2004	2005
Collateral to Exchange Settlements and for Deposit Money of Future			
Securities	127,453	116,919	1,184,507
Deposits	6	6	55

#### (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)
	2005	2004	2005
Unused Commitment Balance	448,733	457,852	4,170,381

Many of the agreements cease with no loan applied; thereby, the unused loan commitment do not necessarily affect future cash flows. Such conditions are included in the agreements that allow the Bank to stop loans or to decrease applicable limits for the purpose of protecting loan assets or of addressing material change in business conditions. The Bank implements protection of loan assets through, if necessary, securing collaterals (real estate, securities, etc.) or other measures. After agreement is effected, according to internal lending procedures the Bank reviews financial condition of borrowers. The Bank takes 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)
	2005	2004	2005
Borrowed Money of which Repayment Orders are Subordinated to All Other Debts	4,500	4,900	41,821

(12) Authorized stocks

	Thousands
As of March 31	2005
Common Stocks	1,100,000
Preferred Stocks	100,000
Issued and Outstanding Stocks	
Common Stocks	306,671
Preferred Stocks	30,000

5. Finance Lease

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, 2005	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Others	Total	Total
Amount Equivalent to the Purchase Prices of the Leased Assets	4,478	-	4,478	41,617
Amount Equivalent to Accumulated Depreciation	2,140	-	2,140	19,888
Amount Equivalent to Balance at Fiscal Year-End	2,338	-	2,338	21,728

For the Year ended March 31, 2004	Millions of yen		
	Movables	Others	Total
Amount Equivalent to the Purchase Prices of the Leased Assets	3,961	-	3,961
Amount Equivalent to Accumulated Depreciation	1,666	-	1,666
Amount Equivalent to Balance at Fiscal Year-End	2,294	-	2,294

Amount Equivalent to Lease Payable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Within One Year	829	717	7,704
Over One Year	1,509	1,577	14,024
Total	2,338	2,294	21,728

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Lease Fees Paid	796	944	7,397
Amount Equivalent to Depreciation	796	944	7,397

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)
	2005	2004	2005
<b>Deferred Tax Assets:</b>			
Reserve for Possible Loan Losses	52,450	52,283	487,453
Accrued Severance and Pension Liabilities	5,574	5,113	51,802
Tax Loss Carryforwards	7,452	2,833	69,256
Depreciation Expense	1,551	994	14,414
Non-Approved Amortization of Securities	3,937	-	36,589
Others	2,915	1,440	27,091
<b>Deferred Tax Assets – Sub-total</b>	<b>73,881</b>	<b>62,665</b>	<b>686,626</b>
Valuation Allowance	(29,027)	(14,115)	(269,767)
<b>Total Deferred Tax Assets</b>	<b>44,853</b>	<b>48,549</b>	<b>416,849</b>
<b>Deferred Tax Liabilities:</b>			
Unrealized Gains on Securities	(5,311)	(6,217)	(49,358)
<b>Total Deferred Tax Liabilities</b>	<b>(5,311)</b>	<b>(6,217)</b>	<b>(49,358)</b>
<b>Net Deferred Tax Assets</b>	<b>39,542</b>	<b>42,332</b>	<b>367,490</b>

(2) For the years ended March 31, 2005 and 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 respective year was a loss.

## 7. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars (Note 2)
	2005	2004	2005
Net Assets Per-share	177.73	252.51	1.65
Net Loss Per-share	(66.91)	(112.08)	(0.62)

The above information is based on the following data:

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Net Loss	(20,522)	(34,373)	(190,724)
Net Income not Attributable to Common Shareholders	-	-	-
Dividends Paid on Preferable Stocks	-	-	-
<b>Net Loss Available to Common Shareholders</b>	<b>(20,522)</b>	<b>(34,373)</b>	<b>(190,724)</b>
	Thousands		
<b>Weighted Average Number of Shares of Common Stocks Outstanding</b>	<b>306,671</b>	<b>306,671</b>	

Notes: (1) Diluted net income per-share is not shown above because the net balance in the respective year was a loss.

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