

Kyushu-Shinwa Financial Group

ANNUAL REPORT 2006

PRESIDENT'S STATEMENT

Kyushu-Shinwa Financial Group, established four years ago as the result of the amalgamation of The Shinwa Bank, Ltd. and The Kyushu Bank, Ltd., comprehends a financial institution and various relative companies. 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 bank 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 Sasebo-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. On 1 April 2003, the two banks were amalgamated, with its name as "The Shinwa Bank, Ltd." The new bank is headquartered in Sasebo City, Nagasaki Prefecture, with network spreading over the northern Kyushu — Fukuoka, Saga, and Nagasaki Prefectures.

During the term under review the Group put emphasis upon strengthening an earning power and establishing a financial basis for the future. Income from interest decreased because keen competition lowered interest rates; on the other hand, revenue from fees and commissions increased thanks to a good sale of mutual funds and life insurance products. To hedge risk from lower interest rates the Bank securitized housing loans, which generated the profits of ¥11,507 million; besides, it wrote off ¥33,035 million of possible loan losses for the reconstruction of corporate clients who are weak in financial standing. As a result, the Holdings marked ¥14,024 million in the operating profit; and reduced ¥8,244 million in deferred income taxes, which caused the net profit of ¥5,356 million. The capital adequacy ratio was 8.55% at the end of the term.

FY 2007 is the term of challenging stage where under stagnant business conditions in the region; we must continuously strengthen earning power and operational efficiency. For such purposes, for example, we set up 10 office sites specialized for individual customer services, and established a subsidiary designed for supporting corporate reconstruction. 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 2006

Takashige Araki

President

Kyushu-Shinwa Holdings, Inc.

Bank Data

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Consolidated Balance Sheets as of March 31, 2006 and 2005

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
ASSETS			
Cash and Due from Banks	90,419	139,995	770,178
Call Loans	94,584	484	805,655
Commercial Paper and Other Debt Purchased	37	46	315
Trading Account Securities (Note 5)	109	547	928
Money Held in Trust	6,727	3,000	57,299
Investment Securities (Notes 6 and 7)	602,598	513,190	5,132,862
Loans and Discounted Bills(Note 6)	1,718,946	1,826,448	14,641,788
Foreign Currencies	1,426	3,108	12,146
Other Assets	18,240	12,588	155,366
Premises and Equipment (Note 6)	52,513	57,004	447,299
Deferred Income Taxes (Note 11)	26,414	29,784	224,991
Customer's Liability under Acceptances and Guarantees	28,984	30,626	246,882
Allowance for Loan Losses	(88,847)	(84,564)	(756,788)
TOTAL ASSETS	2,552,154	2,532,262	21,738,960
LIABILITIES			
Deposits	2,136,644	2,301,478	18,199,693
Negotiable Certificates of Deposits	46,622	42,959	397,120
Payables under Repurchase Agreements (Note 6)	-	1,492	-
Collateral Money for Bond Lending (Note 6)	186,385	43,137	1,587,606
Borrowings (Note 6)	14,802	12,430	126,081
Foreign Currencies	21	65	178
Corporate Bonds	15,000	-	127,768
Other Liabilities	11,396	9,015	97,069
Reserve for Bonus	896	931	7,632
Accrued Severance and Pension Liabilities (Note 8)	13,611	14,401	115,936
Negative Goodwill	53	71	451
Acceptances and Guarantees	28,984	30,626	246,882
TOTAL LIABILITIES	2,454,419	2,456,610	20,906,465
MINORITY INTERESTS	5,069	70	43,177
SHAREHOLDERS' EQUITY			
Common Stock (Note 6)	44,318	35,000	377,495
Capital Surplus	43,966	89,633	374,497
Accumulated Deficits	3,217	(57,104)	27,402
Unrealized Gain on Securities, Net	1,392	8,556	11,856
Treasury Stock	(229)	(502)	(1,950)
TOTAL SHAREHOLDERS' EQUITY	92,665	75,581	789,310
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	2,552,154	2,532,262	21,738,960

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income for the years ended March 31, 2006 and 2005

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
INCOME			
Interest Income	50,412	53,569	429,403
Interest on Loans	43,227	47,853	368,202
Interest and Dividends on Securities	7,057	5,658	60,110
Interest on Call Loans	54	20	459
Interest on Deposits with Banks	0	-	0
Other Interest Income	73	37	621
Fees and Commissions	8,596	7,620	73,219
Other Operating Income	13,146	6,832	111,976
Other Income	16,333	4,048	139,122
TOTAL INCOME	88,489	72,071	753,739
EXPENSES			
Interest Expense	4,128	3,481	35,161
Interest on Deposits	1,318	1,767	11,226
Interest on Negotiable Certificates of Deposits	25	35	212
Interest on Call Money	0	-	0
Interest on Payables under Repurchase Agreements	29	22	247
Interest on Collateral Money for Bond Lending	1,333	365	11,354
Interest on Borrowings	172	150	1,465
Interest on Corporate Bonds	79	-	672
Other Interest Expenses	1,168	1,140	9,948
Fees and Commissions	3,327	3,329	28,339
Other Operating Expenses	263	154	2,240
General and Administrative Expenses	30,502	33,994	259,812
Other Expenses	36,243	51,097	308,713
Provision for Loan Losses	33,035	43,253	281,388
Others	3,207	7,843	27,316
TOTAL EXPENSES	74,465	92,058	634,284
Operating Profit (Loss)	14,024	(19,986)	119,454
Extraordinary Profit	2,373	3,670	20,212
Gain on Sale of Premises and Equipment	190	175	1,618
Recovery on Loans Written-off	2,183	3,080	18,594
Other	-	414	-
Extraordinary Loss	2,179	1,694	18,560
Loss on Sale of Premises and Equipment	371	1,562	3,160
Impairment Loss in Premises and Equipment	1,737	-	14,795
Other	70	131	596
Loss before Income Taxes	14,218	(18,010)	121,107
Income Taxes	612	297	5,212
Deferred Income Taxes	8,244	2,710	70,221
Minority Interests in Net Income of Consolidated Subsidiaries	5	13	42
Net Profit (Loss)	5,356	(21,032)	45,621

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity for the years ended March 31, 2006 and 2005

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
CAPITAL SURPLUS			
Balance at the Beginning of the Year	89,633	89,638	763,483
Increase in Capital Surplus	9,299	-	79,207
Increase due to Issuance of Stocks	9,281	-	79,054
Profits on Disposal of Treasury Stocks	18	-	153
Decrease in Capital Surplus	54,966	5	468,194
Reversal of Capital Reserve	48,972	-	417,137
Reversal of Capital Surplus	5,994	-	51,056
Loss on Disposal of Treasury Stock	-	5	-
Balance at the End of the Year	43,966	89,633	374,497
RETAINED EARNINGS (ACCUMULATED DEFICITS)			
Balance at the Beginning of the Year	(57,104)	(35,686)	(486,405)
Increase in Retained Earnings	60,322	-	513,816
Net Profit	5,356	-	45,621
Reversal of Capital Reserve	48,972	-	417,137
Reversal of Capital Surplus	5,992	-	51,039
Decrease in Retained Earnings	-	(21,418)	-
Cash Dividends Paid	-	(375)	-
Net Loss	-	(21,032)	-
Decrease due to Exclusion of Subsidiaries	-	(10)	-
Balance at the End of the Year	3,217	(57,104)	27,402

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows for the years ended March 31, 2006 and 2005

Kyushu Shinwa Holdings, Inc. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before Income Taxes	14,218	(18,010)	121,107
Depreciation	2,302	2,336	19,608
Impairment Loss in Premises and Equipment	1,717	-	14,625
Amortization of Negative Goodwill	(17)	(17)	(144)
Equity in Loss in Affiliates	21	105	178
Increase in Allowance for Loan Losses	4,283	7,972	36,482
(Decrease) Increase in Allowance for Losses on Investment Securities	-	(580)	-
Decrease in Reserve for Bonus	(34)	(56)	(289)
Decrease in Accrued Severance and Pension Liabilities	(790)	(106)	(6,729)
Income from Investments	(50,412)	(53,569)	(429,403)
Interest Expense	4,128	3,481	35,161
Net Gain Related to Securities Transactions	(15,852)	(4,799)	(135,025)
Net Gain from Money Held in Trust	(0)	(10)	(0)
Foreign Currencies Gain	58	(9)	494
Net Loss on Disposed Premises and Equipment	181	1,386	1,541
Net Change in Loans and Discounted Bills	107,502	72,686	915,689
Net Change in Deposits	(164,833)	(28,438)	(1,404,028)
Net Change in Negotiable Certificates of Deposits	3,663	(3,331)	31,201
Net Change in Borrowings Excluding Subordinated Debt	371	932	3,160
Net Change in Due from Banks (Excluding Due from Bank of Japan)	19	(163)	161
Net Change in Call Loans	(94,091)	372	(801,456)
Net Change in Payables under Repurchase Agreement	(1,492)	481	(12,708)
Net Change in Deposits for Securities Loans	140,236	13,312	1,194,514
Net Change in Foreign Currencies (Assets)	1,682	(335)	14,327
Net Change in Foreign Currencies (Liabilities)	(44)	56	(374)
Interest Received	50,515	55,074	430,281
Interest Paid	(6,483)	(2,872)	(55,221)
Other, Net	2,877	227	24,505
SUB TOTAL	(252)	46,123	(2,146)
Income Taxes Refund	122	1,327	1,039
Income Taxes Paid	(656)	(353)	(5,587)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(786)	47,097	(6,695)

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Purchases of Securities	(266,023)	(139,291)	(2,265,954)
Proceeds from Sales of Securities	117,130	83,504	997,700
Proceeds from Maturity of Securities	63,222	55,522	538,517
Payment for Increase in Money Held in Trust	(3,836)	-	(32,674)
Proceeds from Decrease in Money Held in Trust	108	-	919
Payment for Purchase of Premises and Equipment	(1,290)	(1,587)	(10,988)
Proceeds from Sale of Premises and Equipment	1,916	1,283	16,320
Payment for Purchase of Subsidiaries' Stocks	-	(33)	-
Payment for Purchase of Subsidiary's Stocks Incidental to Change in Consolidation	-	(215)	-
Proceeds from Sale of Subsidiaries' Stocks Incidental to Change in Consolidation	-	408	-
NET CASH USED IN INVESTING ACTIVITIES	(88,772)	(408)	(756,149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Subordinated Loans	2,500	-	21,294
Repayment for Subordinated Loans	(500)	(400)	(4,258)
Proceeds from Issuance of Subordinated Corporate Bonds	14,585	-	124,233
Proceeds from Issuance of Stocks	18,435	-	157,027
Cash Dividends Paid	(0)	(376)	(0)
Dividends Paid to Minority Interests	(0)	(3)	(0)
Proceeds from Minority Interests	5,000	-	42,589
Payment for Purchase of Treasury Stock	(34)	(36)	(289)
Proceeds from Sale of Treasury Stock	2	10	17
NET CASH USED IN FINANCING ACTIVITIES	39,987	(804)	340,604
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	14	9	119
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,556)	45,893	(422,112)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	138,945	93,051	1,183,517
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	89,388	138,945	761,396

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 version have been prepared based on the accounts maintained by Kyushu Shinwa Holdings, Inc. (the "Company") and its consolidated 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 translated from the original Japanese version and 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 Japanese 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 consolidated financial statements are included solely for the convenience of readers outside Japan. The approximate rate of ¥117.40 = US\$1.00, prevailing on March 31, 2006, 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, 2006)

- (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.
- (8) Shinwa Corporate Partners Co., Ltd.

4. Fiscal year of subsidiaries

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

5. Significant accounting policies

(1) Trading account securities

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

(2) Investment securities

- a. Marketable equity securities and debt securities classified as available-for-sale securities are carried at fair value with the unrealized gains and losses, net of taxes, reported in a separate component of shareholders' equity. Equity and debt securities without available market quotations are carried at cost determined using the

weighted average method or at amortized cost respectively.

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

(3) Derivatives

Derivatives transactions are stated at fair value.

(4) Depreciation

a. Premises and equipment

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

Estimated Useful Life:

Buildings	3-50 years
Equipment	3-20 years

b. Software

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

(5) Allowance for loan losses

Write-offs of loans and allowance for 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 the Company's 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)
	2006	2005	2006
Write-offs as Unrecoverable	65,967	75,530	561,899

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) Consumption Taxes

No national and local consumption taxes are included in expenses.

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)
	2006	2005	2006
Stocks issued by Affiliated Companies	-	39	-

(2) Loans and discounted bills 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)
	2006	2005	2006
Loans to Legally Bankrupt Borrowers	8,052	12,084	68,586
Delinquent Loans	119,079	120,565	1,014,301

"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 discounted bills 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)
	2006	2005	2006
Loans with Overdue Period of Three Months or More	79	299	672

"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 are not classified as "loans to legally bankrupt borrowers" or "delinquent loans."

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
Loans with Relaxed Conditions	62,013	63,390	528,219

"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 deferral of interest payments, the deferral of principal repayments, or the abandonment of claims in order to reconstruct or support the borrowers' business, but are not classified as

loans to “legally bankrupt borrowers,” “delinquent loans,” or “loans with overdue period of three months or more.”

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
Total Amount of Loans and Discounted Bills Listed in Items (2), (3) and (4) above	189,224	196,339	1,611,788

(6) 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)
	2006	2005	2006
Assets that are Pledged as Collateral			-
Securities	3,683	-	31,371
Premises and Equipment	-	2,277	-
Obligations Corresponding to Collateral Assets			-
Call Money	-	-	-
Other Liabilities	-	432	-

In addition, securities lent with cash collateral amount to ¥187,300 million (US\$1,595,400 thousand) as at March 31, 2006, which correspond to ¥186,385 million (US\$1,587,606 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)
	2006	2005	2006
Collateral to Exchange Settlements and for Deposit Money of Futures			
Securities	131,873	127,453	1,123,279
Cash and Due from Banks	9	6	76
Loans	3,000	-	25,553
Other Assets	21	-	178
Premises and Equipment			
Guarantee Deposits	3,606	3,728	30,715

(7) 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)
	2006	2005	2006
Unused Commitment Balance	428,175	456,041	3,647,146

Many of the agreements cease with no loan applied; therefore, the unused loan commitment does not necessarily affect future cash flows. Such conditions are included in the agreements to allow the Company to stop loans or to decrease applicable limits for the purpose of protecting loan assets or to address 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.

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
Accumulated Depreciation of Premises and Equipment	38,459	39,133	327,589

(9) "Borrowings" 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)
	2006	2005	2006
Borrowings of which Repayment Orders are Subordinated to All Other Debts	6,500	4,500	55,366

(10) Authorized stocks

As of March 31	2006
Common Stocks	1,100,000,000
Preferred Stocks	97,430,000
Issued and Outstanding Stocks	
Common Stocks	342,267,918
Preferred Stocks	42,430,000

7. Market Values of Securities

(1) Trading Account Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Book Value	109	547	928
Unrealized Gain (Loss)	(0)	0	(0)

(2) Marketable Bonds to be held until Maturity

None

(3) Other Marketable Securities

As of March 31, 2006	Millions of yen			Thousands of U.S. Dollars (Note 2)
	Cost	Book Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Stocks	18,662	26,651	7,988	68,040
Bonds	416,289	409,548	(6,741)	(57,419)
Government Bonds	327,293	321,039	(6,254)	(53,270)
Local Government Bonds	34,996	34,695	(301)	(2,563)
Corporate Bonds	53,998	53,813	(185)	(1,575)
Other	153,867	154,954	1,087	9,258
Total	588,819	591,154	2,335	19,889

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

As of March 31, 2005	Millions of yen		
	Cost	Book Value	Unrealized Gain (Loss)
Stocks	34,594	45,272	10,677
Bonds	386,643	390,197	3,554
Government Bonds	261,386	263,388	2,002
Local Government Bonds	56,537	57,266	729
Corporate Bonds	68,719	69,541	821
Other	66,864	66,998	134
Total	488,102	502,469	14,366

Book value is calculated based on 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, 2006

Millions of yen			Thousands of U.S. dollars (Note 2)		
Proceeds	Gain	Loss	Proceeds	Gain	Loss
121,267	16,755	362	1,032,938	142,717	3,083

As of March 31, 2005

Millions of yen		
Proceeds	Gain	Loss
83,504	9,150	260

(6) Book Value of Available-for-sale Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Unlisted Stocks (excluding OTC Stocks)	3,117	3,195	26,550
Private Placement Corporate Bonds	7,564	6,946	64,429

(7) Securities to which the intent of holding were changed

None

(8) Available-for-sale securities with maturities are redeemable under the following schedule:

As of March 31, 2006	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Stocks	-	-	-	764
Bonds	50,474	235,861	78,250	44,985
Government Bonds	34,603	175,627	66,213	44,595
Local Government Bonds	6,161	23,277	5,255	-
Corporate Bonds	9,709	36,956	6,781	390
Other	1,180	74,429	21,419	38,807
Total	51,654	310,291	99,670	84,557

As of March 31, 2006	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	-	-	-	6,507
Bonds	429,931	2,009,037	666,524	383,177
Government Bonds	294,744	1,495,971	563,994	379,855
Local Government Bonds	52,478	198,270	44,761	-
Corporate Bonds	82,700	314,787	57,759	3,321
Other	10,051	633,977	182,444	330,553
Total	439,982	2,643,023	848,977	720,247

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	-
Other	5,108	28,177	12,371	18,058
Total	57,893	278,463	50,980	67,366

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)
	2006	2005	2006
Projected Benefit Obligation	(20,909)	(21,251)	(178,100)
Plan Assets at Fair Value	12,750	9,041	108,603
Unfunded Benefit Obligation	(8,158)	(12,210)	(69,488)
Unrecognized Actuarial Differences	(984)	2,779	(8,381)
Unrecognized Prior service Cost	(4,468)	(4,970)	(38,057)
Net Amount Recognized in the Consolidated Balance Sheets	(13,611)	(14,401)	(115,936)
Accrued Severance and Pension Liabilities	(13,611)	(14,401)	(115,936)

(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)
	2006	2005	2006
Service Costs	903	1,203	7,691
Interest Cost	424	513	3,611
Expected Return on Plan Assets	(135)	(133)	(1,149)
Amortization of Prior Service Cost	(501)	(41)	(4,267)
Amortization of Actuarial Differences	328	228	2,793
Other	-	(81)	-
Net Periodic Severance and Pension Costs	1,019	1,688	8,679

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

For the Year ended March 31	2006		2005	
Discount Rate	2.0%		2.0%	
Expected Return Rate	2.0%		2.0%	
Method Attributing Expected Benefits to Periods of Service	Point	Basis	Point	Basis
Amortization Period of Prior Service Cost	10 years		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 substantially transferred to the lessee, are as follows:

(1) As Lessee

For the Year ended March 31, 2006	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Other	Total	Total
Amount Equivalent to the Purchase Price of the Leased Assets	4,445	-	4,445	37,862
Amount Equivalent to Accumulated Depreciation	2,486	-	2,486	21,175
Amount Equivalent to Balance at Fiscal-Year End	1,958	-	1,958	16,678

For the Year ended March 31, 2005	Millions of yen		
	Movables	Other	Total
Amount Equivalent to the Purchase Price of the Leased Assets	3,633	-	3,633
Amount Equivalent to Accumulated Depreciation	1,822	-	1,822
Amount Equivalent to Balance at Fiscal Year End	1,811	-	1,811

Amount Equivalent to Lease Payable:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Within One Year	691	669	5,885
Over One Year	1,267	1,141	10,792
Total	1,958	1,811	16,678

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Lease Fees Paid	722	601	6,149
Amount Equivalent to Depreciation	722	601	6,149

Note: The lease period is set at the estimated 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, 2006	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Other	Total	Total
Purchase Price of the Leased Assets	2,817	-	2,817	23,994
Accumulated Depreciation	1,463	-	1,463	12,461
Balance at Fiscal Year-End	1,353	-	1,353	11,524

For the Year ended March 31, 2005	Millions of yen		
	Movables	Other	Total
Purchase Price of the Leased Assets	2,846	-	2,846
Accumulated Depreciation	1,247	-	1,247
Balance at Fiscal Year-End	1,598	-	1,598

Amount Equivalent to Lease Receivable:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Within One Year	582	568	4,957
Over One Year	855	1,061	7,282
Total	1,437	1,629	12,240

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Lease Income	798	701	6,797
Depreciation Expense	648	610	5,519
Interest Income Included in Lease Income	94	103	800

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, 2006	Millions of yen			Unrealized Gain (Loss)	Thousands of U.S. dollars (Note 2) Unrealized Gain (Loss)
	Contractual or Notional Amount	Over One Year	Market Value		
Over-the-counter transactions					
Forward Rate Agreements	-	-	-	-	-
Interest Rate Swaps					
Receiving Fixed/Pay Floating	-	-	-	-	-
Receiving Floating/Pay Fixed	2,455	1,615	(41)	(41)	(349)
Receiving Floating/Pay Floating	-	-	-	-	-
Interest Rate Options	-	-	-	-	-
Other	-	-	-	-	-
Total			(41)	(41)	(349)

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

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

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

b. Foreign Exchange-Related Transactions

As of March 31, 2006	Millions of yen			Unrealized Gain (Loss)	Thousands of U.S. dollars (Note 2) Unrealized Gain (Loss)
	Contractual or Notional Amount	Over One Year	Market Value		
Over-the-Counter Transactions					
Currency Swaps	40,093	18,325	(181)	(181)	(1,541)
Over-the-Counter Transactions					
Forward Foreign Exchange Contracts					
Sold	4,691	-	(40)	(40)	(340)
Bought	4,724	-	66	66	562
Currency Options	-	-	-	-	-
Other	-	-	-	-	-
Total	/	/	(154)	(154)	(1,311)

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

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

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, 2006	Millions of yen			Unrealized Gain (Loss)	Thousands of U.S. dollars (Note 2) Unrealized Gain (Loss)
	Contractual or Notional Amount	Over One Year	Market Value		
Over-the-Counter Transactions					
Credit Default Swap					
Sold	1,000	1,000	15	15	127
Bought					-
Total	/	/	15	15	127

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

As of March 31, 2005	Millions of yen			Unrealized Gain (Loss)
	Contractual or Notional Amount	Over One Year	Market Value	
Over-the-Counter Transactions				
Credit Default Swap				
Sold	1,000	1,000	25	25
Bought				
Total	/	/	25	25

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

11. Income Taxes

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)
	2006	2005	2006
Deferred Tax Assets:			
Tax Loss Carryforward	49	7,583	417
Amortization of Securities	3,062	3,937	26,081
Accrued Severance and Pension Liabilities	6,278	6,477	53,475
Allowance for Loan Losses	56,131	52,476	478,117
Depreciation expense	1,632	1,553	13,901
Other	2,619	2,948	22,308
Deferred Tax Assets – Sub-total	69,774	74,977	594,327
Valuation Allowance	(30,863)	(29,027)	(262,887)
Total Deferred Tax Assets	38,911	45,950	331,439
Deferred Tax Liabilities:			
Unrealized Gains on Securities	(937)	(5,811)	(7,981)
Market Revaluation at Transition for Unrealized Gains on Securities	(625)	(86)	(5,323)
Market Revaluation at Transition for Unrealized Gains on Land	(10,933)	(10,266)	(93,126)
Total Deferred Tax Liabilities	(12,496)	(16,165)	(106,439)
Net Deferred Tax Assets	26,414	29,784	224,991

12. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars (Note 2)
	2006	2005	2006
Net Assets Per-share	146.03	149.62	1.24
Net Profit (Loss) Per-share	15.47	(69.63)	0.13

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)
	2006	2005	2006
Net Profit (Loss)	5,356	(21,032)	45,621
Net Income not Attributable to Common Shareholders	375	187	3,194
Dividends Paid on Preferred Stocks	375	187	3,194
Net Profit (Loss) Available to Common Shareholders	4,981	(21,220)	42,427
	Thousands		
Weighted Average Number of Shares of Common Stocks Outstanding	321,806	304,899	

Consolidated Balance Sheets as of March 31, 2006 and 2005
The Shinwa Bank, Ltd. and Consolidated Subsidiaries

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
ASSETS			
Cash and Due from Banks	90,417	139,994	770,161
Call Loans	94,584	484	805,655
Commercial Paper and Other Debt Purchased	37	46	315
Trading Account Securities (Note 5)	109	547	928
Money Held in Trust	6,727	3,000	57,299
Investment Securities (Notes 6 and 7)	602,619	513,252	5,133,040
Loans and Discounted Bills (Note 6)	1,718,963	1,826,517	14,641,933
Foreign Currencies	1,426	3,108	12,146
Other Assets	17,086	11,864	145,536
Premises and Equipment (Note 6)	66,776	71,863	568,790
Deferred Income Taxes (Note 11)	36,891	39,567	314,233
Goodwill	20	26	170
Customer's Liability under Acceptances and Guarantees	28,984	30,626	246,882
Allowance for Loan Losses	(88,494)	(84,271)	(753,781)
TOTAL ASSETS	2,576,149	2,556,630	21,943,347
LIABILITIES			
Deposits	2,139,299	2,302,989	18,222,308
Negotiable Certificates of Deposits	46,622	42,959	397,120
Payables under Repurchase Agreements (Note 6)	-	1,492	-
Collateral Money for Bond Lending (Note 6)	186,385	43,137	1,587,606
Borrowings (Note 6)	14,802	12,430	126,081
Foreign Currencies	21	65	178
Corporate Bonds	15,000	-	127,768
Other Liabilities	11,229	8,836	95,647
Reserve for Bonus	860	915	7,325
Accrued Severance and Pension Liabilities (Note 8)	11,728	12,181	99,897
Deferred Income Taxes on Land Revaluation	16,422	16,410	139,880
Acceptances and Guarantees	28,984	30,626	246,882
TOTAL LIABILITIES	2,471,357	2,472,045	21,050,741
MINORITY INTERESTS	5,018	17	42,742
SHAREHOLDERS' EQUITY			
Common Stock	30,213	20,915	257,350
Capital Surplus	27,442	37,511	233,747
Accumulated Deficits	17,195	(7,109)	146,465
Land Revaluation Reserve, Net of Taxes (Note 6)	22,261	24,180	189,616
Unrealized Gain on Securities, Net	2,659	9,069	22,649
TOTAL SHAREHOLDERS' EQUITY	99,772	84,567	849,846
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	2,576,149	2,556,630	21,943,347

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income for the years ended March 31, 2006 and 2005

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
INCOME			
Interest Income	51,003	54,950	434,437
Interest on Loans	43,181	47,814	367,810
Interest and Dividends on Securities	7,696	7,078	65,553
Interest on Call Loans	54	20	459
Interest on Deposits with Banks	0	0	0
Other Interest Income	71	36	604
Fees and Commissions	8,023	7,068	68,339
Other Operating Income	13,721	6,832	116,873
Other Income	13,689	5,044	116,601
TOTAL INCOME	86,437	73,894	736,260
EXPENSES			
Interest Expense	4,125	3,479	35,136
Interest on Deposits	1,319	1,767	11,235
Interest on Negotiable Certificates of Deposits	25	35	212
Interest on Call Money	0	-	0
Interest on Payables under Repurchase Agreements	29	22	247
Interest on Collateral Money for Bond Lending	1,333	365	11,354
Interest on Borrowings	172	150	1,465
Interest on Corporate Bonds	79	-	672
Other Interest Expenses	1,165	1,137	9,923
Fees and Commissions	3,218	3,329	27,410
Other Operating Expenses	259	154	2,206
General and Administrative Expenses	30,784	34,079	262,214
Other Expenses	35,895	50,812	305,749
TOTAL EXPENSES	74,282	91,855	632,725
Operating Loss	12,155	(17,961)	103,534
Extraordinary Profit	2,400	3,403	20,442
Extraordinary Loss	2,812	3,075	23,952
Loss before Income Taxes	11,743	(17,633)	100,025
Income Taxes	503	225	4,284
Deferred Income Taxes	6,098	2,910	51,942
Minority Interests	0	0	0
Net Profits (Loss)	5,140	(20,769)	43,781

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity for the years ended March 31, 2006 and 2005

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
CAPITAL SURPLUS:			
Balance at the Beginning of the Year	37,511	62,383	319,514
Increase in Capital Surplus	9,298	-	79,199
Increase due to Issuance of Stocks	9,298	-	79,199
Decrease in Capital Surplus	19,367	24,871	164,965
Reversal of Capital Surplus	19,367	24,871	164,965
Balance at the End of the Year	27,442	37,511	233,747
RETAINED EARNINGS(ACCUMULATED DEFICITS):			
Balance at the Beginning of the Year	(7,109)	(12,341)	(60,553)
Increase in Retained Earnings	25,633	26,026	218,339
Net Profits	5,140	-	43,781
Transfer from Capital Surplus	19,367	24,871	164,965
Transfer from Land Revaluation Reserve	1,125	1,154	9,582
Decrease in Retained Earnings	(1,328)	(20,794)	(11,311)
Net Loss	-	(20,769)	-
Cash Dividends Paid	1,328	-	11,311
Decrease due to Exclusion of Subsidiaries	-	(24)	-
Balance at the End of the Year	17,195	(7,109)	146,465

The accompanying notes are an integral part of these statements

Consolidated Statements of Cash Flows for the years ended March 31, 2006 and 2005

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before Income Taxes	11,743	(17,633)	100,025
Depreciation	2,298	2,332	19,574
Impairment Loss in Premises and Equipment	2,349	-	20,008
Amortization of Negative Goodwill	6	6	51
Equity in Loss in Affiliates	13	121	110
Increase in Allowance for Loan Losses	4,223	8,278	35,971
(Decrease) Increase in Allowance for Losses on Investment Securities	-	(580)	-
Decrease in Reserve for Bonus	(54)	(55)	(459)
Increase in Accrued Severance and Pension Liabilities	(453)	849	(3,858)
Income from Investments	(51,003)	(54,950)	(434,437)
Interest Expense	4,125	3,479	35,136
Net Gain Related to Securities Transactions	(13,842)	(6,025)	(117,904)
Net Gain from Money Held in Trust	(0)	(10)	(0)
Foreign Currencies Gain	58	(9)	494
Net Loss on Disposed Premises and Equipment	167	2,257	1,422
Net Change in Loans and Discounted Bills	107,554	72,561	916,132
Net Change in Deposits	(163,689)	(28,273)	(1,394,284)
Net Change in Negotiable Certificates of Deposits	3,663	(3,331)	31,201
Net Change in Borrowings Excluding Subordinated Debt	371	932	3,160
Net Change in Due from Banks (Excluding Due from Bank of Japan)	19	(165)	161
Net Change in Call Loans	(94,091)	372	(801,456)
Net Change in Payables under Repurchase Agreements	(1,492)	481	(12,708)
Net Change in Deposits for Securities Loans	140,236	13,312	1,194,514
Net Change in Foreign Currencies (Assets)	1,682	(335)	14,327
Net Change in Foreign Currencies (Liabilities)	(44)	56	(374)
Interest Received	50,468	55,034	429,880
Interest Paid	(6,481)	(2,870)	(55,204)
Other, Net	2,747	262	23,398
SUB TOTAL	577	46,098	4,914
Income Taxes Returned	122	673	1,039
Income Taxes Paid	(285)	(339)	(2,427)
NET CASH PROVIDED BY OPERATING ACTIVITIES	414	46,431	3,526

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Purchase of Securities	(266,023)	(139,291)	(2,265,954)
Proceeds from Sale of Securities	117,130	83,504	997,700
Proceeds from Maturity of Securities	63,222	55,522	538,517
Payment for Increase in Money Held in Trust	(3,836)	-	(32,674)
Proceeds from Decrease in Money Held in Trust	108	-	919
Payment for Purchase of Premises and Equipment	(1,287)	(1,585)	(10,962)
Proceeds from Sale of Premises and Equipment	1,916	1,283	16,320
Payment for Purchase of Subsidiaries' Stocks	-	(33)	-
Proceeds from Sale of Subsidiaries' Stocks Incidental to Change in Consolidation	-	450	-
NET CASH USED IN INVESTING ACTIVITIES	(88,769)	(148)	(756,124)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Subordinated Loans	2,500	-	21,294
Repayment for Subordinated Loans	(500)	(400)	(4,258)
Proceeds from Issuance of Subordinated Corporate Bonds	14,585	-	124,233
Proceeds from Issuance of Stocks	18,527	-	157,810
Cash Dividends Paid	(1,328)	(0)	(11,311)
Dividends Paid to Minority Interests	5,000	-	42,589
NET CASH USED IN FINANCING ACTIVITIES	38,783	(400)	330,349
EFFECT OF EXCHANGE-RATE CHANGES ON CASH AND CASH EQUIVALENTS	14	9	119
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,556)	45,893	(422,112)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	138,944	93,051	1,183,509
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	89,387	138,944	761,388

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 consolidated 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 translated from the original Japanese version and 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 Japanese 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 consolidated financial statements are included solely for the convenience of readers outside Japan. The approximate rate of ¥117.40 = US\$1.00, prevailing on March 31, 2006, 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.
- (6) Shinwa Corporate Partners Co., Ltd.

4. Fiscal year of subsidiaries

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

5. Significant accounting policies

(1) Trading account securities

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

(2) Investment securities

- a. Equity investments in subsidiaries and affiliates are stated at cost. Marketable equity securities and debt securities classified as available-for-sale securities are carried at fair value with the unrealized gains and losses, net of taxes, reported in a separate component of shareholders' equity. Equity and debt securities without available market quotations are carried at cost determined using the weighted average method or at amortized cost respectively.

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

(3) Derivatives

Derivatives transactions are stated at fair value.

(4) Depreciation

a. Premises and equipment

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

Estimated Useful Life

Buildings	3-50 years
Equipment	3-20 years

b. Software

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

(5) Allowance for loan losses

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

- 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.
- 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.
- 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 the Company's 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)
	2006	2005	2006
Write-offs as Unrecoverable	65,967	75,530	561,899

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) Consumption Taxes

No national and local consumption taxes are included in expenses.

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)
	2006	2005	2006
Stock issued by Affiliated Companies	26	36	221

(2) Loans and discounted bills 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)
	2006	2005	2006
Loans to Legally Bankrupt Borrowers	8,052	12,084	68,586
Delinquent Loans	118,889	120,395	1,012,683

"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 discounted bills 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)
	2006	2005	2006
Loans with Overdue Period of Three Months or More	79	299	672

"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 are not classified as "loans to legally bankrupt borrowers" or "delinquent loans."

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
Loans with Relaxed Conditions	62,013	63,390	528,219

"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 deferral of interest payments, the deferral of principal repayments, or the abandonment of claims in order to reconstruct or support the borrowers' business, but are not classified as "loans to

legally bankrupt borrowers,” “delinquent loans,” or “loans with overdue period of three months or more.”

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

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
Total Amount of Loans and Discounted Bills Listed in Items (2), (3) and (4) above	189,034	196,169	1,610,170

(6) 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)
	2006	2005	2006
Assets that are Pledged as Collateral			
Securities	3,683	-	31,371
Premises and Equipment	-	2,277	-
Obligations Corresponding to Collateral Assets			
Call Money	-	-	-
Other Liabilities	-	432	-

In addition, securities lent with cash collateral amount to ¥187,300 million (US\$1,595,400 thousand) as at March 31, 2006, which correspond to ¥186,385 million (US\$1,587,606 million) 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)
	2006	2005	2006
Collateral to Exchange Settlements and for Deposit Money of Future			
Securities	131,873	127,453	1,123,279
Cash and Due from Banks	9	6	76
Loans	30,000	-	255,536
Other Assets	21	-	178
Premises and Equipment			
Guarantee Deposits	3,594	3,718	30,613

(7) 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)
	2006	2005	2006
Unused Commitment Balance	419,345	447,153	3,571,933

Many of the agreements cease with no loan applied; therefore, the unused loan commitment does not necessarily affect future cash flows. Such conditions are included in the agreements to allow the Bank to stop loans or to decrease applicable limits for the purpose of protecting loan assets or to address 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.

(8) 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)
	2006	2005	2006
Excess of the Total Fair Value of the Land for Business Use Revalued	25,741	27,895	219,258

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

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Accumulated Depreciation of Premises and Equipment	38,433	39,111	327,367

(10) “Borrowings” 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)
	2006	2005	2006
Borrowings of which Repayment Orders are Subordinated to All Other Debts	6,500	4,500	55,366

7. Market Values of Securities

(1) Trading Account Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Book Value	109	547	928
Unrealized Gain (Loss)	(0)	0	(0)

(2) Marketable Bonds to be held until Maturity

None

(3) Other Marketable Securities

As of March 31, 2006	Millions of yen			Thousands of U.S. Dollars (Note 2)
	Cost	Book Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Stocks	17,543	26,651	9,107	77,572
Bonds	415,577	409,548	(6,029)	(51,354)
Government Bonds	327,144	321,039	(6,105)	(52,001)
Local Government Bonds	34,744	34,695	(49)	(417)
Corporate Bonds	53,688	53,813	125	1,064
Other	154,268	154,954	686	5,843
Total	587,390	591,154	3,764	32,061

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

As of March 31, 2005	Millions of yen		
	Cost	Book Value	Unrealized Gain (Loss)
Stocks	36,025	45,272	9,247
Bonds	384,715	390,197	5,482
Government Bonds	260,686	263,388	2,702
Local Government Bonds	55,832	57,266	1,434
Corporate Bonds	68,196	69,541	1,344
Other	67,522	67,174	(347)
Total	488,262	502,644	14,381

Book value is calculated based on 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, 2006

Millions of yen			Thousands of U.S. dollars (Note 2)		
Proceeds	Gain	Loss	Proceeds	Gain	Loss
121,601	14,199	279	1,035,783	120,945	2,376

As of March 31, 2005

Millions of yen		
Proceeds	Gain	Loss
83,504	10,166	246

(6) Book Value of Available-for-sale Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Unlisted Stocks (excluding OTC Stocks)	3,117	3,195	26,550
Private Placement Corporate Bonds	7,564	6,946	64,429

(7) Securities for which the intent of holding was changed

None

(8) Available-for-sale Securities with maturities are redeemable under the following schedule:

As of March 31, 2006	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Stocks	-	-	-	764
Bonds	50,474	235,861	78,250	44,985
Government Bonds	34,603	175,627	66,213	44,595
Local Government Bonds	6,161	23,277	5,255	-
Corporate Bonds	9,709	36,956	6,781	390
Other	1,180	74,429	21,419	38,807
Total	51,654	310,291	99,670	84,557

As of March 31, 2006	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	-	-	-	6,507
Bonds	429,931	2,009,037	666,524	383,177
Government Bonds	294,744	1,495,971	563,994	379,855
Local Government Bonds	52,478	198,270	44,761	-
Corporate Bonds	82,700	314,787	57,759	3,321
Other	10,051	633,977	182,444	330,553
Total	439,982	2,643,023	848,977	720,247

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	-
Other	5,108	28,177	12,371	18,058
Total	57,893	278,463	50,980	67,366

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)
	2006	2005	2006
Projected Benefit Obligation	(20,907)	(21,246)	(178,083)
Plan Assets at Fair Value	12,750	9,041	108,603
Unfunded Benefit Obligation	(8,156)	(12,205)	(69,471)
Unrecognized Net Benefit Obligation in Transition	-	-	-
Unrecognized Actuarial Differences	917	5,018	7,810
Unrecognized Prior Service Costs	(4,489)	(4,994)	(38,236)
Net Amount Recognized in the Consolidated Balance Sheets	(11,728)	(12,181)	(99,897)
Accrued Severance and Pension Liabilities	(11,728)	(12,181)	(99,897)

(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)
	2006	2005	2006
Service Costs	900	1,200	7,666
Interest Cost	424	513	3,611
Expected Return on Plan Assets	(135)	(133)	(1,149)
Amortization of Prior Service Costs	(505)	(45)	(4,301)
Amortization of Actuarial Differences	666	565	5,672
Amortization of Net Benefit Obligation in Transition	-	621	-
Other	-	(81)	-
Net Periodic Severance and Pension Costs	1,350	2,641	11,499

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

For the Years ended March 31	2006	2005
Discount Rate	2.0%	2.0%
Expected Return Rate	2.0%	2.0%
Method Attributing Expected Benefits to Periods of Service	Point-Basis	Point-Basis
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 substantially transferred to the lessee, are as follows:

(1) As Lessee

For the Year ended March 31, 2006	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Other	Total	Total
Amount Equivalent to the Purchase Price of the Leased Assets	4,445	-	4,445	37,862
Amount Equivalent to Accumulated Depreciation	2,486	-	2,486	21,175
Amount Equivalent to Balance at Fiscal-Year End	1,958	-	1,958	16,678

For the Year ended March 31, 2005	Millions of yen		
	Movables	Other	Total
Amount Equivalent to the Purchase Price of the Leased Assets	3,633	-	3,633
Amount Equivalent to Accumulated Depreciation	1,822	-	1,822
Amount Equivalent to Balance at Fiscal Year End	1,811	-	1,811

Amount Equivalent to Lease Payable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Within One Year	691	669	5,885
Over One Year	1,267	1,141	10,792
Total	1,958	1,811	16,678

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Lease Fees Paid	722	601	6,149
Amount Equivalent to Depreciation	722	601	6,149

Note: The lease period is set at the estimated 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, 2006	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Other	Total	Total
Purchase Price of the Leased Assets	2,825	-	2,825	24,063
Accumulated Depreciation	1,470	-	1,470	12,521
Balance at Fiscal Year-End	1,355	-	1,355	11,541

For the Year ended March 31, 2005	Millions of yen		
	Movables	Other	Total
Purchase Price of the Leased Assets	2,854	-	2,854
Accumulated Depreciation	1,252	-	1,252
Balance at Fiscal Year-End	1,602	-	1,602

Amount Equivalent to Lease Receivable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Within One Year	584	570	4,974
Over One Year	855	1,063	7,282
Total	1,439	1,633	12,257

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
Lease Income	800	702	6,814
Depreciation Expense	650	612	5,536
Interest Income Included in Lease Income	96	103	817

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, 2006 and 2005 is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
Current Risk	325	22	2,768

(2) Market Value of Derivative Financial Instruments

a. Interest Rate-Related Transactions

As of March 31, 2006	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					
Receiving Fixed/Pay Floating	-	-	-	-	-
Receiving Floating/Pay Fixed	2,455	1,615	(41)	(41)	(349)
Receiving Floating/Pay Floating	-	-	-	-	-
Interest Rate Options	-	-	-	-	-
Other	-	-	-	-	-
Total	/	/	(41)	(41)	(349)

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

As of March 31, 2005	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				
Receiving Fixed/Pay Floating	-	-	-	-
Receiving Floating/Pay Fixed	6,602	4,565	(168)	(168)
Receiving Floating/Pay Floating	-	-	-	-
Interest Rate Options	-	-	-	-
Other	-	-	-	-
Total	/	/	(168)	(168)

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

b. Foreign Exchange-Related Transactions

As of March 31, 2006	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	40,093	18,325	(181)	(181)	(1,541)
Over-the-Counter Transactions					
Forward Foreign Exchange Contracts					
Sold	4,691	-	(40)	(40)	(340)
Bought	4,724	-	66	66	562
Currency Options	-	-	-	-	-
Other	-	-	-	-	-
Total	/	/	(154)	(154)	(1,311)

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

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

c. Equity-Related Transactions

None

d. Bond-Related Transactions

None

e. Commodity-Related Transactions

None

f. Credit Derivative Transactions

As of March 31, 2006	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	15	15	127
Bought	-	-	-	-	-
Total	/	/	15	15	127

As of March 31, 2005	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	25	25	
Bought	-	-	-	-	
Total	/	/	25	25	

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

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)
	2006	2005	2006
Deferred Tax Assets:			
Allowance for Loan Losses	56,055	52,450	477,470
Accrued Severance and Pension Liabilities	5,515	5,578	46,976
Tax Loss Carryforward	-	7,453	-
Depreciation Expense	1,630	1,551	13,884
Accrued Enterprise Tax	113	-	962
Amortization of Securities	3,062	3,937	26,081
Other	2,484	2,934	21,158
Deferred Tax Assets – Sub-total	68,863	73,906	586,567
Valuation Allowance	(30,863)	(29,027)	(262,887)
Total Deferred Tax Assets	37,999	44,878	323,671
Deferred Tax Liabilities:			
Unrealized Gains on Securities	(1,108)	(5,311)	(9,437)
Total Deferred Tax Liabilities	(1,108)	(5,311)	(9,437)
Net Deferred Tax Assets	36,891	39,567	314,233

12. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars(Note 2)
	2006	2005	2006
Net Assets Per-share	185.96	177.93	1.58
Net Profit (Loss) Per-share	14.80	(67.72)	0.12

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)
	2006	2005	2006
Net Profit (Loss)	5,140	(20,769)	43,781
Net Income not Attributable to Common Shareholders	375	-	3,194
Dividends Paid on Preferred Stocks	375	-	3,194
Net Profit (Loss) Available to Common Shareholders	4,765	(20,769)	40,587
Thousands			
Weighted Average Number of Shares of Common Stocks Outstanding	321,860	306,671	

Non-Consolidated Balance Sheets as of March 31, 2006 and 2005

The Shinwa Bank, Ltd.

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
ASSETS			
Cash and Due from Banks	90,417	139,993	770,161
Call Loans	94,584	484	805,655
Commercial Paper and Other Debt Purchased	37	46	315
Trading Account Securities	109	547	928
Japanese Government Bonds	76	531	647
Japanese Local Government Bonds	32	15	272
Money Held in Trust	6,727	3,000	57,299
Investment Securities	614,778	513,359	5,236,609
Japanese Government Bonds	321,039	263,388	2,734,574
Japanese Local Government Bonds	34,695	57,266	295,528
Corporate Bonds	61,353	76,461	522,597
Corporate Stocks	41,942	48,601	357,257
Others	155,747	67,640	1,326,635
Loans and Discounted Bills (Note 4)	1,694,741	1,828,767	14,435,613
Bills Discounted	36,958	39,566	314,804
Loans on Bills	239,262	271,790	2,038,006
Loans on Deeds	1,210,190	1,309,139	10,308,262
Overdrafts	208,330	208,271	1,774,531
Foreign Currencies	1,426	3,108	12,146
Due from Foreign Banks	1,375	2,935	11,712
Foreign Bills of Exchange Bought	30	132	255
Foreign Bills of Exchange Receivable	20	40	170
Other Assets	16,976	11,794	144,599
Domestic Exchange Settlement Account, Debit	-	0	-
Prepaid Expenses	249	25	2,120
Accrued Income	2,905	2,319	24,744
Derivatives	112	37	954
Expenses for Issuance of Stocks	45	-	383
Expenses for Issuance of Corporate Bonds	276	-	2,350
Others	13,386	9,411	114,020
Premises and Equipment (Note 4)	64,842	69,554	552,316
Deferred Income Taxes (Note 6)	36,868	39,542	314,037
Customer's Liability under Acceptances and Guarantees	28,984	30,626	246,882
Allowance for Loan Losses	(74,745)	(84,255)	(636,669)
Allowance for Losses on Investment Securities	(2,187)	-	(18,628)
TOTAL ASSETS	2,573,561	2,556,571	21,921,303

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2006	2005	2006
LIABILITIES			
Deposits	2,142,095	2,303,230	18,246,124
Current Deposits	102,228	94,514	870,766
Ordinary Deposits	860,948	841,679	7,333,458
Savings Deposits	22,593	24,336	192,444
Deposits at Notice	8,462	12,207	72,078
Time Deposits	1,088,203	1,237,115	9,269,190
Installment Savings	8,947	11,015	76,209
Others	50,710	82,361	431,942
Negotiable Certificates of Deposits	46,622	42,959	397,120
Payables under Repurchase Agreements (Note 4)	-	1,492	-
Collateral Money for Bond Lending (Note 4)	186,385	43,137	1,587,606
Borrowings (Note 4)	14,802	12,430	126,081
Foreign Currencies	21	65	178
Foreign Bills of Exchange Sold	21	6	178
Foreign Bills of Exchange Payable	0	59	0
Corporate Bonds	15,000	-	127,768
Other Liabilities	11,032	8,674	93,969
Domestic Exchange Settlement Account, Credit	24	3	204
Accrued Income Taxes	455	177	3,875
Accrued Expenses	1,447	3,682	12,325
Unearned Income	2,983	2,749	25,408
Reserve for Interest on Installment Savings	1	1	8
Derivatives	2,526	267	21,516
Others	3,592	1,791	30,596
Reserve for Bonus	815	866	6,942
Accrued Severance and Pension Liabilities	11,713	12,169	99,770
Deferred Income Taxes on Land Revaluation	16,422	16,410	139,880
Acceptances and Guarantees	28,984	30,626	246,882
TOTAL LIABILITIES	2,473,896	2,472,064	21,072,367
SHAREHOLDERS' EQUITY			
Common Stock (Note 4)	30,213	20,915	257,350
Capital Surplus	27,442	37,511	233,747
Legal Retained Earnings	12,195	12,195	103,875
Accumulated Deficits	4,892	(19,367)	41,669
Land Revaluation Reserve, Net of Taxes (Note 4)	22,261	24,180	189,616
Unrealized Gain on Securities, Net	2,658	9,071	22,640
TOTAL SHAREHOLDERS' EQUITY	99,664	84,507	848,926
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,573,561	2,556,571	21,921,303

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Income and Retained Earnings

for the years ended March 31, 2006 and 2005

The Shinwa Bank, Ltd.

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
INCOME			
Interest Income	50,873	54,996	433,330
Interest on Loans	43,050	47,859	366,695
Interest and Dividends on Securities	7,697	7,080	65,562
Interest on Call Loans	54	20	459
Interest on Deposits with Banks	0	0	0
Interest on Interest Swap	55	21	468
Other Interest Income	16	14	136
Fees and Commissions	8,024	7,068	68,347
Other Operating Income	13,677	6,770	116,499
Gains on Foreign Exchange Transactions	121	75	1,030
Gains on Sale of Trading Account Securities	2	1	17
Gains on Sale of Bonds	2,012	6,453	17,137
Gains on Redemption of Bonds	-	1	-
Gains on Derivatives	33	238	281
Others	11,507	-	98,015
Other Income	12,871	4,311	109,633
Gains on Sale of Stocks and Other Securities	12,110	3,712	103,151
Gains on Money held in Trust	262	13	2,231
Others	498	585	4,241
TOTAL INCOME	85,445	73,147	727,810
EXPENSES			
Interest Expense	4,121	3,477	35,102
Interest on Deposits	1,319	1,767	11,235
Interest on Negotiable Certificates of Deposits	25	35	212
Interest on Call Money	0	-	0
Interest on Payables under Repurchase Agreements	29	22	247
Interest on Collateral Money for Bond Lending	1,333	365	11,354
Interest on Borrowings	171	150	1,456
Interest on Interest Swap	1,156	1,111	9,846
Other Interest Expenses	6	24	51
Fees and Commissions	3,218	3,329	27,410
Other Operating Expenses	258	152	2,197
Losses on Sale of Bonds	258	152	2,197
General and Administrative Expenses	30,027	33,410	255,766
Other Expenses	35,583	50,646	303,091
Provision for Loan Losses	30,462	43,128	259,471
Write-off of Loans	64	920	545
Losses on Sale of Stocks and Other Securities	20	93	170
Losses on Devaluation of Stocks and Other Securities	34	3,586	289
Losses on Money Held in Trust	-	2	-
Provision for Reserve for Possible Loss in Investment	2,187	-	18,628
Depreciation in Expenses for Issuance of Stocks	22	-	187
Depreciation in Expenses for Issuance of Corporate Bonds	138	-	1,175
Others	2,651	2,913	22,580
TOTAL EXPENSES	73,209	91,017	623,586

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Operating Profit (Loss)	12,236	(17,870)	104,224
Extraordinary Profit	2,164	3,500	18,432
Extraordinary Loss	2,740	3,028	23,339
Profit (Loss) before Income Taxes	11,661	(17,397)	99,327
Income Taxes	469	212	3,994
Deferred Income Taxes	6,095	2,912	51,916
Net Profit (Loss)	5,095	(20,522)	43,398
APPROPRIATION			
Retained Earnings Brought forward	-	-	-
Reversal of Land Revaluation Reserve	1,125	1,154	9,582
Interim Dividends	1,328	-	11,311
Accumulated Profits (Deficits) at the End of the Year	4,892	(19,367)	41,669
	Yen		U.S. dollar
Net Profit (Loss) Per Share	14.66	(66.91)	0.12

Subsequent Event

On June 28, 2006, the shareholders authorized the disposition of accumulated deficits as follows:

March 31	Millions of Yen	Thousands of U.S. dollars (Note 2)
Accumulated Profits as of March 31, 2006	4,892	41,669
Dividends for Preferable Stocks	187	1,592
Accumulated Profits Carried forward	4,705	40,076

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 translated from the original Japanese version and 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 Japanese 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 approximate rate of ¥117.40 = US\$1.00, prevailing on March 31, 2006, 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 weighted average method.

(2) Investment securities

- a. Equity investments in subsidiaries and affiliates are stated at cost. Marketable equity securities and debt securities classified as available-for-sale securities are carried at fair value with the unrealized gains and losses, net of taxes, reported in a separate component of shareholders' equity. Equity and debt securities without available market quotations are carried at cost determined using the weighted average method or at amortized cost respectively.
- 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), voluntary partnerships under the Civil Code and silent partnerships 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 “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/Expense” of “Interest Income/Expense” 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 for depreciation of buildings (excluding building improvements) acquired on or after April 1, 1998 which is calculated using the straight-line method.

Estimated Useful Life	
Buildings	3-50 years
Equipment	3-20 years

b. Software

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

(5) 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.

(6) Allowance for loan losses

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

- 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.
- 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.
- 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 the Company’s 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
	2006	2005	U.S. dollars(Note 2)
Write-offs as Unrecoverable	45,954	75,530	391,431

(7) 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.

(8) 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.

(9) 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.

(10) 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.

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)
	2006	2005	2006
Stock issued by Affiliated Companies	12,176	133	103,713

(2) Loans and discounted bills 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)
	2006	2005	2006
Loans to Legally Bankrupt Borrowers	4,375	12,084	37,265
Delinquent Loans	96,379	120,395	820,945

"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 discounted bills 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)
	2006	2005	2006
Loans with Overdue Period of Three Months or More	79	299	672

"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 are not classified as "loans to legally bankrupt borrowers" or "delinquent loans."

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

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Loans with Relaxed Conditions	61,984	63,390	527,972

"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 deferral of interest payments, the deferral of principal repayments, or the abandonment of claims in order to reconstruct or support the borrowers' business, but are not classified as "loans to legally bankrupt borrowers," "delinquent loans," or "loans with overdue period of three months or more."

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

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Total Amount of Loans and Discounted Bills Listed in Items (2), (3) and (4) above	162,818	196,169	1,386,865

(6) 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)
	2006	2005	2006
Assets that are Pledged as Collateral			
Securities	3,683	-	31,371
Premises and Equipment	-	2,277	-
Obligations Corresponding to Collateral Assets			
Call Money	-	-	-
Other Liabilities	-	432	-

In addition, Securities lent with cash collateral amount to ¥187,300 million (US\$1,595,400 thousand) as at March 31, 2006, which correspond to ¥186,385 million (US\$1,587,606 million) 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)
	2006	2005	2006
Collateral to Exchange Settlements and for Deposit Money of Future			
Securities	131,873	127,453	1,123,279
Deposits	9	6	76
Loans	30,000	-	255,536
Other Assets	21	-	178

(7) 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)
	2006	2005	2006
Unused Commitment Balance	421,205	448,733	3,587,776

Many of the agreements cease with no loan applied; therefore, the unused loan commitment does not necessarily affect future cash flows. Such conditions are included in the agreements to allow the Bank to stop loans or to decrease applicable limits for the purpose of protecting loan assets or to address 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.

(8) 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)
	2006	2005	2006
Excess of the Total Fair Value of the Land for Business Use Revalued	25,741	27,895	219,258

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

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Accumulated Depreciation of Premises and Equipment	36,458	37,734	310,545

(10) 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)
	2006	2005	2006
Deduction of Cost of Premises and Equipment	17,234	17,234	146,797

(11) “Borrowings” 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)
	2006	2005	2006
Borrowings of which Repayment Orders are Subordinated to All Other Debts	6,500	4,500	55,366

(12) Authorized stocks

As of March 31	Thousands
	2006
Common Stocks	1,100,000
Preferred Stocks	100,000
Issued and Outstanding Stocks	
Common Stocks	373,171
Preferred Stocks	30,000

5. Finance Lease

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

For the Year ended March 31, 2006	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Other	Total	Total
Amount Equivalent to the Purchase Price of the Leased Assets	5,333	-	5,333	45,425
Amount Equivalent to Accumulated Depreciation	2,917	-	2,917	24,846
Amount Equivalent to Balance at Fiscal Year-End	2,415	-	2,415	20,570

For the Year ended March 31, 2005	Millions of yen		
	Movables	Other	Total
Amount Equivalent to the Purchase Price of the Leased Assets	4,478	-	4,478
Amount Equivalent to Accumulated Depreciation	2,140	-	2,140
Amount Equivalent to Balance at Fiscal Year End	2,338	-	2,338

Amount Equivalent to Lease Payable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Within One Year	868	829	7,393
Over One Year	1,547	1,509	13,177
Total	2,415	2,338	20,570

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Lease Fees Paid	889	796	7,572
Amount Equivalent to Depreciation	889	796	7,572

Note: The lease period is set at the estimated 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

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)
	2006	2005	2006
Deferred Tax Assets:			
Allowance for Loan Losses	41,733	52,450	355,477
Accrued Severance and Pension Liabilities	5,510	5,574	46,933
Tax Loss Carryforwards	-	7,452	-
Stocks Issued by Subsidiaries	13,429	-	114,386
Allowance for Losses on Investment Securities	884	-	7,529
Depreciation Expense	1,573	1,551	13,398
Accrued Enterprise Tax	113	-	962
Amortization of Securities	3,062	3,937	26,081
Other	2,449	2,915	20,860
Deferred Tax Assets – Sub-total	68,758	73,881	585,672
Valuation Allowance	(30,780)	(29,027)	(262,180)
Total Deferred Tax Assets	37,977	44,853	323,483
Deferred Tax Liabilities:			
Unrealized Gains on Securities	(1,108)	(5,311)	(9,437)
Total Deferred Tax Liabilities	(1,108)	(5,311)	(9,437)
Net Deferred Tax Assets	36,868	39,542	314,037

7. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars (Note 2)
	2006	2005	2006
Net Assets Per-share	185.67	177.73	1.58
Net Profit (Loss) Per-share	14.66	(66.91)	0.12

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)
	2006	2005	2006
Net Profit (Loss)	5,095	(20,522)	43,398
Net Income not Attributable to Common Shareholders	375	-	3,194
Dividends Paid on Preferred Stocks	375	-	3,194
Net Profit (Loss) Available to Common Shareholders	4,720	(20,522)	40,204
	Thousands		
Weighted Average Number of Shares of Common Stocks Outstanding	321,860	306,671	