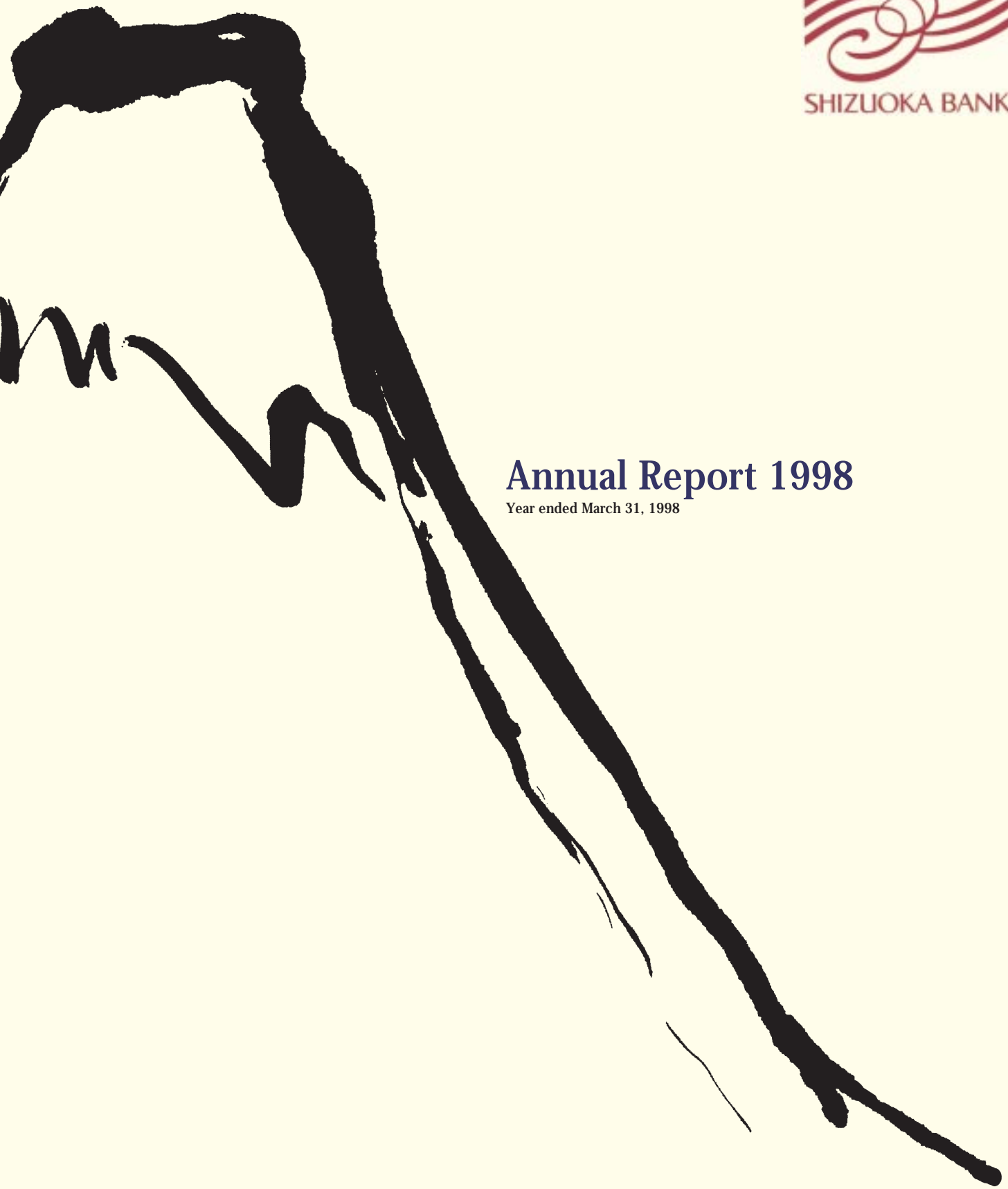




Annual Report 1998

Year ended March 31, 1998



● A FIRST-CLASS REGIONAL BANK

The Shizuoka Bank, Ltd., is one of Japan's largest regional banks, with 194 domestic branches (including 14 subbranches) as of June 30, 1998.

These branches serve customers in and nearby Shizuoka Prefecture, the Bank's home territory, as well as customers in Japan's three major business centers—Tokyo, Osaka, and Nagoya. Outside Japan, the Bank's overseas network consists of seven operations in six cities.

● A SOLID FINANCIAL STRUCTURE

On March 31, 1998, Shizuoka Bank had assets of ¥7,783.2 billion, deposits of ¥6,707.6 billion, and stockholders' equity of ¥469.0 billion. The Bank's capital adequacy ratio, measured in accordance with Bank for International Settlement (BIS) standards, stood at 13.45%, one of the highest such ratios among Japanese banks. The Tier I ratio, which does not encompass unrealized gains on securities, was also high, at 10.80%.

Nurturing the Vision of



Contents

① Nurturing the Vision of a Prosperous Community / Non-Consolidated Financial Highlights ② A Message from the Management ⑤ Risk Management ⑧ Commercial Banking ⑩ International Banking ⑫ Capital Markets and Other Activities / Consulting Services ⑬ Electronic Banking / Corporate Citizenship ⑭ Board of Directors and Corporate Auditors **Financial Section** ⑮ Six-Year Summary ⑯ Financial Review ⑳ Non-Consolidated Balance Sheets ㉑ Non-Consolidated Statements of Income ㉒ Non-Consolidated Statements of Stockholders' Equity ㉓ Notes to Non-Consolidated Financial Statements ㉔ Independent Auditors' Report ㉕ Organization Chart ㉖ Service Network ㉗ Corporate Data / Shizuoka Bank Group ㉘ Investor Information

INTERNATIONAL CONFIDENCE

Shizuoka Bank has the strongest financial position among Japanese regional banks, earning excellent ratings from international credit rating agencies: AA- (long-term) and A-1+ (short-term) ratings from Standard & Poor's; Aa3 (long-term), P-1 (short-term), and B (financial strength) ratings from Moody's; B (financial strength) and TBW-1 (short-term) ratings from BankWatch; and a B/C (financial strength) rating from Fitch IBCA.

	Long-Term	Short-Term	Financial Strength
Standard & Poor's	AA-	A-1+	—
Moody's	Aa3	P-1	B
BankWatch	—	TBW-1	B
Fitch IBCA	—	—	B/C

(As of July 1998)

RIGOROUS RISK MANAGEMENT

Shizuoka Bank's ratio of nonperforming loans is a remarkably low 1.14%. In view of the increasing complexity of the risks it faces, the Bank has steadily upgraded its comprehensive risk management systems, with particular emphasis on credit risk, administrative risk, electronic data processing (EDP) risk, and market risk.

AN ECONOMICALLY DYNAMIC REGION

Shizuoka Bank is committed to promoting the continued prosperity of its home territory, Shizuoka Prefecture, which is centrally located on the Pacific coast between Japan's economic centers of Tokyo and Yokohama to the east and Nagoya and Osaka to the west. Ranking 10th among Japan's 47 prefectures in many economic indexes, the prefecture has a particularly robust manufacturing sector and is the base of many prominent producers of pulp and paper, electrical machinery, motorcycles, musical instruments, automobile parts, and machine tools. The prefecture also boasts strong agricultural and tourism sectors.

a Prosperous Community

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

THE SHIZUOKA BANK, LTD.

Years ended March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997	1998
Total Income	¥ 307,447	¥ 293,586	\$ 2,327,387
Total Expenses	265,142	258,718	2,007,137
Income before Income Taxes	42,305	34,868	320,250
Net Income	16,398	19,898	124,134

Net Income per Share	Yen		U.S. Dollars (Note 1)
	¥	¥	\$
	20.38	24.72	0.15

March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	1997	1998
Total Assets	¥7,783,209	¥7,864,279	\$58,919,073
Deposits	6,707,676	6,626,467	50,777,262
Loans and Bills Discounted	5,004,120	4,774,728	37,881,304
Investment Securities	1,381,622	1,570,632	10,458,912
Common Stock	90,845	90,546	687,704
Total Stockholders' Equity	469,056	466,948	3,550,765
Capital Adequacy Ratio (BIS) (%)	13.45	13.61	

Notes: 1. Translation into U.S. dollars has been made solely for the convenience of readers outside Japan at the exchange rate of ¥132.10 to \$1, the approximate rate of exchange at March 31, 1998.

2. In this annual report, dollar figures are rounded off, but Japanese yen figures have been truncated in the process of calculation.

A MESSAGE FROM THE MANAGEMENT

OPERATING ENVIRONMENT AND PERFORMANCE

The Japanese economy maintained a gradual recovery during the first half of fiscal 1997, ended March 31, 1998. During the latter half of the year, however, drops in housing and public-sector investment, along with a considerable cooling down of personal consumption that reflected concerns regarding domestic economic prospects, brought about negative economic growth. In Shizuoka Prefecture, slack internal demand led to increasingly widespread inventory adjustments and reductions in manufacturing volumes that caused the employment situation to deteriorate and accentuated the trend of economic sluggishness.

► Amid this environment, Shizuoka Bank proceeded with the implementation of its sixth medium-term management plan—NEW AXIS 21—which was initiated in fiscal 1996. In accordance with the plan, the Bank worked to augment its high-quality loan asset portfolio and took other steps toward strengthening its earnings base while also undertaking rationalization measures that included personnel reductions and the elimination and merger of certain branches. The results of these activities are described as follows.

Assets—In addition to maintaining a consistent level of responsiveness to the needs of corporations, individuals, and local public entities, the Bank worked to develop relationships with new customers. As a result, the balance of loans and bills discounted at year-end was ¥5,004.1 billion,

up ¥229.3 billion from the end of fiscal 1996. The balance of investment securities declined ¥189.0 billion during fiscal 1997 and amounted to ¥1,381.6 billion at year-end. In contrast, the balance of trading account securities grew ¥5.0 billion, to ¥9.8 billion. Reflecting the introduction of a market price-based accounting system for trading securities, these securities have been accounted for as trading assets since fiscal 1996.

Deposits—At the end of fiscal 1997, the deposit balance at domestic branches had increased ¥151.0 billion, including a ¥305.9 billion rise in the deposit balance of individuals. Reflecting the Bank's emphasis on profitability in its fund procurement activities, deposits at overseas branches and in the Tokyo offshore market decreased ¥107.4 billion. Consequently, the balance of total deposits at year-end was ¥6,707.6 billion, up ¥81.2 billion from the end of fiscal 1996.

Net Income—Due to the Bank's active efforts to dispose of problem assets based on its self-assessment of assets, the specific reserve for possible loan losses increased. However, improvement in the balance of income and expenses associated with fund management operations, a rise in net profits from stocks and other securities, and other factors supported a ¥5.4 billion increase in recurring profits, to ¥40.6 billion. Primarily reflecting taxable additions to the specific reserve for possible loan losses, taxable income increased, and the higher income tax burden restrained net income to ¥16.3 billion, down ¥3.5 billion from fiscal 1996.

STRATEGIES

With the April 1998 revision of the Foreign Exchange Law, Japan's Big Bang financial deregulation campaign has finally begun. The campaign is designed to comprehensively reform the country's financial system and promote the creation of financial markets that operate freely based on market principles, feature greater transparency and fairness, and are in accord with the latest international standards. These reforms will lay a foundation for the provision of a diverse range of attractive new financial products and services. The rapid deregulation of financial institutions' operations is also expected to bring about a further intensification of competition, including competition among institutions based in different financial sectors and different countries.

► During this upcoming period of unprecedented change, Shizuoka Bank believes that its most crucial management tasks are to set up systems for providing the broad range of high-quality products and services that customers desire and to establish the solid corporate base needed to survive severe competition. Recognizing the importance of these tasks, the Bank is taking a variety of steps in line with NEW AXIS 21, a medium-term management plan covering the three years through fiscal 1998. This plan includes three main components: a core business strategy that calls for strengthening Shizuoka Bank's core businesses by seeking new profit opportunities and augmenting the volume of the Bank's high-quality assets; an operational



Soichiro Kamiya, President

reform strategy that dictates the bold reengineering of all the Bank's operations; and the Shizu-gin Action Program, which prescribes additional initiatives to benefit regional society and the Bank's stockholders. ► To improve profitability, particularly in retail operations, Shizuoka Bank has taken numerous steps to increase the efficiency of its branch network and streamline its organization. As the current fiscal year is the last year of NEW AXIS 21, the Bank is accelerating its moves to further rationalize and strengthen the entirety of its operations by merging and eliminating branches, reducing staffing levels, and otherwise restraining costs and investments. These moves are

significantly enhancing the Bank's cost-competitiveness.

▶ Responding to the revision of the Foreign Exchange Law, Shizuoka Bank has reduced certain fees, increased the number of branches offering foreign currency exchange services, and brought such services within the scope of its electronic banking systems. The Bank has also worked to provide these services more efficiently by consolidating related administrative processes. Moreover, since Japanese banks are scheduled to be permitted to directly market securities investment trusts from December 1998, Shizuoka Bank is further augmenting the training of its investment trust advisors and preparing the systems needed to provide customers with appropriate financial products. To meet the needs of individuals who wish to actively manage their financial assets, the Bank is training financial planners and otherwise reinforcing its capabilities for private banking operations.

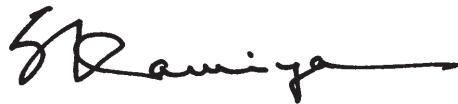
▶ In April 1998, Shizuoka Bank introduced a collaborative local operations system designed to enable the efficient provision of increasingly sophisticated financial services. While each branch previously handled a full range of services, the new system calls for each branch to examine local market needs, identify fields worthy of strategic emphasis, and integrate its operations with nearby branches. Within this system, local hub branches will offer a full range of sophisticated services, including corporate banking and consulting services, and surrounding branches will specialize in efficiently handling retail banking services.

PROSPECTS

Tracing its roots back to a bank founded in 1878, exactly 120 years ago, Shizuoka Bank has adapted to and survived numerous turbulent periods of history. However, we expect that the Big Bang reforms and other changes expected during the three fiscal years through March 2001 will make this period as challenging as any other the Bank has experienced.

▶ Shizuoka Bank is aiming to be an excellent and prosperous bank in the 21st century, and it will continue to proactively take the steps required to realize its ambition. Based on its unwavering commitment to maintaining sound management practices and close ties with local communities, the Bank will strengthen its capabilities for providing top-quality financial products and services. We are doing our utmost to open up a new era in banking and meet the high expectations of our customers, stockholders, and regional society. I hope for your continued understanding and support.

June 25, 1998



Soichiro Kamiya
President

Risk Management

The deregulation and internationalization of financial markets and the development of new financial technologies are bringing about major changes in the operating environments of banks, which are consequently facing increasingly diverse and complex risks. Since this trend is making risk management an even more important aspect of bank management, Shizuoka Bank has made bolstering and increasing the comprehensiveness of its risk management systems a principal strategic goal.

CREDIT RISK

To increase the soundness of its loan portfolio, Shizuoka Bank maintains a highly autonomous Credit Supervision Department and strict credit evaluation and administration systems.

▶ When the value of a proposed transaction exceeds a branch manager's credit authorization limit, the branch and the Credit Supervision Department cooperatively appraise the prudence of the transaction based on the branch's loan evaluation and the Credit Supervision Department's examination of relevant documents. In some cases, reports from relevant headquarters' departments are also considered. The Bank's comprehensive credit evaluation process focuses on borrowers' credit status, technological capabilities, growth potential, cash flow, and collateral as well as other factors. Moreover, credit evaluation capabilities are being strengthened through measures that include the upgrading of training programs and the introduction of a system to expedite credit checks by dispatching relevant

information to the Credit Supervision Department in advance of actual credit applications.

▶ To enhance the responsiveness of its credit evaluation system to new types of technologies and businesses, the Bank has established the New Business Credit Supervision Group, which is responsible for evaluating loans to enterprises that have strong growth potential or are in new industrial sectors.

▶ Based on the Self-Assessment System being adopted by Japanese banks in connection with the April 1998 introduction of the principle of Prompt Corrective Action in Japan, Shizuoka Bank has established the Credit Examination Department, which is responsible for the unified oversight of all the Bank's assets, and has otherwise worked to strengthen its systems of checks and restraints with regard to individual branches and the Credit Supervision Department. The Bank is also bolstering its self-assessment systems, which rationally examine and appraise individual loans and other asset items based on internal rules, classify the assets by the degree of risk involved regarding recovery difficulties or value impairment, and appropriately execute write-offs and increase reserves in line with these classifications.

MARKET RISK

The progressive implementation of financial deregulation measures and advances in financial technology are increasing the scale and complexity of market risks, which therefore call for more-sophisticated management systems. In light of this, Shizuoka Bank has steadily worked to

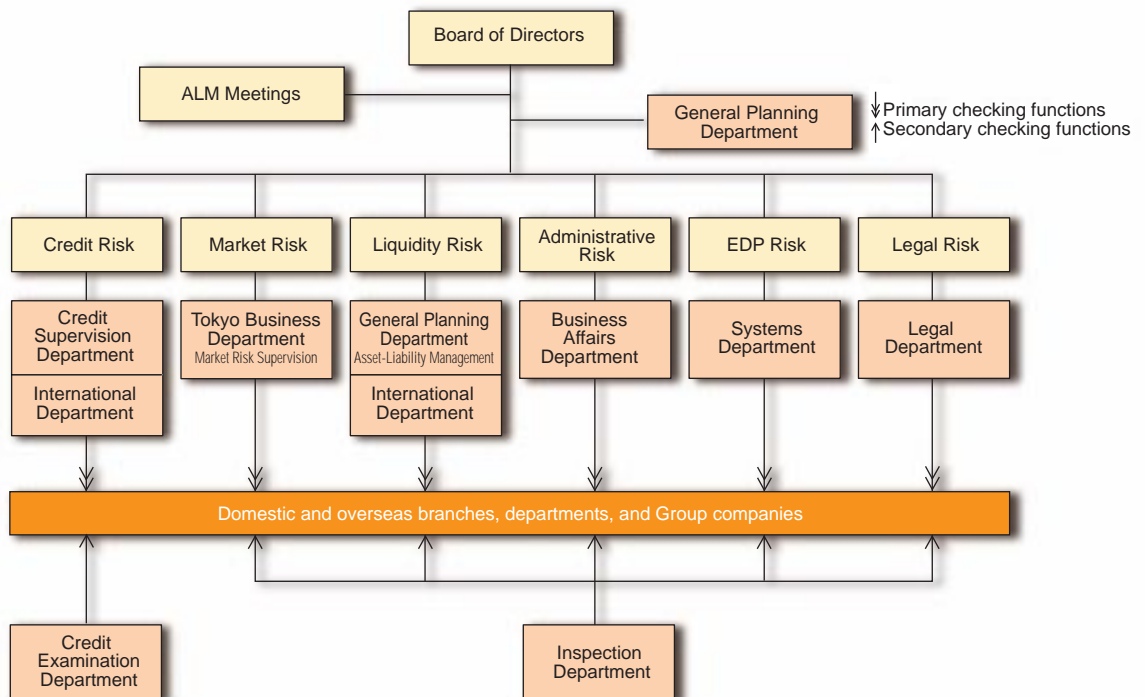
establish and upgrade its organizational units, operating rules, and systems related to market risk management while making optimal use of advanced financial technologies—all with the goal of expeditiously creating a highly sophisticated asset-liability management (ALM) system for the comprehensive management of market risks.

▶ Participants in monthly ALM meetings examine the Bank's risks using gap analysis and present value analysis methods as well as such advanced indices as value at risk (VaR) and earnings at risk (EaR) and then determine risk-hedging policies based on interest rate forecasts and profit plans. In accordance with these policies, the Bank effectively uses swaps and other derivatives transactions to accurately control risks and promote stable profitability.

ADMINISTRATIVE RISK

To ensure that it can live up to customer expectations and dependably handle a growing volume and variety of transactions, Shizuoka Bank is strengthening its administrative management systems. The Bank is making substantial investments in equipment for automating administrative processes and is using computer checking functions to guarantee that these processes are performed accurately, quickly, and in strict compliance with procedural rules. The Bank has established operations centers in Shizuoka Prefecture and elsewhere that provide backup support for branch operations and increase the efficiency of those operations by consolidating information processing work.

SHIZUOKA BANK'S MANAGEMENT SYSTEM



▶ Aiming to improve the precision of marketing branch administration, specialists are assigned to provide on-site guidance at branches, and staff training programs have been augmented through the arrangement of periodic training sessions for personnel with similar positions and job assignments.

▶ With the goals of preventing problems and maintaining the consistency of administrative work at all branches, an independent department performs strict and comprehensive inspections of domestic branches and divisions and overseas bases once or more each year at its discretion. As these on-site inspections cover statutory compliance- and market risk-related items, they are an integral part of the Bank's response to the diversification and increasing complexity of its risk exposure.

ELECTRONIC DATA PROCESSING (EDP) RISK

Since the growing volume and variety of transactions has made computer systems indispensable tools for banking operations, measures to guarantee the dependability of these computer systems are extremely important prerequisites for maintaining high-quality banking services.

▶ Shizuoka Bank has undertaken a number of systems risk countermeasures designed to ensure the prompt resumption of operations in the event of earthquakes or other disasters. Besides installing duplicate computer hardware and communications lines and setting up satellite-based backup communications lines, the Bank has prepared for large-scale disasters by establishing a

backup computer center in Nagoya and the Shizu-gin Emergency Auto Service, which uses a specially equipped vehicle with mobile on-line communications capabilities that can provide banking services in place of affected branches. As an additional step in implementing thorough systems risk countermeasures, in June 1996 the Bank completed the Shizu-gin Kusanagi Center—a computer center capable of 24-hour, year-round operations that is housed in a structure with advanced earthquake-proof features.

▶ The Bank rigorously and repeatedly tests new or enhanced computer systems prior to their introduction, and strict inspections of existing computer systems and programs are regularly undertaken by the EDP Systems Audit section of the Bank's Inspection Department.

▶ Shizuoka Bank was early to address the Millennium Bug, or the problems that are expected to occur because computers that use only two digits to identify years are unable to distinguish years in the 21st century from those in the 20th century. Since this has the potential for causing various mistakes, including interest calculations, the Bank has organized a project team that is aiming to complete its response to the Millennium Bug by December 1998. More information on Shizuoka Bank's progress eliminating the Millennium Bug can be obtained from the Bank's web site.

▶ The Bank is continually working to make use of the latest information technologies and install computer systems featuring greater reliability and ease of operation.

Commercial Banking

LOANS AND BILLS DISCOUNTED

As the preeminent bank in Shizuoka Prefecture and the surrounding areas, Shizuoka Bank assiduously caters to the various and changing borrowing needs of local corporations, entrepreneurs, households, and public entities. Besides maintaining a consistent level of responsiveness to the needs of its existing clientele, the Bank worked to develop relationships with new customers during fiscal 1997. As a result, the balance of loans and bills discounted at period-end was ¥5,004.1 billion, up ¥229.3 billion from the end of fiscal 1996.

▶ While the recent reluctance of many Japanese banks to provide new loans has become a noteworthy problem, Shizuoka Bank's maintenance of a high capital adequacy ratio has enabled it to sustain stable funding to its customers. The Bank considers the reliable provision of continuous support for sound small and medium-sized enterprises a key mission, and its corporate lending policy has resulted in a well-balanced

loan portfolio covering all principal industrial sectors.

▶ In addition to helping corporate customers meet short-term cash requirements through bill discounting services and loans on bills, the Bank offers a broad range of loan products suitable for funding capital investments, R&D programs, and other relatively long-term investments. In addition to general loans on deeds, for example, the Bank uses interest rate swaps to provide medium- and long-term yen-denominated loans with fixed interest rates as well as variable rate loans with interest rate caps. Other financing products include flexible overdraft-based credit lines of up to ¥100 million and foreign currency denominated loans. To assist companies in new business fields, the Bank has organized the Shizu-gin New Business Assistance Fund.

▶ To meet the needs of independent professionals, merchants, and entrepreneurs, Shizuoka Bank offers Big Loan, a plan that supplies up to 15 years of facilities' financing and 10 years of operating capital in combination with group life insurance packages.

▶ With emphasis on flexibility, Shizuoka Bank actively extends housing and card loans and many other loan services to individuals.

▶ To provide customers with funds to purchase or build homes, Shizuoka Bank operates 12 home loan centers and one loan counseling corner located throughout Shizuoka Prefecture. The Bank offers floating-rate and combined fixed- and floating-rate housing loans and has recently introduced housing loans with optional



The Bank has placed ATMs within the outlets of a leading convenience store chain.

interest rate caps. Reflecting these efforts, the balance of the Bank's housing loans to individuals grew 8.2% during fiscal 1997, to ¥769.3 billion, or 15.3% of total loans and bills discounted.

▶ In line with its leading role in and commitment to its region, the Bank also extends financing to regional government-related entities, thereby providing the funds necessary for the region's social and economic development, and acts as an agent for loans granted by various levels of government and their affiliated financial institutions.

DEPOSITS

Shizuoka Bank meets its customers' diverse fund management needs by offering numerous deposit schemes suitable for the investment of different sums over various time periods. The Bank also offers consultations on effective investment strategies as well as information on interest and currency exchange rate trends.

▶ During fiscal 1997, the deposit balance at the Bank's domestic branches increased ¥151.0 billion. Reflecting the Bank's emphasis on profitability in its fund procurement activities, deposits at overseas branches and in the Tokyo offshore market decreased ¥107.4 billion. Consequently, the balance of total deposits at period-end was ¥6,707.6 billion, up ¥81.2 billion from the end of fiscal 1996.

▶ Responding to changing customer needs, the Bank has continued to develop attractive new investment instruments. Recently introduced products include an objective-specific installment deposit scheme and the

Shizu-gin Gold Accumulation Plan.

The Bank also encourages new deposits by offering interest rate based incentives for people who open time deposits during employees' bonus payment periods.

▶ Shizuoka Bank's principal savings deposit products include time deposits that offer attractive variable-rate returns and allow the specification of time periods ranging from one month to 10 years. The Bank also offers time deposits that allow for a portion of interest payments to be received before maturity, foreign currency denominated deposits, and negotiable certificates of deposit. To cater to customers who wish to make deposits for extended periods but may suddenly require funds, from November 1997 the Bank began offering the Shizu-gin Interest Growth Time Deposit, which allows funds to be withdrawn freely after the first six months within fixed time periods ranging up to five years, with interest rates rising in line with the length of the deposits' time periods.

▶ In addition to its efforts to increase the convenience of its services by extending the operating hours of its automated teller machines (ATMs) and augmenting the services accessible through ATMs, the Bank has arranged to further increase customer convenience by placing these machines within the outlets of a leading convenience store chain. From October 1997, the Bank broadened the range of ATM services available on weekends and holidays to include bankbook balance updates and fund transfers among a single customer's accounts.

International Banking

Many companies in Shizuoka Bank's region are engaged in international trade activities and overseas operations or are considering such activities, while a growing number of individuals in the region are making use of foreign currencies in connection with their international travel or investment objectives. The Bank's strong overseas presence and excellent credit ratings enable it to meet the needs of such customers by offering a comprehensive range of international financial products and services.

EXTENSIVE OVERSEAS NETWORK

One of Japan's most internationally active regional banks, Shizuoka Bank has an overseas network that encompasses seven operations in six locations. These include two subsidiaries—Shizuoka Finance (H.K.) Limited, in Hong Kong, and Shizuoka Bank (Europe) S.A., in Brussels—as well as branches in Los Angeles and Hong Kong, an agency in New York, and representative offices in Singapore and Shanghai.

▶ To improve the quality and speed of overseas transactions and maximize customer convenience, the Bank maintains a large number of correspondent banking relationships. As of March 31, 1998, the Bank's correspondent banking network included 308 leading banks with a total of more than 1,000 offices in major cities throughout the world.

DIVERSE FINANCIAL AND INFORMATION SERVICES

Foreign exchange transaction services are Shizuoka Bank's most important international business activity. These services include such trade-related settlement services as the purchase and collection of export bills, the issuance of import letters of credit, and the settlement of import bills and overseas fund remittances. The Bank handles forward foreign exchange contracts and issues various types of guarantees, including standby credit, guarantees for foreign currency loans, and guarantees on receipt of cargo.

▶ On behalf of its corporate customers, Shizuoka Bank's subsidiaries in Hong Kong and Brussels participate in major financial markets through securities underwriting and other fund-raising activities.

▶ The strong ratings it has received from the world's top credit rating agencies have considerably enhanced Shizuoka Bank's capabilities for providing international financial services, and the Bank has maintained its solid ratings in recent years in contrast with the trend of decline seen among many other Japanese banks. The Bank was the first Japanese regional bank to obtain AA- and Aa3 long-term debt ratings from Standard & Poor's and Moody's, respectively, and it also boasts the highest short-term debt ratings of those agencies. BankWatch has given the Bank a B financial strength debt rating and a TBW-1 short-term debt rating, while Moody's has awarded the Bank a B financial strength rating. In addition, the Bank was awarded a B/C financial strength rating from Fitch IBCA.

► In light of the increasing diversity and complexity of its customers' international business opportunities, Shizuoka Bank has steadily expanded its consulting and information services. Drawing on the results of surveys and research conducted at its overseas bases, the Bank provides customers with abundant information on overseas markets and aspects of international business operations, including funding, legal, accounting, and tax considerations. In cooperation with its overseas subsidiaries, the Bank offers customers high-quality advisory support related to overseas fund-raising activities. To keep its customers up to date on the opportunities and challenges of international business, the Bank regularly organizes seminars led by outside specialists on international trade and overseas operations.

RESPONDING TO DEREGULATION

Foreign exchange transactions by Japanese companies and individuals have become increasingly common following the government's April 1998 introduction of deregulation measures, which included the relaxation of regulations governing domestic and overseas capital transactions and the elimination of the authorized foreign exchange bank system. Shizuoka Bank has responded to this trend by steadily boosting the number of its branches that handle foreign currency exchange services. In the future, the Bank intends to continue augmenting its foreign exchange services through such initiatives as the introduction of telephone- and facsimile-based sales of foreign currency and traveler's checks and foreign exchange related electronic banking services.

OVERSEAS BASES AND CORRESPONDENT BANKS



Capital Markets and Other Activities

The liberalization and growing sophistication of financial markets are increasing the attractiveness of fund-raising and investment activities in these markets. Shizuoka Bank provides diverse products and services to help its customers take advantage of opportunities in capital markets.

▶ For customers desiring to procure long-term funds through the issuance of bonds, Shizuoka Bank provides comprehensive advisory services and handles related administrative procedures. The Bank provides similar services for issuers of commercial paper (CP) and is among the top Japanese regional banks in terms of the volume of CP issues underwritten.

▶ A rising number of Japanese companies are seeking to raise funds through initial public offerings. In cooperation with its

affiliate Shizuoka Capital Co., Ltd., Shizuoka Bank offers the advisory and other services such companies require.

▶ Corporate customers' growing activities in financial markets have increased demand for risk-hedging instruments. To help its customers protect themselves from risks stemming from fluctuations in interest and currency exchange rates, Shizuoka Bank offers swaps, caps, floors, swaptions, futures, and forward foreign exchange contracts. By supplying bond futures and bond options, the Bank helps customers hedge the risks entailed by bond investments.

▶ Shizuoka Bank directly helps establish charitable trusts and special donation trusts and supplies various other trust products through tie-ups with four trust banks.

Consulting Services

Shizuoka Bank complements its financial services by offering its individual and corporate customers diverse consulting, advisory, and information services as well as providing support to promote regional development projects. Financial advisors at each branch respond to individual and corporate customers' queries related to corporate succession, inheritance, asset management, and real estate utilization, while financial planners in the Business Support Department and the seven hub branches offer relatively specialized consultations. Since April 1998, all domestic branches have been equipped with videophone units that allow local customers to consult with financial planners posted at the Bank's headquarters and elsewhere.

▶ Friendly M&A transactions are becoming more common, and the Bank works to facilitate such transactions through the activities of full-time specialists in its Business Support Department, which works closely with Shizuoka Capital.

▶ Shizuoka Bank offers many other support services for corporate clients, including the provision of referrals to potential partners, suppliers, and customers. The Bank also supplies information on real estate suitable for plants and offices as well as advice on the effective use of real estate owned by customers. Moreover, the Shizu-gin Regional Information System gives customers on-line access to a wealth of data gathered from the Bank's extensive network stretching from Tokyo to Osaka.

Electronic Banking

To enhance the simplicity and convenience of its services, Shizuoka Bank has developed electronic banking (EB) services that allow corporate and individual customers to access information and make transactions without visiting a bank facility.

▶ These EB services include the FAX Fund Transfer Reception Service, which enables customers to submit fund transfer instructions via facsimile transmissions; the EB Kids service, which centers on a compact, specialized computer banking terminal that is easy to install and operate; and Shizu-gin Personal Computer (PC) Bank, which is a collection of software that customers can install in their existing PCs. Both Shizu-gin PC Bank and EB Kids allow customers to make fund transfers and receive account updates on-line.



All the Bank's domestic branches are equipped with videophone units for consultations with financial planners.

▶ The Bank offers several commercial EB services suitable for various types of corporate needs. For example, the Shizu-gin Wide Net Service allows customers to collect sales proceeds efficiently via financial institutions throughout Japan.

Corporate Citizenship

Shizuoka Bank demonstrates exemplary corporate citizenship and commitment to its region by supporting numerous community events as well as cultural, environmental protection, and sports programs that enrich local society.

▶ In March 1993, Shizuoka Bank commemorated the 50th anniversary of its founding by establishing the Shizu-gin Hometown and Environmental Protection Fund, which has subsequently provided financial support to organizations and individuals in Shizuoka Prefecture that are engaged in environmental protection activities. In March 1998, the trust made its fifth annual distribution of funding, awarding a total of ¥3 million to 23 organizations and individuals.

▶ Shizuoka Bank's Shizu-gin Hall Euphonia and the adjacent Four Seasons Gallery are widely used for various local cultural activities, and the Bank also sponsors regular concerts and art exhibitions at these facilities. Concerts sponsored during 1997 included a fusion of jazz and classical guitar music and a performance by a leading jazz pianist.

▶ Since 1990, Shizuoka Bank has annually hosted the Shizu-gin Cup, a prefectural soccer tournament for fifth graders.

▶ Shizuoka Bank has played a principal role in the Shizuoka Prefecture chapter of the Small Kindness Movement volunteer campaign and is promoting the chapter's activities, in which approximately 6,000 current and former employees of Shizuoka Bank Group companies are participating.

BOARD OF DIRECTORS AND CORPORATE AUDITORS



Soichiro Kamiya
President



Mutsuji Suzuki
Deputy President



Hideo Tanaka
Senior Managing Director



Kazuyuki Hirao
Managing Director



Nobuo Ikeda
Managing Director



Yoshitaka Nishikawa
Managing Director



Yasuo Matsuura
Managing Director



Sadao Uehara
Managing Director



Takashi Suzuki
Managing Director



Yasuyoshi Ohno
Managing Director

President

Soichiro Kamiya

Deputy President

Mutsuji Suzuki

Senior Managing Director

Hideo Tanaka

Managing Directors

Kazuyuki Hirao

Nobuo Ikeda

Yoshitaka Nishikawa

Yasuo Matsuura

Sadao Uehara

Takashi Suzuki

Yasuyoshi Ohno

Directors

Eiichi Ito

Masakazu Oishi

Yasuaki Noda

Noboru Ikeda

Hiroyasu Sugiyama

Shigeru Masugi

Hiroyuki Kochi

Corporate Auditors

Mitsuo Oishi

Hiroshi Okamoto

Akio Ikegawa

Hirokichi Hirai

(As of June 25, 1998)

FINANCIAL SECTION

SIX-YEAR SUMMARY

THE SHIZUOKA BANK, LTD.

	Millions of Yen					
	1998	1997	1996	1995	1994	1993
NON-CONSOLIDATED BALANCE SHEETS (March 31)						
Assets:						
Cash and due from banks	¥ 816,118	¥1,020,319	¥1,094,712	¥1,069,291	¥1,005,468	¥ 891,519
Call loans	159,757	40,668	42,102	188,565	334,027	520,769
Monetary claims bought	85,804	138,062	79,351	15,233	27	31
Trading assets	48,837					
Trading account securities		4,726	26,441	28,108	28,561	29,273
Money held in trust	61,009	56,009	51,008	59,079	59,454	62,737
Investment securities	1,381,622	1,570,632	1,489,572	1,409,417	1,446,623	1,372,608
Loans and bills discounted	5,004,120	4,774,728	4,768,987	4,593,283	4,556,699	4,579,955
Foreign exchanges	10,496	10,474	9,126	7,939	10,225	13,156
Other assets	34,168	60,286	47,500	59,377	42,078	50,793
Premises and equipment	85,619	87,545	87,037	81,407	74,514	73,616
Customers' liabilities for acceptances and guarantees	95,655	100,827	90,816	98,392	103,174	104,983
Total Assets	¥7,783,209	¥7,864,279	¥7,786,657	¥7,610,095	¥7,660,856	¥7,699,444
Liabilities and Stockholders' Equity:						
Liabilities:						
Deposits	¥6,707,676	¥6,626,467	¥6,503,296	¥6,712,906	¥6,613,066	¥6,711,036
Call money	333,053	474,911	571,621	148,029	287,425	237,779
Trading liabilities	5,580					
Borrowed money	13,348	17,484	12,251	25,942	19,166	21,894
Foreign exchanges	219	510	576	313	382	441
Convertible bonds		706	1,112	1,189	1,290	1,636
Other liabilities	89,873	125,615	104,636	142,686	178,891	183,193
Reserve for possible loan losses	54,615	34,640	34,565	27,121	21,505	19,501
Reserve for retirement allowances	14,129	13,949	14,120	14,338	14,258	14,211
Reserve for losses on sales of trading account securities		2,217	2,127	2,021	1,908	1,767
Acceptances and guarantees	95,655	100,827	90,816	98,392	103,174	104,983
Total Liabilities	7,314,153	7,397,330	7,335,125	7,172,941	7,241,070	7,296,445
Stockholders' Equity:						
Common stock	90,845	90,546	90,343	90,304	90,254	90,081
Capital surplus	54,884	54,585	54,382	54,344	54,293	54,120
Legal reserve	90,845	90,399	90,308	90,279	90,201	90,039
Retained earnings	232,480	231,416	216,497	202,225	185,035	168,757
Total Stockholders' Equity	469,056	466,948	451,532	437,153	419,785	402,999
Total Liabilities and Stockholders' Equity	¥7,783,209	¥7,864,279	¥7,786,657	¥7,610,095	¥7,660,856	¥7,699,444

NON-CONSOLIDATED STATEMENTS OF INCOME (Years ended March 31)

Income:						
Interest on loans and discounts	¥ 130,095	¥ 132,240	¥ 156,425	¥ 191,147	¥ 213,106	¥ 261,521
Other income	177,351	161,345	172,201	168,631	161,814	166,154
Total Income	307,447	293,586	328,626	359,778	374,921	427,675
Expenses:						
Interest on deposits	70,734	78,952	127,655	152,310	175,877	225,508
Other expenses	194,408	179,765	161,593	165,428	156,448	157,862
Total Expenses	265,142	258,718	289,248	317,738	332,326	383,370
Income before income taxes	42,305	34,868	39,378	42,039	42,594	44,305
Income taxes	25,907	14,970	20,170	19,865	20,445	22,427
Net Income	¥ 16,398	¥ 19,898	¥ 19,208	¥ 22,174	¥ 22,149	¥ 21,878
Net income per share (Yen)	¥ 20.38	¥ 24.72	¥ 23.87	¥ 27.56	¥ 27.53	¥ 27.21
Number of branches	197	201	203	203	204	204
Number of employees	4,688	4,865	4,982	5,215	5,338	5,282

FINANCIAL REVIEW

ECONOMIC AND FINANCIAL ENVIRONMENT

The Japanese economy maintained a gradual recovery during the first half of fiscal 1997, ended March 31, 1998, as exports were firm and private-sector capital investment grew. The economy slowed and began contracting during the latter half of the year, however, as housing and public-sector investment decreased and personal consumption cooled down due to a rise in the national consumption tax rate and concerns regarding economic prospects.

In Shizuoka Prefecture, slack internal demand and inventory adjustments spurred increasingly widespread reductions in manufacturing volumes, causing the employment situation to deteriorate and otherwise accentuating the trend of economic sluggishness.

Japan's official discount rate remained at a record low level, and market rates were also generally low. The bankruptcy of a number of financial institutions led to growing concerns regarding the stability of the domestic financial system. As the full-scale start of Japan's Big Bang financial reforms approached, financial institutions accelerated the pace of their restructuring measures, including interindustry and international initiatives.

PROFIT AND LOSS

The following analysis of profit and loss is based on statements filed with the Ministry of Finance in Japan, and some figures may differ from those presented in the accompanying statements of income. The differences are explained in notes to the following tables.

Gross Operating Revenues

Despite declines in net fees and commissions and net other operating profits, gross operating revenues grew ¥2.7 billion, to ¥134.0 billion, due to a rise in net interest income as well as the recording of trading income. Operating profits from domestic banking rose ¥4.5 billion, while operating losses from international banking increased ¥1.8 billion.

Net Interest Income

Interest income (interest income from fund-management operations) declined ¥22.6 billion, and interest expenses (interest expenses from fund-procurement operations) decreased ¥24.2 billion. As a result, net interest income—interest income less interest expenses—grew 1.4%, or ¥1.6 billion, to ¥121.1 billion.

For domestic operations, average interest-earning assets and average interest-bearing liabilities both increased, and the net interest-spread margin grew. Consequently, net interest income from domestic operations advanced 2.5%, or ¥2.8 billion, to ¥115.3 billion. For international operations, average interest-earning assets and average interest-bearing liabilities both decreased, and the net interest-spread margin shrank. As a result, net interest income from international operations fell 17.4%, or ¥1.2 billion, to ¥5.7 billion.

The ¥1.6 billion increase in net interest income was attributable to a ¥3.8 billion rise in net interest income due to growth in the net interest-spread margin and a ¥2.2 billion drop in net interest income owing to a decrease in average interest-earning assets and average interest-bearing liabilities.

Summary of Profits

Years ended March 31	Millions of Yen			Percentage Change
	1998	1997	Increase (Decrease)	
Gross operating revenues (Note):	¥134,038	¥131,312	¥2,726	2.1%
Net interest income	121,105	119,450	1,654	1.4
Trading income	1,339		1,339	
Net fees and commissions	11,384	11,534	(150)	(1.3)
Net other operating profits	209	326	(117)	(35.9)
General and administrative expenses	90,441	88,358	2,082	2.4
Net other recurring profits (losses)	(2,597)	(7,284)	4,686	64.3
Recurring profits	40,633	35,219	5,414	15.4
Corporation and inhabitants tax	25,907	14,970	10,937	73.1
Net income	16,398	19,898	(3,500)	(17.6)
Operating profits (losses):	43,970	43,488	482	1.1
Domestic banking	45,743	43,504	2,239	5.1
International banking	(1,772)	(15)	(1,757)	(11,059.1)

Note: "Gross operating revenues" is used in financial reports to the Ministry of Finance in Japan, where interest expense excludes interest paid in relation to investment in "Money held in trust." The said interest amounts for "Money held in trust" in 1998 and 1997 are calculated to be ¥366 million and ¥450 million, respectively.

Breakdown of Net Interest Margin

Years ended March 31	Billions of Yen		
	1998	1997	Increase (Decrease)
Interest income	¥ 234.3	¥ 256.9	¥(22.6)
Average interest-earning assets	7,248.1	7,285.9	(37.8)
Average interest rate of interest-earning assets (%)	3.23	3.52	(0.29)*
Interest expenses (Note)	113.2	137.4	(24.2)
Average interest-bearing liabilities	7,001.7	6,956.0	45.6
Average interest rate of interest-bearing liabilities (%)	1.61	1.97	(0.36)*
Net interest income	121.1	119.4	1.65
Funding cost (%)	2.88	3.23	(0.35)*
Net interest margin (%)	0.34	0.28	0.05*

*percentage point

Note: "Interest expenses" here excludes interest paid in relation to investment in "Money held in trust." See Note to preceding table.

Net Fees and Commissions

Fee and commission income grew only 1.2%, or ¥0.1 billion, while fee and commission expenses advanced 7.3%, or ¥0.3 billion. Thus, net fees and commissions edged down slightly, to ¥11.3 billion.

Trading Income

The trading income account was established in April 1997 in line with the contemporaneous introduction of a market-value-based, fair-value accounting method for trading accounts. The Bank recorded ¥1.3 billion in trading income, which comprised ¥0.8 billion in trading profits and interest receipts from trading account securities as well as ¥0.4 billion in interest receipts from commercial paper and other sources.

Net Other Operating Profits

Other operating profits surged 33.0%, or ¥3.3 billion, due to gains on foreign exchange transactions and on the

sale of government bonds and other bonds. Beginning from the period under review, gains on trading in trading account securities is accounted for in the trading income item. Other operating expenses jumped 35.3%, or ¥3.4 billion. Thus, net other operating profits declined ¥0.1 billion, to ¥0.2 billion.

General and Administrative Expenses

Personnel expenses grew ¥0.7 billion, due to factors including the disbursement of special payments for employee welfare annuities and retirement bonuses. Nonpersonnel expenses advanced ¥1.1 billion, principally because of a rise in payments for the lease of computer equipment and other items. Consequently, general and administrative expenses were up ¥2.0 billion, to ¥90.4 billion.

Net Other Operating Profits

Years ended March 31	Millions of Yen		
	1998	1997	Increase (Decrease)
Other operating profits:			
Gains on foreign exchange transactions	¥ 951	¥ 91	¥ 860
Gains on trading account securities		895	(895)
Net profits from bonds:	(744)	(661)	(83)
Gains on sales of bonds	11,858	8,789	3,068
Gains on redemption of bonds	557	271	286
Losses on sales of bonds	8,576	6,874	1,701
Losses on redemption of bonds	4,583	2,775	1,808
Losses on devaluation of bonds		72	(72)
Other	2	1	0
Net other operating profits	¥ 209	¥ 326	¥ (117)

Net Other Recurring Profits (Losses)

Other recurring profits grew ¥29.0 billion, to ¥38.8 billion, principally as the result of gains on the sale of stocks and other securities.

Based on the Self-Assessment System being adopted by Japanese banks in line with the April 1998 introduction of the principle of Prompt Corrective Action in Japan, the Bank accelerated its efforts to deal with nonperforming assets and increased the value of its additions to the reserve for possible loan losses, primarily additions to the

specific reserve for possible bad debts. In addition, losses on the devaluation of stocks and other securities increased due to the year-to-year drop in stock prices at period-end, and enterprise taxes grew owing to the increase in taxable income, causing total other recurring expenses to rise ¥24.3 billion, to ¥41.4 billion.

Thus, net other recurring profits (losses) amounted to a loss of ¥2.5 billion, ¥4.6 billion less than the loss of ¥7.2 billion in the previous period.

Net Other Recurring Profits (Losses)

Years ended March 31	Millions of Yen		
	1998	1997	Increase (Decrease)
Other recurring profits (losses):			
Provision for reserve for possible loan losses	¥25,937	¥ 6,725	¥19,212
Loans on written-off claims	294	252	42
Net profits from stocks and other securities:	29,593	4,033	25,559
Gains on sales of stocks and other securities	36,852	8,445	28,406
Losses on sales of stocks and other securities	234	184	49
Losses on devaluation of stocks and other securities	7,024	4,227	2,797
Gains on money held in trust	375	245	129
Losses on devaluation of money held in trust	23	125	(102)
Enterprise taxes	7,345	4,213	3,132
Other recurring profits	1,671	1,188	482
Other recurring losses	637	1,436	(799)
Net other recurring profits (losses)	¥(2,597)	¥(7,284)	¥ 4,686

ASSETS

Total Assets

At the end of the period, total assets amounted to ¥7,783.2 billion, down ¥81.0 billion from the previous fiscal year-end. Although loans and bills discounted and

call loans increased, the decline in total assets reflected drops in cash and due from banks as well as in investment securities.

Assets

March 31	Billions of Yen		
	1998	1997	Increase (Decrease)
Assets:			
Cash and due from banks	¥ 816.1	¥1,020.3	¥(204.2)
Call loans	159.7	40.6	119.0
Monetary claims bought	85.8	138.0	(52.2)
Trading assets	48.8		48.8
Trading account securities		4.7	(4.7)
Money held in trust	61.0	56.0	5.0
Investment securities	1,381.6	1,570.6	(189.0)
Loans and bills discounted	5,004.1	4,774.7	229.3
Foreign exchanges	10.4	10.4	0.0
Other assets	34.1	60.2	(26.1)
Premises and equipment	85.6	87.5	(1.9)
Customers' liabilities for acceptances and guarantees	95.6	100.8	(5.1)
Total assets	¥7,783.2	¥7,864.2	¥ (81.0)

Loans and Bills Discounted

In addition to maintaining a consistent level of responsiveness to the needs of corporations, individuals, and local public entities, the Bank worked to develop relationships with new customers in its region. As a result, the balances of loans to corporations and individuals both grew, and the total balance of loans and bills discounted at period-end was ¥5,004.1 billion, up ¥229.3 billion.

Securities

Due to factors including the sale of foreign currency denominated securities, which reduced the balance of other securities, the balance of investment securities declined ¥189.0 billion during fiscal 1997 and amounted to ¥1,381.6 billion at period-end. Reflecting the introduction of a market price-based accounting system for trading securities, these securities were accounted for as trading assets.

Investment Securities

March 31	Billions of Yen	
	1998	1997
National government bonds	¥ 104.4	¥ 95.9
Local government bonds	130.5	236.9
Corporate debentures	540.6	461.9
Corporate stocks	165.1	171.7
Other securities	440.7	604.0
Total	¥1,381.6	¥1,570.6

Note: For market value of securities, see Note 23 of notes to non-consolidated financial statements.

Premises and Equipment

The value of premises and equipment at fiscal year-end stood at ¥85.6 billion, down ¥1.9 billion. This decrease

resulted from depreciation and other factors.

LOAN PORTFOLIO

Loans Outstanding by Type of Borrower

March 31	Billions of Yen, % Share			
	1998		1997	
Domestic branches:				
Manufacturing	¥1,066.5	21.6%	¥1,021.6	21.7%
Agriculture	11.4	0.2	11.2	0.2
Forestry	0.8	0.0	0.9	0.0
Fishery	12.0	0.3	10.3	0.2
Mining	11.4	0.2	12.8	0.2
Construction	335.8	6.8	320.5	6.8
Utilities	35.3	0.7	35.1	0.7
Transportation and communication	212.0	4.3	171.9	3.7
Wholesaling and retailing	766.2	15.6	767.6	16.3
Finance and security	276.5	5.6	215.7	4.6
Real estate	320.4	6.5	329.2	7.0
Services	588.3	11.9	554.6	11.8
Local governments	135.0	2.8	132.7	2.8
Other	1,158.1	23.5	1,132.4	24.0
Subtotal	4,930.2	100.0	4,717.2	100.0
Overseas branches and offshore account:				
Governments and official institutions	1.9	2.6	3.5	6.2
Banks and other financial institutions	1.0	1.4	1.0	1.7
Commercial and industrial	70.9	96.0	52.9	92.1
Subtotal	73.9	100.0	57.4	100.0
Total	¥5,004.1		¥4,774.7	

Reserve for Possible Loan Losses

The reserve for possible loan losses—the cumulative total of a general reserve for possible loan losses, a specific reserve for possible bad debts, and a reserve for specific foreign credit—grew ¥19.9 billion, to ¥54.6 billion, primarily due to a rise in the specific reserve for possible

bad debts. Of this total, ¥14.8 billion was accounted for in the general reserve for possible loan losses, ¥39.6 billion in the specific reserve for possible bad debts, and ¥0.1 billion in the reserve for specific foreign credit.

Reserve for Possible Loan Losses

March 31	Millions of Yen	
	1998	1997
General reserve	¥14,830	¥14,152
Specific reserve	39,617	20,240
Reserve for specific foreign credit	167	247
Total	¥54,615	¥34,640
[Loans on written-off claims for the year]	¥ [294]	¥ [252]

Balance of Specific Foreign Credit

March 31	Millions of Yen	
	1998	1997
Balance of specific foreign credit:		
Algeria	¥607	¥587
Honduras	30	31
Total	¥638	¥619
(Ratio to total assets)	(0.0%)	(0.0%)
Reserve for specific foreign credit	¥167	¥247

Note: *Specific foreign credit* here is certain loans to foreign sovereign borrowers on which special reserve is provided for loan loss in accordance with the Standard Rules for Bank Accounting in Japan.

LIABILITIES

Deposits

During fiscal 1997, the deposit balance at domestic branches increased ¥151.0 billion, including a ¥305.9 billion rise in the deposit balance of individuals. Reflecting the Bank's emphasis on profitability in its fund procurement activities, deposits at overseas branches and the Tokyo offshore market decreased ¥107.4 billion. The balance of Negotiable Certificates of Deposit (NCDs) increased ¥37.5 billion; consequently, the balance of total deposits at period-end was ¥6,707.6 billion, up ¥81.2 billion from the end of fiscal 1996.

Stockholders' Equity

Stockholders' equity grew ¥2.1 billion, to ¥469.0 billion, mainly because of a rise in voluntary reserves.

During the period, aiming to improve stockholders' return and other financial indicators, the Bank became the first Japanese bank to use its profits to repurchase and retire its own shares. At the end of the period, the Bank had repurchased 7.2 million of its shares on the open market for ¥9.9 billion. The retirement of these shares reduced the number of outstanding shares to 798,307,069.

Liabilities and Stockholders' Equity

March 31	Billions of Yen		
	1998	1997	Increase (Decrease)
Liabilities:			
Deposits	¥6,707.6	¥6,626.4	¥ 81.2
Call money	333.0	474.9	(141.8)
Trading liabilities	5.5		5.5
Borrowed money	13.3	17.4	(4.1)
Foreign exchanges	0.2	0.5	(0.2)
Convertible bonds		0.7	(0.7)
Other liabilities	89.8	125.6	(35.7)
Reserve for possible loan losses	54.6	34.6	19.9
Reserve for retirement allowances	14.1	13.9	0.1
Reserve for losses on sales of trading account securities		2.2	(2.2)
Acceptances and guarantees	95.6	100.8	(5.1)
Stockholders' Equity	469.0	466.9	2.1
Total Liabilities and Stockholders' Equity	¥7,783.2	¥7,864.2	¥ (81.0)

Type of Deposits

March 31	Billions of Yen, % Share			
	1998		1997	
Demand deposits	¥1,734.8	25.9%	¥1,585.2	23.9%
Interest-bearing demand deposits	1,505.8	22.4	1,350.1	20.3
Time deposits	3,973.1	59.2	4,093.9	61.8
Other	915.9	13.7	901.1	13.6
Subtotal	6,623.9	98.8	6,580.3	99.3
Negotiable certificates of deposit	83.6	1.2	46.1	0.7
Total	¥6,707.6	100.0%	¥6,626.4	100.0%

Financial Index

Years ended March 31	1998	1997	Increase (Decrease)
Per share (Yen):			
Net income	¥ 20.38	¥ 24.72	¥(4.34)
Net assets	587.56	580.07	7.49
Cash dividends	6.00	6.00	
Dividend payout ratio (%)	29.34	24.26	5.08*
Return on assets (ROA) (%) (Note 1)	0.21	0.26	(0.05)*
Return on equity (ROE) (%) (Note 2)	3.53	4.43	(0.90)*
Capital adequacy ratio (BIS) (%)	13.45	13.61	(0.16)*
Tier I	10.80	10.46	0.34*

*percentage points

Notes: 1. Net income as a percentage of average balance of assets. Assets exclude customers' liabilities for acceptances and guarantees.

2. Net income as a percentage of average balance of stockholders' equity.

CAPITAL ADEQUACY RATIO

At fiscal year-end, the Bank's capital adequacy ratio, computed according to standards set by the Bank for International Settlements (BIS), stood at 13.45%, one of the highest levels among Japanese banks. The Tier I ratio, which does not encompass unrealized gains on securities, was also high, at 10.80%. These ratios were maintained

without resorting to such steps newly permitted by Japan's Financial System Stabilization Law as the receipt of investments of public funds, the shift to the valuation at cost method for holdings of listed stocks, or the revaluation of land assets.

Capital Adequacy Ratio

March 31	Billions of Yen	
	1998	1997
Tier I		
Common stockholders' equity	¥ 497.4	¥ 488.4
Tier II capital included as Tier I		
Total adjusted Tier I capital	497.4	488.4
Tier II		
Unrealized valuation gains on securities, after 55% discount	106.9	132.6
Reserve for possible loan losses, excluding specific reserve	14.8	14.1
Others		
Tier II capital included as Tier I		
Total adjusted Tier II capital	121.7	146.8
Tier II capital included as qualifying capital	121.7	146.8
Tier III (Note 3)		
Short-term subordinated debt (Capital for covering market risks)		
Total capital	619.2	635.2
Total risk-adjusted assets (Note 1, 3)	4,602.8	4,666.3
Capital adequacy ratio (Note 2)	13.45%	13.61%

Notes: 1. The ratio of capital to risk-adjusted assets is based on Ministry of Finance guidelines formulated in accordance with the BIS agreement.

2. Capital adequacy ratio is calculated on a consolidated basis.

3. Subordinated debt with two or more years remaining to redemption may be counted as Tier III capital for covering market risks. Accompanying the January 1, 1998 introduction of BIS market risk regulations, the Bank has recorded "Quasi-supplementary items" and "Amounts corresponding to market risk" beginning in the fiscal year ended March 31, 1998.

CREDIT-RELATED FINANCIAL INSTRUMENTS

March 31, 1998	Contract Amount (Billions of Yen)
Commitments to extend credit	¥2,305.3
Guarantees	91.7
Total	¥2,397.0

NON-CONSOLIDATED BALANCE SHEETS

THE SHIZUOKA BANK, LTD. March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1998	1997	1998
Assets:			
Cash and due from banks	¥ 816,118	¥1,020,319	\$ 6,178,035
Call loans	159,757	40,668	1,209,371
Monetary claims bought	85,804	138,062	649,539
Trading assets (Note 4)	48,837		369,698
Trading account securities (Notes 4 and 23)		4,726	
Money held in trust	61,009	56,009	461,842
Investment securities (Notes 5 and 23)	1,381,622	1,570,632	10,458,912
Loans and bills discounted (Note 6)	5,004,120	4,774,728	37,881,304
Foreign exchanges (Note 7)	10,496	10,474	79,461
Other assets (Note 8)	34,168	60,286	258,654
Premises and equipment (Note 9)	85,619	87,545	648,139
Customers' liabilities for acceptances and guarantees (Note 10)	95,655	100,827	724,118
Total Assets	¥7,783,209	¥7,864,279	\$58,919,073
Liabilities and Stockholders' Equity:			
Liabilities:			
Deposits (Note 11)	¥6,707,676	¥6,626,467	\$50,777,262
Call money	333,053	474,911	2,521,225
Trading liabilities (Note 4)	5,580		42,247
Borrowed money	13,348	17,484	101,051
Foreign exchanges (Note 7)	219	510	1,664
Convertible bonds (Note 12)		706	
Other liabilities (Note 13)	89,873	125,615	680,343
Reserve for possible loan losses	54,615	34,640	413,437
Reserve for retirement allowances	14,129	13,949	106,961
Reserve for losses on sales of trading account securities		2,217	
Acceptances and guarantees (Note 10)	95,655	100,827	724,118
Total Liabilities	7,314,153	7,397,330	55,368,308
Stockholders' Equity:			
Common stock (Note 14)	90,845	90,546	687,704
Capital surplus (Note 14)	54,884	54,585	415,474
Legal reserve (Note 15)	90,845	90,399	687,704
Retained earnings	232,480	231,416	1,759,883
Total Stockholders' Equity	469,056	466,948	3,550,765
Total Liabilities and Stockholders' Equity	¥7,783,209	¥7,864,279	\$58,919,073

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

THE SHIZUOKA BANK, LTD. Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1998	1997	1998
Income:			
Interest income:			
Interest on loans and discounts	¥130,095	¥132,240	\$ 984,829
Interest and dividends on securities	65,445	79,832	495,421
Other interest income (Note 16)	38,780	44,853	293,568
Subtotal	234,321	256,926	1,773,818
Fees and commissions	16,374	16,186	123,957
Trading income	1,339		10,143
Other operating income (Note 17)	13,369	10,049	101,207
Other income (Note 18)	42,042	10,424	318,262
Total Income	307,447	293,586	2,327,387
Expenses:			
Interest expense:			
Interest on deposits	70,734	78,952	535,463
Interest on borrowings and rediscounts	10,236	15,154	77,493
Other interest expenses (Note 19)	32,610	43,818	246,866
Subtotal	113,582	137,925	859,822
Fees and commissions	4,990	4,652	37,777
Other operating expenses (Note 20)	13,160	9,722	99,622
General and administrative expenses (Note 21)	90,441	88,358	684,644
Other expenses (Note 22)	42,968	18,059	325,272
Total Expenses	265,142	258,718	2,007,137
Income before income taxes	42,305	34,868	320,250
Income taxes	25,907	14,970	196,116
Net Income	¥ 16,398	¥ 19,898	\$ 124,134
Per share:			
Net income	¥ 20.38	¥ 24.72	\$ 0.15
Fully diluted net income	20.38	24.71	0.15
Cash dividends applicable to the year (Note 26)	6.00	6.00	0.04

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

THE SHIZUOKA BANK, LTD. Years ended March 31, 1998 and 1997

	Number of Shares	
	1998	1997
Number of shares (Note 14):		
Balance at beginning of year	804,986,023	804,614,586
Shares retired (Note 14)	(7,226,000)	
Conversion of convertible bonds	547,046	371,437
Balance at End of Year	798,307,069	804,986,023

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1998	1997	1998
Common stock (Note 14):			
Balance at beginning of year	¥ 90,546	¥ 90,343	\$ 685,439
Conversion of convertible bonds	299	203	2,265
Balance at End of Year	¥ 90,845	¥ 90,546	\$ 687,704
Capital surplus (Note 14):			
Balance at beginning of year	¥ 54,585	¥ 54,382	\$ 413,213
Conversion of convertible bonds	298	202	2,261
Balance at End of Year	¥ 54,884	¥ 54,585	\$ 415,474
Legal reserve (Note 15):			
Balance at beginning of year	¥ 90,399	¥ 90,308	\$ 684,329
Transfer from retained earnings	445	91	3,375
Balance at End of Year	¥ 90,845	¥ 90,399	\$ 687,704
Retained earnings:			
Balance at beginning of year	¥231,416	¥216,497	\$1,751,831
Net income	16,398	19,898	124,134
Shares retired (Note 14)	(9,997)		(75,678)
Cash dividends	(4,831)	(4,827)	(36,575)
Bonuses to directors and corporate auditors	(60)	(60)	(454)
Transfer to legal reserve	(445)	(91)	(3,375)
Balance at End of Year	¥232,480	¥231,416	\$1,759,883
Total stockholders' equity:			
Balance at beginning of year	¥466,948	¥451,532	\$3,534,812
Changes during the year, net	2,107	15,416	15,953
Balance at End of Year	¥469,056	¥466,948	\$3,550,765

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

THE SHIZUOKA BANK, LTD.

1 BASIS OF PRESENTATION

The accompanying financial statements have been prepared from the accounts maintained by The Shizuoka Bank, Ltd. (the "Bank") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code"), the Securities and Exchange Law of Japan, the Bank Law of Japan and the Standard Rules for Bank Accounting of Japan (the "Standard Rules") and accounting principles and practices generally accepted in Japan which are different in certain respects as to application and disclosure requirements of international accounting standards.

In order to facilitate understanding by readers outside Japan, certain reclassifications and rearrangements have been made to the financial statements submitted to the stockholders in Japan.

The financial statements include only the accounts of the Bank and have not been consolidated with its subsidiaries. Consolidation of the subsidiaries would not have a significant effect on the accompanying financial statements.

The financial statements exclude the statements of cash flows, which are not required as part of the basic financial statements in Japan.

2 YEN AND U.S. DOLLAR AMOUNTS

In accordance with the Bank Law of Japan and the Standard Rules, yen amounts less than one million have been omitted. As a result, the totals in yen shown in the accompanying financial statements and the notes thereto do not necessarily agree with the sum of the individual account balances.

The financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operated. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥132.10 to \$1, the approximate rate of exchange at March 31, 1998. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment securities:

Securities quoted on stock exchanges (except foreign currency bonds in 1998) are valued at the lower of cost or market value. Securities other than noted above are valued at cost. The cost of securities is computed by the weighted-moving-average method.

For securities included in money held in trust account, the same method mentioned above was applied in accordance with the Standard Rules.

Effective April 1, 1997, the Bank changed its method of valuation of quoted foreign currency bonds, included in investment securities and money held in trust, from the lower of cost or market value to the cost method. The Bank believes that the cost method is more appropriate for reporting the results of its operations, excluding the temporarily declined value of foreign currency bonds which are held for a longer period. The effect of this change was to increase income before income taxes for the year ended March 31, 1998, by ¥23 million (\$174 thousand).

Trading accounts:

Trading accounts securities:

Trading account securities are included in trading assets and stated at market value in 1998 (see "Implementation of mark-to-market accounting for trading purpose transactions"), although they were accounted for in 1997 as follows:

Securities quoted on stock exchanges are valued at the lower of cost or market value. Securities other than noted above are valued at cost. The cost of securities is computed by the weighted-moving-average method.

Implementation of mark-to-market accounting for trading purpose transactions:

Effective April 1, 1997, pursuant to Article 17-2 of the Bank Law, "Transactions for Trading Purposes" (the purpose of seeking to capture gains arising from short-term fluctuations in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade date basis. Trading securities and monetary claims purchased for trading purposes recorded in these accounts are stated at market value and trading-related financial derivatives are at the amounts that would be settled if they were terminated at the end of the fiscal year. As a result, total assets and total liabilities at March 31, 1998 increased by ¥5,384 million (\$40,758 thousand) and ¥5,406 million (\$40,927 thousand) from March 31, 1997, respectively.

Due to the amendment of the regulations for the Bank Law, with respect to the establishment of trading assets and liabilities, the non-consolidated balance sheet presentation has been revised as follows:

(1) "Trading account securities" are included in "Trading assets." The outstanding balance of bond underwriting for which the offering period has not been completed at the end of the fiscal year is also included in "Trading assets."

(2) Derivatives associated with trading account securities are included in "Trading assets" or "Trading liabilities." As a result, option premiums on trading account securities, which were previously included in "Other assets" or "Other liabilities," are now included in "Trading assets" and "Trading liabilities."

(3) Trading-related financial derivatives (other than those related to securities) are included in "Trading assets" or "Trading liabilities." As a result, premiums on interest rate options for trading purposes which were previously included in "Other assets" or "Other liabilities" are now included in "Trading assets" or "Trading liabilities."

(4) "Commercial paper" which is held for trading purposes is included in "Trading assets."

Profits and losses on transactions for trading purposes are shown as "Trading income (losses)" on a trade date basis.

Due to the amendment of the regulations for the Bank Law, with respect to the establishment of trading accounts, the non-consolidated statement of income presentation has been revised as follows:

(1) Gains or losses on trading securities, which were previously included in "Other operating income" or "Other operating expenses," are included in "Trading income (losses)" together with the related evaluation profit or loss, interests on trading account securities, which were previously included in "Interest income" or "Interest expenses," the securities transaction tax and the exchange tax on trading securities, which were previously included in "General and administrative expenses," and underwriting fees on trading securities which were previously included in "Fees and commissions."

(2) Interest received or paid on interest rate swaps and other interest received or paid on trading-related financial derivatives, which were previously included in "Interest income" or "Interest expenses" are now included in "Trading income (losses)" together with the related evaluation profit or loss and the exchange tax on trading-related financial derivatives, which were previously included in "General and administrative expenses."

(3) Interest on commercial paper for trading purposes, which was previously included in "Interest income," is included in "Trading income (losses)" together with the related evaluation profit or loss.

As a result of these changes, the following accounts for the year ended March 31, 1998 were affected:

Interest Income	decreased by	¥6,903 million
Trading Income	increased by	¥1,339 million
Total Income	decreased by	¥6,316 million
Interest Expenses	decreased by	¥6,225 million
Total Expenses	decreased by	¥6,225 million
Loss before Income Taxes	decreased by	¥ 22 million

Premises and equipment:

Premises and equipment are carried at cost, or cost less deferred gain on sales of certain fixed assets permitted under the Corporation Tax Law. Depreciation of premises and equipment is computed using the declining-balance method over the estimated useful lives.

Reserve for possible loan losses:

The amount of the provision for the reserve for possible loan losses is determined based on management's judgement and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

From the fiscal year ended March 31, 1998, in accordance with the amendment of the Standard Rules, the Bank implemented a self-assessment system for its asset quality. The quality of all loans are assessed by branches and the Credit Supervision Department with a subsequent audit by the Credit Examination Department in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes, such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including the value of future cash flows for other self-assessment categories.

Prior to the fiscal year ended March 31, 1997, the reserve for possible loan losses of the Bank comprised three categories of reserves. A general reserve was established based on a fixed percentage (0.3 percent) of certain outstanding loans as specified by Japanese tax regulations and the Standard Rules. Secondly, further provisions were made of the specific loans based on management's evaluation of the status of such loans. Thirdly, the Standard Rules provided that a reserve be provided for possible loan losses relating to restructuring countries. This provision as of March 31, 1997, was made at 40 percent of the related loans.

Reserve for retirement allowance and pension plans:

The Bank has two plans for retirement benefits covering substantially all of its employees.

Initially, the Bank established an unfunded lump-sum retirement allowance plan on which an accrual has been recorded annually to reflect the retirement allowance that would become payable should all employees retire on a voluntary basis at each balance sheet date.

In addition, the Bank has a contributory funded pension plan and a non-contributory funded pension plan covering substantially all of its employees, which generally provide for an annuity payable for life upon retirement. The unfunded actuarial present values of past service costs for the pension plans, estimated to be ¥1,606 million (\$12,150 thousand) and ¥1,244 million at March 31, 1998 and 1997, respectively, are amortized over 9 years and charged to income when paid.

Expenses for the unfunded lump-sum and the funded pension plans in 1998 and 1997 amounted to ¥3,994 million (\$30,237 thousand) and ¥3,147 million, respectively.

Reserve for losses on sales of trading account securities:

Prior to March 31, 1997, a reserve for possible securities losses had been provided as a special reserve at 10 percent of the gain during the year from bond dealing in accordance with the provisions of the Standard Rules. In the event of a loss during the year from bond dealing, the reserve was reduced by 40 percent of the loss and the amount was required to be credited to income.

Effective the fiscal year ended March 31, 1998, as the Standard Rules were amended, the Bank abolished the reserve for losses on sales of trading account securities, and reversed all of the amount of a reserve for losses on sales of trading account securities as of April 1, 1997. The effect of this change was to increase income before income taxes for the year ended March 31, 1998 by ¥2,216 million (\$16,782 thousand).

Leases:

All leases are accounted for as operating leases. Under new Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as rental transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's non-consolidated financial statements.

Foreign currency items:

Assets and liabilities which are payable or receivable in foreign currencies are converted into Japanese yen at the rates prevailing at each balance sheet date.

Income taxes:

An accrual has been recorded for national corporate tax, local inhabitants and enterprise taxes currently payable, based on the taxable income for the year. The enterprise tax is charged to general and administrative expenses. The tax effect of temporary differences between financial and tax reporting has not been recognized in the financial statements.

Per share information:

Net income per share is computed based on the weighted average number of shares outstanding during each year.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense and net of tax.

Cash dividends per share represent actual dividends applicable to earnings for each period.

4 TRADING ACCOUNTS

Trading accounts at March 31, 1998 and 1997 consisted of the following. In 1997, amounts were included in separate accounts as "Notes":

(a) Trading assets:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Trading securities:		(Note 1)	
National government bonds	¥ 9,766		\$ 73,931
Local government bonds	34		262
Government guaranteed bonds	0		1
Subtotal	9,801		74,194
Financial derivatives:		(Note 2)	
Option premium	294		2,226
Other (Note 5)	5,266		39,869
Subtotal	5,560		42,095
Other trading assets:		(Note 3)	
Commercial paper	33,416		252,965
Other (Note 5)	58		444
Subtotal	33,475		253,409
Total	¥48,837		\$369,698

(b) Trading liabilities:

	Millions of Yen		Thousands of U.S. dollars
	1998	1997	1998
Derivative trading securities	¥ 11		\$ 88
Financial derivatives:		(Note 4)	
Option premium	295		2,235
Other (Note 5)	5,273		39,924
Total	¥5,580		\$42,159

Notes: 1. In 1997, ¥4,726 million was included in "Trading account securities."

2. In 1997, ¥2,726 million (including banking transactions) was included in "Other assets."

In 1998, Option premium of ¥2,114 million (US\$16,008 thousand) as banking transactions is included in "Other assets."

3. In 1997, ¥40,000 million was included in "Monetary claims bought."

4. In 1997, ¥381 million (including banking transactions) was included in "Other liabilities."

In 1998, there is no balance of Option premium as banking transactions.

5. Other on the assets and liabilities sides represents unrealized gains and losses, respectively.

5 INVESTMENT SECURITIES

Investment securities at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
National government bonds	¥ 104,432	¥ 95,967	\$ 790,555
Local government bonds	130,579	236,932	988,492
Corporate debentures	540,699	461,954	4,093,108
Corporate stocks	165,118	171,705	1,249,949
Other securities	440,792	604,071	3,336,808
Total	¥1,381,622	¥1,570,632	\$10,458,912

Note: Corporate stocks and other securities include ¥7,770 million in shares of subsidiaries.

6 LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Bills discounted	¥ 204,621	¥ 215,487	\$ 1,548,989
Loans on bills	627,103	622,028	4,747,184
Loans on deeds	2,967,357	2,908,776	22,462,963
Overdrafts	1,205,038	1,028,436	9,122,168
Total	¥5,004,120	¥4,774,728	\$37,881,304

In accordance with the Standard Rules, claims in bankruptcy, representing loans receivable on which no interest is accrued, are included in loans and bills discounted and at March 31, 1998 amounted to ¥25,915 million (\$196,177 thousand) and ¥26,395 million (\$199,811 thousand), respectively.

Of total loans, restructured loans amounted to ¥4,756 million (\$36,009 thousand) at March 31, 1998. Restructured loans designed to assist in the recovery of the financial health of debtors are loans for which interest rates have been reduced from the rate of the original loan agreement to levels below the official discount rate; loans for which a profit margin has not been maintained; and nonaccrual loans for which interest payments are exempted.

7 FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 1998 and 1997 consisted of the following:

(a) Assets

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Due from foreign banks	¥ 1,053	¥ 1,034	\$ 7,972
Foreign exchange bills bought	1,461	1,685	11,063
Foreign exchange bills receivable	7,982	7,754	60,426
Total	¥10,496	¥10,474	\$79,461

(b) Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Due to foreign banks	¥ 7	¥ 17	\$ 55
Foreign exchange bills sold	206	472	1,566
Foreign exchange bills payable	5	21	42
Total	¥219	¥510	\$1,664

8 OTHER ASSETS

Other assets at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Accrued income	¥23,972	¥31,131	\$181,472
Prepaid expenses	109	200	831
Others	10,085	28,955	76,351
Total	¥34,168	¥60,286	\$258,654

(Reference)

1. Value of three month past due loans (unaudited)		(¥ million)
Period		Value
March 31, 1998		2,920

Note: Three month past due loans include loans for which payments of principal or interest are delinquent by three months or more, as calculated from the day following the contracted payment date, but do not include Loans to bankrupt borrowers or Past due loans.

2. Value of loans with relaxed conditions (unaudited)		(¥ million)
Period		Value
March 31, 1998		79,209

Note: Loans with relaxed conditions include loans for which certain conditions have been relaxed for the benefit of the borrower (through means such as the reduction or elimination of interest payments, the deferral of principal repayments, and the abandonment of a portion of assets) with the goal of supporting the recuperation of borrowers that have fallen into financial difficulties and thereby promoting the recovery of the loan. Loans with relaxed conditions include loans in the previous Restructured loans and Loans for management support categories.

9 PREMISES AND EQUIPMENT

Premises and equipment at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Land	¥30,096	¥30,676	\$227,833
Buildings	39,974	43,669	302,608
Equipment	11,518	10,769	87,198
Construction in progress	1,750	67	13,249
Guarantee deposits on office space	2,278	2,362	17,251
Total	¥85,619	¥87,545	\$648,139

Premises and equipment are stated at cost less accumulated depreciation of ¥85,691 million (\$648,688 thousand) and ¥82,492 million in 1998 and 1997, respectively.

10 CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities for acceptances and guarantees are recorded and reflected in acceptances and guarantees. Correspondingly, customers' liabilities for acceptances and guarantees have been

recorded and reflected as assets in the balance sheets representing the Bank's right of indemnity from the applicant.

11 DEPOSITS

Deposits at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Current deposits	¥ 229,054	¥ 235,052	\$ 1,733,945
Savings deposits	1,459,283	1,299,325	11,046,811
Deposits at notice	46,525	50,855	352,202
Time deposits	3,973,148	4,093,932	30,076,828
Negotiable certificates of deposit	83,694	46,123	633,572
Other	915,968	901,178	6,933,904
Total	¥6,707,676	¥6,626,467	\$50,777,262

12 CONVERTIBLE BONDS

Convertible bonds at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
1.6 percent unsecured convertible bonds, due July 1997	1,189	¥706	13,307

13 OTHER LIABILITIES

Other liabilities at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Income tax payable	¥23,524	¥ 12,516	\$178,084
Accrued expenses	32,465	49,137	245,768
Deposits from employees	4,454	4,385	33,724
Unearned income	4,217	4,152	31,926
Other	25,210	55,423	190,841
Total	¥89,873	¥125,615	\$680,343

14 COMMON STOCK

(a) Common stock is represented as follows:

- (i) Par value: ¥50 per share
- (ii) Authorized: 2,492,774,000 shares in 1998
2,500,000,000 shares in 1997
- (iii) Issued and outstanding: 798,307,069 shares in 1998
804,986,023 shares in 1997

(b) New shares issued during the year per conversion of convertible bonds consisted of the following:

	Number of Shares	Millions of Yen	Thousands of U.S. Dollars
Shares issued	547,046		
Common stock		¥299	\$2,265
Capital surplus		298	2,261

(c) 7,226,000 shares (¥9,997 million) of common stock have been retired in the fiscal year ended March 31, 1998.

In accordance with the provisions of the Code, at least 50 percent of the issue price of new shares, with a minimum of the par value, is to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to capital surplus.

15 LEGAL RESERVE

Under the Bank Law of Japan, the Bank is required to appropriate as a legal reserve a portion of retained earnings in an amount equal to at least 20 percent of cash payments, including dividends and officers' bonuses, in each financial period, until the reserve equals 100 percent of the Bank's common stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or transferred to the stated capital by resolution of the Board of Directors.

The Code permits, upon approval of the Board of Directors, the transfer of amounts from capital surplus to the common stock account.

The Code permits, upon approval of the stockholders, the transfer of a portion of unappropriated retained earnings available for dividends to the common stock account.

The Code permits the amount available for dividends to be appropriated for the retirement of stock on condition that it is stated in the articles of association of the Bank.

Cash dividends for a fiscal year must be approved by the stockholders at an annual meeting to be held subsequent to the year-end, while interim dividends may be paid after the half-year-end upon resolution of the Board of Directors subject to limitations imposed by the Code.

16 OTHER INTEREST INCOME

Other interest income for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Interest on deposited money	¥21,020	¥12,310	\$159,129
Interest on interest swaps	2,251	9,209	17,044
Other	15,507	23,333	117,395
Total	¥38,780	¥44,853	\$293,568

17 OTHER OPERATING INCOME

Other operating income for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Gains on foreign exchange transactions	¥ 951	¥ 91	\$ 7,204
Gains on trading account securities		895	
Gains on sales of bonds	11,858	8,789	89,765
Gains on redemption of bonds	557	271	4,221
Other	2	1	17
Total	¥13,369	¥10,049	\$101,207

18 OTHER INCOME

Other income for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Gains on sales of stocks and other securities	¥36,852	¥ 8,445	\$278,971
Gains on money held in trust	375	245	2,840
Other	4,815	1,732	36,451
Total	¥42,042	¥10,424	\$318,262

19 OTHER INTEREST EXPENSES

Other interest expenses for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Interest on convertible bonds	¥ 0	¥ 13	\$ 4
Interest on interest rate swaps	12,588	22,131	95,295
Other	20,021	21,673	151,567
Total	¥32,610	¥43,818	\$246,866

20 OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Losses on sales of bonds	¥ 8,576	¥6,874	\$64,922
Losses on redemption of bonds	4,583	2,775	34,700
Losses on devaluation of bonds		72	
Total	¥13,160	¥9,722	\$99,622

21 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Salaries and allowances	¥38,090	¥38,699	\$288,349
Depreciation	9,222	9,224	69,813
Taxes	4,715	4,594	35,696
Other	38,412	35,840	290,786
Total	¥90,441	¥88,358	\$684,644

22 OTHER EXPENSES

Other expenses for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Provision for reserve for possible loan losses	¥25,937	¥ 6,725	\$196,349
Loans on written-off claims	294	252	2,231
Losses on sales of stocks and other securities	234	184	1,774
Losses on devaluation of stocks and other securities	7,024	4,227	53,175
Losses on devaluation of money held in trust	23	125	175
Enterprise taxes	7,345	4,213	55,602
Losses on disposition of premises and equipment	1,471	804	11,142
Other	637	1,525	4,824
Total	¥42,968	¥18,059	\$325,272

23 BOOK VALUE AND MARKET VALUE INFORMATION**Book Value and Market Value of Securities**

	Millions of Yen					
	Book Value		Market Value		Difference between Market Value and Book Value	
	1998	1997	1998	1997	1998	1997
Listed Securities						
Trading Account Securities:						
Bonds		¥ 43		¥ 43		¥ 0
Investment Securities:						
Bonds	¥ 75,348	70,003	¥ 87,843	82,429	¥ 12,495	12,426
Corporate stocks	151,082	157,975	376,036	439,768	224,953	281,793
Other	89,023	284,589	89,217	284,753	194	163
Total (Investment Securities)	315,453	512,567	553,097	806,950	237,643	294,383
Total (Listed Securities)	¥315,453	¥512,610	¥553,097	¥806,994	¥237,643	¥294,383

Notes: 1. The trading account securities and investment securities included in this table are listed securities. The bonds include national government and local government bonds as well as corporate bonds. The market price for listed securities is primarily based on the ending price on the Tokyo Stock Exchange.

2. "Other" refers mainly to foreign securities.

3. For unlisted securities, the appropriate market price can be calculated as detailed below.

4. In accordance with the amendment to the Bank Law of Japan and related regulations, which came into effect on April 1, 1997, the fair value accounting method has been adopted, and "Trading account securities" has been transferred to "Trading assets" in the balance sheets.

	Millions of Yen					
	Book Value		Market Value		Difference between Market Value and Book Value	
	1998	1997	1998	1997	1998	1997
Unlisted Securities (for which an equivalent market price can be calculated)						
Trading Account Securities:						
Bonds		¥ 2,529		¥ 2,543		¥ 13
Investment Securities:						
Bonds	¥633,317	444,559	¥680,148	487,285	¥46,831	42,726
Corporate stocks	7,660	7,357	5,158	7,854	(2,502)	497
Other	200	2,117	311	1,122	110	(994)
Total (Investment Securities)	641,178	454,034	685,618	496,263	44,439	42,229
Total (Listed Securities)	¥641,178	¥456,564	¥685,618	¥498,806	¥44,439	¥42,242

Notes: 1. The appropriate market value for unlisted securities, in the case of over-the-counter market securities, is determined according to prices announced by the Japan Securities Dealers Association; for public bonds, according to prices calculated based on index yields published in an over-the-counter bond standards quote list announced by the Japan Securities Dealers Association; and for investment certificates of securities investment trusts, according to the standard price. "Other" refers mainly to beneficiary certificates of securities investment trusts.

2. In accordance with the amendment to the Bank Law of Japan and related regulations, which came into effect on April 1, 1997, the fair value accounting method has been adopted, and "Trading account securities" has been transferred to "Trading assets" in the balance sheets.

	Millions of Yen	
	1998	1997
Primary Securities Excluded from "Market Value of Securities"		
Trading Account Securities:		
Unlisted domestic bonds other than public issues		¥ 999
Unlisted bonds—Public issues due in one year or less		1,154
Investment Securities:		
Unlisted domestic bonds other than public issues	¥ 28,518	240,378
Unlisted bonds—Public issues due in one year or less	42,602	43,815
Unlisted bonds other than domestic issues	337,897	304,700
Unlisted corporate stocks of affiliated companies	7,770	7,285
Beneficiary certificates held in investment trusts before the enactment of legislation allowing banks to participate in securities business	1,000	500

24 DERIVATIVES

Transactions handled:

The Bank engages in various types of derivatives transactions. Interest rate-related transactions cover interest rate futures, swaps, options, floors and caps. Currency-related transactions cover currency swaps, futures, options and forward exchange contracts. Stock-related transactions cover stock index futures. Bond-related transactions cover bond futures, futures options and over-the-counter options.

Transaction policy:

The Bank engages in derivatives transactions to meet the currency- and interest rate-related risk-hedging needs of customers, and also to follow Asset-Liability Management (ALM) designed to ensure effective management of its own market risk. In addition, the Bank maintains set positions, losses and other limits covering its own short-term derivatives trading.

It is the Bank's policy not to engage in highly complex or speculative transactions.

Objective:

Responding to the risk-hedging needs of customers, the Bank engages in currency swaps and options transactions as hedges against currency movement risks, and handles the interest rate swaps, futures and other transactions as hedges against interest rate fluctuations.

To hedge against asset-liability risk, the Bank engages in interest rate swaps transactions, which protect against hikes in rates for fixed-rate loans and declines in rates for time deposits. The Bank also deals in caps transactions as hedges against hikes in interest rates for its capped-rate housing loans and other products. Furthermore, to hedge against interest rate and currency fluctuations pertaining to its own securities investments, the Bank engages in interest rate and currency swaps transactions.

In relation to derivatives trading, the Bank engages in such transactions as interest rate futures and bond futures. Such transactions are conducted on a short-term basis and are intended to generate revenues.

Contract or Notional Amount of Derivatives

March 31	Millions of Yen
	1998
Listed	
Interest rate futures	¥ 44,796
Over-the-Counter	
Interest rate swaps	595,378
Currency swaps	957,072
Other	116,810

- Notes: 1. Forward exchange and currency option contracted amounts are reflected in the non-consolidated statements of income and are not subject to the disclosure of the above information.
2. The contract or notional amounts of derivatives shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.
3. Credit risk equivalent amounts computed according to BIS standards were ¥27.8 billion by the current-exposure method at fiscal year-end.
4. Excess of current market value over contract value of derivatives: ¥(22,630) million (interest rate transactions: ¥(22,630) million).
5. Please refer to pages 5, 6 and 7 for information on the Bank's risk management policy.

25 LEASES

Lease payments under finance leases for the years ended March 31, 1998 and 1997 were ¥1,012 million (\$7,663 thousand) and ¥242 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation

expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 1998 and 1997 was as follows:

For the year ended March 31 Equipment	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Acquisition cost	¥6,723	¥2,363	\$50,897
Accumulated depreciation	1,266	370	9,585
Net leased property	¥5,457	¥1,992	\$41,312

Obligations under finance leases:

For the year ended March 31 Equipment	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Due within one year	¥1,066	¥ 380	\$ 8,076
Due after one year	4,473	1,635	33,864
Total	¥5,540	¥2,016	\$41,940

Depreciation expense and interest expense, which are not reflected in the accompanying non-consolidated statements of income, computed by the straight-line method and the interest method were ¥895 million

(\$6,779 thousand) and ¥175 million (\$1,332 thousand) for the year ended March 31, 1998 and ¥236 million and ¥44 million for the year ended March 31, 1997, respectively.

26 SUBSEQUENT EVENT

The following appropriations of retained earnings were authorized at the general stockholders' meeting held on June 25, 1998:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥3 (\$0.02) per share	¥2,394	\$18,129
Bonuses to directors and corporate auditors	45	341
Total	¥2,439	\$18,470

INDEPENDENT AUDITORS' REPORT

**Deloitte Touche
Tohmatsu**



MS Shibaura Building
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Telephone : (03)3457-7321
Facsimile : (03)3769-8508

To the Board of Directors of
The Shizuoka Bank, Ltd.

We have examined the non-consolidated balance sheets of The Shizuoka Bank, Ltd. as of March 31, 1998 and 1997, and the related non-consolidated statements of income and stockholders' equity for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of The Shizuoka Bank, Ltd. as of March 31, 1998 and 1997, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

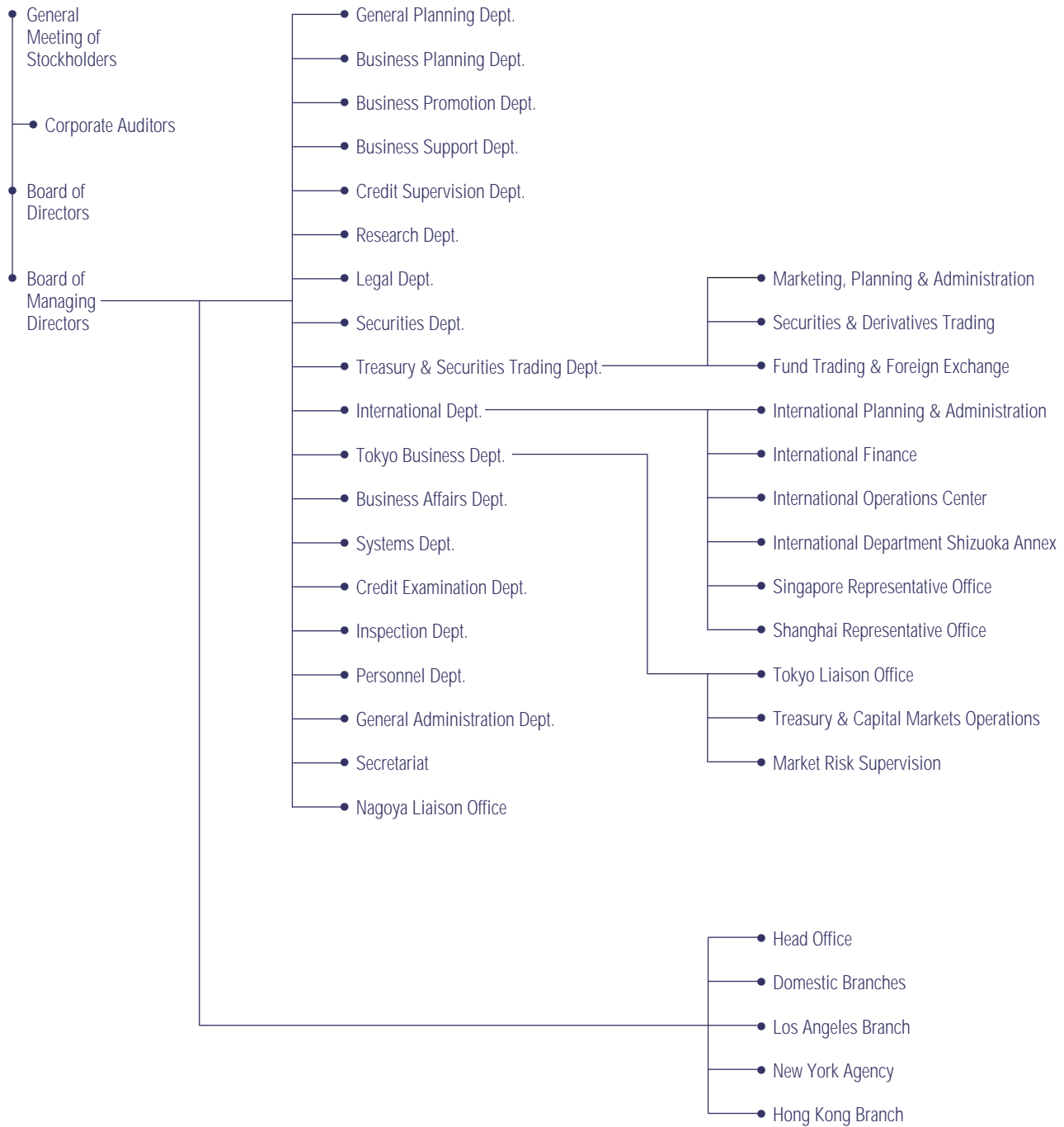
Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 26, 1998

**Deloitte Touche
Tohmatsu
International**

ORGANIZATION CHART



(As of June 1998)

SERVICE NETWORK

OVERSEAS

•Los Angeles Branch

801 South Figueroa Street, Suite 800,
Los Angeles, CA 90017, U.S.A.

Phone: (1) 213-622-3233

Telex: 182355 SHIZBK LSA

General Manager

Mineo Sawaki

Deputy General Manager
Akihiro Nishikawa

Assistant General Managers

Toru Sano

Masatoshi Matsushita

Hisayuki Mori

Fuminori Matsushita

•New York Agency

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New York, NY 10048, U.S.A.

Phone: (1) 212-466-0082

Telex: 408358 SHIZBK NY

General Manager

Toshihiko Yamamoto

Deputy General Managers

Yasumasa Ishii

Hisatoshi Nakamura

Assistant General Manager

Hironaka Tani

•Hong Kong Branch

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11 Pedder Street, Central, Hong Kong

Phone: (852) 2521-6547

Telex: 89566 SIZBK HX

General Manager

Ichiro Ota

Assistant General Managers

Takeru Tsuzuki

Hirotsu Kato

•Singapore Representative Office

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Phone: (65) 225-3600

Telex: 26019 SHIZBK RS

Chief Representative

Tsunemasa Takagi

•Shanghai Representative Office

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International Trade Centre,
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Chang Ning Qu, Shanghai,
People's Republic of China

Phone: (86) 21-6209-8115

Chief Representative

Yuichi Nagura

•Shizuoka Finance (H.K.) Limited

Room 3305, Gloucester Tower,
11 Pedder Street, Central, Hong Kong

Phone: (852) 2521-6547

Telex: 89566 SIZBK HX

Managing Director

Hiroshi Ito

Deputy Managing Director

Takeru Tsuzuki

Assistant General Manager
Yoshihiro Mochizuki

•Shizuoka Bank (Europe) S.A.

283 Avenue Louise, Bte. 13,
1050 Brussels, Belgium

Phone: (32) 2-646-0470

Telex: 23330 SHIZBR B

Managing Director

Nobuyuki Ishida

Deputy Managing Director

Shingo Kakiuchi

Assistant General Managers

Kosuke Nakamichi

Masahiko Nagakura

International Banking Offices



DOMESTIC

•International Department

General Manager
Yoshinori Katayama

Joint General Manager
Setsuro Takahashi

International Planning & Administration

Assistant General Managers
Kazushi Serizawa
Minoru Mano
Masatoshi Konagaya
Yoshikazu Ikegaya
Tadashi Sugimura

Assistant Managers
Ichiro Unno
Shunichi Yamaguchi
Shinji Giga
Haruyoshi Yamamoto

International Finance

Assistant General Manager
Shinichi Kamio

International Operations Center

General Manager
Tadashi Nakamura

Assistant General Manager
Koji Omura

Assistant Manager
Shigeru Abe

International Department

Shizuoka Annex

Senior Deputy General Manager
Akira Nakada

Assistant Manager
Kimihiro Asakawa

•Treasury & Securities

Trading Department

General Manager
Takao Sakamoto

Fund Trading & Foreign Exchange

Deputy General Manager
Tomohiko Saito

Assistant General Manager
Naoto Oguri

Assistant Manager
Masayasu Funakoshi

•Tokyo Business Department

General Manager
Hiroyuki Sawada

Treasury & Capital Markets

Operations

Deputy General Manager
Masaru Sakamoto

Assistant General Manager
Misao Nagakura

Assistant Manager
Atsushi Mizukami

Head Office

10, Gofukucho 1-chome,
Shizuoka-shi, Shizuoka 420-8761
Phone: 054-254-3111

Tokyo

Tokyo Branch

6-2, Ohtemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004
Phone: 03-3279-3551

Ginza Branch

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Kanagawa 231-0033
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Shizuoka

Numazu Branch

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Numazu-shi, Shizuoka 410-0805
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Fuji-Chuo Branch

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Shimizu-shi, Shizuoka 424-8721
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Gofukucho Branch

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Shizuoka-shi, Shizuoka 420-0853
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Hamamatsu Branch

322-7, Tamachi,
Hamamatsu-shi,
Shizuoka 430-8654
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Aichi

Nagoya Branch

16-18, Nishiki 2-chome,
Naka-ku, Nagoya-shi,
Aichi 460-0003
Phone: 052-231-7231

Osaka

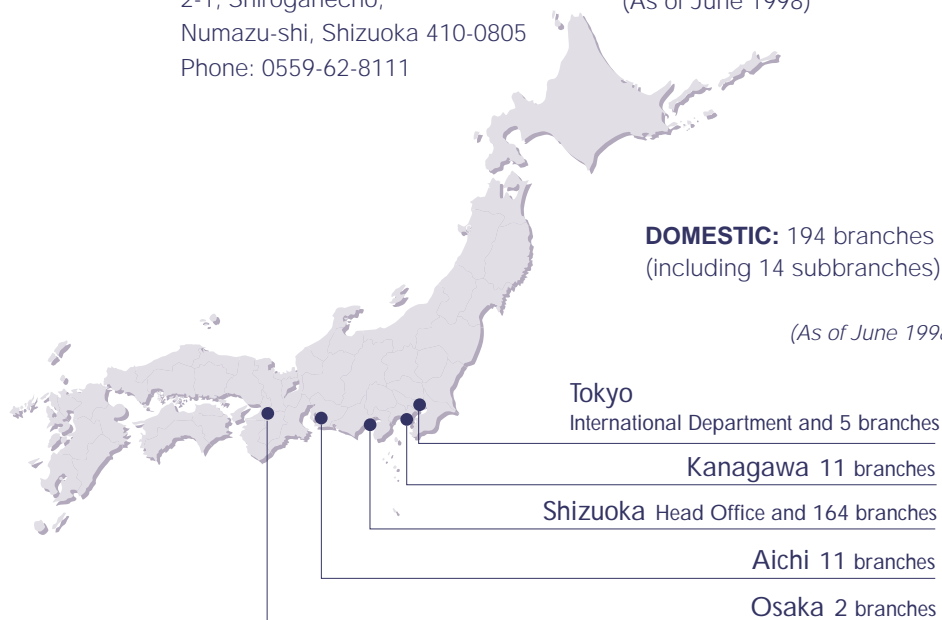
Osaka Branch

6-9, Honmachi 2-chome,
Chuo-ku, Osaka-shi,
Osaka 541-0053
Phone: 06-252-6421

(As of June 1998)

DOMESTIC: 194 branches
(including 14 subbranches)

(As of June 1998)



CORPORATE DATA

HEAD OFFICE

10, Gofukucho 1-chome, Shizuoka-shi, Shizuoka 420-8761, Japan

HEADQUARTERS

2-1, Kusanagi-Kita, Shimizu-shi, Shizuoka 424-8677, Japan

Phone: 0543-45-5411

Internet Home Page: <http://www.shizuokabank.co.jp/>

INTERNATIONAL DEPARTMENT

6-2, Ohtemachi 2-chome, Chiyoda-ku,

Tokyo 100-0004, Japan

Phone: 03-3246-4832

Telex: J28450 SHIZUBK

SWIFT address: SHIZJPJT

NUMBER OF EMPLOYEES

(As of March 31, 1998)

4,688

DATE OF ESTABLISHMENT

March 1, 1943

SHIZUOKA BANK GROUP

SHIZUGIN CREDIT GUARANTY CO., LTD.

Guarantee of housing loans, etc.

SHIZUGIN DC CARD CO., LTD.

Credit card and guarantee of consumer loans

SHIZUGIN LEASE CO., LTD.

Leasing; Factoring services

SHIZUOKA COMPUTER SERVICE CO., LTD.

Computerized accounting services

SHIZUOKA CAPITAL CO., LTD.

Public offering assistance; M&A consulting services

SHIZUGIN ASSETS MANAGEMENT CO., LTD.

Securities investment advisory services

SHIZUGIN INFORMATION SYSTEM CO., LTD.

Software development and sales

SHIZUGIN BUSINESS SERVICE CO., LTD.

Cash dispenser and ATM management and settlement services

SHIZUGIN GENERAL SERVICE CO., LTD.

Part-time employee management; Inventory management

SHIZUGIN SHIZUURA AGENCY CO., LTD.

Banking services

SHIZUOKA MORTGAGE SERVICE CO., LTD.

Appraisal of real estate for loan collateral; Real estate research; Arrangement of fire insurance

SHIZUGIN BUILDING MAINTENANCE CO., LTD.

Building maintenance services; Concert hall and art gallery operation

SHIZUOKA ASSETS ADMINISTRATION CO., LTD.

Acquisition by auction of real estate held as collateral by the Bank; Disposal, leasing and sale of such assets

SHIZUGIN JITOGATA AGENCY CO., LTD.

Banking services

SHIZUOKA ECONOMIC RESEARCH INSTITUTE

Provision of regional and business information; Contracted market research; Dispatch of instructors

SHIZUOKA FINANCE (H.K.) LIMITED

Finance- and securities-related services

SHIZUOKA BANK (EUROPE) S.A.

Finance- and securities-related services

INVESTOR INFORMATION

THE SHIZUOKA BANK, LTD.

STOCKHOLDERS' EQUITY (As of March 31, 1998)

Common stock	¥ 90,845 million
Capital surplus	¥ 54,884 million
Legal reserve	¥ 90,845 million
Retained earnings	¥232,480 million
Total stockholders' equity	¥469,056 million

NUMBER OF SHARES (As of March 31, 1998)

Authorized	2,492,774,000 shares
Issued and Outstanding	798,307,069 shares

NUMBER OF STOCKHOLDERS (As of March 31, 1998)

19,118

STOCK LISTING

First Section of the Tokyo Stock Exchange

PRINCIPAL STOCKHOLDERS

The 10 largest stockholders of the Bank and their respective stockholdings at March 31, 1998, were as follows:

	Number of Shares in Thousands	Percentage of Total Shares Outstanding
The Bank of Tokyo-Mitsubishi, Ltd.	31,584	3.95%
The Meiji Mutual Life Insurance Company	29,117	3.64
Sumitomo Life Insurance Company	26,932	3.37
Nippon Life Insurance Company	23,101	2.89
The Yasuda Mutual Life Insurance Company	21,309	2.66
The Tokio Marine & Fire Insurance Company, Limited	18,027	2.25
The Nisshin Fire and Marine Insurance Company, Limited	17,931	2.24
The Industrial Bank of Japan, Limited	16,604	2.08
The Sumitomo Trust & Banking Co., Ltd.	16,067	2.01
The Chiyoda Mutual Life Insurance Company	15,097	1.89
Total	215,774	27.02%

Note: The above includes 14,371 thousand shares held in trust by The Sumitomo Trust & Banking Co., Ltd.

STOCK PRICE, TURNOVER

Annual high/low stock price (five years)

(Yen)

Years ended March 31	1994	1995	1996	1997	1998
High	1,550	1,490	1,430	1,450	1,510
Low	1,200	930	989	985	1,030

Monthly high/low stock price, turnover (six months)

(Yen)

Month	Oct. 1997	Nov. 1997	Dec. 1997	Jan. 1998	Feb. 1998	Mar. 1998
High	1,290	1,250	1,410	1,510	1,450	1,500
Low	1,200	1,040	1,180	1,360	1,360	1,380
Turnover (thousands of shares)	8,135	8,025	13,034	12,499	26,465	142,323

THE SHIZUOKA BANK, LTD.

