



SHIZUOKA BANK

Annual Report
1999

Shizuoka Bank at a Glance

Nurturing the Vision of a Prosperous Community



A FIRST-CLASS REGIONAL BANK

The Shizuoka Bank, Ltd., is one of Japan's largest regional banks, with 190 domestic branches (including 14 subbranches) as of June 30, 1999. These branches serve customers in and near 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 operations in New York, Los Angeles, Brussels, Hong Kong, Shanghai, and Singapore.

A SOLID FINANCIAL STRUCTURE

On March 31, 1999, Shizuoka Bank had non-consolidated total assets of ¥7,685.3 billion, deposits of ¥6,751.1 billion, and stockholders' equity of ¥496.8 billion. The Bank's capital adequacy ratio, measured in accordance with Bank for International Settlements (BIS) standards, stood at 13.53%, 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 10.96%.

INTERNATIONAL CONFIDENCE

Shizuoka Bank has the strongest financial position among Japanese 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 (bank financial strength) ratings from Moody's; AA- (long-term), TBW-1 (short-term), and B (global issuer) ratings from Thomson BankWatch; and a B/C (individual) rating from Fitch IBCA.

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

(As of July 1999)

Contents

1 Shizuoka Bank at a Glance / Non-Consolidated Financial Highlights	2 A Message from the Management
5 Minimizing and Effectively Dealing with Problem Assets	6 Risk Management Systems
7 The Bank's State of Y2K Readiness	9 Financial Section
36 Overseas Service Network	37 Organization Chart
38 Corporate Data / Shizuoka Bank Group / Board of Directors and Corporate Auditors	39 Investor Information

RIGOROUS RISK MANAGEMENT AND LEGAL COMPLIANCE

Shizuoka Bank's ratio of risk management loans is a remarkably low 2.96%. 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.

Shizuoka Bank gives top priority to conforming to a strict corporate ethics code that emphasizes the Bank's responsibility to society and corporate mission of maximizing the benefits it generates for all its stakeholders as well as its region. Accordingly, the Bank has established and maintained an uncompromising compliance system.

A 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.

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

THE SHIZUOKA BANK, LTD.

Years ended March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
Operating Profit	¥ 42,251	¥ 43,970	\$ 350,486
Income before Income Taxes	30,083	42,305	249,550
Net Income	16,020	16,398	132,893

Net Income per Share PBR (times)	Yen		U.S. Dollars (Note 1)
	1999	1998	1999
Net Income per Share	¥ 20.11	¥ 20.38	\$ 0.16
PBR (times)	2.05	2.16	

March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
Total Assets	¥7,685,365	¥7,783,209	\$63,752,511
Deposits	6,751,147	6,707,676	56,002,881
Loans and Bills Discounted	5,158,751	5,004,120	42,793,460
Investment Securities	1,227,851	1,381,622	10,185,412
Common Stock	90,845	90,845	753,593
Total Stockholders' Equity	496,884	469,056	4,121,809
ROE (%)	3.45	3.53	
Capital Adequacy Ratio (BIS) (%)	13.53		
Tier I ratio (%)	10.96		

Notes: 1. Translation into U.S. dollars has been made solely for the convenience of readers outside Japan at the exchange rate of ¥120.55 to \$1, the approximate rate of exchange at March 31, 1999.

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

During fiscal 1998, ended March 31, 1999, conditions in the Japanese economy continued to be extremely severe due to factors that included a deteriorating employment environment, which depressed personal consumption, and a large drop in corporate capital investment.

Against the backdrop of the progressive implementation of Japan's Big Bang financial deregulation program, the operating environment for financial institutions is expected to undergo dramatic changes. It is anticipated that the Big Bang reforms will lead to a further intensification of competition among financial institutions, including institutions in different financial sectors and in different countries.

To respond appropriately to this changing environment, the Bank has begun implementing its seventh medium-term management plan—TINA 21—which will cover fiscal 1999 and fiscal 2000. In addition to maintaining Shizuoka Bank's traditional focus on being an institution that places importance on its region, customers, and retail operations, TINA 21 calls for maintaining the Bank's traditional emphasis on financial soundness while further increasing the Bank's profitability. The plan is designed to ensure that the Bank will thrive amid changing conditions during the 21st century.

In line with the consolidated accounting system introduced during fiscal 1998, the Bank intends to coordinate Shizuoka Bank Group operations as a whole, in a clear and comprehensive manner. At the same time, the Bank continues to make efforts to further strengthen Group functions, products and services, efficiency, and, as a result, profitability. The Bank is endeavoring to realize highly transparent corporate governance systems in efforts to live up to the trust and expectations of all its stakeholders and associates.

SHIZUOKA BANK—REINVENTING ITSELF AND OPENING UP NEW DEVELOPMENT PATHS

Japan's Big Bang financial deregulation program is bringing about great changes in the operating environment for financial institutions. To survive these changes, Japan-based institutions will have to take a fresh look at their operations and avoid clinging to previous management concepts. In many ways, it will be crucial for these institutions to thoroughly rationalize or even fundamentally reconstruct their businesses.

To these ends, Shizuoka Bank has drafted its seventh medium-term management plan designed to enable the Bank to fulfill its mission as a leading regional bank. This plan—TINA 21—includes four visions.

Vision 1: The Leading Bank in Its Region and Top Choice of Local Customers

As a regional financial institution, Shizuoka Bank has the mission of helping support and foster the development of local companies and thereby helping invigorate the local economy. As a comprehensive financial institution, the Bank believes it important to provide highly convenient products and services that match corporate customers' business stages and individual customers' lifestyles.

Shizuoka Bank has fundamentally reformed its business strategy. As of April 1999, its business operations have been reorganized into four divisional profit centers (the Eastern Area Business Unit, Central Area Business Unit, Western Area Business Unit, and Metropolitan Area Business Unit). These profit centers are striving autonomously and creatively to respond more quickly, flexibly, and accurately to diverse customer needs. Their overall goal is to reinforce the Bank's identity as an indispensable and irreplaceable asset of the region.

The Bank is also endeavoring to increase customer convenience through such measures as the establishment of branches within leading retailing establishments as well as the upgrading of delivery channel networks through the expansion of telephone banking systems.

Vision 2: A Bank That Can Maintain Internationally Competitive Levels of Profitability

As measures are taken to stabilize Japan's financial system, increasing emphasis is being placed on conforming with global standards. This suggests that financial institutions should be evaluated on the basis of profitability as well as financial solidity.

In line with such global standards, the Branch Marketing Division distinguishes between the corporate and personal segments of its markets and drafts clear-cut strategies for each segment. The division is also striving to improve its profitability through market segment based policies for more efficiently investing and distributing its resources.

Shizuoka Bank has established the Treasury Division, which integrates its head office divisions responsible for handling market transactions

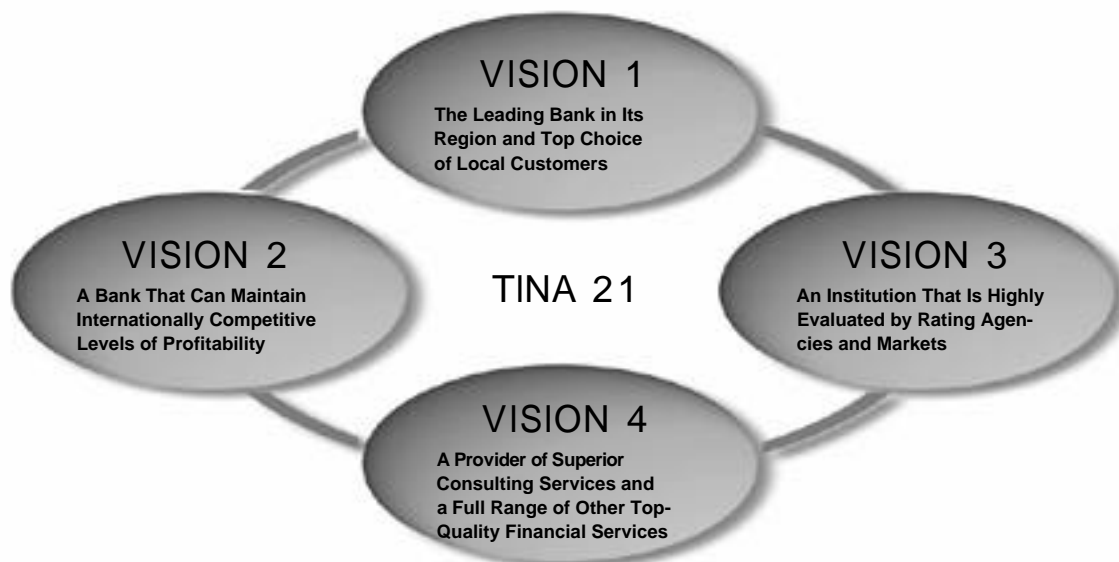
and fund management activities in domestic and overseas financial markets. To enhance its profitability, this division is working to increase the sophistication of its risk and fund management systems.

In all areas of its operations, the Bank is proceeding with bold rationalization measures, large cost reductions, and investment restraints designed to improve profitability.

Vision 3: An Institution That Is Highly Evaluated by Rating Agencies and Markets

The capital adequacy ratio defined by the Bank for International Settlements (BIS) is a standard indicator of banks' creditworthiness, and the BIS capital adequacy ratio of Shizuoka Bank is among the highest for any Japan-based bank. The Bank intends to maintain this superior level of financial strength while taking the necessary steps to augment its profitability. The Bank believes that such moves will be duly noted and appreciated by both credit-rating agencies and markets.

Shizuoka Bank believes that accurate and timely information disclosure is a key to ensuring that it is highly evaluated by the markets. Accordingly, the



Bank is taking a variety of measures to promote the disclosure of information on its operations, performance, and strategies in objective and easily understood forms. It intends to sustain such measures in the future and thereby realize a high level of transparency.

Vision 4: A Provider of Superior Consulting Services and a Full Range of Other Top-Quality Financial Services

One business field in which banks can distinguish themselves relatively clearly from competing institutions is consulting. Customers have innumerable kinds of consulting needs, and banks' efforts to upgrade their capabilities for responding to those needs is likely to be increasingly important.

Shizuoka Bank will continue encouraging its staff to gain specialized financial expertise and take steps to bolster the financial competencies of its affiliated companies. Plans call for positioning the Shizuoka Bank Group to provide a broad spectrum of consult-

ing capabilities for giving cogent advice to corporate clients and advising its individual customers on such matters as fund management methods.

Since February 1999, Shizuoka Bank has cooperated with Citibank, N.A. to offer its customers the Shizu-gin World Cash service, which allows customers to withdraw cash in local currencies at automatic teller machines throughout Japan and many other countries. Through various means including such strategic collaboration with other institutions, the Bank will do its utmost to equip itself with capabilities for providing a comprehensive range of high-quality financial services.

June 27, 1999

Yasuo Matsuura
President

Minimizing and Effectively Dealing with Problem Assets

THE PROBLEM ASSET SITUATION

To date, Shizuoka Bank has been able to keep its incidence of problem assets to a minimal level, helped by such factors as the relatively light impact of the collapse of Japan's bubble economy on Shizuoka Prefecture, the prefecture's highly diverse industrial structure, and the good management policies of the majority of local companies.

In the future, against a backdrop of continued low economic growth rates and progressive industrial restructuring, the Bank will do its utmost to maintain the soundness of its assets by employing appropriate credit risk management systems that prevent the creation of assets likely to become problematic and by expediting the write-off of actual problem assets.

To sustain and improve the integrity of its asset portfolio, during fiscal 1998, Shizuoka Bank wrote off and provided reserves for 100% of the portion of loans under bankruptcy proceedings and loans to effectively bankrupt borrowers that was not collateralized or otherwise secured. The Bank wrote off and provided reserves for 70% of the unsecured portion of loans to borrowers that are in danger of bankruptcy and wrote off and provided reserves for 15% of the unsecured portion of the subcategory of loans that require special supervision within the category of loans to borrowers that require special attention.

DISCLOSURE METHODOLOGY

Based on Implementation Ordinances for Japan's Banking Law, Shizuoka Bank has since fiscal 1997 disclosed its risk management loans, which include loans under bankruptcy proceedings, past due loans, loans past due for three months or more, and loans with relaxed conditions.

Consolidated information on risk management loans is compiled and disclosed based on information covering the Bank and four subsidiaries—Shizuoka Capital Co., Ltd., Shizugin Lease Co., Ltd., Shizugin DC Card Co., Ltd., and Shizugin Credit Guaranty Co., Ltd.

Within loans past due for three months or more and loans with relaxed conditions are many loans that—distinct from loans to borrowers that are in danger of bankruptcy and past due loans—cannot currently be characterized as bad loans but require special attention in view of their potential for becoming bad loans. In short, not all loans within the loans past due for three months or more and loans with relaxed conditions categories are bad loans.

Under the Law Concerning Emergency Measures for the Revitalization of Financial Functions (the Financial Revitalization Law), since the interim period ended September 1998, Shizuoka Bank has evaluated its credit assets and reported the self-evaluation results with borrowers classified into the categories of "normal," "require close observation," "high risk," and "in bankruptcy or in a comparable state."

Assessment of Loans and Other Assets

	Millions of Yen				Total
	Healthy Loans	Problem Loans	Doubtful Loans	Bad Loans	
Balance of loans and other assets	5,084,412	64,361	50,986	66,192	5,265,951
Ratio of loans secured with collateral, guarantees, etc., to all loans (B)		57.4%	63.8%	48.3%	
Ratio of reserve for possible loan losses to all loans (C)		6.3%	25.5%	51.7%	
Covered-loan ratio (B+C)		63.7%	89.3%	100.0%	

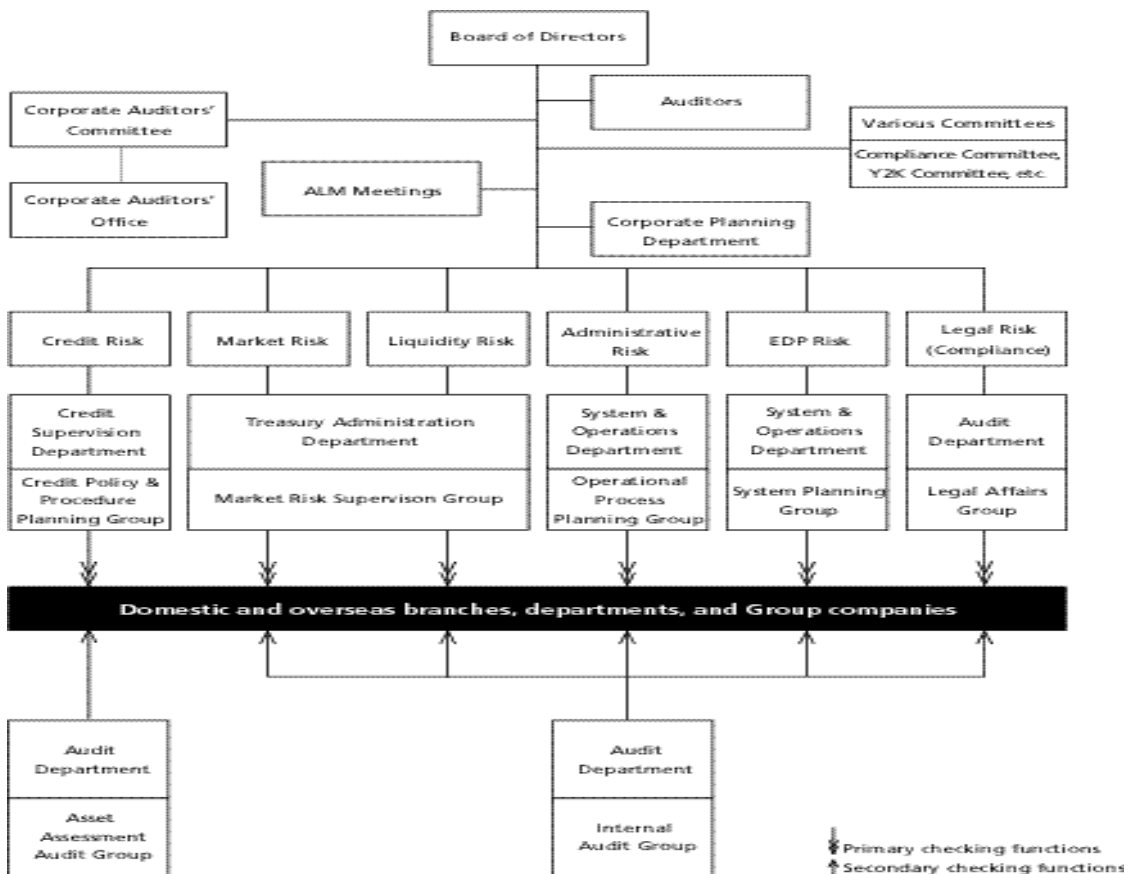
Risk Management Systems

In addition to the progressive deregulation and internationalization of finance and the ongoing progress being made in the development of financial derivatives and other financial technologies, Japan's Big Bang financial deregulation program is bringing about major systemic reforms. While these situations are presenting banks with a greater range of opportunities, they are also rapidly expanding the scope and scale of related risks. More than ever before, it is crucial that bank managers survey and analyze the risks they face and take measures to appropriately monitor and manage those risks.

Shizuoka Bank has established risk management policies that prescribe policies for managing all principal types of risks, including credit risk, market risk, liquidity risk, administrative risk, and electronic data processing (EDP) risk. The policies also specify the authority and responsibilities of related departments. With regard to market risk, the Bank has supplemented the day-to-day risk monitoring activities of administrative departments by creating a system of monthly asset-liability management (ALM) meetings where policies for optimizing the Bank's asset-liability structure in line with changing market trends are developed and optimal risk management strategies are discussed.

Shizuoka Bank has also given the Corporate Planning Department responsibility for the comprehensive monitoring and integrated management of all the risks the Bank faces. A second layer of control functions is provided by the Bank's Audit Department, which examines all types of operations and confirms their conformance with the Bank's various risk management policies.

Shizuoka Bank's Management System



The Bank's State of Y2K Readiness

Countermeasure Strategy

The Year 2000 (Y2K) issue involves the possibility that computers may make errors when processing dates in 2000, confusing that year with 1900 and thereby causing computer processing difficulties, computer system crashes, and other problems. As bank operations are highly dependent on computer processing, there is concern that mistakes in responding to the Y2K issue may interrupt or delay the proper processing of financial settlements, interest payments, and other processes.

Based on its recognition that properly responding to the Y2K issue is extremely important for maintaining stable operations during and after the onset of 2000, Shizuoka Bank has made Y2K countermeasures a top-priority item within the management plan for the Shizuoka Bank Group, which includes the Bank, its subsidiaries as defined by the Bank Law, and other members.

Countermeasure Organization

The Bank has implemented countermeasures focused primarily on its main computer systems since April 1994. In August 1997, the Bank created its Y2K Response Committee (the Committee) to serve as a unified organization for handling Y2K issues throughout the Group. The president of the Bank chairs the Committee, and its other members comprise directors and general managers of the Bank. The Committee has drafted the Y2K Response Plan that describes the process of making and testing modifications to the Group's computer systems. The Committee has monitored the progress made in implementing the plan and made periodic reports to the Board of Directors. The Committee has also established project teams that have executed diverse risk countermeasure initiatives that span organizational boundaries, such as surveys of the Y2K readiness and contingency plans of the Bank's transactional counterparts. In addition, in view of the Y2K issue's potential for influencing a wide variety of Group operations, the Committee has striven to educate the employees of Group companies about the issue through measures that include the organization of many types of conferences, study groups, and internal bulletins.

Progress in Countermeasures

Besides computer hardware and software, equipment and facilities incorporating microcomputers in so-called "embedded chip systems"—such as office automation equipment, safes, elevators, and air-conditioning systems—also require Y2K countermeasures. Regarding systems developed in-house, the Bank has identified points that need correction and has proceeded with appropriate action. Corrected systems are subjected to operational testing processes to confirm their proper operation. Regarding systems and equipment with embedded chips developed by other companies, the Bank has requested that the developers confirm the relevant item's Y2K readiness and, when possible, the Bank has performed in-house tests to confirm the items' proper operation.

As a result, for 50 principal systems important for business operations, it is believed that countermeasures other than external connection testing had been near completion by the end of December 1998. With regard to other systems and equipment with embedded chips, countermeasures, including internal testing for 143 of 158 systems, had been completed by the end of June 1999. Countermeasures for systems and equipment currently being checked and upgraded, including confirmation by manufacturers or providers, are scheduled to be near completion by the end of September 1999.

To make doubly sure of the performance of systems for which internal testing has been completed, additional testing is performed that involves setting the relevant system at 19 Y2K dates rather than the previous 6 dates. For accounting-related systems and other principal systems, the Bank is conducting comprehensive operational tests that involve setting the systems to January 4, 2000.

Regarding external connection testing, the Bank is participating in the testing of the Zengin system, the ACS system, and other principal financial network systems. External connection testing with subscribers to electronic banking services is also being conducted.

In addition, the Bank has distributed questionnaires to its approximately 16,000 principal transactional partners, aiming to gain an understanding of how they are responding to the Y2K issue and to promote the completion of their own countermeasures.

Cost of Y2K Countermeasures

As of the end of June 1999, the estimated cost of necessary Y2K countermeasures was approximately ¥1,830 million. Compared with the previous estimate at March 31, 1999, this figure has been revised upward by ¥80 million in view of the additional personnel costs associated with special response measures to be implemented at the end of 1999 and the start of 2000. Of these expenses, approximately ¥1,480 million had been paid as of the end of June 1999 and the remaining approximately ¥350 million of expenses are to be paid later in fiscal 1999.

While the cost of progressively introducing the Bank's third-generation, on-line systems since 1989, installing other new information systems, and upgrading accounting and externally linked systems amounts to approximately ¥31.6 billion, this figure is not included in the estimated cost of necessary Y2K countermeasures as the related moves cannot be considered to have been taken solely to respond to the Y2K issue.

Y2K Contingency Plan

The Bank is developing a contingency plan designed to cope with potential scenarios, including the impairment of internal systems as well as the possibility that an abnormality in external systems causes a disruption of systems or the improper operations of systems. The contingency plan encompasses measures for minimizing the potential for Y2K-related problems in advance and specifies concrete replacement measures to minimize the potential magnitude of any future problems. The Bank plans to work continually to reevaluate and further upgrade this contingency plan through such measures as on-site drills.

Financial Section

FINANCIAL REVIEW

Overview of Performance

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 the notes to the following tables.

Assets and Liabilities

At the end of the period, total assets amounted to ¥7,685.3 billion, down ¥97.8 billion from the previous fiscal year-end. Although increases were recorded in such items as loans and bills discounted, trading assets, and monetary claims bought, the decline in total assets reflected drops in such items as cash, investment securities, and call loans.

The Bank maintained its emphasis on profitability and increased efficiency in funding operations. Primarily due to drops in deposits at overseas branches and the Tokyo offshore market that reflected this emphasis, the balance of cash at period-end was ¥599.7 billion, down ¥216.3 billion.

To maintain the confidence and trust of customers, the Bank responded appropriately to the diverse needs of corporations, individuals, and local public entities by actively extending loans. As a result, the balance of loans and bills discounted at period-end was ¥5,158.7 billion, up ¥154.6 billion.

Amid an investment environment characterized by the long-term persistence of low interest rates, the Bank engaged in securities investments with caution. As a result, the balance of investment securities declined ¥153.7 billion during fiscal 1998, to ¥1,227.8 billion at period-end.

The Bank implemented marketing programs carefully tailored to local conditions and was thereby able to increase its stable deposits. The balance of deposits at domestic branches increased ¥65.6 billion, including a ¥152.9 billion rise in deposits of individuals, and the Bank maintained its emphasis on profitability regarding deposits at overseas branches and the Tokyo offshore market. Consequently, the balance of total deposits at period-end was ¥6,751.1 billion, up ¥43.4 billion from the end of fiscal 1997.

As the Company continued working to reduce funding costs while maintaining an appropriate balance between its fund procurement and management structures, the value of call money plunged ¥277.7 billion, to ¥55.2 billion.

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 ¥12.4 billion, to ¥67.0 billion, primarily due to a rise in the specific reserve for possible bad debts. Of this total, ¥19.8 billion was accounted for in the general reserve for possible loan losses, ¥46.9 billion in the specific reserve for possible bad debts, and ¥0.3 billion in the reserve for specific foreign credit.

Capital Adequacy Ratio

At fiscal year-end, the Bank's capital adequacy ratio, computed according to standards set by the BIS on a non-consolidated basis, stood at 13.53%, one of the highest levels among Japanese banks. The Tier I ratio, which does not encompass unrealized gains on securities, was also high at 10.96%.

Income and Expenses

Reflecting the improved profitability of the Bank's fund management and international operations, a decrease in taxable income that lightened the income tax burden, and the introduction of tax effect accounting, the decline in net income was restrained to ¥0.3 billion, and net income amounted to ¥16.0 billion.

Net income as a share of total assets was 0.21%, the same level as in the previous fiscal year, while net income as a share of stockholders' equity declined 0.08 percentage point, to 3.45%. The gross operating profit rate rose 0.07 percentage point, to 1.92%.

Cash Dividends

Aiming to sustain the trust of its clientele, Shizuoka Bank is striving to maintain the soundness and transparency of its management. At the same time, the Bank has a fundamental policy of emphasizing the payment of stable dividends to its shareholders. In line with this policy, for fiscal 1998, the Bank sustained its previous ordinary dividend level of ¥6.00 per share. Beginning in fiscal 1998, the Bank also began working to return its profits to stockholders by purchasing its shares on the open market and liquidating them to decrease the number of its outstanding shares.

The Bank strove to further increase its financial soundness during fiscal 1998 through such measures as increasing its provisions for the general reserve for possible loan losses, and these measures caused a slight decline in net income. However, the Bank maintained its annual dividend level and its dividend payout ratio was 29.7%.

KEY FINANCIAL INDICATORS

FIVE-YEAR SUMMARY

	Millions of Yen					
	Consolidated	Non-Consolidated				
	1999	1999	1998	1997	1996	1995
BALANCE SHEETS (March 31)						
Assets:						
Cash	¥ 599,014	¥ 599,741	¥ 816,118	¥1,020,319	¥1,094,712	¥1,069,291
Call loans	108,938	108,938	159,757	40,668	42,102	188,565
Monetary claims bought	120,162	120,162	85,804	138,062	79,351	15,233
Trading assets	155,032	155,032	48,837			
Trading account securities				4,726	26,441	28,108
Money held in trust	61,008	61,008	61,009	56,009	51,008	59,079
Investment securities	1,256,695	1,227,851	1,381,622	1,570,632	1,489,572	1,409,417
Loans and bills discounted	5,150,726	5,158,751	5,004,120	4,774,728	4,768,987	4,593,283
Foreign exchanges	5,577	5,546	10,496	10,474	9,126	7,939
Other assets	43,963	28,648	34,168	60,286	47,500	59,377
Premises and equipment	141,968	85,921	85,619	87,545	87,037	81,407
Deferred tax assets	36,147	32,474				
Customers' liabilities for acceptances and guarantees	91,980	101,286	95,655	100,827	90,816	98,392
Total Assets	¥7,771,217	¥7,685,365	¥7,783,209	¥7,864,279	¥7,786,657	¥7,610,095
Liabilities, Minority Interests and Stockholders' Equity:						
Liabilities:						
Deposits	¥6,758,147	¥6,751,147	¥6,707,676	¥6,626,467	¥6,503,296	¥6,712,906
Call money	69,896	55,292	333,053	474,911	571,621	148,029
Trading liabilities	5,354	5,354	5,580			
Borrowed money	42,396	12,630	13,348	17,484	12,251	25,942
Foreign exchanges	254	258	219	510	576	313
Convertible bonds				706	1,112	1,189
Other liabilities	203,192	180,901	89,873	125,615	104,636	142,686
Reserve for possible loan losses	73,788	67,076	54,615	34,640	34,565	27,121
Reserve for retirement allowances	14,724	14,532	14,129	13,949	14,120	14,338
Reserve for losses on sales of trading account securities				2,217	2,127	2,021
Acceptances and guarantees	91,980	101,286	95,655	100,827	90,816	98,392
Total Liabilities	7,259,737	7,188,481	7,314,153	7,397,330	7,335,125	7,172,941
Minority Interests	12,858					
Stockholders' Equity:						
Common stock	90,845	90,845	90,845	90,546	90,343	90,304
Capital surplus	54,884	54,884	54,884	54,585	54,382	54,344
Legal reserve	90,845	90,845	90,845	90,399	90,308	90,279
Retained earnings	353,575	260,308	232,480	231,416	216,497	202,225
Treasury stock	11					
Shares of parent company held by subsidiaries	671					
Total Stockholders' Equity	498,621	496,884	469,056	466,948	451,532	437,153
Total Liabilities, Minority Interests and Stockholders' Equity	¥7,771,217	¥7,685,365	¥7,783,209	¥7,864,279	¥7,786,657	¥7,610,095
STATEMENTS OF INCOME (Years ended March 31)						
Income:						
Interest on loans and discounts	¥ 126,758	¥ 126,274	¥ 130,095	¥ 132,240	¥ 156,425	¥ 191,147
Other income	153,720	126,517	177,351	161,345	172,201	168,631
Total Income	280,478	252,791	307,447	293,586	328,626	359,778
Expenses:						
Interest on deposits	52,608	51,933	70,734	78,952	127,655	152,310
Other expenses	196,002	170,774	194,408	179,765	161,593	165,428
Total Expenses	248,611	222,708	265,142	258,718	289,248	317,738
Income before income taxes	31,867	30,083	42,305	34,868	39,378	42,039
Income taxes:						
Current	21,721	20,760	25,907	14,970	20,170	19,865
Deferred	(7,016)	(6,696)				
Minority interests in net income of consolidated subsidiaries	622					
Net Income	¥ 16,539	¥ 16,020	¥ 16,398	¥ 19,898	¥ 19,208	¥ 22,174
Net income per share (Yen)	¥ 20.84	¥ 20.11	¥ 20.38	¥ 24.72	¥ 23.87	¥ 27.56
Number of branches		192	197	201	203	203
Number of employees		4,609	4,688	4,865	4,982	5,215

Note: As the fiscal year ended March 31, 1999, was the first fiscal year of consolidated accounting, figures for the previous fiscal years are not shown.

Summary of Profits (Losses)

Years ended March 31	Millions of Yen			Percentage Change
	1999	1998	Increase (Decrease)	
Gross operating revenues (Note):	¥136,327	¥134,038	¥ 2,288	1.7%
Net interest income	122,489	121,105	1,383	1.1
Trading income	1,204	1,339	(135)	(10.0)
Net fees and commissions	11,152	11,384	(232)	(2.0)
Net other operating profits	1,481	209	1,271	607.2
General and administrative expenses	89,442	90,441	(999)	(1.1)
Net other recurring losses	(15,832)	(2,597)	(13,235)	(509.5)
Recurring profits	30,740	40,633	(9,892)	(24.3)
Income taxes:				
Current	20,760	25,907	(5,147)	(19.8)
Deferred	(6,696)		(6,696)	
Net income	16,020	16,398	(377)	(2.3)
Operating profits (losses):	42,251	43,970	(1,719)	(3.9)
Domestic banking	38,156	45,743	(7,586)	(16.5)
International banking	4,094	(1,772)	5,867	330.9

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 1999 and 1998 are calculated to be ¥311 million and ¥366 million, respectively.

Breakdown of Net Interest Margin

Years ended March 31	Billions of Yen		
	1999	1998	Increase (Decrease)
Interest income	¥ 215.2	¥ 234.3	(19.0)
Average interest-earning assets	7,068.4	7,248.1	(179.6)
Average interest rate of interest-earning assets (%)	3.04	3.23	(0.18)
Interest expenses (Note)	92.8	113.2	(20.4)
Average interest-bearing liabilities	6,827.2	7,001.7	(174.4)
Average interest rate of interest-bearing liabilities (%)	1.35	1.61	(0.25)
Net interest income	122.4	121.1	1.3
Funding cost (%)	2.65	2.88	(0.23)
Net interest margin (%)	0.38	0.34	0.04

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

Net Other Operating Profits

Years ended March 31	Millions of Yen		
	1999	1998	Increase (Decrease)
Other operating profits:			
Gains on foreign exchange transactions	¥1,017	¥ 951	¥ 65
Net profits from bonds:	462	(744)	1,206
Gains on sales of bonds	7,484	11,858	(4,373)
Gains on redemption of bonds	239	557	(318)
Losses on sales of bonds	2,803	8,576	(5,772)
Losses on redemption of bonds	4,422	4,583	(160)
Losses on devaluation of bonds	34		34
Other	1	2	(0)
Net other operating profits	¥1,481	¥ 209	¥1,271

Loans Outstanding by Type of Borrower

March 31	Billions of Yen, % Share			
	1999		1998	
Domestic branches:				
Manufacturing	¥1,147.8	22.6%	¥1,066.5	21.6%
Agriculture	11.1	0.2	11.4	0.2
Forestry	0.8	0.0	0.8	0.0
Fishery	9.5	0.2	12.0	0.3
Mining	10.4	0.2	11.4	0.2
Construction	340.0	6.7	335.8	6.8
Utilities	46.2	0.9	35.3	0.7
Transportation and communication	219.1	4.3	212.0	4.3
Wholesaling and retailing	804.4	15.8	766.2	15.6
Finance and security	256.5	5.0	276.5	5.6
Real estate	323.3	6.4	320.4	6.5
Services	601.6	11.8	588.3	11.9
Local governments	155.0	3.1	135.0	2.8
Other	1,161.6	22.8	1,158.1	23.5
Subtotal	5,088.0	100.0	4,930.2	100.0
Overseas branches and offshore account:				
Governments and official institutions			1.9	2.6
Banks and other financial institutions	1.0	1.4	1.0	1.4
Commercial and industrial	69.7	98.6	70.9	96.0
Subtotal	70.7	100.0	73.9	100.0
Total	¥5,158.7		¥5,004.1	

Risk Management Asset Information

March 31	Millions of Yen		
	1999	1998	Increase (Decrease)
Loans under bankruptcy proceedings A	¥24,530	¥25,915	(1,384)
% of loans and bills discounted	0.47	0.51	(0.04)
Past due loans B	26,117	26,395	(278)
% of loans and bills discounted	0.50	0.52	(0.02)
Loans past due for three months or more C	3,056	2,920	135
% of loans and bills discounted	0.05	0.05	0.00
Loans with relaxed conditions D (D=E+F+G)	99,369	79,209	20,159
% of loans and bills discounted	1.92	1.58	0.34
Restructured loans (old category) E	10,231	7,348	2,882
% of loans and bills discounted	0.19	0.14	0.05
Principal repayment postponed loans F	84,757	67,104	17,652
% of loans and bills discounted	1.64%	1.34	0.30
Partially relinquished loans G	4,380	4,756	(376)
% of loans and discounted	0.08	0.09	(0.01)
Risk management loan total H (H=A+B+C+D)	153,073	134,441	18,631
% of loans and bills discounted	2.96	2.68	0.28
Value covered with collateral, guarantees, etc. I	125,727	123,093	2,634
Cover ratio (%) I/H	82.1	91.5	(9.4)

- Notes: 1. Risk management loans are based on article 19-2 of the Regulations for Execution of the Bank Law. Because these loans are disclosed regardless of the presence or absence of collateral, guarantees, or other coverage, the figures shown do not represent unrecoverable amounts.
2. Loans past due for three months or more 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.
3. 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 relinquishment of a portion of liabilities) 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 category.
4. Value covered with collateral, guarantees, etc. includes provisions in the specific reserve for possible loan losses. The covered value was stated on a valuation basis through the end of September 30, 1998, but has been stated on a possible disposal basis at March 31, 1999. (At March 31, 1999, the cover ratio on a valuation basis was 89.7%.)

Reserve for Possible Loan Losses

March 31	Millions of Yen	
	1999	1998
General reserve	¥19,804	¥14,830
Specific reserve	46,968	39,617
Reserve for specific foreign credit	303	167
Total	¥67,076	¥54,615
[Loans on written-off claims for the year]	¥ [296]	¥ [294]

Financial Index

Years ended March 31	1999	1998	Increase (Decrease)
Per share (Yen):			
Net income	¥ 20.11	¥ 20.38	¥ (0.27)
Net assets	627.63	587.56	40.07
Cash dividends	6.00	6.00	—
Dividend payout ratio (%)	29.72	29.34	0.38
Return on assets (ROA) (%) (Note 1)	0.21	0.21	—
Return on equity (ROE) (%) (Note 2)	3.45	3.53	(0.08)

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

March 31	Billions of Yen	
	1999	1998
Tier I:		
Common stockholders' equity	¥ 508.9	¥ 497.4
Tier II capital included as Tier I		
Total adjusted Tier I capital	508.9	497.4
Tier II:		
Unrealized valuation gains on securities, after 55% discount	96.2	106.9
Reserve for possible loan losses, excluding specific reserve	19.9	14.8
Others		
Tier II capital included as Tier I		
Total adjusted Tier II capital	116.1	121.7
Tier II capital included as qualifying capital	116.1	121.7
Tier III (Note 1):		
Short-term subordinated debt (Capital for covering market risks)		
Total capital	625.1	619.2
Total risk-adjusted assets (Notes 1, 3)	4,566.5	4,602.8
Capital adequacy ratio (%) (Note 2)	13.69	13.45
Tier I ratio (%) (Note 2)	11.14	10.80

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. The capital adequacy ratio and the Tier I ratio were calculated on a consolidated basis. On a non-consolidated basis, based on article 14-2 of the Bank Law, the capital adequacy ratio was 13.53% and the Tier I ratio was 10.96% at March 31, 1999.
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, 1999.

Credit-Related Financial Instruments

March 31, 1999	Contract Amount (Billions of Yen)
Commitments to extend credit	¥2,286.4
Guarantees	91.9
Total	¥2,378.4

NON-CONSOLIDATED BALANCE SHEETS

THE SHIZUOKA BANK, LTD. March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	1998	1999
Assets:			
Cash	¥ 599,741	¥ 816,118	\$ 4,975,045
Call loans	108,938	159,757	903,682
Monetary claims bought	120,162	85,804	996,782
Trading assets (Note 4)	155,032	48,837	1,286,046
Money held in trust	61,008	61,009	506,086
Investment securities (Notes 5 and 22)	1,227,851	1,381,622	10,185,412
Loans and bills discounted (Note 6)	5,158,751	5,004,120	42,793,460
Foreign exchanges (Note 7)	5,546	10,496	46,012
Other assets (Note 8)	28,648	34,168	237,646
Premises and equipment (Note 9)	85,921	85,619	712,745
Deferred tax assets	32,474		269,383
Customers' liabilities for acceptances and guarantees (Note 10)	101,286	95,655	840,205
Total Assets	¥7,685,365	¥7,783,209	\$63,752,511
Liabilities and Stockholders' Equity:			
Liabilities:			
Deposits (Note 11)	¥6,751,147	¥6,707,676	\$56,002,881
Call money	55,292	333,053	458,666
Trading liabilities (Note 4)	5,354	5,580	44,421
Borrowed money	12,630	13,348	104,769
Foreign exchanges (Note 7)	258	219	2,147
Other liabilities (Note 12)	180,901	89,873	1,500,637
Reserve for possible loan losses	67,076	54,615	556,419
Reserve for retirement allowances	14,532	14,129	120,551
Acceptances and guarantees (Note 10)	101,286	95,655	840,205
Total Liabilities	7,188,481	7,314,153	59,630,701
Stockholders' Equity:			
Common stock (Note 13)	90,845	90,845	753,593
Capital surplus (Note 13)	54,884	54,884	455,280
Legal reserve (Note 14)	90,845	90,845	753,593
Retained earnings	260,308	232,480	2,159,341
Total Stockholders' Equity	496,884	469,056	4,121,809
Total Liabilities and Stockholders' Equity	¥7,685,365	¥7,783,209	\$63,752,511

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

THE SHIZUOKA BANK, LTD. Years ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	1998	1999
Income:			
Interest income:			
Interest on loans and discounts	¥126,274	¥130,095	\$1,047,485
Interest and dividends on securities	56,073	65,445	465,150
Other interest income (Note 15)	32,946	38,780	273,301
Subtotal	215,294	234,321	1,785,937
Fees and commissions	16,316	16,374	135,353
Trading income	1,204	1,339	9,993
Other operating income (Note 16)	8,742	13,369	72,523
Other income (Note 17)	11,232	42,042	93,178
Total Income	252,791	307,447	2,096,987
Expenses:			
Interest expense:			
Interest on deposits	51,933	70,734	430,807
Interest on borrowings and rediscounts	7,380	10,236	61,221
Other interest expenses (Note 18)	33,803	32,610	280,406
Subtotal	93,117	113,582	772,435
Fees and commissions	5,164	4,990	42,843
Other operating expenses (Note 19)	7,261	13,160	60,234
General and administrative expenses (Note 20)	89,442	90,441	741,952
Other expenses (Note 21)	27,722	42,968	229,970
Total Expenses	222,708	265,142	1,847,436
Income before income taxes	30,083	42,305	249,550
Income taxes:			
Current	20,760	25,907	172,210
Deferred	(6,696)		(55,553)
Net Income	¥ 16,020	¥ 16,398	\$ 132,893
Per share:			
Net income	¥ 20.11	¥ 20.38	\$ 0.16
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, 1999 and 1998

	Number of Shares	
	1999	1998
Number of shares (Note 13):		
Balance at beginning of year	798,307,069	804,986,023
Shares retired (Note 13)	(6,633,000)	(7,226,000)
Conversion of convertible bonds		547,046
Balance at End of Year	791,674,069	798,307,069

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	1998	1999
Common stock (Note 13):			
Balance at beginning of year	¥ 90,845	¥ 90,546	\$ 753,593
Conversion of convertible bonds		299	
Balance at End of Year	¥ 90,845	¥ 90,845	\$ 753,593
Capital surplus (Note 13):			
Balance at beginning of year	¥ 54,884	¥ 54,585	\$ 455,280
Conversion of convertible bonds		298	
Balance at End of Year	¥ 54,884	¥ 54,884	\$ 455,280
Legal reserve (Note 14):			
Balance at beginning of year	¥ 90,845	¥ 90,399	\$ 753,593
Transfer from retained earnings		445	
Balance at End of Year	¥ 90,845	¥ 90,845	\$ 753,593
Retained earnings:			
Balance at beginning of year	¥232,480	¥231,416	\$1,928,498
Net income	16,020	16,398	132,893
Shares retired (Note 13)	(9,142)	(9,997)	(75,835)
Cash dividends	(4,782)	(4,831)	(39,671)
Bonuses to directors and corporate auditors	(45)	(60)	(373)
Transfer to legal reserve		(445)	
Adjustment of retained earnings for newly applied accounting for tax allocation	25,777		213,829
Balance at End of Year	¥260,308	¥232,480	\$2,159,341
Total stockholders' equity:			
Balance at beginning of year	¥469,056	¥466,948	\$3,890,967
Changes during the year, net	27,828	2,107	230,842
Balance at End of Year	¥496,884	¥469,056	\$4,121,809

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

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 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 operates. 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 ¥120.55 to \$1, the approximate rate of exchange at March 31, 1999. 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) 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.

Trading accounts:

Trading account securities:

Trading account securities are included in trading assets and stated at year-end market values (see "Implementation of mark-to-market accounting for trading purpose transactions").

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.

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

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.

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.

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 ¥1,768 million (\$14,667 thousand) and ¥1,606 million at March 31, 1999 and 1998, respectively, are amortized over 9 years and charged to income when paid.

Expenses for the unfunded lump sum and the funded pension plans in 1999 and 1998 amounted to ¥4,158 million (\$34,499 thousand) and ¥3,994 million, respectively.

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, except for investment to overseas subsidiaries (excluding a subsidiary under liquidation procedure) which is translated at historical rates.

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 in 1998. In accordance with the amendment to Japanese accounting standards, the enterprise tax is charged to income taxes in 1999.

Effective April 1, 1998, the Companies adopted accounting for allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥25,777 million is included as an adjustment to retained earnings as of April 1, 1998.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary difference.

Per share information:

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

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

4 TRADING ACCOUNTS

Trading accounts at March 31, 1999 and 1998 consisted of the following:

(a) Trading assets:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Trading securities:			
National government bonds	¥ 7,775	¥ 9,766	\$ 64,498
Local government bonds	31	34	257
Government guaranteed bonds	0	0	0
Subtotal	7,806	9,801	64,757
Financial derivatives:			
Option premium	396	294	3,288
Other (Note)	4,854	5,266	40,271
Subtotal	5,251	5,560	43,560
Other trading assets:			
Commercial paper	141,915	33,416	1,177,229
Other (Note)	60	58	499
Subtotal	141,975	33,475	1,177,729
Total	¥155,032	¥48,837	\$1,286,046

(b) Trading liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Derivative trading securities	¥ 29	¥ 11	\$ 246
Financial derivatives:			
Option premium	408	295	3,387
Other (Note)	4,916	5,273	40,787
Total	¥5,354	¥5,580	\$44,421

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

5 INVESTMENT SECURITIES

Investment securities at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
National government bonds	¥ 124,986	¥ 104,432	\$ 1,036,802
Local government bonds	106,308	130,579	881,858
Corporate debentures	486,205	540,699	4,033,226
Corporate stocks	151,842	165,118	1,259,585
Other securities	358,508	440,792	2,973,940
Total	¥1,227,851	¥1,381,622	\$10,185,412

Note: Corporate stocks and other securities include ¥7,561 million in shares of subsidiaries.

6 LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Bills discounted	¥ 162,519	¥ 204,621	\$ 1,348,150
Loans on bills	572,714	627,103	4,750,842
Loans on deeds	3,167,554	2,967,357	26,275,855
Overdrafts	1,255,963	1,205,038	10,418,612
Total	¥5,158,751	¥5,004,120	\$42,793,460

In accordance with the Standard Rules, loans under bankruptcy proceedings, past due loans, on which interest payment is waived, to borrowers who are financially assisted by the Bank, loans past due for

three months or more (except for loans under bankruptcy proceedings and past due loans) and loans with relaxed conditions at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Loans under bankruptcy proceedings	¥ 24,530	¥ 25,915	\$ 203,486
Past due loans	26,117	26,395	216,654
Loans past due for three months or more	3,056	2,920	25,350
Loans with relaxed conditions	99,369	79,209	824,298
Total	¥153,073	¥134,441	\$1,269,790

Notes: 1. Loans past due for three months or more 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 under bankruptcy proceedings or past due loans.

2. 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 relinquishment of a portion of liabilities) 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 category.

7 FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 1999 and 1998 consisted of the following:

(a) Assets

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Due from foreign banks	¥ 813	¥ 1,053	\$ 6,748
Foreign exchange bills bought	1,527	1,461	12,668
Foreign exchange bills receivable	3,206	7,982	26,595
Total	¥5,546	¥10,496	\$46,012

(b) Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Due to foreign banks	¥ 4	¥ 7	\$ 33
Foreign exchange bills sold	253	206	2,100
Foreign exchange bills payable	1	5	13
Total	¥258	¥219	\$2,147

8 OTHER ASSETS

Other assets at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Accrued income	¥19,331	¥23,972	\$160,357
Prepaid expenses	106	109	882
Others	9,210	10,085	76,406
Total	¥28,648	¥34,168	\$237,646

9 PREMISES AND EQUIPMENT

Premises and equipment at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Land	¥29,687	¥30,096	\$246,266
Buildings	37,795	39,974	313,528
Equipment	13,047	11,518	108,234
Construction in progress	3,217	1,750	26,688
Guarantee deposits on office space	2,173	2,278	18,028
Total	¥85,921	¥85,619	\$712,745

Premises and equipment are stated at cost less accumulated depreciation of ¥81,556 million (\$676,533 thousand) and ¥85,691 million in 1999 and 1998, 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, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Current deposits	¥ 232,731	¥ 229,054	\$ 1,930,577
Savings deposits	1,619,354	1,459,283	13,433,050
Deposits at notice	56,927	46,525	472,229
Time deposits	4,073,148	3,973,148	33,788,039
Negotiable certificates of deposit	104,672	83,694	868,287
Other	664,314	915,968	5,510,697
Total	¥6,751,147	¥6,707,676	\$56,002,881

12 OTHER LIABILITIES

Other liabilities at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Income tax payable	¥ 14,418	¥23,524	\$ 119,609
Accrued expenses	26,584	32,465	220,527
Deposits from employees	4,353	4,454	36,116
Unearned income	3,984	4,217	33,048
Other	131,560	25,210	1,091,334
Total	¥180,901	¥89,873	\$1,500,637

13 COMMON STOCK

(a) Common stock is represented as follows:

- (i) Par value: ¥50 per share
- (ii) Authorized: 2,486,141,000 shares in 1999
2,492,774,000 shares in 1998
- (iii) Issued and outstanding: 791,674,069 shares in 1999
798,307,069 shares in 1998

(b) 6,633,000 shares (¥9,142 million) of common stock have been retired in the fiscal year ended March 31, 1999.

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.

The Code permits, upon approval of the Board of Directors, the transfer of amounts from the 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.

14 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.

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 interim period upon resolution of the Board of Directors subject to limitations imposed by the Code.

15 OTHER INTEREST INCOME

Other interest income for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Interest on deposited money	¥20,532	¥21,020	\$170,319
Interest on interest swaps	786	2,251	6,527
Other	11,627	15,507	96,454
Total	¥32,946	¥38,780	\$273,301

16 OTHER OPERATING INCOME

Other operating income for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Gains on foreign exchange transactions	¥1,017	¥ 951	\$ 8,440
Gains on sales of bonds	7,484	11,858	62,086
Gains on redemption of bonds	239	557	1,983
Other	1	2	13
Total	¥8,742	¥13,369	\$72,523

17 OTHER INCOME

Other income for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Gains on sales of stocks and other securities	¥ 8,335	¥36,852	\$69,149
Gains on money held in trust	432	375	3,588
Other	2,464	4,815	20,440
Total	¥11,232	¥42,042	\$93,178

18 OTHER INTEREST EXPENSES

Other interest expenses for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Interest on convertible bonds		¥ 0	
Interest on interest rate swaps	¥11,891	12,588	\$ 98,641
Other	21,911	20,021	181,764
Total	¥33,803	¥32,610	\$280,406

19 OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Losses on sales of bonds	¥2,803	¥ 8,576	\$23,259
Losses on redemption of bonds	4,422	4,583	36,688
Losses on devaluation of bonds	34		286
Total	¥7,261	¥13,160	\$60,234

20 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Salaries and allowances	¥37,232	¥38,090	\$308,857
Depreciation	8,484	9,222	70,383
Taxes	4,457	4,715	36,979
Other	39,267	38,412	325,732
Total	¥89,442	¥90,441	\$741,952

21 OTHER EXPENSES

Other expenses for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Provision for reserve for possible loan losses	¥20,203	¥25,937	\$167,592
Loans on written-off claims	296	294	2,462
Losses on sales of stocks and other securities	3,558	234	29,515
Losses on devaluation of stocks and other securities	1,685	7,024	13,977
Losses on devaluation of money held in trust	2	23	22
Enterprise taxes		7,345	
Losses on disposition of premises and equipment	1,511	1,471	12,537
Other	465	637	3,860
Total	¥27,722	¥42,968	\$229,970

22 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	
	1999	1998	1999	1998	1999	1998
Listed Securities						
Investment Securities:						
Bonds	¥ 75,418	¥ 75,348	¥ 86,442	¥ 87,843	¥ 11,023	¥ 12,495
Corporate stocks	138,932	151,082	341,609	376,036	202,677	224,953
Other	115,422	89,023	117,432	89,217	2,009	194
Total (Investment Securities)	329,773	315,453	545,484	553,097	215,710	237,643
Total (Listed Securities)	¥329,773	¥315,453	¥545,484	¥553,097	¥215,710	¥237,643

Notes: 1. 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.

	Millions of Yen					
	Book Value		Market Value		Difference between Market Value and Book Value	
	1999	1998	1999	1998	1999	1998
Unlisted Securities (for which an equivalent market price can be calculated)						
Investment Securities:						
Bonds	¥570,664	¥633,317	¥609,900	¥680,148	¥39,236	¥46,831
Corporate stocks	7,001	7,660	5,681	5,158	(1,320)	(2,502)
Other	12,579	200	12,966	311	387	110
Total (Investment Securities)	590,245	641,178	628,549	685,618	38,303	44,439
Total (Unlisted Securities)	¥590,245	¥641,178	¥628,549	¥685,618	¥38,303	¥44,439

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. The appropriate market value for public and non-public offering Japanese government bonds, Japanese municipal bonds and Japanese government guarantees, including bonds due in one year or less, are determined by the same method as public bonds.

	Millions of Yen	
	Book Value	
Primary Securities Excluded from "Market Value of Securities"	1999	1998
Investment Securities:		
Unlisted domestic bonds other than public issues	¥ 14,077	¥ 28,518
Unlisted bonds—Public issues due in one year or less	61,477	42,602
Unlisted bonds other than domestic issues	212,064	337,897
Unlisted corporate stocks of affiliated companies	7,561	7,770
Beneficiary certificates held in investment trusts before the enactment of legislation allowing banks to participate in securities business	6,000	1,000

23 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 increases 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.

Market Value of Derivatives

	Millions of Yen							
	Contract or Notional Amount				Market Value			
	Total		More than One Year		1999		1998	
	1999	1998	1999	1998	1999	1998	1999	1998
Listed:								
Interest rate futures		¥ 44,796				¥ 44,769		¥ 26
Over-the-Counter:								
Interest rate swaps	¥452,296	595,378	¥340,026	¥413,504	¥(18,006)	(21,577)	¥(18,006)	(21,577)
Currency swaps	656,149	957,072	12,575	12,549	(1,774)	(2,345)	(1,774)	(2,345)
Other	54,160	116,810	48,360	59,160	874	1,034	(695)	(1,079)

- 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 ¥24.6 billion by the current-exposure method at fiscal year-end.
4. Please refer to page 6 for information on the Bank's risk management policy.

24 LEASES

Lease payments under finance leases for the years ended March 31, 1999 and 1998 were ¥1,524 million (\$12,644 thousand) and ¥1,012 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 years ended March 31, 1999 and 1998 was as follows:

For the year ended March 31 Equipment	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Acquisition cost	¥8,578	¥6,723	\$71,164
Accumulated depreciation	2,603	1,266	21,596
Net leased property	¥5,975	¥5,457	\$49,567

Obligations under finance leases:

For the year ended March 31 Equipment	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Due within one year	¥1,321	¥1,066	\$10,966
Due after one year	4,792	4,473	39,752
Total	¥6,114	¥5,540	\$50,719

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 ¥1,337 million

(\$11,093 thousand) and ¥242 million (\$2,015 thousand) for the year ended March 31, 1999 and ¥895 million and ¥175 million for the year ended March 31, 1998, respectively.

25 INCOME TAXES

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 1999 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Reserve for possible loan losses	¥18,960	\$157,279
Depreciation	3,926	32,569
Reserve for retirement allowances	3,764	31,229
Other	5,823	48,304
Deferred tax assets	¥32,474	\$269,383
Deferred tax liabilities		
Net deferred tax assets	¥32,474	\$269,383

26 SUBSEQUENT EVENT

The following appropriations of retained earnings were authorized at the general stockholders' meeting held on June 25, 1999:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥3 (\$0.02) per share	¥2,374	\$19,701
Bonuses to directors and corporate auditors	40	331
Total	¥2,414	\$20,033

INDEPENDENT AUDITORS' REPORT

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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, 1999 and 1998, 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, procedures and practices generally accepted and applied 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, 1999 and 1998, and the results of its operations for the years then ended in conformity with accounting principles and practices 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.

June 28, 1999

CONSOLIDATED BALANCE SHEET

THE SHIZUOKA BANK, LTD., and Subsidiaries March 31, 1999

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	1999	1999
Assets:		
Cash	¥ 599,014	\$ 4,969,015
Call loans	108,938	903,682
Monetary claims bought	120,162	996,782
Trading assets	155,032	1,286,046
Money held in trust	61,008	506,086
Investment securities	1,256,695	10,424,683
Loans and bills discounted (Note 4)	5,150,726	42,726,891
Foreign exchanges	5,577	46,263
Other assets	43,963	364,692
Premises and equipment	141,968	1,177,673
Deferred tax assets	36,147	299,854
Customers' liabilities for acceptances and guarantees	91,980	763,006
Total Assets	¥7,771,217	\$64,464,679
Liabilities, Minority Interests and Stockholders' Equity:		
Liabilities:		
Deposits	¥6,758,147	\$56,060,953
Call money	69,896	579,813
Trading liabilities	5,354	44,421
Borrowed money	42,396	351,695
Foreign exchanges	254	2,114
Other liabilities	203,192	1,685,546
Reserve for possible loan losses	73,788	612,097
Reserve for retirement allowances	14,724	122,144
Acceptances and guarantees	91,980	763,006
Total Liabilities	7,259,737	60,221,793
Minority Interests	12,858	106,665
Stockholders' Equity:		
Common stock	90,845	753,593
Capital surplus	54,884	455,280
Retained earnings	353,575	2,933,019
Treasury stock	11	98
Shares of parent company held by subsidiaries	671	5,574
Total Stockholders' Equity	498,621	4,136,220
Total Liabilities, Minority Interests and Stockholders' Equity	¥7,771,217	\$64,464,679

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

THE SHIZUOKA BANK, LTD., and Subsidiaries Year ended March 31, 1999

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	1999	1999
Income:		
Interest income:		
Interest on loans and discounts	¥126,628	\$1,050,426
Interest and dividends on securities	57,822	479,654
Other interest income	32,978	273,567
Subtotal	217,429	1,803,648
Fees and commissions	37,114	307,876
Trading income	1,204	9,993
Other operating income	9,223	76,508
Other income	15,506	128,630
Total Income	280,478	2,326,658
Expenses:		
Interest expense:		
Interest on deposits	52,608	436,403
Interest on borrowings and rediscounts	8,793	72,946
Other interest expenses	34,098	282,855
Subtotal	95,500	792,205
Fees and commissions	21,763	180,535
Other operating expenses	7,633	63,323
General and administrative expenses	90,753	752,829
Other expenses	32,960	273,416
Total Expenses	248,611	2,062,309
Income before income taxes and other adjustments	31,867	264,348
Income taxes:		
Current	21,721	180,189
Deferred	(7,016)	(58,205)
Minority interests in net income of consolidated subsidiaries	622	5,160
Net Income	¥ 16,539	\$ 137,204
Per share:		
Net income	¥ 20.84	\$ 0.17

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

THE SHIZUOKA BANK, LTD and Subsidiaries Year ended March 31, 1999

	Millions of Yen	Thousands of U.S. Dollars (Note 2)
	1999	1999
Common stock:		
Balance at beginning of year	¥ 90,845	\$ 753,593
Balance at End of Year	¥ 90,845	\$ 753,593
Capital surplus:		
Balance at beginning of year	¥ 54,884	\$ 455,280
Balance at End of Year	¥ 54,884	\$ 455,280
Retained earnings:		
Balance at beginning of year	¥324,837	\$2,694,630
Increase in consolidated retained earnings	26,162	217,023
Previous fiscal year tax-effect adjustment	26,162	217,023
Decrease in consolidated retained earnings	13,964	115,838
Cash dividends	4,764	39,525
Bonuses to directors and corporate auditors	57	477
Value of shares retired	9,142	75,835
Net income for the fiscal year	16,539	137,204
Balance at End of Year	¥353,575	\$2,933,019
Treasury stock and shares of parent company held by subsidiaries:		
Treasury stock (at end of year)	¥ 11	\$ 98
Shares of parent company held by subsidiaries (at end of year)	671	5,574
Balance at End of Year	¥ 683	\$ 5,673
Total stockholders' equity:		
Balance at beginning of year	¥470,566	\$3,903,502
Changes during the year, net	28,054	232,718
Balance at End of Year	¥498,621	\$4,136,220

See notes to non-consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE SHIZUOKA BANK, LTD. and Subsidiaries

1 BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared from the accounts maintained by The Shizuoka Bank, Ltd. (the "Bank") and its consolidated subsidiaries 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. The consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 exclude the statements of cash flows, which are not required as part of the basic consolidated 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 consolidated financial statements and the notes thereto do not necessarily agree with the sum of the individual account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. 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 ¥120.55 to \$1, the approximate rate of exchange at March 31, 1999. 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

Consolidation and investments in non-consolidated subsidiaries:

The accompanying consolidated financial statements include the accounts of the Bank and all subsidiaries except for a subsidiary under liquidation procedure.

The fiscal periods of all consolidated subsidiaries end on March 31.

The excess of the cost of the Bank's investments in consolidated subsidiaries over its equity in the net assets at the respective dates of acquisition is charged to income when incurred.

All significant inter-company accounts and transactions have been eliminated in consolidation. All material unrealized profits resulting from intercompany transactions is eliminated.

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, except for investment to overseas subsidiaries (excluding a subsidiary under liquidation procedure) which is translated at historical rates.

The financial statement accounts of the consolidated subsidiary outside of Japan are translated into Japanese yen at the current exchange rate at each balance sheet date except for stockholders' equity, which is translated at the historical exchange rates.

Income taxes:

Effective April 1, 1998, the Bank and the consolidated subsidiaries in Japan allocated income taxes based on the asset and liability method.

Other significant accounting policies:

The Company's significant accounting policies are described in greater detail in the notes to non-consolidated financial statements.

4 LOANS AND BILLS DISCOUNTED

In accordance with the Standard Rules, loans under bankruptcy proceedings, past due loans, on which interest payment is waived, to borrowers who are financially assisted by the Bank, loans past due for

three months or more (except for loans under bankruptcy proceedings and past due loans) and loans with relaxed conditions at March 31, 1999 consisted of the following:

	Millions of Yen	Thousands of U.S. dollars
Loans under bankruptcy proceedings	¥ 26,462	\$ 219,513
Past due loans	31,320	259,814
Loans past due for three months or more	4,368	36,234
Loans with relaxed conditions	103,945	862,264
Total	¥166,096	\$1,377,826

Notes: 1. Loans past due for three months or more 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 under bankruptcy proceedings or past due loans.

2. 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 relinquishment of a portion of liabilities) 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 category.

5 LEASES

(a) Lessee

Lease payments under finance leases for the year ended March 31, 1999 were ¥15 million (\$125 thousand).

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, 1999 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Equipment	1999	1999
Acquisition cost	¥71	\$589
Accumulated depreciation	21	181
Net leased property	¥49	\$408

Obligations under finance leases:

	Millions of Yen	Thousands of U.S. Dollars
Equipment	1999	1999
Due within one year	¥ 77	\$ 641
Due after one year	106	885
Total	¥184	\$1,526

(b) Lessor

Lease revenue under finance leases for the year ended March 31, 1999 was ¥15,641 million (\$129,750 thousand).

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

revenue 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, 1999 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Equipment	1999	1999
Acquisition cost	¥105,468	\$874,897
Accumulated depreciation	62,624	519,487
Net leased property	¥ 42,844	\$355,409

Obligations under finance leases:

	Millions of Yen	Thousands of U.S. Dollars
Equipment	1999	1999
Due within one year	¥17,229	\$142,921
Due after one year	37,472	310,845
Total	¥54,701	\$453,767

6 SEGMENT INFORMATION

Information regarding business segments and total income from international operations of the Bank and consolidated subsidiaries for the year ended March 31, 1999 were as follows:

The domestic share of both total income and total assets exceeds 90%; thus, geographic segment information is not presented.

(a) Business segment information:

	Millions of Yen				
	Bank Operations	Other Operations	Total	Eliminations	Consolidated
Total income and recurring profits:					
Total income from outside customers	¥ 254,710	¥ 25,767	¥ 280,478		¥ 280,478
Total income from intersegment transactions	753	10,410	11,164	¥(11,164)	
Total	255,464	36,177	291,642	(11,164)	280,478
Total expenses	225,172	35,007	260,180	(11,568)	248,611
Income before income taxes and other adjustments	30,292	1,170	31,463	403	31,867
Assets, depreciation and amortization, and capital expenditure:					
Total assets	7,709,986	118,364	7,828,351	(57,134)	7,771,217
Depreciation and amortization	8,509	14,357	22,866		22,866
Capital expenditure	13,775	15,675	29,450		29,450

Note: Business segments:

(1) Bank Operations

(2) Other Operations—Leasing operations, commissioned computer processing operations, etc.

(b) Total income from international operations:

Period	Millions of Yen		
	Total Income from International Operations	Consolidated Total Income	Total Income from International Operations as a Percentage of Consolidated Total Income
The fiscal year under review (from April 1, 1998, to March 31, 1999)	¥76,517	¥279,203	27.4%

Notes: 1. Figures for total income from international operations are shown in place of the overseas sales figures shown by ordinary companies.

2. Total income from international operations includes total income from domestic foreign currency transactions, yen-denominated trade bill transactions, yen-denominated transactions with nonresidents, transactions accounted for in the special international finance transaction account, transactions by overseas branches of the parent company, and transactions of overseas consolidated subsidiaries (excluding total income from internal transactions among consolidated companies). Because the Bank does not classify this large amount of transactions based on the type of counterpart, segment information by country or region has not been included.

7 Income Taxes

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 1999 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Reserve for possible loan losses	¥21,472	\$178,122
Depreciation	3,993	33,130
Reserve for retirement allowances	3,804	31,557
Other	6,876	57,044
Deferred tax assets	¥36,147	\$299,854
Deferred tax liabilities		
Net deferred tax assets	¥36,147	\$299,854

INDEPENDENT AUDITORS' REPORT

**Deloitte Touche
Tohmatsu**



Tohmatsu & Co.

MS Shibaura Building
13-23, Shibaura 4-chome
Minato-ku, Tokyo 108-8530

Telephone : (03)3457-7321
Facsimile : (03)3769-8508

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

We have examined the consolidated balance sheet of The Shizuoka Bank, Ltd. and subsidiaries as of March 31, 1999, and the related consolidated statements of income and stockholders' equity for the year then ended, all expressed in Japanese yen. Our examination was made in accordance with auditing standards, procedures and practices generally accepted and applied 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 consolidated financial statements referred to above present fairly the financial position of The Shizuoka Bank, Ltd. and subsidiaries as of March 31, 1999, and the results of their operations for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

Our examination 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.

June 28, 1999

OVERSEAS SERVICE NETWORK

•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

•New York Agency

One World Trade Center, Suite 8025,
New York, NY 10048, U.S.A.
Phone: (1) 212-466-0082
Telex: 408358 SHIZBK NY

•Hong Kong Branch

Room 3306, Gloucester Tower,
11 Pedder Street, Central, Hong Kong
Phone: (852) 2521-6547
Telex: 89566 SIZBK HX

•Singapore Representative Office

20, Collyer Quay, #10-03,
Tung Centre, Singapore 049319
Phone: (65) 225-3600
Telex: 26019 SHIZBK RS

•Shanghai Representative Office

Room 1813, Shanghai
International Trade Centre,
2200 Yan-An Road (West),
Chang Ning Qu, Shanghai,
People's Republic of China
Phone: (86) 21-6209-8115

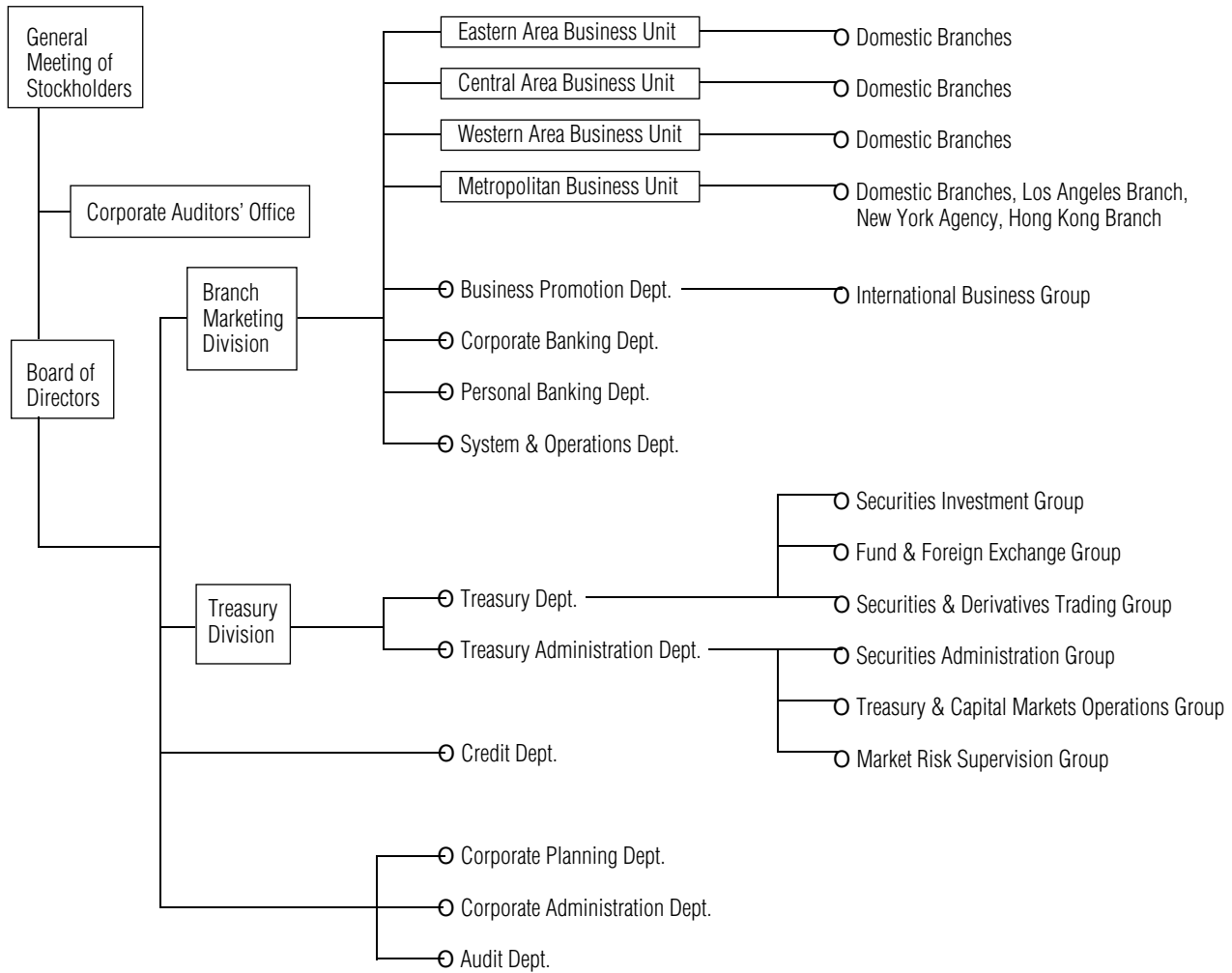
•Shizuoka Bank (Europe) S.A.

283 Avenue Louise, Bte. 13,
1050 Brussels, Belgium
Phone: (32) 2-646-0470
Telex: 23330 SHIZBR B

Overseas Bases and Correspondent Banks



ORGANIZATION CHART



(As of June 1999)

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/>

BUSINESS PROMOTION DEPARTMENT INTERNATIONAL BUSINESS GROUP

Phone: 0543-45-5411
Telex: J28450 SHIZUBK
SWIFT address: SHIZJPJT

NUMBER OF EMPLOYEES

(As of March 31, 1999)
4,688

DATE OF ESTABLISHMENT

March 1, 1943

DOMESTIC NETWORK

(As of June 1999)
190 branches (including 14 subbranches)

OVERSEAS NETWORK

(As of June 1999)
3 branches, 2 representative offices

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.

Software development and sales

SHIZUOKA CAPITAL CO., LTD.

Public offering assistance; M&A consulting services

SHIZUGIN ASSETS MANAGEMENT CO., LTD.

Securities investment advisory services

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

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 BANK (EUROPE) S.A.

Finance- and securities-related services

SHIZUGIN BUSINESS CREATE CO., LTD.

Operation center for remittance and bill collection

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Chairman

Soichiro Kamiya

President

Yasuo Matsuura

Senior Managing Director

Nobuo Ikeda

Managing 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, 1999)

INVESTOR INFORMATION

The Shizuoka Bank, Ltd.

STOCKHOLDERS' EQUITY (As of March 31, 1999)

Common stock	¥ 90,845 million
Capital surplus	¥ 54,884 million
Legal reserve	¥ 90,845 million
Retained earnings	¥260,308 million
Total stockholders' equity	¥496,884 million

NUMBER OF SHARES (As of March 31, 1999)

Authorized	2,486,141,000 shares
Issued and Outstanding	791,674,069 shares

NUMBER OF STOCKHOLDERS (As of March 31, 1999)

23,289

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, 1999, were as follows:

	Number of Shares in Thousands	Percentage of Total Shares Outstanding
The Bank of Tokyo-Mitsubishi, Ltd.	31,584	3.98%
The Meiji Mutual Life Insurance Company	29,117	3.67
Sumitomo Life Insurance Company	26,932	3.40
Nippon Life Insurance Company	23,101	2.91
The Yasuda Mutual Life Insurance Company	21,309	2.69
The Dai-ichi Mutual Life Insurance Company	18,546	2.34
The Tokio Marine & Fire Insurance Company, Limited	18,027	2.27
The Nisshin Fire and Marine Insurance Company, Limited	17,931	2.26
The Industrial Bank of Japan, Limited	16,604	2.09
The Sumitomo Trust & Banking Co., Ltd. (in trust account)	14,343	1.81
Total	217,500	27.47%

STOCK PRICE, TURNOVER

Annual high/low stock price (five years) (Yen)

Years ended March 31	1995	1996	1997	1998	1999
High	1,490	1,430	1,450	1,510	1,500
Low	930	989	985	1,030	1,075

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

Month	Oct. 1998	Nov. 1998	Dec. 1998	Jan. 1999	Feb. 1999	Mar. 1999
High	1,391	1,410	1,399	1,462	1,449	1,449
Low	1,075	1,315	1,325	1,331	1,375	1,260
Turnover (thousands of shares)	10,983	7,661	15,690	49,367	37,146	27,112

THE SHIZUOKA BANK, LTD.