



# Shizuoka Bank

ANNUAL REPORT 2002

Year ended March 31, 2002

# Shizuoka Bank at a Glance

Nurturing the Vision of a Prosperous Community

## A FIRST-CLASS REGIONAL BANK

The Shizuoka Bank is one of Japan's largest regional banks, with 169 branches, 13 sub-branches, and 2 agencies in Japan as of July 1, 2002. This domestic network serves the needs of customers not only within Shizuoka Prefecture, the Bank's home region, but also in Japan's three most important business centers of Tokyo, Osaka, and Nagoya, which are comparatively close to the prefecture. Outside Japan, the Bank's international network comprises operations in New York, Los Angeles, Brussels, Hong Kong, Shanghai, and Singapore.

## A SOLID FINANCIAL STRUCTURE

As of March 31, 2002, Shizuoka Bank had consolidated total assets of ¥8,178.0 billion (US\$61,373 million), loans of ¥5,064.2 billion (US\$38,005 million), and deposits of ¥7,018.5 billion (US\$52,672 million). The Bank's consolidated capital ratio stood at 12.51%, one of the highest ratios among Japanese banks. The Tier I ratio was also at the high level of 10.85%, which is well above the BIS standard of 8% for banks engaged in overseas operations.

## INTERNATIONAL CONFIDENCE

Shizuoka Bank has one of the strongest financial positions of any Japanese bank, gaining some of the highest credit ratings for a Japanese financial institution from four rating agencies.

(As of August 30, 2002)

	Long-Term	Short-Term	Financial Strength
Standard & Poor's	A+	A-1	—
Moody's	A1	P-1	C+
Fitch	—	F1	B/C
Rating and Investment Information, Inc.	AA	—	—

## REGIONAL CONTRIBUTIONS

Shizuoka Bank makes an ongoing contribution to the development of Shizuoka Prefecture, its principal base of operations, guided by its corporate mission of helping to create a prosperous community. The Bank has also announced a set of environmental principles under which it makes a contribution to environmental preservation through such measures as recycling copier paper and reducing its consumption of electricity and water. The Bank also participates in a variety of regional environmental protection activities. Our efforts toward environmental friendly activities were recognized in May 2002 with the awarding of ISO 14001 certification for our environmental management system.

## Contents

Shizuoka Bank at a Glance	
Consolidated Financial Highlights/	
The Structure of the Shizuoka Bank Group . . . . .	1
Message from the Management . . . . .	2
Interview with the President . . . . .	3
Compliance and Risk Management Systems . . . . .	6
Financial Position and Business Operations . . . . .	10
Corporate Data/Overseas Service Network/Organization Chart . . . . .	30
The Shizuoka Bank Group/Board of Directors and	
Corporate Auditors/Investor Information. . . . .	31
Our Operation Base: Shizuoka Prefecture . . . . .	32

### Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to The Shizuoka Bank, Ltd.'s current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Shizuoka Bank. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not

place undue reliance on them. Shizuoka Bank cautions readers that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but not limited to, (1) general economic conditions in Shizuoka Bank's market (particularly Shizuoka Prefecture) and (2) fluctuations of market rate of interest and the exchange rate.

# Consolidated Financial Highlights

THE SHIZUOKA BANK, LTD. and Subsidiaries

Years ended March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Income before income taxes and minority interests	¥ 12,725	¥ 31,188	\$ 95,504
Net income	7,486	18,534	56,186

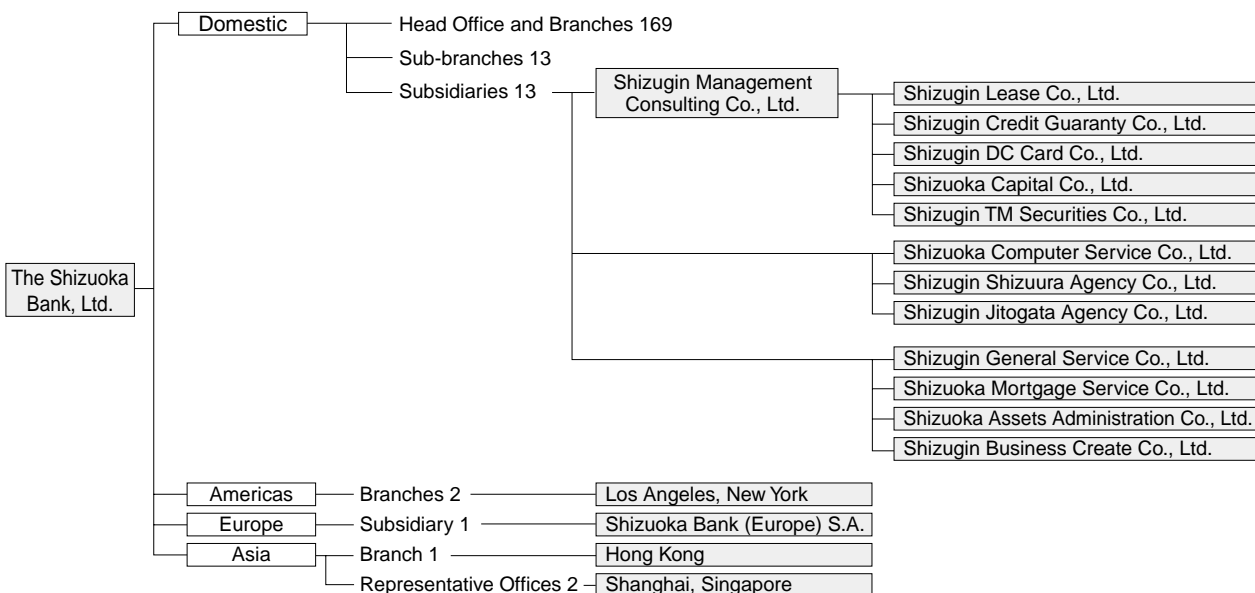
	Yen		U.S. Dollars (Note 1)
	¥	¥	\$
Net income per share	9.95	24.02	0.075
PER (Times, Non-consolidated)	82.82	41.18	
PBR (Times, Non-consolidated)	1.14	1.23	

March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Total assets	¥8,178,065	¥8,294,048	\$61,373,847
Deposits	7,018,560	6,886,912	52,672,124
Loans and bills discounted	5,064,236	5,141,189	38,005,530
Securities	1,935,428	1,862,008	14,524,788
Common stock	90,845	90,845	681,769
Total stockholders' equity	556,633	600,363	4,177,361
ROE (%)	1.29	3.33	
Capital adequacy ratio (BIS) (%)	12.51	12.58	
Tier I ratio (%)	10.85	10.47	

Notes: 1. Translation into U.S. dollars has been made solely for the convenience of readers outside Japan at the exchange rate of ¥133.25 to \$1, the approximate rate of exchange at March 31, 2002.

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

## The Structure of the Shizuoka Bank Group (As of July 1, 2002)



# Message from the Management

Establishing Our Status as the Bank of Choice



Soichiro Kamiya, *Chairman*

Yasuo Matsuura, *President*

The business environment surrounding Japan's finance industry is becoming increasingly severe due to protracted economic stagnation and the continuation of the de facto zero interest rate policy. This situation makes it all the more essential for the Bank to establish a firm foundation for growth that will not be shaken by any kind of change in the business environment by accelerating the disposal of non-performing loans and recovery of earning capability. Now that the end to the system of unlimited insurance coverage on bank deposits is imminent, we need to continue our efforts to reform and innovate so as to earn the trust of our customers and maintain our status as the bank of choice.

Shizuoka Bank is currently promoting its eighth medium-term management plan called "TINA prime," launched in April 2001 and to be in effect until fiscal 2005. "TINA" is an abbreviation for "There is no alternative." Former British Prime Minister Thatcher was also once dubbed Margaret "TINA" Thatcher for her frequent use of the phrase, "There is no alternative," indicating her firm, almost iron-like will to carry through her reforms.

Building upon our solid business foundations, brand power, and the trust continuously put in us by our customers, we will rapidly and dynamically develop the comprehensive financial services necessary for this new era of the finance business. We will endeavor to maximize corporate value by becoming a "quality bank" that harmonizes management soundness and profitability.

August 30, 2002

A handwritten signature in black ink, appearing to read 'S. Kamiya'.

Soichiro Kamiya  
*Chairman*

A handwritten signature in black ink, appearing to read 'Y. Matsuura'.

Yasuo Matsuura  
*President*

# Interview with the President



## Our Vision, or Ultimate Goal

**Q** Please describe what you mean by the term “quality bank.”

**A** The “quality bank” that we envision has three principal components, as follows.

### (1) The most trusted bank in the region

We will endeavor to become a comprehensive financial services institution capable of providing a wide range of financial services under one roof. To achieve this, we will do our utmost to bolster customer confidence through promoting the “customer first” principle.

### (2) A regional universal bank that provides high-quality products and services

We will continue to provide high-quality financial products and services through tie-ups with leading companies in Japan and overseas, and through synergy with group companies such as Shizugin Management Consulting Co., Ltd. and Shizugin TM Securities Co., Ltd.

### (3) A bank where employees can exercise their capabilities and show their individuality

We have conducted an extensive revision of the personnel system, shifting our emphasis to a system of management by objectives. We will mold a corporate culture in tune with the 21st century, and continue to imbue staff with specialist expertise and place them accordingly.

## Progress of Medium-Term Management Plan

### TINA prime

**Q** It has been one year since the launch of TINA prime. How has the Bank progressed with the plan?

**A** The TINA prime plan promotes the three concepts of “cultivating new income opportunities,” “reengineering the business process,” and “reforming the balance sheet structure.”

### TINA prime Targets and Business Indicators

Income target	Net operating profit *1	¥70 billion
Profitability indicator	Tier I ROE *2	14%
	ROA *2	1.0%
Soundness indicator	BIS Tier I ratio	Around 10%
Efficiency indicator	OHR *3	50%

Notes:

1. Net operating profit = net interest income + net fees and commissions + net trading income (loss) + net other income (expenses) – (provision for general reserve for possible loan losses + general and administrative expenses + income taxes)
2. The “R” in ROE and ROA refers to net operating profit.
3. OHR (Overhead Ratio) refers to the ratio of expenses to gross operating profit.

## **Reform 1: Cultivating new income opportunities**

Because income from conventional banking operations has become sluggish, exacerbated by protracted economic stagnation and the continuation of the de facto zero interest rate policy, the Bank has endeavored to expand income opportunities through upgrading its risk management methods and through the practical use of its marketing skills.

In the corporate banking market, the Bank began to employ a credit screening method utilizing a scoring system to handle the small and medium-sized business loan called “Shizugin Small and Medium-Sized Business Fund,” guaranteed through a business tie-up with Credit Guarantee Corporation of Shizuoka, effectively promoting loans to small and medium-sized businesses through prompt screening and the flexible application of guarantee conditions.

We also increased our chances of earning revenues through such means as service fees, using in our consulting business products such as weather derivatives and methods such as the lump-sum factoring system, which reduces the cost to the obligator of issuing trade notes.

On the consumer loan market, the Bank has introduced a credit screening method utilizing a scoring system for multipurpose loans such as card loans, shortening the screening period and making the screening conditions more flexible. By diversifying application methods to include mail ordering and faxes, we also enhanced customer convenience. Furthermore, the Bank carried out a consumer loan campaign using continuous customer relationship marketing, implemented through data analysis.

## **Reform 2: Reengineering the business process**

In April 2001, the Bank established the Project Team for Business Process Reengineering, under the direct control of the President. The Bank also reformed its lending operations by computerizing the loan authorization system and the biannual self-assessment system. This had the effect of lowering operations costs and enhancing marketing capabilities.

We upgraded our area marketing system, introduced in fiscal 2000, in which all branches within the same area cooperate in offering comprehensive financial services. At the same time, we launched trials of the Shizugin Business Station in the Shizuoka Prefecture, to serve as a channel for smaller scale businesses. Through remote marketing means including telephone, fax, and the Internet, we have provided a system that is efficient in improving customer service.

We also effectively expanded our marketing channels through a business tie-up with IY Bank Co., Ltd., inaugurated in June 2001, enabling access to Bank services at 3,657 ATMs in 3,573 locations nationwide, as of the end of March 2002.

## **Reform 3: Reforming the balance sheet structure**

Amid the continuation of the de facto zero interest rate policy and the worsening of the fund operating environment, the profitability of lending operations is declining. Building on the trust in which we are held by our customers, we have actively developed a fee business through offering investment products other than deposits, including investment trusts, government bonds, and foreign currency-denominated deposit accounts. In doing this, we have been able to expand our fee business and augment the source of our earnings without undue reliance on the balance sheets.

We lead the other regional banks in over-the-counter sales of government bonds, increasing our safe deposit balance by ¥216.6 billion in fiscal 2001. In April 2002, we launched the Shizuoka Benchmark Fund, Japan's first investment trust that is also a specific regional economic index. We will continue to adopt measures to improve our earning capability through broadening our lineup of investment trusts.

### Total Support for Business Start-Ups

**Q** What other measures is the Bank tackling, apart from the medium-term management plan?

**A** Shizuoka Prefecture is an attractive economic zone. Home to a broad variety of industries, its economy is both sound and vital. It has the highest number of smaller companies entering the market and the lowest corporate bankruptcy rate in Japan. Shizuoka is also the repository of diverse and sophisticated technologies, providing a more than sufficient foundation for the introduction and growth of new industries.

Shizuoka Bank and its subsidiaries provide total support to the regional business start-ups that are taking root and beginning to grow. We believe that by assisting these smaller companies in their growth we are also contributing to the vitalization of the regional economy.

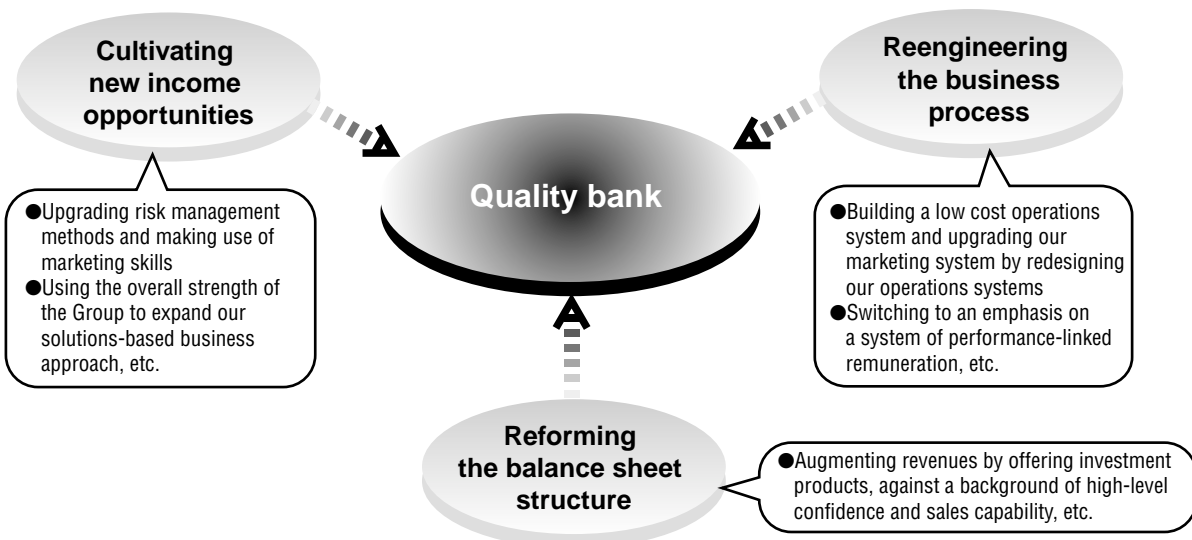
### Growing with the Community and Meeting Stakeholders' Expectations

**Q** Do you have anything else you would like to say to your shareholders and other investors?

**A** The Shizuoka Bank Group will work as one to achieve the objectives of the TINA prime management plan. At the same time, we will grow with the community, and we will fulfill our social responsibility by contributing to its development and enrichment.

No matter what business environment we find ourselves in, we will remember to make unflagging efforts toward innovation and always meet the expectations and earn the trust of our shareholders, customers, and the regional community.

### Three concepts of "TINA prime"



# Compliance and Risk Management Systems

## Basic Compliance Policy and Organizational Structure

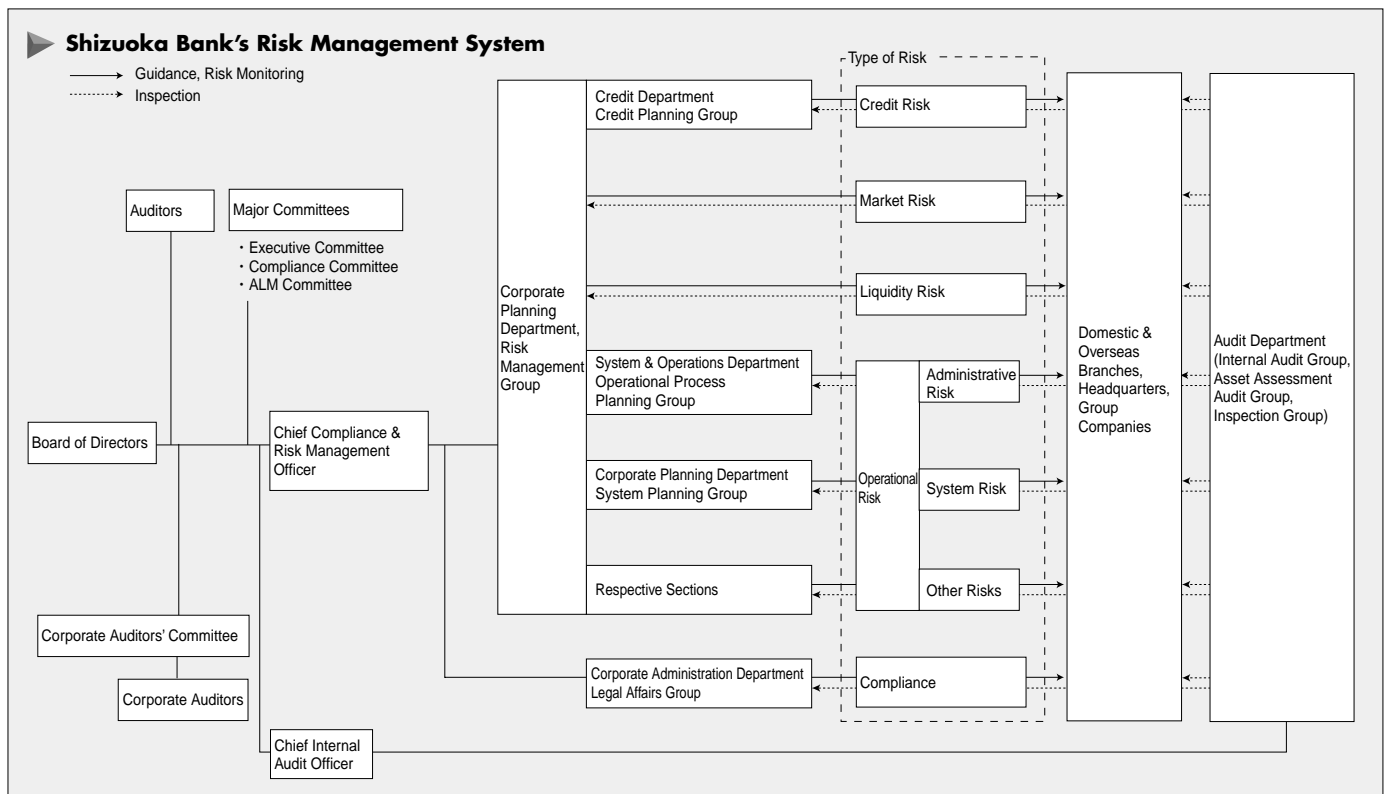
Corporate compliance is becoming more important than ever before. This is particularly so for financial institutions, given the public-service nature of their corporate mission. Bank staff must therefore be acutely aware of the heavy responsibility they bear, and must make every effort to be worthy of the trust of all their stakeholders.

Having positioned corporate compliance as a top-priority management issue, in fiscal 1998 we drew up the Shizuoka Bank Ethical Charter. Since then, we have worked hard to put the principles embodied in the charter into practice.

With regard to the Bank's specific organization for dealing with compliance-related matters and risk management, we have designated a director responsible for these matters, and have established a Compliance Committee, which takes charge of overall management of compliance initiatives.

Compliance officers have been appointed at all departments at head office, as well as branches and Group companies, to keep a constant check on the state of compliance.

We have also distributed a compliance handbook to all staff, and training sessions on compliance are held throughout the year. In these ways, we are working to foster a corporate culture in which employees are constantly aware of the need for behavior in compliance with the law as well as generally accepted ethical standards.





## **Basic Risk Management Policy and Organizational Structure**

In response to the deregulation of Japanese financial practices, competition from overseas institutions as part of the process of globalization, and the progress of information technology, a wide variety of new financial products are being developed and financial institutions are inaugurating new lines of business. For these reasons, the risks to which financial institutions are exposed are becoming more varied and more complex.

In June 2002 a Risk Management Group was created to exercise comprehensive supervision over the various risks to which the Bank and its group companies are exposed and implement appropriate risk control. The Group is charged with designing a new risk management system that enhances earnings and raises efficiency through comprehensive management of risk and return data.

In tandem with strengthening risk control, we have also expanded the functions of the Audit Department to create a more effective internal auditing system.

### **(1) Credit Risk Management**

The Bank has established the Credit Department as a unit entirely independent of all operating sections to enhance the soundness of its loan asset portfolio. The department is charged with the management of all credit risk, in both domestic and overseas operations.

The Credit Department is divided into Credit Group I and Credit Group II, which are responsible for screening customers' creditworthiness and loan applications; the Research Group, responsible for conducting research into industry trends; the Credit Administration Group, charged with administering and recovering problem loans; and the Credit Planning Group, charged with overall supervision of credit risk.

In addition, the Asset Assessment Audit Group, which functions separately from the operating and credit supervision departments, has been established within the Audit Department with responsibility for monitoring credit risk management to confirm that it is being conducted correctly.

### ***Borrowers' Credit Rating System***

The Bank employs a borrowers' credit rating system to ensure an accurate grasp of the creditworthiness of corporate borrowers and ensure meticulous credit risk management. This system emphasizes quantitative information, and borrowers are placed in one of 12 rating categories according to financial indicators, including the asset portfolio and cash flows.

These borrowers' credit ratings form the basis of the self-assessment classification, which is carried out as part of the procedure for calculating capital ratios. They are also used in calculating the general reserve for possible loan losses, as well as for providing the criteria for determining credit-approval limits and selecting the applicable interest rates for borrowers, and are thus fundamental to credit risk management.

In principle, the Bank assigns such ratings to all corporate obligors. The ratings are reviewed annually to ensure accurate credit supervision.

### **(2) Market Risk Management**

Departments involved in market transactions are kept strictly separate from market risk management and administrative departments. Market risk management departments measure and manage market risk and monitor the observance of regulations by the front office. Administrative departments perform a complementary restraint function by checking the details of transactions made by front-office staff.

Via intranet, the Bank's senior management can monitor the situation with respect to profit and loss, as well as risk, as measured by the market risk management departments. This system allows management to maintain an accurate grasp of the situation and thus take appropriate decisions.

The Bank has adopted the capital allocation system to ensure more effective market risk management. At semiannual management meetings, tolerable levels of market risk are determined using the VaR (Value at Risk) method, taking into account the earning records of the departments handling the transactions, market forecasts, and allowable market risk ceilings.

At the monthly meetings of the ALM Committee, the risk exposure of the entire Bank is assessed through such methods as VaR and EaR (Earnings at Risk). On the basis of these assessments, the policy for hedging risk is decided. Each department responsible for market operations implements hedging in a flexible manner through the use of derivatives such as swaps so as to control risk accurately and assure the Bank of a stable inflow of earnings.

### (3) Liquidity Risk Management

Liquidity risk includes:

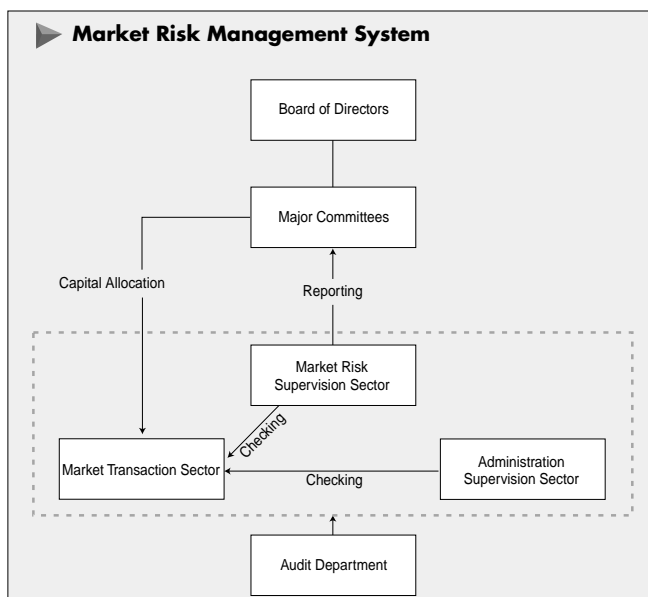
- *Funding liquidity risk*

This is the risk that necessary funds cannot be procure or can be secured only by paying an interest rate far higher than normal due to changes in market conditions.

With respect to funding liquidity risk, units have been designated as responsible for cash flow management on a daily, weekly, and monthly basis, including at overseas branches. To prepare for all conceivable contingencies, four levels of emergency have been established. The staff empowered to act have been designated, and the measures to be taken have been set down for each hypothetical situation to enable a swift and effective response.

- *Market liquidity risk*

This is the risk that financial products cannot be traded or transactions can be concluded only at prices far more disadvantageous than normal due to turmoil on the markets. Market liquidity risk is managed by setting position limits for each product and each period. The position limits are reviewed every six months, taking such factors as market scale into consideration.



#### **(4) Operational Risk Management**

Operational risk is defined, by the BIS, as “the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.”

Shizuoka Bank aims to apply the most appropriate management methods to all kinds of operational risk, principally administrative risk and system risk. We are also pushing ahead with surveys and research paving the way for the quantification of operational risk management.

##### •*Administrative risk*

Administrative risk as defined here is the risk of incurring losses as a result of errors in administrative work relating to banking transactions. To avoid such errors, the Bank is upgrading its administrative infrastructure through active investment in computerization. We are also promoting greater efficiency through the concentration of branch back-office work at business centers.

To raise the quality of work performed at our branches, we have made all rules and procedures for administrative work available online, and have simplified the work flow for each individual process.

The Internal Audit Group and the Inspection Group at the Audit Department, which are independent of other operating departments, conduct on-site inspections of domestic branches, group companies, and overseas units once a year in principle. They rigorously inspect the state of risk management and the observance of regulations in the performance of administrative operations. Branches also conduct their own internal inspections once a month to confirm the level of correctness in their conduct of administrative operations.

##### •*System risk*

The Bank has set up a system to fully codify its countermeasures against system risk, and has put into practice a number of safety measures to minimize all conceivable categories of system risk. Specifically, the System Planning Group has been given overall responsibility for the management of system risk. Staff specially assigned to system risk management at all levels — from branches through head-office departments to Group companies — carry out regular checks on the state of system risk management. The state of system risk management is audited by the Bank’s Auditing Department and by outside organizations.

# Financial Position and Business Operations

## Ensuring a Sound Financial Position

With the ending of unlimited insurance guarantees on time deposits in April 2002, public concern over the financial soundness of banks has become even stronger. Shizuoka Bank's capital ratio according to BIS standards, which is the foremost indicator of a bank's financial soundness, as well as its credit ratings, have long been among the highest boasted by Japanese financial institutions. Shizuoka Bank is committed to the ongoing enhancement of these management strengths.

## Capital Ratios

Banks such as Shizuoka Bank, which have operational bases overseas, are required to maintain a capital ratio of at least 8%, the common minimum standard set by the Bank for International Settlements.

As of the end of March 2002, the Bank's capital ratio according to the BIS standard stood at 12.51% on a consolidated basis. This ranks among the highest in Japan. The Tier I capital ratio (principally consisting of common stock, capital surplus, and retained earnings), a basic ratio that is not affected by such factors as fluctuations in unrealized gains/losses on securities, was above the BIS standard at 10.85%. One of the Bank's management goals is to maintain a Tier I ratio of at least 10%.

## Credit Ratings

Widely used indicators of a bank's creditworthiness, credit ratings include long-term ratings for deposits, bonds and other obligations with an original maturity period exceeding one year, short-term ratings for obligations with an original maturity period of one year or less, and financial strength ratings that focus on the financial position of the banks themselves. Shizuoka Bank has received credit ratings from four ratings agencies, and these ratings are among the highest of any Japanese financial institution.

## Non-Performing Loans

Shizuoka Bank's non-performing loans have hitherto been kept to a minimum, owing to the rich diversity of local industry and to the large proportion of its corporate customers that are soundly managed. The prospect of a difficult operating environment characterized by persistently low economic growth and changes in the industrial structure continues to prevail. In spite of this, the Bank will continue to maintain the soundness of its assets by preventing the occurrence of non-performing loans by means of appropriate credit risk management, and by expediting the writing-off of existing non-performing loans.

In June 2001, within the Credit Department, a number of officers responsible for providing management rehabilitation support to corporate borrowers were designated, and the number of officers assigned to the collection of non-performing loans was increased. By further enhancing our ability to assist poorly performing borrower companies in improving their businesses, we are working to rehabilitate the business conditions of borrowers requiring caution and to prevent the further occurrence of non-performing loans.

The number of companies suffering poor business performance increased during fiscal 2001 as a result of the nation's prolonged economic slump. However, the ratio of risk-management assets to total loans, and the ratio of credit costs (provision for possible loan losses, loans on written-off claims and losses on loan sales) to the average balance of loans, both rose thanks to the Bank's application of strict debt classifications in accordance with the government's reform program. The Bank aims to lower these two ratios to 3.0% or lower, and 0.3% or lower, respectively, by fiscal 2004.

## Business Performance in Fiscal 2001

### •Earnings

Income from fees and commissions, trading income, and other operating income increased for the term under review. Due to the authorities' prolonged maintenance of a de facto zero interest rate policy, however, interest income declined. Moreover, as a result of increased provision to reserves for possible loan losses and the write-off of equity shares under the application of strict impairment accounting, net income for the term came to ¥7.4 billion (US\$56 million), a decrease of ¥11.0 billion from the previous year.

### •Loans

As our prosperity depends on a mutual relationship with the economy of our home region, we strove to maintain a positive stance on the loan business. However, in spite of an increase in housing-related loans, corporate demand for funds for capital investment was very sluggish, notably from small and medium-sized enterprises. As a result, the term-end balance of loans and bills discounted declined ¥76.9 billion from the previous term-end, to ¥5,064.2 billion (US\$38,005 million).

### •Deposits

An increase in the volume of liquid deposits held by individual customers, due mainly to the effects of the ending of unlimited insurance guarantees on time deposits from April 2002, pushed up total deposits by ¥131.6 billion, to ¥7,018.5 billion (US\$52,672 million).

With the aim of diversifying its fund-procurement sources and assuring itself of a stable, long-term supply of funds, the Bank took advantage of its high credit ratings to issue straight bonds both in Japanese yen and U.S. dollars. As a result, the total of issued bonds outstanding as of the end of March 2002 stood at ¥189.9 billion (US\$1,425 million).

### •Securities

The Bank worked to design a securities portfolio that will yield steady earnings, taking into account the risk of a rise in interest rates, as well as credit risk. As a result, the term-end balance of securities came to ¥1,935.4 billion (US\$14,524 million), an increase of ¥73.4 billion over the previous term-end.

### •Consolidated Cash Flow

Net cash provided by operating activities amounted to ¥131.3 billion, mainly as a result of increases in personal deposits and bond issuances.

Net cash used in investment activities came to ¥120.0 billion as a result of the purchase of securities. Meanwhile, net cash used in financing activities came to ¥12.8 billion as a result of the buy-back and retirement of own shares, as well as bond redemptions and dividend payments.

The net result of the foregoing was that the total of cash and cash equivalents at term-end declined by ¥1.4 billion to ¥117.3 billion (US\$880 million).

# Independent Auditors' Report

**Tohmatsu & Co.**  
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**Deloitte  
Touche  
Tohmatsu**

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

We have examined the consolidated balance sheets of The Shizuoka Bank, Ltd. and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows 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 consolidated financial statements referred to above present fairly the financial position of The Shizuoka Bank, Ltd. and subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows 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.

*Deloitte Touche Tohmatsu*

June 27, 2002

# Consolidated Balance Sheets

THE SHIZUOKA BANK, LTD. and Subsidiaries March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
<b>Assets:</b>			
Cash and due from banks	¥ 511,244	¥ 713,513	\$ 3,836,729
Call loans and bills bought	147,643	66,188	1,108,019
Monetary claims bought	111,758	95,634	838,713
Trading assets (Notes 4, 5)	175,236	171,134	1,315,097
Money held in trust	30,007	30,371	225,197
Securities (Notes 5, 11)	1,935,428	1,862,008	14,524,788
Loans and bills discounted (Notes 6, 11)	5,064,236	5,141,189	38,005,530
Foreign exchanges (Note 7)	4,799	3,515	36,016
Other assets (Note 8)	66,352	71,523	497,955
Premises and equipment (Note 9)	119,335	127,693	895,574
Deferred tax assets (Note 22)	24,480	4,187	183,715
Customers' liabilities for acceptances and guarantees (Note 10)	101,997	106,380	765,456
Reserve for possible loan losses	(114,105)	(99,259)	(856,328)
Reserve for investment losses	(348)	(32)	(2,614)
Total Assets	¥8,178,065	¥8,294,048	\$61,373,847
<b>Liabilities, Minority Interests and Stockholders' Equity:</b>			
<b>Liabilities:</b>			
Deposits (Notes 11, 13)	¥7,018,560	¥6,886,912	\$52,672,124
Call money and bills sold (Note 11)	128,022	330,067	960,770
Trading liabilities (Note 4)	4,786	5,287	35,920
Borrowed money (Note 11)	33,565	37,513	251,901
Foreign exchanges (Note 7)	360	180	2,704
Corporate Bonds	189,950	154,340	1,425,516
Other liabilities (Notes 11, 14)	108,827	119,000	816,715
Reserve for employees' retirement benefits (Note 15)	27,310	26,589	204,954
Reserve for specific law	0		4
Deferred tax liabilities (Note 22)		19,839	
Acceptances and guarantees (Note 10)	101,997	106,380	765,456
Total Liabilities	7,613,380	7,686,110	57,136,064
<b>Minority Interests</b>	<b>8,051</b>	<b>7,575</b>	<b>60,422</b>
<b>Stockholders' Equity:</b>			
Common stock (Note 16)	90,845	90,845	681,769
Capital surplus (Note 16)	54,884	54,884	411,888
Retained earnings (Note 16)	350,693	356,060	2,631,844
Net unrealized gains on available for sale securities (Note 17)	62,032	100,541	465,533
Foreign currency translation adjustment	(1,459)	(1,658)	(10,950)
Treasury stock	(324)	(271)	(2,433)
Shares of parent company held by subsidiaries	(38)	(38)	(290)
Total Stockholders' Equity	556,633	600,363	4,177,361
Total Liabilities, Minority Interests and Stockholders' Equity	¥8,178,065	¥8,294,048	\$61,373,847

See notes to consolidated financial statements.

# Consolidated Statements of Income

THE SHIZUOKA BANK, LTD. and Subsidiaries Years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
<b>Income:</b>			
<b>Interest Income:</b>			
Interest on loans and discounts	¥107,235	¥122,736	\$ 804,770
Interest and dividends on securities	39,305	47,303	294,979
Other interest income	11,854	23,331	88,966
Subtotal	158,396	193,371	1,188,715
<b>Fees and Commissions</b>	37,590	36,927	282,105
<b>Trading Income</b>	1,643	1,172	12,337
<b>Other Operating Income</b> (Note 18)	3,105	5,662	23,305
<b>Other Income</b> (Note 19)	24,701	56,193	185,374
Total Income	225,437	293,328	1,691,836
<b>Expenses:</b>			
<b>Interest Expenses:</b>			
Interest on deposits	26,681	49,225	200,238
Interest on borrowings and rediscounts	6,620	11,068	49,686
Other interest expenses	11,061	17,962	83,014
Subtotal	44,363	78,257	332,938
<b>Fees and Commissions</b>	21,083	20,877	158,228
<b>Trading Losses</b>		234	
<b>Other Operating Expenses</b> (Note 20)	2,136	6,394	16,031
<b>General and Administrative Expenses</b>	88,292	89,991	662,610
<b>Other Expenses</b> (Note 21)	56,834	66,384	426,525
Total Expenses	212,711	262,139	1,596,332
<b>Income before Income Taxes and Minority Interests</b>	12,725	31,188	95,504
<b>Income Taxes:</b> (Note 22)			
Current	18,223	23,160	136,762
Deferred	(13,538)	(10,885)	(101,600)
<b>Minority Interests in Net Income of Consolidated Subsidiaries</b>	553	378	4,156
Net Income	¥ 7,486	¥ 18,534	\$ 56,186
<b>Per Share:</b>			
Net income	¥ 9.95	¥ 24.02	\$ 0.075

See notes to consolidated financial statements.



# Consolidated Statements of Stockholders' Equity

THE SHIZUOKA BANK, LTD. and Subsidiaries Years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
<b>Common Stock:</b> (Note 16)			
Balance at beginning of year	¥ 90,845	¥ 90,845	\$ 681,769
Balance at End of Year	¥ 90,845	¥ 90,845	\$ 681,769
<b>Capital Surplus:</b> (Note 16)			
Balance at beginning of year	¥ 54,884	¥ 54,884	\$ 411,888
Balance at End of Year	¥ 54,884	¥ 54,884	\$ 411,888
<b>Retained Earnings:</b> (Note 16)			
Balance at beginning of year	¥356,060	¥365,585	\$2,672,126
Increase in consolidated retained earnings		146	
Increase due to sale of shares in consolidated subsidiaries		146	
Decrease in consolidated retained earnings	(12,854)	(28,205)	(96,468)
Cash dividends	(4,526)	(4,658)	(33,970)
Bonuses to directors and corporate auditors	(60)	(59)	(454)
Value of shares retired	(8,267)	(23,281)	(62,044)
Decrease due to exclusion of affiliates from application of equity method		(206)	
Net income for the fiscal year	7,486	18,534	56,186
Balance at End of Year	¥350,693	¥356,060	\$2,631,844
Net unrealized gains on available for sale securities (Note 17)	62,032	100,541	465,533
Foreign currency translation adjustment	(1,459)	(1,658)	(10,950)
<b>Treasury Stock and Shares of Parent Company Held by Subsidiaries:</b>			
Treasury stock at end of year	¥ (324)	¥ (271)	\$ (2,433)
Shares of parent company held by subsidiaries at end of year	(38)	(38)	(290)
Balance at End of Year	¥ (362)	¥ (309)	\$ (2,723)
<b>Total Stockholders' Equity:</b>			
Balance at beginning of year	¥600,363	¥511,272	\$4,505,541
Changes during the year, net	(43,730)	89,090	(328,180)
Balance at End of Year	¥556,633	¥600,363	\$4,177,361

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

THE SHIZUOKA BANK, LTD. and Subsidiaries Years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
<b>I. Operating Activities:</b>			
Income before income taxes and minority interests	¥ 12,725	¥ 31,188	\$ 95,504
Adjustments for:			
Income taxes paid	(22,435)	(26,277)	(168,371)
Depreciation and amortization	23,227	24,881	174,313
Increase in reserve for possible loan losses	14,846	7,828	111,416
Increase in reserve for investment losses	315	22	2,369
Increase in reserve for retirement allowances		(14,908)	
Increase in reserve for employees' retirement benefits	720	26,589	5,406
Bonuses to directors and corporate auditors	(79)	(75)	(595)
Gains on securities	(3,748)	(21,108)	(28,132)
Gains on money held in trust	34	(328)	259
Gains on sale of premises and equipment	(275)	(1,313)	(2,068)
Changes in assets and liabilities			
Increase in trading assets	(4,102)	(49,326)	(30,789)
(Decrease) increase in trading liabilities	(500)	1,460	(3,758)
Decrease in loans and bills discounted	96,093	28,061	721,152
Increase in deposits	74,046	103,557	555,693
Decrease in borrowed money	(3,948)	(2,201)	(29,629)
Decrease (increase) in due from banks (excluding demand deposits with the Bank of Japan)	221,407	(73,714)	1,661,591
(Increase) decrease in call loans	(76,460)	175,502	(573,809)
Increase in monetary claims bought	(16,124)	(12,132)	(121,006)
Decrease in call money	(213,879)	(53,017)	(1,605,098)
Increase (decrease) in deposits collateralized for securities lent	7,635	(1,118)	57,300
(Increase) decrease in foreign exchanges (assets)	(1,282)	3,517	(9,628)
Increase (decrease) in foreign exchanges (liabilities)	180	(42)	1,352
Net increase from corporate bonds	29,874	153,035	224,202
Increase (decrease) in interest and dividends receivable	7,329	(3,960)	55,002
Decrease in interest payable	(6,456)	(2,979)	(48,454)
Other net	(7,792)	(42,153)	(58,478)
Total Adjustments	118,624	219,794	890,240
Net Cash Provided by Operating Activities	131,350	250,983	985,744
<b>II. Investing Activities:</b>			
Purchase of securities	(722,505)	(935,561)	(5,422,179)
Purchase of shares in consolidated subsidiaries	(13)	(816)	(102)
Proceeds from sale of securities	313,742	436,296	2,354,537
Proceeds from redemption of securities	304,308	265,463	2,283,741
Increase in money held in trust	(8,628)	(10,612)	(64,750)
Decrease in money held in trust	8,957	13,069	67,224
Purchase of premises and equipment	(18,417)	(23,464)	(138,215)
Proceeds from sale of premises and equipment	2,519	4,457	18,908
Net Cash Used in Investing Activities	(120,036)	(251,167)	(900,836)
<b>III. Financing Activities:</b>			
Dividends paid	(4,526)	(4,658)	(33,972)
Dividends paid to minority interests	(20)	(35)	(156)
Buyback and retirement of outstanding common stock using retained earnings	(8,320)	(23,552)	(62,440)
Net Cash Used in Financing Activities	(12,867)	(28,245)	(96,568)
<b>IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	54	98	409
<b>V. Net Increase in Cash and Cash Equivalents</b>	(1,499)	(28,330)	(11,251)
<b>VI. Cash and Cash Equivalents, Beginning of Year</b>	118,836	147,167	891,834
<b>VII. Cash and Cash Equivalents, End of Year</b>	¥117,337	¥118,836	\$ 880,583

See notes to consolidated financial statements.

Note: For the purpose of the consolidated statements of cash flows, cash and cash equivalents consists of cash and demand deposits with the Bank of Japan.

Cash and due from banks on the consolidated balance sheets at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2002	2001	2002
Cash and cash due from banks	¥511,244	¥713,513	\$3,836,729
Other due from banks	393,906	594,676	2,956,146
Cash and cash equivalents in the consolidated balance sheet	¥117,337	¥118,836	\$ 880,583

# 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 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 Uniform Accounting Standards for Banks in Japan stated by the Japanese Bankers' Association 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 financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

## 2. YEN AND U.S. DOLLAR AMOUNTS

In accordance with the Bank Law of Japan and the Uniform Accounting Standards for Banks in Japan, 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 ¥133.25 to \$1, the approximate rate of exchange at March 31, 2002. Such translations should not be construed as representations that Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation:

The accompanying consolidated financial statements as of March 31, 2002 and 2001 include the accounts of the Bank and 14 subsidiaries.

The excess of the cost of an acquisition over the fair value of net assets of the acquired subsidiary at the date of acquisition is charged to income when incurred.

All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profits resulting from intercompany transactions are eliminated.

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

"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 stated 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.

### Securities:

Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and available-for-sale securities, which are not classified as either trading account securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

For securities included in "Money held in trust," the same method as mentioned above was applied.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

### 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.

The range of useful lives is principally from 3 to 38 years for buildings, and from 2 to 20 years for equipment.

The Bank previously assumed a useful life for computers of 6 years, but with effect from the business term under review, the useful lives of personal computers will be calculated as 4 years (except those used as servers), while those of other computers including mainframes will be set at 5 years. This change will have no material effect on the Bank's recurring profit and income before income tax.

### Other assets:

The Bank and its subsidiaries in Japan amortize internal-use software development costs by the straight-line method over the useful life (five years).

### Reserve for possible loan losses:

The amount of 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 is 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.

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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 — “normal,” “caution,” “possible bankruptcy,” “virtual bankruptcy” and “legal bankruptcy.”

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

The consolidated subsidiaries provide the “Reserve for possible loan losses” at the amount deemed necessary to cover such losses, principally based on past experience.

**Reserve for investment losses:**

The reserve for investment losses is provided at a necessary amount based on the assessment of financial conditions of companies in which the Bank has an interest and other factors.

**Retirement pension plans:**

Effective April 1, 2000, the Bank and its subsidiaries adopted a new accounting standard for employees’ retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

**Leases:**

All leases are accounted for as operating leases. Under 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 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 in overseas subsidiaries, which is translated at the historical exchange rates.

The financial statements of the consolidated subsidiaries 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.

Beginning with the term under review, foreign currency-denominated transactions are stated in accordance with the method prescribed in the revised accounting standards for foreign exchange transactions (Opinion regarding Revision of Accounting Standards for Foreign Exchange Transactions issued by the Business Accounting Deliberation Council (“BADC”) dated October 22, 1999), with the exception of transactions applied to Tentative Accounting and Auditing for Foreign Exchange Transactions in the Banking Industry issued by the Japanese Institute of Certified Public Accountants (JICPA) (Industry-specific Audit Committee Report No. 20). Previously, the Bank employed the method prescribed in the Tentative Auditing Treatment for the Continued Employment of New Foreign Exchange Accounting Standards in the Banking Industry issued by JICPA. This change has no material effect on the Bank’s financial statements.

For the purpose of hedging exchange rate fluctuations of securities denominated in foreign currencies (except for bonds) the Bank specified issues of foreign currency-denominated securities subject to hedge accounting in line with regulations stipulated in the JICPA’s Industry-specific Audit Committee Report No. 20 fair value hedging is applied to the securities on the condition of a greater amount of spot/forward liabilities than acquisition costs in terms of amounts expressed in foreign currencies.

Fund-related swap transactions are booked on the basis of the accounting treatment outlined in JICPA’s Industry-specific Audit Committee Report No. 20. The net exchange amount of the amounts equivalent to the credit principal amount and the debt principal amount according to the exchange rate on the balance sheet date is recorded on the balance sheet. The spot/forward difference amount which reflects the difference in interest rates between the different currencies is accrued during the period from the term in which the settlement date of the forward exchange transaction falls, and entered in the Statement of Income, together with the accrued income and expense amounts on the balance sheet date.

A fund-related swap transaction is a swap transaction involving the borrowing of funds in one currency and the lending of funds in another currency. An amount equivalent to the principal of the funds borrowed and funds lent is exchanged at the spot rate into another currency. A forward exchange contract is concluded to buy or sell foreign currency equivalent to the principal of the funds borrowed and funds lent.

In a currency swap transaction of the plain vanilla type, such as a swap transaction involving the borrowing of funds in one currency and the lending of funds in another currency, where the principal swapped at the beginning of the transaction is equal to the principal swapped at the end of the transaction and the interest portion is set at a reasonable rate (includes those plain vanilla type currency swap transactions in which the amount of currency equivalent to the principal of one of the currencies is changed on each date the amount equivalent to the interest is paid, in order to reflect market exchange rates at the time, and in which moreover the principal swapped at the beginning of each interest payment period is equal to the principal swapped at the end of the interest payment period), transactions are booked on the basis of the accounting treatment outlined in JICPA’s Industry-specific Audit Committee Report No. 20. The net exchange amount of the amounts equivalent to the credit principal amount and the debt principal amount according to the exchange rate on the balance sheet date is entered in the balance sheet. The amount of foreign currency equivalent to the interest to be exchanged accrued during the period is entered in the Statement of Income together with the accrued income and expense amounts on the balance sheet date.

**Income taxes:**

The Bank and its subsidiaries in Japan allocated income taxes based on the asset and liability method.

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.

#### Derivatives and hedging activities:

Derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the income statement.

The Bank's hedge accounting method is used to manage interest-rate risk arising on numerous financial assets and liabilities such as loans and deposits by aggregating them using derivative transactions, and carrying out a "macro hedge." This constitutes risk management by the risk-adjustment approach as laid down in report No. 15 — on accounting and auditing practice in regard to the application of accounting standards for financial instruments in the banking business — of the industry-specific inspection committee of the JICPA. In addition, upon ascertaining the quantity of the risk associated with the derivatives used as the means for risk adjustment within the upper limit of risk permissible under risk management policy, the effectiveness of hedging is evaluated by verifying whether or not the hedged interest-rate risk is reduced.

With regard to certain assets and liabilities, individual deferral hedges, market value hedges and special treatment hedges to interest-rate swaps are utilized.

The method of hedge accounting for consolidated subsidiaries corresponds with the Bank's method.

Beginning with the term under review, financial products are stated in accordance with the method prescribed in the statements issued by BADC dated January 22, 1999.

Gensaki transactions (with repurchase agreements), previously treated as trades, are currently posted under gensaki (repurchase) and gensaki (resale) accounts. This change has no material effect on the financial statements.

#### Statement of cash flows:

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

#### 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 ASSETS AND LIABILITIES

Trading assets and liabilities at March 31, 2002 and 2001 consisted of the following:

##### (a) Trading assets

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Trading securities:			2002
National government bonds	¥ 32,616	¥ 9,893	\$ 244,774
Local government bonds	1,817	42	13,641
Government-guaranteed bonds	799	0	5,997
Subtotal	35,232	9,936	264,412
Financial derivatives:			
Option premium	6	310	50
Other (Note)	5,151	5,064	38,664
Subtotal	5,158	5,374	38,714
Other trading assets:			
Commercial paper	134,804	155,756	1,011,666
Other (Note)	40	67	305
Subtotal	134,845	155,823	1,011,971
Total	¥175,236	¥171,134	\$1,315,097

##### (b) Trading liabilities

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Derivative trading securities	¥ 4		\$ 30
Financial derivatives:			
Option premium	18	¥ 357	136
Other (Note)	4,764	4,929	35,754
Total	¥4,786	¥5,287	\$35,920

Note: Other in assets and liabilities represents unrealized gains and losses, respectively.

#### 5. SECURITIES

Securities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
National government bonds	¥ 528,120	¥ 334,628	\$ 3,963,381
Local government bonds	66,066	46,725	495,807
Corporate debentures	413,050	428,041	3,099,820
Corporate stocks	255,539	318,085	1,917,745
Other securities	672,650	734,526	5,048,035
Total	¥1,935,428	¥1,862,008	\$14,524,788

In addition to "Securities" in the consolidated balance sheet, also posted are trading account securities and commercial paper within the item "Trading assets," negotiable certificates of deposit within the item "Cash and due from banks," and miscellaneous monetary claims purchased within the item "Monetary claims bought."

Information regarding each category of the securities classified as trading, available-for-sale and held-to-maturity at March 31, 2002 and 2001 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2002</b>				
Securities classified as:				
Trading				¥ 170,078
Available-for-sale:				
Equity securities	¥ 155,495	¥92,971	¥2,320	246,146
Debt securities	979,560	17,493	420	996,633
Others	668,415	3,358	6,163	665,610
Held-to-maturity	4,382	12	2	4,392

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2001				
Securities classified as:				
Trading				¥ 165,759
Available-for-sale:				
Equity securities	¥ 164,341	¥150,761	¥4,033	311,069
Debt securities	779,265	21,897	72	801,089
Others	726,815	5,472	3,987	728,299
Held-to-maturity	3,571	36	0	3,608

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2002</b>				
Securities classified as:				
Trading				\$ 1,276,383
Available-for-sale:				
Equity securities	\$ 1,166,943	\$697,723	\$ 17,415	1,847,251
Debt securities	7,351,297	131,284	3,158	7,479,423
Others	5,016,252	25,208	46,256	4,995,204
Held-to-maturity	32,893	92	20	32,965

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Available-for-sale:			
Equity securities	¥ 9,385	¥ 6,939	\$ 70,433
Debt securities	9,059	6,713	67,988
Held-to-maturity	117,298	106,134	880,288
Total	¥135,743	¥119,787	\$1,018,709

Proceeds from sales of available-for-sale securities for the year ended March 31, 2002 and 2001 were ¥308,099 million (\$2,312 million), and ¥388,691 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥19,346 million (\$145,192 thousand), ¥33,614 million and ¥4,819 million (\$36,171 thousand), ¥6,425 million, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
<b>2002</b>				
Due in one year or less	¥ 191,494	¥111,629	\$ 1,437,109	\$837,745
Due after one year through five years	1,002,067	7,316	7,520,204	54,909
Due after five years through ten years	179,965	2,435	1,350,589	18,274
Due after ten years	216,186		1,622,412	
Total	¥1,589,714	¥121,381	\$11,930,314	\$910,928

	Millions of Yen		Thousands of U.S. Dollars	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
2001				
Due in one year or less	¥ 100,965	¥ 98,693	\$ 814,894	\$796,560
Due after one year through five years	957,397	7,137	7,727,179	57,608
Due after five years through ten years	173,729	3,874	1,402,176	31,269
Due after ten years	206,703		1,668,309	
Total	¥1,438,795	¥109,705	\$11,612,558	\$885,437

## 6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Bills discounted	¥ 126,252	¥ 159,896	\$ 947,486
Loans on bills	517,188	564,331	3,881,340
Loans on deeds	3,314,707	3,347,188	24,875,852
Overdrafts	1,106,088	1,069,772	8,300,852
Total	¥5,064,236	¥5,141,189	\$38,005,530

In accordance with the Uniform Accounting Standards for Banks in Japan, 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, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loans under bankruptcy proceedings	¥ 19,348	¥ 25,810	\$ 145,204
Past due loans	197,971	176,095	1,485,719
Loans past due for three months or more	1,302	708	9,772
Loans with relaxed conditions	41,639	37,883	312,491
Total	¥260,262	¥240,498	\$1,953,186

- 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.

## 7. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2002 and 2001 consisted of the following:

### (a) Assets

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due from foreign banks	¥ 457	¥ 449	\$ 3,436
Foreign exchange bills bought	657	690	4,931
Foreign exchange bills receivable	3,684	2,375	27,649
Total	¥4,799	¥3,515	\$36,016

### (b) Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Foreign exchange bills sold	¥ 337	¥ 160	\$ 2,531
Foreign exchange bills payable	23	19	173
Total	¥ 360	¥ 180	\$ 2,704

## 8. OTHER ASSETS

Other assets at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Accrued income	¥15,132	¥23,011	\$113,565
Deferral hedging loss	8,978	11,717	67,378
Derivative products	3,555	3,699	26,681
Bond issue cost	496	826	3,726
Prepaid expenses	250	335	1,879
Others	37,939	31,933	284,726
Total	¥66,352	¥71,523	\$497,955

## 9. PREMISES AND EQUIPMENT

Premises and equipment at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Land, buildings and equipment	¥116,856	¥125,351	\$876,972
Construction in progress	247	129	1,859
Guarantee deposits on office space	2,230	2,212	16,743
Total	¥119,335	¥127,693	\$895,574

Premises and equipment are stated at cost less accumulated depreciation of ¥164,760 million (\$1,236,475 thousand) and ¥157,453 million in 2002 and 2001, respectively.

## 10. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities for acceptances and guarantees are recorded and reflected in acceptances and guarantees. Customers' liabilities for acceptances and guarantees have been recorded and reflected as assets in the consolidated balance sheet, representing the Bank's right of indemnity from the applicant.

## 11. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Assets pledged as collateral:			
Securities	¥437,924	¥393,582	\$3,286,488
Loans and bills discounted	11,418	20,421	85,689
Unearned lease	16,256	162	122,002
Relevant liabilities to above assets:			
Deposits	¥199,893	¥179,292	\$1,500,137
Call money and bills sold	80,296	190,318	602,600
Borrowed money	12,366	22,216	92,808
Other liabilities	3,217	3,810	24,145

In addition to the above, the Bank has provided ¥178,341 million in securities and ¥3,731 million in NCDs as collateral for foreign exchange settlements and certain other transactions and as security for futures transactions.

## 12. LOAN COMMITMENT

Beginning with the term under review, loan commitments were subject to mandatory disclosure. A breakdown of the loan commitments is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Unexecuted loan commitments outstanding			
Loans due within one year	¥1,474,944	¥1,381,404	\$11,069,003
Loans due over one year	27,222	36,617	204,294
Total	¥1,502,166	¥1,418,021	\$11,273,297

Overdraft agreements and agreements for loan commitments are agreements under which the Bank pledges to lend funds up to a certain limit when applications for advances of loans are received from customers, provided there are no violations of the terms laid down in the agreements. The balance of loans as yet undisbursed under these agreements stands at ¥1,502,166 million (\$11,273 million). Of this total, ¥1,474,944 million (\$11,069 million) relates to agreements under which the period remaining is no more than one year.

Many of these agreements terminate without loans being disbursed, and thus the balance of loans as yet undisbursed will not necessarily affect the future cash flow of the Bank or its consolidated subsidiaries. Many of these agreements contain stipulations providing numerous reasons, such as changes in the financial situation and the preservation of credit, for the Bank or its consolidated subsidiaries to refuse to advance loans for which applications have been received, or to reduce the maximum amounts under the agreements. In addition, at the time of agreements, borrowers can, when necessary, be required to provide collateral such as real estate or securities, and after the agreements have been signed, the state of the customer's business and other factors may be assessed regularly in accordance with in-house procedures. Moreover, agreements can be revised if necessary, and steps, such as the formulation of measures to preserve credit may be taken.

### 13. DEPOSITS

Deposits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Current deposits	¥ 282,618	¥ 296,799	\$ 2,120,962
Savings deposits	2,654,435	2,084,600	19,920,718
Deposits at notice	39,880	49,058	299,290
Time deposits	3,247,061	3,671,738	24,368,190
Negotiable certificates of deposit	106,300	74,599	797,749
Other	688,264	710,116	5,165,215
Total	¥7,018,560	¥6,886,912	\$52,672,124

### 14. OTHER LIABILITIES

Other liabilities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Income taxes payable	¥ 6,285	¥ 10,497	\$ 47,171
Accrued expenses	13,029	19,231	97,780
Deposits from employees	4,073	4,137	30,572
Unearned income	11,083	11,795	83,177
Derivative products	11,792	14,566	88,500
Other	62,562	58,771	469,515
Total	¥108,827	¥119,000	\$816,715

### 15. RETIREMENT AND PENSION PLANS

The Bank and its subsidiaries in Japan have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Bank or from subsidiaries in Japan and annuity payments from a trustee.

Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or voluntary retirement at certain specific ages prior to the mandatory retirement age.

Effective April 1, 2000, the Bank and its subsidiaries adopted a new accounting standard for employees' retirement benefits.

The liability (asset) from employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Projected benefit obligation	¥119,918	¥108,204	\$899,950
Fair value of plan assets	(66,624)	(70,714)	(499,995)
Unrecognized actuarial loss (gain)	(25,983)	(10,900)	(195,001)
Net liability (asset)	¥ 27,310	¥ 26,589	\$204,954

The components of net periodic benefit costs for the year ended March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Service cost	¥2,774	¥3,147	\$20,824
Interest cost	3,235	3,208	24,283
Expected return on plan assets	(2,047)	(1,745)	(15,366)
Amortization of prior service cost	58	(2,328)	438
Actuarial losses	1,090		8,180
Amortization of transitional obligation		34,233	
Other	845	599	6,348
Net periodic benefit costs	¥5,957	¥37,114	\$44,707

Assumptions used for the year ended March 31, 2002 and 2001 are set forth as follows:

	2002	2001
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	3.5%	3.0%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	— year	1 year

### 16. STOCKHOLDERS' EQUITY

(a) Common stock consists of the following:

- (i) Par value: ¥50 per share
- (ii) Authorized: 2,444,596,000 shares in 2002  
2,452,830,000 shares in 2001
- (iii) Issued and outstanding: 750,129,069 shares in 2002  
758,363,069 shares in 2001

(b) 8,234,000 shares (¥8,267 million) of common stock have been retired in the fiscal year ended March 31, 2002.

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.



Prior to October 1, 2001, the Bank Law of Japan also provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 100% of stated capital. Effective October 1, 2001, the revised Bank Law of Japan allows for such appropriations to be set aside as a legal reserve until the total capital surplus and legal reserve equals 100% of stated capital. The amount of total capital surplus and legal reserve which exceeds 100% of stated capital can be transferred to retained earnings by resolution of the stockholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥90,845 million (\$681,769 thousand) and ¥90,845 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common stocks to existing stockholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amounts of stated capital, capital surplus or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders' meeting.

The Code permits companies to transfer a portion of capital surplus and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the stockholders.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

## 17. NET UNREALIZED GAIN ON AVAILABLE FOR SALE SECURITIES

Breakdown of "Net unrealized gain on available for sale securities" posted in Balance Sheets is as follows.

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
End of the term under review (As of March 31, 2002 and 2001)			2002
Valuation difference	¥104,919	¥170,036	\$787,386
Available for sale securities	104,919	170,036	787,386
Available for sale money held in trusts			
Differed tax liabilities	(42,849)	(69,443)	(321,575)
Amounts equivalent to difference on valuation on available for sale securities (before deduction of a portion of minority interests)	¥ 62,069	¥100,593	\$465,811
Minority interests adjustment	¥ (37)	¥ (52)	\$ (278)
Amounts equivalent to a portion belonging to the parent company of difference on valuation on available for sale securities held by equity-method subsidiaries			
Net unrealized gain on available for sale securities	¥ 62,032	¥100,541	\$465,533

## 18. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Gains on foreign exchange transactions	¥1,835	¥ 49	\$13,771
Gains on sales of bonds	1,258	5,600	9,441
Gains on redemption of bonds			
Other	12	12	93
Total	¥3,105	¥5,662	\$23,305

## 19. OTHER INCOME

Other income for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Gains on sales of stocks and other securities	¥17,547	¥28,094	\$131,688
Gains on money held in trust	9	410	71
Other	7,144	27,688	53,615
Total	¥24,701	¥56,193	\$185,374

## 20. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of
	2002	2001	U.S. Dollars
Losses on sales of bonds	¥1,183	¥5,473	\$ 8,884
Losses on redemption of bonds	54		407
Losses on devaluation of bonds		1	
Expenses for derivatives transactions	443	506	3,327
Amortized bond issue cost	454	413	3,413
Total	¥2,136	¥6,394	\$16,031

## 21. OTHER EXPENSES

Other expenses for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Provision for reserve for possible loan losses	¥31,885	¥22,944	\$239,291
Loans on written-off claims	202	636	1,520
Losses on sales of stocks and other securities	2,763	954	20,743
Losses on devaluation of stocks and other securities	11,054	2,917	82,962
Losses on money held in trust	44	81	330
Losses on disposition of premises and equipment	495	920	3,716
Other	10,388	37,929	77,963
Total	¥56,834	¥66,384	\$426,525

## 22. INCOME TAXES

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.8% for the years ended March 31, 2002 and 2001, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, at March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax assets:			
Reserve for possible loan losses	¥42,813	¥ 34,072	\$321,299
Depreciation	3,926	3,919	29,467
Reserve for employees' retirement benefits	17,664	17,018	132,570
Other	11,433	7,549	85,805
Deferred tax assets	¥75,838	62,560	¥569,141
Deferred tax liabilities:			
Net unrealized gains, net of taxes on available for sale securities	(42,849)	(69,443)	(321,575)
Gain of establishment of employee retirement benefit trust	(7,113)	(7,113)	(53,387)
Revaluation reserve for premises and equipment	(1,318)	(1,222)	(9,893)
Other	(76)	(432)	(571)
Deferred tax liabilities	(51,357)	(78,212)	(385,426)
Net deferred tax assets	¥24,480	¥(15,652)	\$183,715

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2002 and 2001 is as follows:

	2002
Normal effective statutory tax rate	40.8%
Expenses not deductible for income tax purposes	0.7
Tax benefits not recognized on operating losses of subsidiaries	2.0
Non-taxable dividend incomes	(7.0)
Other – net	0.2
Actual effective tax rate	36.8%

On March 31, 2001, the "Ordinance Relating to the Special Case for Tax Standards Regarding the Business Tax on Banking Businesses Operating in the Osaka Prefecture" (Ordinance 131 of the Osaka Prefecture of June 9, 2000) was approved and enacted in Japan, which decreased the normal effective statutory tax rate by 0.0%, effective from the year beginning April 1, 2001. The effect of this change on deferred taxes in the consolidated statements of income for the year ended March 31, 2001 is approximately ¥72 million (\$586 thousand).

## 23. LEASES

### (a) Lessee

Lease payments under finance leases for the year ended March 31, 2002 were ¥22 million (\$170 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 years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Equipment	¥130	¥107	\$983
Acquisition cost	(76)	(53)	(573)
Accumulated depreciation	¥ 54	¥ 53	\$410
Net leased property			

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Equipment	¥30	¥31	\$225
Due within one year	31	37	238
Due after one year	¥61	¥69	\$463
Total			

### (b) Lessor

Lease revenue under finance leases for the year ended March 31, 2002 was ¥15,847 million (\$118,927 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 years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Equipment	¥105,048	¥104,267	\$788,353
Acquisition cost	(66,670)	(65,096)	(500,342)
Accumulated depreciation	¥ 38,377	¥ 39,170	\$288,011
Net leased property			

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Equipment	¥15,170	¥15,935	\$113,853
Due within one year	30,440	32,330	228,444
Due after one year	¥45,611	¥48,265	\$342,297
Total			

## 24. SEGMENT INFORMATION

Information regarding business segments of the Bank and its subsidiaries for the years ended March 31, 2002 and 2001 were as follows:

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

The domestic share of total income exceeds 90%; thus information on total income from overseas is not presented.

Year ended March 31, 2002	Millions of Yen				
	Bank Operations	Other Operations	Total	Eliminations	Consolidated
Total income and income before income taxes and minority interests:					
Total income from outside customers	¥ 200,354	¥25,082	¥ 225,437		¥ 225,437
Total income from intersegment transactions	97	11,666	11,764	¥(11,764)	
<b>Total</b>	<b>200,452</b>	<b>36,748</b>	<b>237,201</b>	<b>(11,764)</b>	<b>225,437</b>
Total expenses	188,364	35,637	224,002	(11,290)	212,711
Income before income taxes and minority interests	12,088	1,111	13,199	(473)	12,725
Total assets, depreciation and amortization and capital expenditure:					
Total assets	8,138,095	97,093	8,235,189	(57,124)	8,178,065
Depreciation and amortization	8,870	14,426	23,296	(69)	23,227
Capital expenditure	4,671	13,798	18,469	(52)	18,417

Year ended March 31, 2001	Millions of Yen				
	Bank Operations	Other Operations	Total	Eliminations	Consolidated
Total income and income before income taxes and minority interests:					
Total income from outside customers	¥ 268,326	¥ 25,001	¥293,328		¥ 293,328
Total income from intersegment transactions	557	11,481	12,039	¥(12,039)	
<b>Total</b>	<b>268,883</b>	<b>36,483</b>	<b>305,367</b>	<b>(12,039)</b>	<b>293,328</b>
Total expenses	239,025	35,451	274,477	(12,337)	262,139
Income before income taxes and minority interests	29,858	1,031	30,889	298	31,188
Total assets, depreciation and amortization and capital expenditure:					
Total assets	8,250,957	101,155	8,352,113	(58,064)	8,294,048
Depreciation and amortization	10,012	14,928	24,941	(60)	24,881
Capital expenditure	9,110	14,452	23,563	(98)	23,464

Year ended March 31, 2002	Thousands of U.S. Dollars				
	Bank Operations	Other Operations	Total	Eliminations	Consolidated
Total income and income before income taxes and minority interests:					
Total income from outside customers	\$ 1,503,600	\$188,236	\$ 1,691,836		\$ 1,691,836
Total income from intersegment transactions	735	87,553	88,288	\$ (88,288)	
<b>Total</b>	<b>1,504,335</b>	<b>275,789</b>	<b>1,780,124</b>	<b>(88,288)</b>	<b>1,691,836</b>
Total expenses	1,413,617	267,449	1,681,066	(84,734)	1,596,332
Income before income taxes and minority interests	90,718	8,340	99,058	(3,554)	95,504
Total assets, depreciation and amortization and capital expenditure:					
Total assets	61,073,890	728,660	61,802,550	(428,703)	61,373,847
Depreciation and amortization	66,567	108,268	174,835	(522)	174,313
Capital expenditure	35,059	103,550	138,609	(395)	138,214

Notes: 1. Business segments:

(1) Bank Operations

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

2. Changes in accounting standards (Year ended March 31, 2001)

As described in the Material Facts for the Basis of Presenting Consolidated Financial Statements and Additional Information, the Bank and its subsidiaries adopted the following new accounting standards in the consolidated fiscal year under review. The resulting effects on business segments were as follows.

(1) As a result of the implementation of the Accounting Standards for Retirement Benefits (Business Accounting Deliberation Council (BADC)'s Statement on the Setting of Accounting Standards relating to Retirement Benefits, June 16, 1998), consolidated total revenues for the term under review expanded by ¥19,754 million for the banking business; total expenses increased by ¥33,816 million for the banking business and ¥35 million for other businesses; and, therefore, income before income taxes decreased by ¥14,061 million for the banking business and ¥35 million for other businesses, compared with figures using the previous method. These amounts are adjusted for the effects of setting up the retirement benefit trust.

(2) As a result of the implementation of the Accounting Standards for Financial Instruments (BADC's Statement on the Setting of Accounting Standards relating to Financial Instruments, January 22, 1999), consolidated total revenues for the term under review decreased by ¥3,136 million for the banking business and were unchanged for other businesses; total expenses decreased by ¥2,861 million for the banking business and ¥1 million for other businesses; and, therefore, income before income taxes decreased by ¥274 million for the banking business and increased by ¥1 million for other businesses, compared with figures using the previous method.

(3) The Bank and its subsidiaries also adopted the Accounting Standards for Foreign Currency Transactions, etc. (BADC's Statement on the Revision of Accounting Standards relating to Foreign Currency Transactions, October 22, 1999), for consolidated subsidiaries located in Japan, but there were no significant effects on consolidated income before income taxes for the term under review, compared with figures using the previous method.

## 25. DERIVATIVES

Reporting fiscal year (April 1, 2001 to March 31, 2002)

### (1) Nature of trading

The Bank and its consolidated subsidiaries use the following derivative transactions: Interest rate-related transactions using interest futures, interest rate swaps and interest rate caps; currency related transactions using currency swaps, currency options and forward exchange contracts; and bond-related transactions using bond futures and bond future options.

### (2) Trading policy

In response to risk-hedging needs related to foreign exchange rates and interest rates for customers, the Bank and its consolidated subsidiaries use derivatives transactions for hedging risk under asset/liability management (ALM) and individual transactions with the aim of appropriate market risk management. In addition, they have set certain position limits and established loss-cutting rules for short-term transactions.

The Bank and its subsidiaries do not enter into derivative transactions for speculative purposes.

### (3) Purpose

Derivative transactions are used on the basis of the trading policy indicated above.

Hedge accounting is applied to certain derivative transactions.

#### 1) Accounting for hedging activities

The deferral method and exceptional interest rate swap handling method were adopted for hedging activities.

Periodic accounting of profit and loss is used for currency swaps, etc. that are considered similar in nature to hedge accounting.

#### 2) Hedging policy (including hedging instruments and hedged items)

In accordance with the internal rules of the Bank that comply with the "accounting standard for derivative financial instruments" and other regulations, interest rate risk and risk from price fluctuations of bonds and equities are hedged.

Hedging instruments and hedged items to which a hedging account was applied for the fiscal year under review are as follows:

Hedge instruments: Interest rate swaps, interest rate caps

Hedge items: Yen denominated items; Deposits, loans, corporate bonds, etc. (so-called "macro hedged" items)

Foreign currency denominated items; Deposits, corporate bonds, securities (items subject to "individual hedging" method)

#### 3) Assessment of the effectiveness of hedging instruments

For the fiscal year under review, so-called "macro hedged" items have been confirmed to meet the requirements of the "risk-adjusting approach" according to a preliminary test. Others have been confirmed to meet the requirements of the exceptional interest rate swap handling method.

#### Market Value of Derivatives

	Millions of Yen			
	Contract or Notional Amount		Market Value	Unrealized Losses
	Total	More than One Year		
<b>2002</b>				
Listed:				
Interest rate futures	¥ 3,744		¥ 0	¥ 0
Securities futures	1,927		(4)	(4)
Over-the-counter:				
Interest rate swaps	348,302	¥264,493	129	129
Currency swaps	103,580	103,580	268	268
Other	91,288	90,288	(21)	(9)

Notes: 1. Forward exchange and currency option contracted amounts are reflected in the 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 ¥26.8 billion by the current exposure method at fiscal year-end.

4. Please refer to page 8 for information on the Bank's risk management policy.

	Millions of Yen			
	Contract or Notional Amount		Market Value	Unrealized Losses
	Total	More than One Year		
<b>2001</b>				
Listed:				
Interest rate futures				
Over-the-counter:				
Interest rate swaps	¥ 393,676	¥ 271,268	¥(311)	¥(311)
Currency swaps	51,653	51,653	147	147
Other	18,712	18,712	(15)	32

	Thousands of U.S. Dollars			
	Contract or Notional Amount		Market Value	Unrealized Losses
	Total	More than One Year		
<b>2002</b>				
Listed:				
Interest rate futures	\$ 28,113		\$ 2	\$ 2
Securities futures	14,465		(30)	(30)
Over-the-counter:				
Interest rate swaps	2,613,899	\$1,984,942	969	969
Currency swaps	777,338	777,338	2,015	2,015
Other	685,088	677,583	(158)	(73)

## 26. STOCK OPTION PLAN

At the Ordinary General Stockholders' Meeting held on June 28, 2000, the Bank's stockholders approved the following stock option plan for the Bank's directors and key employees and the purchase of treasury stock for retirement.

The plan provides for granting options to directors and key employees to purchase the Bank's common stock in an aggregate maximum of 225 thousand shares for 10 directors and an aggregate maximum of 70 thousand shares for seven key employees in the period from June 28, 2002 to June 27, 2004. The options will be granted at an exercise price of 105 percent of the fair market value of the Bank's common stock at the date of option grant. The Bank plans to issue acquired treasury stock upon exercise of the stock options.

## 27. SUBSEQUENT EVENT

### (a) Appropriations of Retained Earnings

The following appropriations of retained earnings were authorized at the Ordinary General Stockholders' Meeting held on June 26, 2002:

	Thousands of	
	Millions of Yen	U.S. Dollars
Cash dividends, ¥3 (\$0.02) per share	¥2,249	\$16,881
Bonuses to directors and corporate auditors	30	225
Total	¥2,279	\$17,106

### (b) Purchase of treasury stock

The Bank was authorized to repurchase up to 30 million shares of the Bank's common stock (aggregate amount of ¥30 billion) at the ordinary general stockholders' meeting held on June 26, 2002.

# Key Consolidated Financial Indicators

## Summary of Profits (Losses)

Years ended March 31	Millions of Yen			Percentage Change
	2002	2001	Increase (Decrease)	
Net interest income	¥ 114,186	¥115,376	¥ (1,190)	(1.0)%
Net fees and commissions	16,505	16,049	456	2.8
Net trading income	1,643	938	705	75.2
Net other operating profits	969	(732)	1,702	(232.3)
General and administrative expenses	88,292	89,991	(1,698)	(1.9)
Net other recurring losses	(32,454)	(11,504)	(20,949)	182.1
Recurring profits	12,405	29,874	(17,469)	(58.5)
Income before income taxes and minority interests	12,725	31,188	(18,462)	(59.2)
Income taxes:				
Current	18,223	23,160	(4,937)	(21.3)
Deferred	(13,538)	(10,885)	(2,652)	24.4
Minority interest in net income of consolidated subsidiaries	553	378	175	46.2
Net income	7,486	18,534	(11,047)	(59.6)

## Breakdown of Net Interest Margin

Year ended March 31	Billions of Yen
	2002
Interest income	¥ 158.3
Average interest-earning assets	7,502.8
Average interest rate of interest-earning assets (%)	2.11
Interest expenses (Note)	44.2
Average interest-bearing liabilities	7,276.2
Average interest rate of interest-bearing liabilities (%)	0.60
Net interest income	114.1

Note: Interest expenses here exclude interest paid in relation to investment in money held in trust.

## Net Other Operating Profits

Years ended March 31	Millions of Yen		
	2002	2001	Increase (Decrease)
Gain on foreign exchange transactions	¥1,835	¥ 49	¥ 1,785
Gain/loss on government bonds	19	124	(105)
Gain on sale	1,258	5,600	(4,342)
Loss on sale	(1,183)	(5,473)	4,289
Redemption loss	(54)		(54)
Amortization		(1)	1
Amortized bond issue cost	(454)	(413)	(41)
Provision for investment loss reserve		10	(10)
Gain/loss on derivatives transactions	(433)	(504)	71
Proceeds from derivatives transaction	9	1	7
Expenses for derivative products	(443)	(506)	63
Others	2		2
Gain/loss on other business	969	(732)	1,702
Other operating revenue	3,105	5,662	(2,556)
Other operating expenses	(2,136)	(6,394)	4,258

## Loans Outstanding by Type of Borrower

March 31	Billions of Yen, % Share			
	2002		2001	
Domestic branches:				
Manufacturing	¥ 999.6	20.1%	¥1,007.1	20.0%
Agriculture	7.6	0.2	9.5	0.2
Forestry	0.6	0.0	0.6	0.0
Fishery	6.7	0.1	7.9	0.2
Mining	8.1	0.2	10.3	0.2
Construction	304.1	6.1	324.1	6.4
Utilities	53.5	1.1	64.7	1.3
Transportation and communication	218.2	4.4	236.6	4.7
Wholesaling and retailing	741.2	14.9	770.8	15.3
Finance and security	276.6	5.6	289.8	5.8
Real estate	298.2	6.0	325.8	6.5
Services	563.3	11.4	559.8	11.1
Local governments	150.9	3.0	149.3	3.0
Other	1,334.2	26.9	1,273.1	25.3
Subtotal	4,963.5	100.0	5,030.0	100.0
Overseas branches and offshore accounts:				
Governments and official institutions				
Banks and other financial institutions				
Commercial and industrial	100.7	100.0	111.1	100.0
Subtotal	100.7	100.0	111.1	100.0
Total	¥5,064.2		¥5,141.1	

## Risk Management Asset Information

March 31	Millions of Yen		
	2002	2001	Increase (Decrease)
Loans under bankruptcy proceedings A	¥ 19,348	¥ 25,810	¥ (6,462)
% of loans and bills discounted	0.38	0.50	(0.12)
Past due loans B	197,971	176,095	21,876
% of loans and bills discounted	3.90	3.42	0.48
Loans past due for three months or more C	1,302	708	593
% of loans and bills discounted	0.02	0.01	0.01
Loans with relaxed conditions D (D=E+F+G)	41,639	37,883	3,755
% of loans and bills discounted	0.82	0.73	0.08
Restructured loans (Old category) E	394	624	(229)
% of loans and bills discounted	0.00	0.01	(0.00)
Claims for which interest payments have been deferred F			
% of loans and bills discounted			
Principal repayment postponed loans G	41,244	37,259	3,984
% of loans and bills discounted	0.81	0.72	0.09
Risk management loan total H (H=A+B+C+D)	260,262	240,498	19,763
% of loans and bills discounted	5.13	4.67	0.46
Value covered with collateral, guarantees, etc. I	237,240	213,854	23,386
Cover ratio (%) I/H	91.1	88.9	2.23

- 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 such means 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.
4. Value covered with collateral, guarantees, etc., includes provisions in the specific reserve for possible loan losses. The covered value was stated on a possible disposal basis.

## Reserve for Possible Loan Losses

March 31	Millions of Yen	
	2002	2001
General reserve	¥ 29,974	¥25,385
Specific reserve	84,105	73,678
Reserve for specific foreign credit	26	195
Total	¥114,105	¥99,259
[Loans on written-off claims for the year]	¥ [202]	¥ [636]

## Financial Index

Years ended March 31	Consolidated			Non-Consolidated		
	2002	2001	Increase (Decrease)	2002	2001	Increase (Decrease)
Per share (Yen):						
Net income	¥ 9.95	¥ 24.02	¥ (14.07)	¥ 10.25	¥ 23.72	¥ (13.47)
Net assets	742.45	792.02	(49.57)	742.73	792.16	(49.43)
Cash dividends	6.00	6.00		6.00	6.00	
Dividend payout ratio (%)				58.53	25.29	33.24
Return on equity (ROE) (%) (Note)	1.29	3.33	(2.04)	1.56	3.67	(2.11)
Price earnings ratio (PER) (%)	85.31	40.67	44.64	82.82	41.18	41.64

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

## Capital Adequacy Ratio

March 31	Billions of Yen			
	Consolidated		Non-Consolidated	
	2002	2001	2002	2001
<b>Tier I:</b>				
Common stockholders' equity	¥ 500.2	¥ 504.9	¥ 492.5	¥ 497.6
Tier II capital included as Tier I				
Total adjusted Tier I capital	500.2	504.9	492.5	497.6
<b>Tier II:</b>				
45% of an aggregate amount equivalent to the balance sheet value of available for sale securities with relevant aggregate book value deducted	47.2	76.5	47.2	76.4
Reserve for possible loan losses, excluding specific reserve	29.9	25.3	29.2	25.0
Others				
Tier II capital included as Tier I				
Total adjusted Tier II capital	77.1	101.9	76.4	101.5
Tier II capital included as qualifying capital	77.1	101.9	76.4	101.5
<b>Tier III (Note 1):</b>				
Short-term subordinated debt (Capital for covering market risks)				
Deduction items	0.8	0.1	0.8	0.1
Total capital	576.6	606.7	568.1	599.0
Total risk-adjusted assets (Notes 1, 3)	4,606.9	4,820.2	4,558.1	4,766.6
Capital adequacy ratio (%) (Note 2)	12.51	12.58	12.46	12.56
Tier I ratio (%) (Note 2)	10.85	10.47	10.80	10.44

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.  
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, 2000.

## Credit-Related Financial Instruments

March 31	Billions of Yen	
	Contract Amount	
	2002	2001
Commitments to extend credit	¥2,604.8	¥2,607.9
Guarantees	97.5	104.6
Total	¥2,702.3	¥2,712.5

# Corporate Data

## HEAD OFFICE

10, Gofukuchō 1-chōme, Shizuoka-shi,  
Shizuoka 420-8760, Japan

## HEADQUARTERS

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

Phone: 0543-45-5411

URL: <http://www.shizuokabank.co.jp/>

## INTERNATIONAL BUSINESS GROUP

Phone: 0543-45-5411

Fax: 0543-44-0090

## INTERNATIONAL OPERATIONS CENTER

Phone: 0543-45-5700

Fax: 0543-49-5501

Telex: 3965603 SHIZBK J

SWIFT address: SHIZJPJT

## NUMBER OF EMPLOYEES

(As of March 31, 2002)

4,080

## DATE OF ESTABLISHMENT

March 1, 1943

## DOMESTIC NETWORK

(As of July 1, 2002)

Head Office and 182 branches  
(including 13 sub-branches)

## OVERSEAS NETWORK

(As of July 1, 2002)

3 branches, 2 representative offices

# 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

101 East 52nd Street,  
4th Floor, New York,  
NY 10022, U.S.A.

Phone: (1) 212-319-6260

Telex: 408358 SHIZBK NY

## Hong Kong Branch

Room 3306, Gloucester Tower,  
11 Pedder Street, Central, Hong Kong,  
People's Republic of China

Phone: (852) 2521-6547

Telex: 89566 SIZBK HX

## Singapore Representative Office

2 Shenton Way, #04-02 SGX Centre 1,  
Singapore 068804

Phone: (65) 6225-3600

Telex: 26019 SHIZBK RS

## Shanghai Representative Office

Room 1813, Shanghai  
International Trade Centre,  
2201 Yan-An Road (West),  
Chang Ning Qu, Shanghai,  
People's Republic of China

Phone: (86) 21-6209-8115

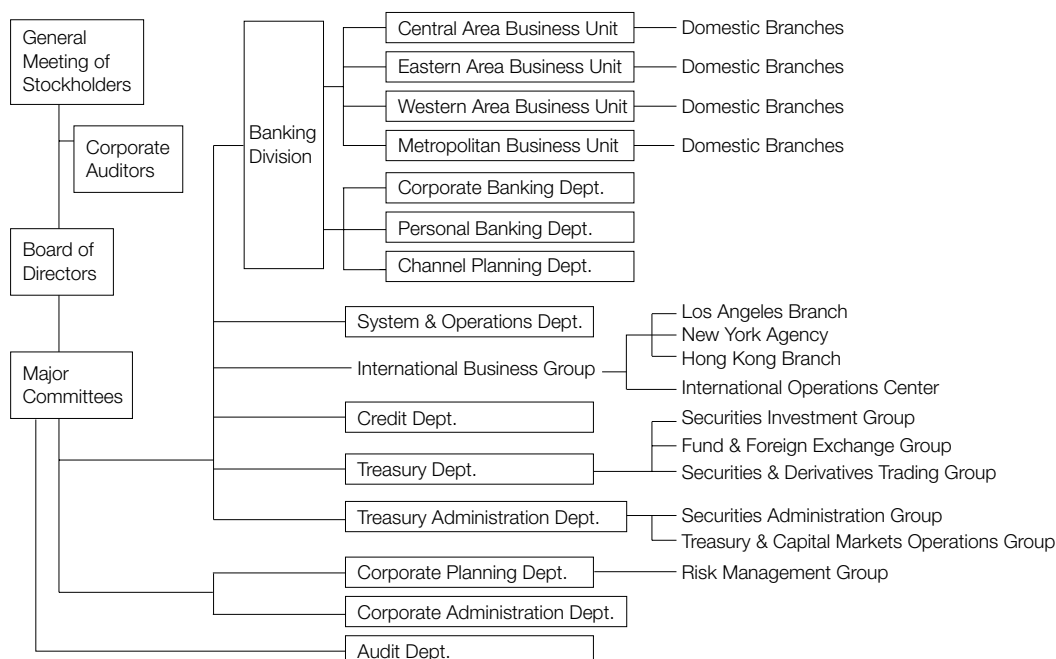
## Shizuoka Bank (Europe) S.A.

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

Phone: (32) 2-646-0470

Telex: 23330 SHIZBR B

# Organization Chart



(As of July 1, 2002)



# The Shizuoka Bank Group

## SHIZUGIN MANAGEMENT CONSULTING CO., LTD.

Corporate and financial management advisory services

## SHIZUGIN LEASE CO., LTD.

Leasing; Factoring services

## SHIZUOKA COMPUTER SERVICE CO., LTD.

Software development and sales

## SHIZUGIN CREDIT GUARANTY CO., LTD.

Guarantee of housing loans, etc.

## SHIZUGIN DC CARD CO., LTD.

Credit card and guarantee of consumer loans

## SHIZUOKA CAPITAL CO., LTD.

Public-offering assistance

## SHIZUGIN TM SECURITIES CO., LTD.

Securities

## SHIZUGIN SHIZUURA AGENCY CO., LTD.

Banking services

## SHIZUGIN JITOGATA AGENCY CO., LTD.

Banking services

## SHIZUGIN GENERAL SERVICE CO., LTD.

Part-time employee management; Inventory management

## SHIZUOKA MORTGAGE SERVICE CO., LTD.

Appraisal of real estate for loan collateral

## 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 BUSINESS CREATE CO., LTD.

Operation center for remittance and bill collection

## SHIZUOKA BANK (EUROPE) S.A.

Finance and securities-related services

## Board of Directors and Corporate Auditors

### Chairman

**Soichiro Kamiya**

### President

**Yasuo Matsuura**

### Directors

**Nobuo Ikeda  
Masakazu Oishi  
Hiroyuki Kochi  
Yasuhisa Komatsubara  
Toshiaki Sugiyama  
Katsunori Nakanishi  
Yoshitaka Nishikawa  
Masakuni Nakayama**

### Corporate Auditors

**Shigeru Masugi  
Hiroshi Okamoto  
Yasuhiko Saito  
Isokichi Goto**

(As of July 1, 2002)

## Investor Information

### CAPITAL STOCK (As of March 31, 2002)

Common stock..... ¥90,845 million

### NUMBER OF SHARES (As of March 31, 2002)

Authorized..... 2,444,596,000 shares

Issued and outstanding ..... 750,129,069 shares

### NUMBER OF STOCKHOLDERS (As of March 31, 2002)

23,311

### STOCK LISTING

First Section of the Tokyo Stock Exchange

### TRANSFER AGENT

Japan Securities Agents, Ltd.

### STOCK PRICE, TURNOVER

Annual high/low stock price (five years)

(Yen)

Years ended March 31	1998	1999	2000	2001	2002
High	1,510	1,500	1,460	1,076	<b>1,110</b>
Low	1,030	1,075	830	841	<b>761</b>

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

(Yen)

Month	Oct. 2001	Nov. 2001	Dec. 2001	Jan. 2002	Feb. 2002	Mar. 2002
High	988	960	998	1,030	844	917
Low	878	885	911	798	761	786
Turnover (thousands of shares)	17,982	13,006	19,500	21,025	19,930	22,645

### PRINCIPAL STOCKHOLDERS

The 10 largest stockholders of the Bank and their respective stockholdings at March 31, 2002 were as follows:

	Number of Shares in Thousands	Percentage of Total Shares Outstanding
The Bank of Tokyo-Mitsubishi, Ltd.	31,584	4.21%
The Meiji Mutual Life Insurance Company	29,117	3.88
Nippon Life Insurance Company	28,901	3.85
Sumitomo Life Insurance Company	26,932	3.59
The Dai-ichi Mutual Life Insurance Company	23,546	3.13
The Yasuda Mutual Life Insurance Company	21,309	2.84
Japan Trustee Services Bank, Ltd. (trust account)	19,940	2.65
The Industrial Bank of Japan, Ltd.*	16,604	2.21
The Mitsubishi Trust & Banking Co., Ltd. (trust account)	15,808	2.10
The Tokio Marine & Fire Insurance Co., Ltd.	14,527	1.93
<b>Total</b>	<b>228,272</b>	<b>30.43%</b>

\* Note: The Industrial Bank of Japan, Ltd., The Dai-ichi Kangyo Bank, Ltd. and The Fuji Bank, Ltd. were consolidated and reorganized into Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. with effect from April 1, 2002.

# Our Operation Base: Shizuoka Prefecture

## GEOGRAPHY AND POPULATION

Shizuoka Prefecture, which accounts for the majority of the Bank's operating area, is situated near the geographical center of Japan and is strategically located on transportation routes between the nation's three major industrial centers — Tokyo, Osaka, and Nagoya. The climate is mild and the region is rich in natural resources in the fields of farming and fisheries.

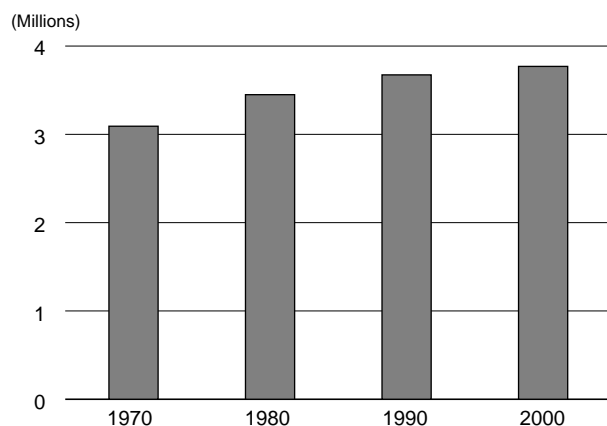
Home to many world-class manufacturers, and enjoying a thriving tourism industry thanks to its many famous hot-spring resorts, Shizuoka Prefecture has a reputation as an affluent prefecture. In fact, because Shizuoka accounts for around 3% of the nation's total in terms of population, household income, number of businesses, and numerous other indicators — putting it consistently among the top ten prefectures — it is sometimes referred to as “the 3% economy.” Shizuoka ranks 13th among Japan's prefectures in terms of land area, at 7,779 square kilometers. With 3,767,000 residents, it is the country's 10th most populous prefecture.

## ECONOMIC SCALE

With a nominal annual economic output of roughly ¥14.8 trillion in fiscal 1999, roughly equivalent to half the gross domestic product of Switzerland, Shizuoka Prefecture is clearly an important economic force within Japan. Another characteristic of Shizuoka is its solid infrastructure in the manufacturing sector. The prefecture's unique social climate has produced some of the world's leading manufacturing corporations, including makers of vehicles and musical instruments. In addition to being one of Japan's most popular operational bases for foreign companies, Shizuoka is home to the headquarters of many Japanese companies that have transferred their production operations overseas.

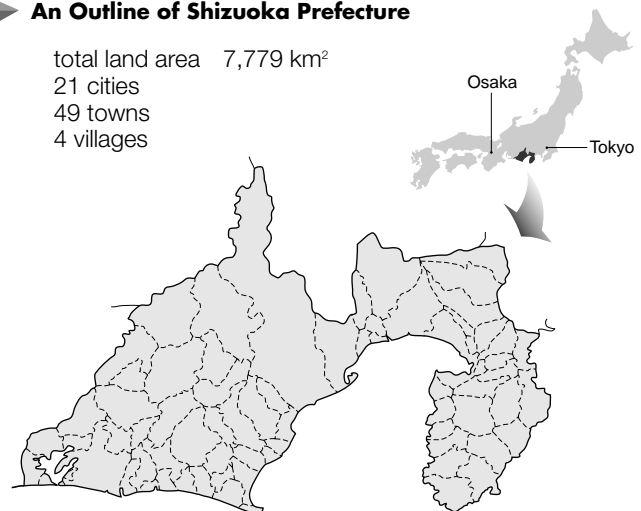
There were approximately 203,000 private-sector business premises in Shizuoka Prefecture. By industry, these consisted of around 82,000 (40.5% of the total) depots, shops, restaurants and so on in the wholesaling, retailing, and food services industries; 53,000 (26.2%) business premises in other service fields; and 28,000 (14.1%) manufacturing plants. These top three sectors accounted for 80.7% of all business premises in the prefecture.

## ► Change in Prefectural Population



## ► An Outline of Shizuoka Prefecture

total land area 7,779 km<sup>2</sup>  
21 cities  
49 towns  
4 villages



► **Main Economic and Business Indicators for Shizuoka Prefecture**

Item	Figure	Share of National Total	Nationwide Rank
Area	7,779 km <sup>2</sup>	2.1%	13th
Population	3,767,000	3.0%	10th
Households	1,281,000	2.7%	10th
Gross product (nominal)	¥14,812,600 million	3.0%	10th
Business premises	203,106	3.3%	9th
Value of farm output	¥290,400 million	3.1%	10th
Fishery catch	236,000 tons	4.5%	6th
Manufactured goods shipments	¥16,610,800 million	5.5%	5th
Annual revenue of wholesaling industry	¥8,247,600 million	1.7%	11th
Annual revenue of retailing industry	¥4,266,300 million	3.0%	10th
New housing starts	39,128	3.2%	10th

**INDUSTRY CHARACTERISTICS**

The three main areas of Shizuoka Prefecture — Eastern, Central, and Western — have all achieved development in different ways. In Eastern Shizuoka, centered on Fuji City, the prefecture's No. 2 industrial zone, the paper & pulp industry dominates. The area's industrial base has been growing in recent years owing to the relocation of numerous companies from the Tokyo area. The area also boasts one of Japan's most famous tourist destinations all year round: the Izu Peninsula, with its beautiful scenery and many hot springs.

Central Shizuoka features the prefectural capital, Shizuoka City, and has a high concentration of service industries, such as wholesalers and retailers. The area is also home to a number of thriving industries including the manufacture of furniture, traditional handicrafts such as dolls, tea processing, and canning.

Western Shizuoka is a wellspring of manufacturing industry where many world-class companies got their start, including in the fields of vehicles and musical instruments. It is to this area — with its high percentage of export-oriented industries — that Shizuoka owes its reputation as a heavily industrialized prefecture.

**LARGE-SCALE DEVELOPMENT PROJECTS**

Thanks to its advantageous location, Shizuoka Prefecture was able to play a significant part in Japan's economic and cultural development in the 20th century. With the goal of achieving further growth in the 21st century, a number of large-scale projects have recently been completed or are still being pursued.

► **Shipments of Manufactured Products in which Shizuoka Holds 1st Place (1999)**

Item	Value of Shipments (¥ million)		Share of Nationwide Total
	Shizuoka	Japan	
Pulp & paper	717,732	2,657,376	27.0%
Toy models	16,532	20,370	81.2%
Perfumes	2,027	5,909	34.3%
Air conditioners	262,952	715,618	36.7%
Mobile communication terminals	12,693	51,475	24.7%
Green tea	197,406	327,173	60.3%
Timber-working machinery	18,169	47,380	38.3%
Musical instruments	220,740	274,959	80.3%

**CONTACT**

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Corporate Planning Dept.  
2-1, Kusanagi-Kita, Shimizu-shi,  
Shizuoka 424-8677, Japan  
Phone: 0543-45-5411  
Fax: 0543-46-9775