

THE SHIZUOKA BANK, LTD.

Shizuoka Bank Group
Annual Report 2008



Shizuoka Bank Group at a Glance

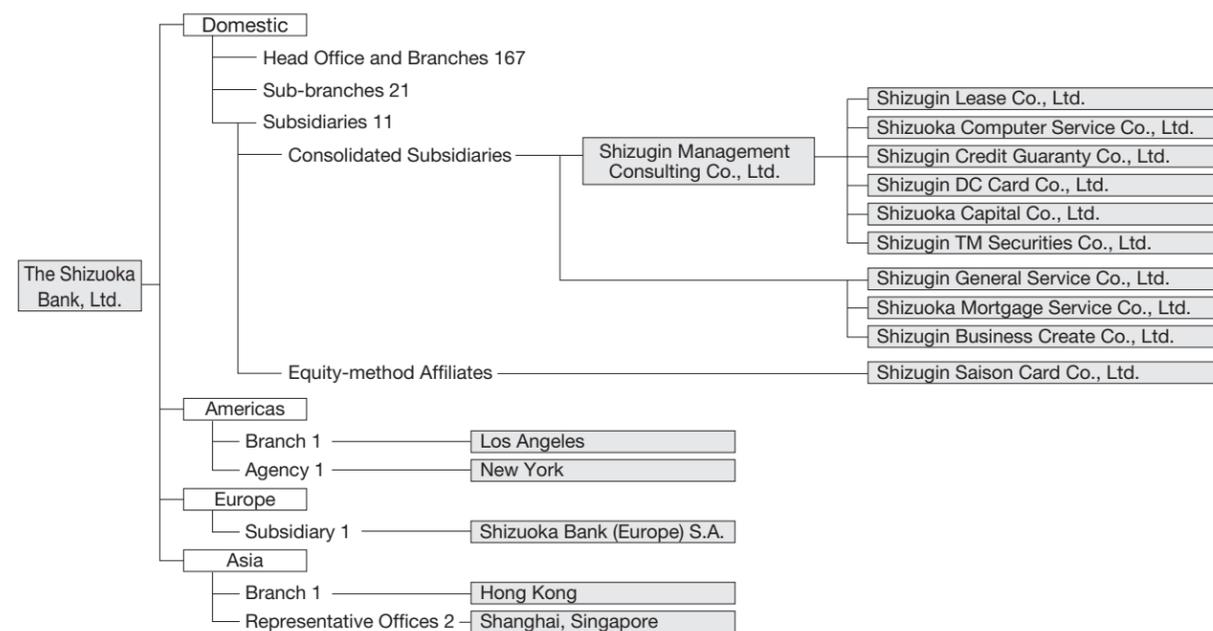
NURTURING THE VISION OF A PROSPEROUS COMMUNITY

True to a corporate philosophy whose aim is to “expand dreams and affluence with our community,” the Shizuoka Bank Group makes an ongoing contribution to the development of Shizuoka Prefecture, which forms the core of its business base. This corporate philosophy incorporates not only an economic dimension but also a cultural one: living in harmony with the local communities and the people we serve, and sharing prosperity with them as a home-grown local banking group and a member of the regional community, and also helping local people to live more fulfilling lives.

A FIRST-CLASS REGIONAL BANK GROUP

The Shizuoka Bank Group comprises Shizuoka Bank and 12 Group companies, and is one of Japan’s largest regional banking groups. Centered on Shizuoka Bank, with its 166 branches and 21 sub-branches, the Group serves the needs of customers not only within Shizuoka Prefecture, its home region, but also in Japan’s three major economic centers, namely Tokyo, Osaka and Nagoya, all of which are comparatively nearby. Overseas, the Bank operates in New York, Los Angeles, Brussels, Hong Kong, Shanghai, and Singapore.

The Structure of the Shizuoka Bank Group (As of July 1, 2008)



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A SOLID FINANCIAL STRUCTURE

As of March 31, 2008, Shizuoka Bank’s total assets stood at ¥9,098.4 billion (US\$90,812 million) on a consolidated basis, together with loans and bills discounted of ¥5,932.8 billion (US\$59,216 million), and deposits of ¥7,341.4 billion (US\$73,275 million). The Bank’s capital adequacy ratio was 14.70% on a consolidated basis, one of the highest ratios among Japanese banks, and its Tier I ratio was 13.42%, substantially higher than the BIS standard of 8% for banks engaging in international operations.

Consolidated Financial Highlights

THE SHIZUOKA BANK, LTD. and Subsidiaries
(Notes 1, 2)

Years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Income before income taxes and minority interests	¥61,992	¥71,944	\$618,754
Net income	34,758	37,815	346,925
Net income per share	¥49.25	¥53.39	\$0.49
PER (Times, Non-consolidated)	23.59	24.51	
PBR (Times, Non-consolidated)	1.18	1.16	

March 31	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Total assets	¥9,098,425	¥8,725,859	\$90,811,717
Deposits	7,341,449	6,996,299	73,275,267
Loans and bills discounted	5,932,895	5,694,075	59,216,441
Securities	2,222,702	2,288,124	22,184,871
Capital stock	90,845	90,845	906,735
Total equity	717,391	784,200	7,160,311
ROE (%)	4.72	5.05	
Capital adequacy ratio (BIS) (%) (Note 3)	14.70	14.55	
Tier I ratio (%) (Note 3)	13.42	12.16	

Notes: 1. Translation into U.S. dollars has been made solely for the convenience of readers outside Japan at the exchange rate of ¥100.19 to \$1, the approximate rate of exchange at March 31, 2008.
2. In this annual report, dollar figures are rounded off, but Japanese yen figures have been truncated in the process of calculation.
3. From the fiscal year ended March 31, 2007, Basel II methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (F-IRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

INTERNATIONAL CONFIDENCE

Shizuoka Bank, the core company of the Group, stands in the foremost rank of Japanese banks in terms of financial soundness. This is reflected in the fact that the Bank has received among the highest credit ratings received by any Japanese financial institution from four major credit rating agencies: three overseas and one Japanese.

(As of July 1, 2008)

	Long-Term	Short-Term	Financial Strength
Standard & Poor's	AA-/Stable	A-1+	B+*
Moody's	Aa3	P-1	C+
Fitch Ratings	—	F1	B
Rating and Investment Information, Inc.	AA	—	—

* Bank Fundamental Strength Rating

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to the current plans, estimates, strategies and beliefs, and other statements of the Shizuoka Bank Group that are not historical facts, are forward-looking statements about the future performance of the Group. 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 Group 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 are not limited to, (1) general economic conditions in Shizuoka Bank Group’s market (particularly Shizuoka Prefecture) and (2) fluctuations in market interest rates and exchange rates.

To Our Stakeholders



Yasuo Matsuura,
Chairman

Katsunori Nakanishi,
President & Chief Executive Officer

With the subprime loan problem in the US weighing heavily on its economy and raw materials prices soaring, Japan's economic outlook is growing more uncertain. Although more firm than the national economy as a whole, the economy of Shizuoka Prefecture, the primary operating area of Shizuoka Bank, also appears to be on the verge of a slowdown.

Furthermore the Bank faces a host of issues that need to be addressed, ranging from heightened competition in the retail sector with the launch of the Japan

Post Bank in October 2007, to stricter consumer protection rules, new requirements for the assessment and audit of internal controls over financial reporting, and the further refinements to our risk management system needed to meet the requirements under the Basel II.

Our plan for moving forward in this business environment is embodied in "Dream TEN — New Challenges," the 10th medium-term business plan for the Shizuoka Bank Group, a plan that officially began in April 2008.

The entire management and staff of the Group are working together to realize the vision summed up in our catchphrase: "Foster regional goals as a growing comprehensive financial group — Dream with you Shizuoka Bank."

September 2008

Yasuo Matsuura
Chairman

Katsunori Nakanishi
President & Chief Executive Officer

Message from the President

Foster regional goals as a growing comprehensive financial group — Dream with you Shizuoka Bank

Our Foundation for Future Progress

The mission the Shizuoka Bank Group has set for itself, in line with its corporate philosophy statement "Expand dreams and affluence with our community," is to be a comprehensive financial institution contributing to the creation of an affluent future for the region, proactively identifying changes in society and responding to them with flexibility and boldness.

Since the launch of our 9th medium-term business plan, "Challenge to creation and change," in FY2005, the Bank and its member companies have closely cooperated to achieve the plan's vision of the region's most reliable and preferred total financial group. As part of this vision, with the fulfillment of corporate social responsibility (CSR) is positioned at the foundation of our corporate activities.

We made great strides towards realizing the profitable business model envisioned in that plan. With the support of strong relationships with the community, we succeeded in steadily growing our market share of loans in the region as well as the balance of individuals' assets in custody. We also made good progress in establishing the foundation for a new stage of achievement through our efforts to enhance corporate management, including governance measures designed to form an even stronger corporate structure, a refined risk management approach, and an IT infrastructure that can support the business of a sophisticated financial institution of the future.

These accomplishments are also visible in our FY2007 performance, which is distinguished by being the fourth straight year of growth in top-line income (i.e., gross operating profit), which represents income from a financial institution's core operations, as well as steady growth in core net operating profit, which represents earnings from core operations, bringing them to record levels.

We also earned credit ratings of Aa3 from Moody's in May 2007 and AA- from Standard & Poor's in December, the latter being the best of any Japanese bank, thanks to our high capital ratio, excellent risk management systems, and enhanced profitability from increased loans.

Things to Preserve and Things to Change

We believe it is crucial for an enterprise that aims to achieve stable growth to adopt the approach of consistently preserving what should be preserved and boldly changing what

should be changed. What Shizuoka Bank must preserve is its sound banking practices. Sound banking refers to the soundness of management indispensable to sustaining the financial order, and the soundness of our activities as a member of society. Sound behavior is required not only for the Bank itself as an enterprise but for each and every employee as well. This, for us, is an aspect of corporate culture that will never change in any circumstance.

But as times change, so do our day-to-day expectations as a financial institution and the role we need to play. This requires the ability to accurately identify such changes, and the aggressiveness and creativity to boldly self-innovate and advance beyond what worked in the past.

Guiding us in this process of self-directed innovation is our new 10th medium-term business plan, Dream TEN — New Challenges, launched in April of this year. The first basic strategy called for in the plan is to establish the solid operational base required to achieve sustained growth in tandem with the region. The second is to strengthen the managerial infrastructure by achieving highly productive Group operations. The third is to establish the "Shizugin" brand and thereby build our intangible infrastructure ("Shizugin" is an abbreviation for the Bank). Addressing these three strategies as an indivisible whole, our desire is to create a business which evokes a virtuous circle of growth-infused enterprise value, working with our stakeholders towards the affluent future embodied in our basic philosophy, which reads "Foster regional goals as a growing comprehensive financial group — Dream with you Shizuoka Bank."

Enhanced Productivity and Managerial Rapidity

Viewing the changes around us as a sterling opportunity for renewed growth, under the 10th medium-term business plan we will work to unleash our potentiality as a regional financial institution via a single-minded focus on enhanced productivity and prompt, aggressive, and bold management. Finally, we hope to increase our appeal to, earn the satisfaction of, and thereby develop stronger bonds of trust with all our stakeholders — the community, and our customers, shareholders, and employees.

We appreciate your ongoing support.

Katsunori Nakanishi
President & Chief Executive Officer

Our 10th Medium-Term Business Plan (FY2008-2010)

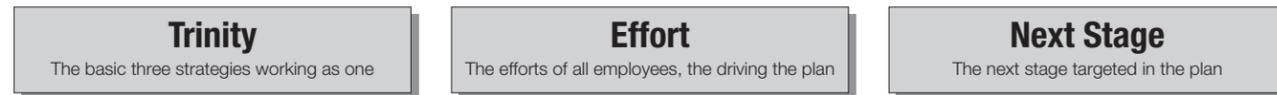
Dream TEN — New Challenges

“Dream” indicates:

Our Basic philosophy: Expand dreams and affluence with our community and “dream,” which is incorporated in our medium-term vision.

“TEN” signifies:

It is our 10th plan, and also includes the following meaning:

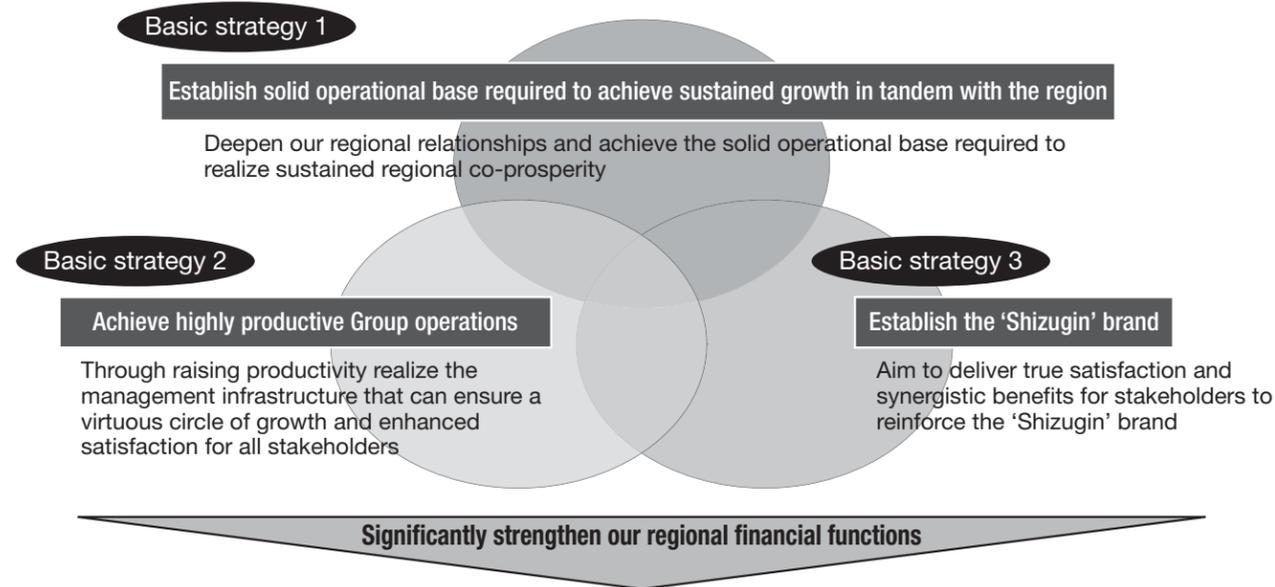


“New Challenges” signifies:

Actively taking on challenges to realize new dreams

Overview of basic strategies

- Realize a growth strategy through establishing: 1. The solid operational base required to achieve sustained growth in tandem with the region; 2. A group management infrastructure that can realize high productivity; and 3. The intangible infrastructure represented by the ‘Shizugin’ brand.



Group medium-term vision:

Foster regional goals as a growing comprehensive financial group — Dream with you Shizuoka Bank

Targets

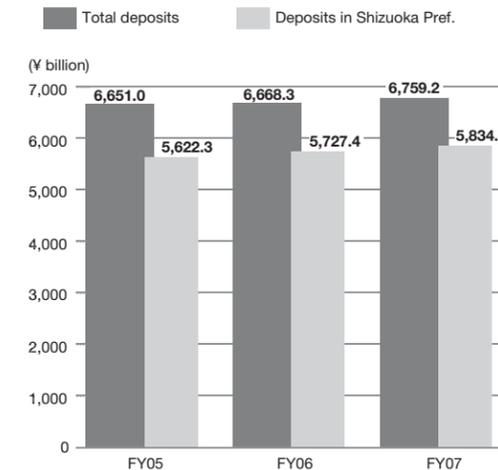
	10 th Medium-Term Plan targets (FY2010)	FY2007 results
Profit targets	Consolidated ordinary income	¥85.0 billion or more / ¥65.1 billion
	Core net operating profit (Bank, non-consolidated)	¥80.0 billion or more / ¥65.2 billion
	Consolidated net income	¥50.0 billion or more / ¥34.7 billion
Efficiency indicators	Consolidated Tier I ROE (Net income/Tier I capital)	7% to 8% / 5.85%
	Consolidated ROA (Consolidated net income)	0.5% or more / 0.39%
	Consolidated OHR	Around 50% / 56.79%
Financial soundness indicators	Consolidated Tier I capital adequacy ratio (BIS)	Around 12% / 13.42%

* Targets include interest rate increase factor increasing income by ¥6.4 billion in final year of medium-term plan (Based on scenario of two interest rate rises of 0.25% each, in June and December 2009, totalling 0.5%)

Results of Recent Achievement

Deposit Services

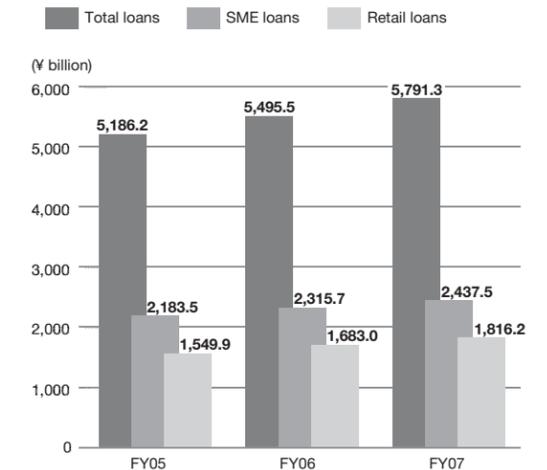
Balance of deposits (average; non-consolidated)



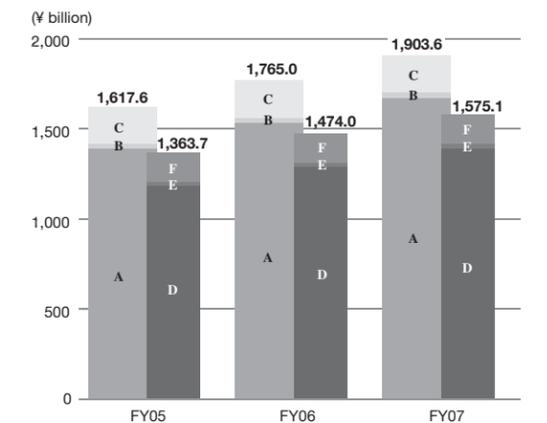
Note: Balance of deposits excludes negotiable certificates of deposit

Loan Services

Balance of total loans (average; non-consolidated)



Balance of consumer loans (at term-end; non-consolidated)



Loan breakdown		Within Shizuoka Pref.	
A	Mortgage loans	D	Mortgage loans
B	Unsecured loans	E	Unsecured loans
C	Other loans	F	Other loans

Note: “Unsecured loans” include loans for car purchase, education expenses and loans taken out using bank cards

We have made efforts to raise the proportion of deposits, which are the basis of our entire business, through a variety of campaigns, targeting customers preparing for the major events in their lives, as well as new product introductions.

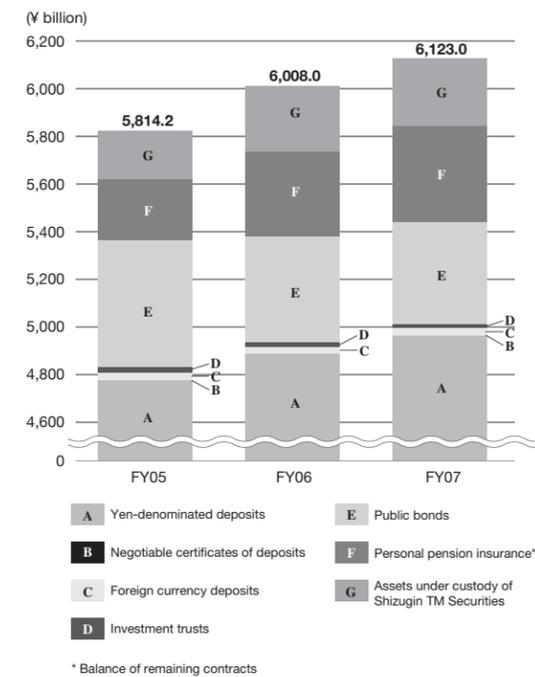
For retail customers, we have enhanced existing services to encourage long-term use of designated accounts for customers’ benefits and salary. In addition, in January 2008 we launched two products, Time Deposit with Lotto and Mt. Fuji Time Deposit, provided over the online service. For corporate customers, we introduced multi-callable time deposits in April 2008. The Bank also strengthened its efforts to attract deposits through electronic banking, and to encourage corporate customers to open designated accounts for defined-contribution plans (comparable to 401(k) accounts in the US), both being part of a plan to promote overall transactional relations through various financial services designed to solve customers’ business needs.

We have focused on financial supports for home region, which provide loans and other financial products based on customers' information gathered through long-term relationship with them, to sustain the regional economy and its development as a regional bank of Shizuoka Prefecture.

In corporate lending, we endeavored to provide loan products not overly dependent on real estate collateral or personal guarantees, so that we can supply stable funding to the region. In retail lending, we worked to develop a quick response system to promptly address the varying funding needs that our customers experience in the different stages of their lives. In mortgage loans, we refined our credit scoring system and enhanced the scope of authority for credit approval granted to branch managers and loan center managers, allowing us to respond to customer needs in a more flexible and timely manner.

Asset Custody Services

Balance of individual assets under custody (at term-end; Shizuoka Bank and Shizugin TM Securities)



Our financial planners, having expertise in asset management, are deployed throughout the Bank's service area, and offer a wide variety of appealing products to residents in the region in charge to help them build their assets and realize a comfortable lifestyle. In addition to yen-denominated deposits, depending on the level of the customer's risk tolerance, these products can include foreign currency-denominated deposits, government bonds, installment investment trusts, and individual pension insurance plans. Utilizing the resources of our subsidiary Shizugin TM Securities, which handles a wide range of financial products, primarily investment trusts, we offered solutions to optimize customer portfolios included introducing customers interested in money market products to the subsidiary.

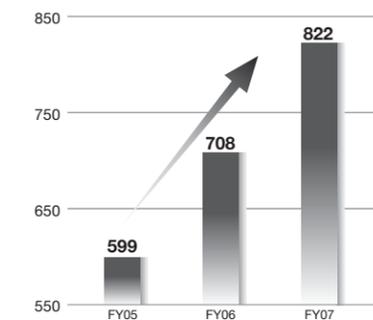
Solutions and Management Consulting

Bringing together the financial capabilities of the Shizugin Group, we operate a solutions and management consulting business to identify business issues faced by our customers and discover solutions. The activities of this business center on business matching and support of corporate turnarounds. In addition, we launched the Shizuginship Management Training Course to help enhance the managerial skills of next-generation business leaders, featuring unique activities, such as seminars and observation trip.

For individual customers, we have set up what we call company private bankers at three main locations in Shizuoka Prefecture, helping customers to build their assets through extended, personalized relationship. In addition, we are collaborating with Mitsubishi UFJ Trust and Banking to provide expert advice on inheritance planning, which is attracting attention among an aging society.

Business matching performance

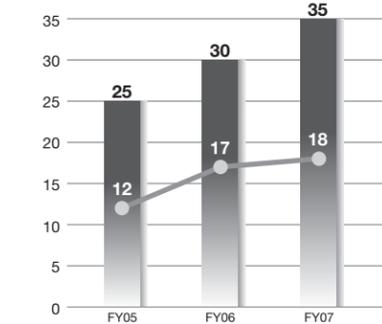
(successful business matchups)



M&A consulting performance

Collaboration with Shizugin Management Consulting Co., Ltd.

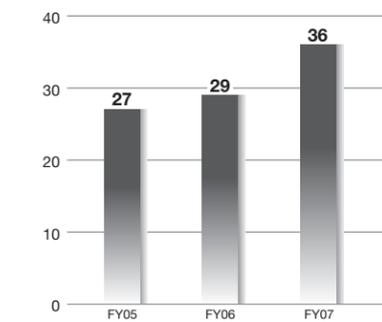
Contracted M&A consulting cases (Bar) Number of separate M&A contracts* signed (Line)



* In the "number of separate M&A contracts signed," where separate contracts are concluded with both the acquiring company or the company being acquired, these are counted as two separate contracts.

Management consulting contracts track record

Collaboration with Shizugin Management Consulting Co., Ltd.



Credit Cards

We are building up our credit card business as a new component of our business lines, designed to deal with the anticipated decline in mortgage loans caused by decrease in population and the aging society. Users of "joyca," a card issued by the Bank itself, exceeded 200,000 as of the end of April 2008, while Shizugin Saison Card, a joint venture with Credit Saison, is partnering with local businesses to provide new services and conveniences to customers of the region, such as the Entetsu card, issued in conjunction with Ensyu Railway, an operator of transportation and leisure facilities in the western part of Shizuoka.

Our Operational Base: Shizuoka Prefecture



Economic Scale

With a nominal annual economic output of ¥16.4 trillion (US\$163.84 billion; GDP basis) in fiscal 2006, Shizuoka Prefecture, our main operational base, would come after the GDP of Thailand, Hong Kong and Argentina. In terms of economic indicators, Shizuoka Prefecture has a share of the national economy amounting to roughly 3%, putting it at around 10th place among the country's 47 prefectures. For this reason, it is sometimes called "the 3% economy."

Industrial Characteristics

Shizuoka Prefecture is situated midway between the two major consumer markets and industrial centers of Japan — the Nagoya region plus the Osaka-Kyoto region to the west, and the Yokohama-Tokyo region to the east. Because of this location at a busy "crossroads" of the nation, it has historically developed into a significant center of manufacturing industry. The convenient location of Shizuoka Prefecture in transportation terms has caused the growth of a strong industrial base. The prefecture ranks first among Japan's 47 prefectures for the establishment of new factories, and is one of the country's leading manufacturing areas. Moreover, the wide variety of industries represented within Shizuoka has led to it being dubbed "the industrial department store." Corporations active in Shizuoka include world-leading enterprises such as Toyota, Honda, Suzuki, and Yamaha, and the prefecture is renowned for its concentration of export-oriented manufacturing companies. Many of these firms have set up production subsidiaries overseas, which is creating a growing international aspect to the regional economy. Owing to lack of demand due to its proximity to Tokyo, Shizuoka Prefecture has hitherto had no airport, but the opening of Mt. Fuji Shizuoka Airport in March 2009 is expected to intensify the international flavor of the region's economy.

In recent years the prefectural authorities have been operating a number of schemes to encourage companies in the medical treatment, pharmaceuticals, chemicals, and optical technology industries, among others, to set up operations in the so-called "Shizuoka Triangle Research Cluster" (spread across the prefecture's eastern, central, and western districts) as a means of developing a next-generation industrial base.

Eastern Shizuoka

This part of the prefecture is characterized by the traditional paper and pulp industry, which developed to take advantage of the abundant underground water resources near Mt. Fuji, as well as a number of plants and research facilities that have more recently relocated to the area from Tokyo and its vicinity. The Izu Peninsula boasts wonderful natural scenery that is magically transformed with the changing seasons, as well as a wealth of hot springs. For these reasons, it is one of the most popular year-round holiday resort areas in Japan.

The Pharma Valley Project

In anticipation of a massive increase in demand for medical treatment and nursing care services against the background of a growing lifespan, a project is being pursued to encourage research activities in the field of wellness.

Central Shizuoka

This region has a wide variety of retailing companies and a concentration of other service industries. Traditional craft manufacturing (primarily furniture), plastic models and other toy manufacturing, and food processing industries (tea, canned foods) are also active in this part of Shizuoka. The famous ports of Yaizu and Shimizu are also located in this region. The former is well-known as a base for large-scale commercial fishing operations, and the latter as a trading port.

The Food-Science Hills Project

This project seeks to develop the local industrial base by efforts to overcome lifestyle-related diseases through scientific progress in the fields of foods and pharmaceutical products.

Western Shizuoka

This part has a high concentration of manufacturing companies, such as makers of motorcycles and musical instruments, among which are many world-renowned companies. This is one of the main reasons why Shizuoka Prefecture ranks third among Japan's 47 prefectures in terms of the value of manufactured goods shipments, accounting for 5.8% of the value of nation's total manufacturing output in 2006. It is to this area that Shizuoka Prefecture owes its reputation as a heavily industrialized prefecture with a high proportion of export-oriented companies.

The Photon Valley project

The project aims to develop a next-generation industrial base centered on optical technology, and assist in practical industrial applications of new technologies.

Main Economic and Business Indicators for Shizuoka Prefecture

Item	Figure	Share of National Total	Nationwide Rank	Date of Survey
Area	7,780 km ²	2.1%	13th	October 2005
Population	3.80 million	3.0%	10th	October 2007
Households	1.40 million	2.7%	10th	March 2007
Gross product (nominal)	¥16,415.1 billion	3.3%	10th	FY2005
Business premises	191 thousand	3.2%	10th	October 2006
Value of farm output	¥244.3 billion	2.8%	13th	2006
Fishery catch	217 thousand tons	3.9%	5th	2007
Manufactured goods shipments (by factories with four employees or more)	¥18,234.7 billion	5.8%	3rd	2006
Annual revenue of wholesaling industry	¥6,963.2 billion	1.7%	11th	2007
New housing starts	37,233	3.5%	10th	2007
Information service sales	¥99.5 billion	0.7%	13th	2006

Shipments of Manufactured Products in which Shizuoka Holds 1st Place (2005)

Item	Value of Shipments (¥ billion) Shizuoka Pref.	Share of National Total	Nationwide Rank
Pulp & paper	885.4	12.8%	1st
Cell phones and PHSs	385.4	17.7%	1st
Air conditioners	144.1	39.1%	1st
Green tea	179.3	59.1%	1st
Tea beverages	189.9	34.2%	1st
Piano	44.4	100.0%	1st
Motorcycles (in kit form)	69.8	32.7%	1st
Canned tuna	40.5	91.3%	1st
Aluminum foil	33.8	38.1%	1st

Economic Trends in Shizuoka

The Japanese economy is currently losing momentum. This is attributable to: the impact of the slowdown of the U.S. economy due to the subprime loan crisis; stagnating corporate earnings caused by the high price of raw materials; and weak individual consumption resulting from rising prices of food-stuffs and gasoline. In these circumstances, the economy of Shizuoka Prefecture has showed further deceleration in the first half of fiscal 2008 due to sluggish exports of machine tools and vehicles to the United States, notably automobiles, which is the prefecture's main economic driver segment. In spite of this, Shizuoka's economy held firm relative to the country as a whole. From the perspective of the financial sector, demand for loans grew at a faster pace than the national average, reflecting the wide variety of industrial sectors in the prefecture.

Financial Institutions in Shizuoka Prefecture

Japan's megabanks and other money-center banks operating on a nationwide scale are now active in the principal cities of Shizuoka Prefecture. Moreover, in addition to Shizuoka Bank, there are three other regional banks operating in the prefecture, as well as 13 shinkin banks (large-scale credit unions) and various government-run financial institutions and agricultural cooperatives. Shizuoka Prefecture is thus one of the most hotly contested financial markets in Japan.

Over the sixty years since its establishment, Shizuoka Bank has built up a solid base of loyal customers. For this reason, we are confident of retaining our firm position as the prefecture's leading bank.

Management Systems

Having always prioritized corporate ethics at the management level, the Shizuoka Bank Group has taken steps to strengthen its corporate governance and compliance structure through establishment of an Ethical Charter and related policies.

We will continue to tirelessly strengthen our management structure, the cornerstone of our efforts to fulfil our corporate social responsibilities, and increase Group enterprise value.

Corporate Governance System

Based on our corporate philosophy, the Board of Directors is the Shizuoka Bank's main organization responsible for management-level decision-making and supervision. As such, it decides on important management strategy and basic policies relating to risk management and compliance, and monitors the conduct of operations.

Shizuoka Bank has adopted the corporate auditor-led system of governance, a lawyer and a university professor serve as external auditors to ensure greater management transparency and strengthen monitoring functions.

Management of everyday operations is carried out by the President, the Senior Vice Presidents, and executive officers appointed by the Bank's Board of Directors. Decisions on important matters that arise in the course of these day-to-day operations are taken by Major Committees, including the Executive Committee, dedicated to particular fields of operation and specially appointed by the Board of Directors. This approach is aimed at creating a system that can respond with precision and flexibility to changes in the management environment, while clearly delineating authority and responsibility.

We have also established an Office of the Chairman headed by the chairman and deputy chairman, to conduct audits into executive functions, enabling us to clearly distinguish the monitoring and executive roles of management, thereby strengthening our governance framework.

In addition, we have established an Advisory Board to assist the President of the Bank with the goal of ensuring the objectivity of the Bank's decision-making process. This board is composed mainly of executives from outside the Bank, so as to involve outside viewpoints.

2007. Trial implementation of the system was carried out for the reporting period, ended March 2008, and the system has been fully applied for the first year of implementation.

The Shizuoka Bank Group sees this new system of internal controls on financial reporting as an opportunity to raise the productivity of the Group's operations by improving the efficiency of administrative procedures. We will continue to take measures to further enhance the Group's internal controls system to ensure the reliability of our financial reporting.

Prompt and Appropriate Disclosure

To ensure the prompt and appropriate provision of corporate information to the Bank's stakeholders, the Corporate Planning Department has been charged with responsibility for disclosure in accordance with the Bank's Information Disclosure Regulations. The Bank will not only disclose information in accordance with the stipulations of the Banking Law, the Financial Instruments and Exchange Act, and any other relevant legislation, as well as in line with the disclosure regulations of the Japanese stock exchanges, it will also carry out proactive disclosure, will always maintain management transparency, and will consistently observe the principles of impartiality in its provision of corporate information.

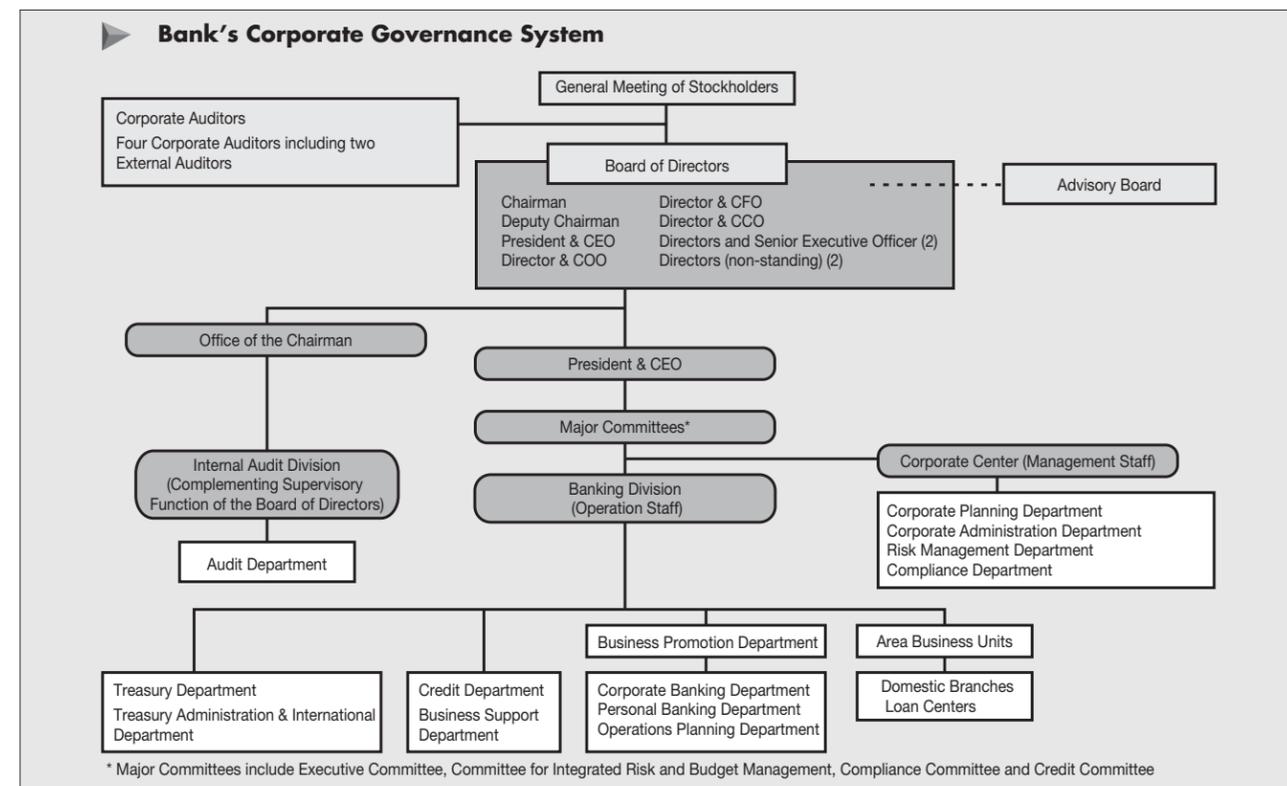
Creation of an Internal Monitoring System

The Bank has classified the organization into three arms, based on function – the Banking Division, handling front office business operations; the Corporate Center, with managers for corporate planning, administration and risk management; and the Internal Audit Division, conducting internal auditing. It has also strengthened cross-checking among these three arms.

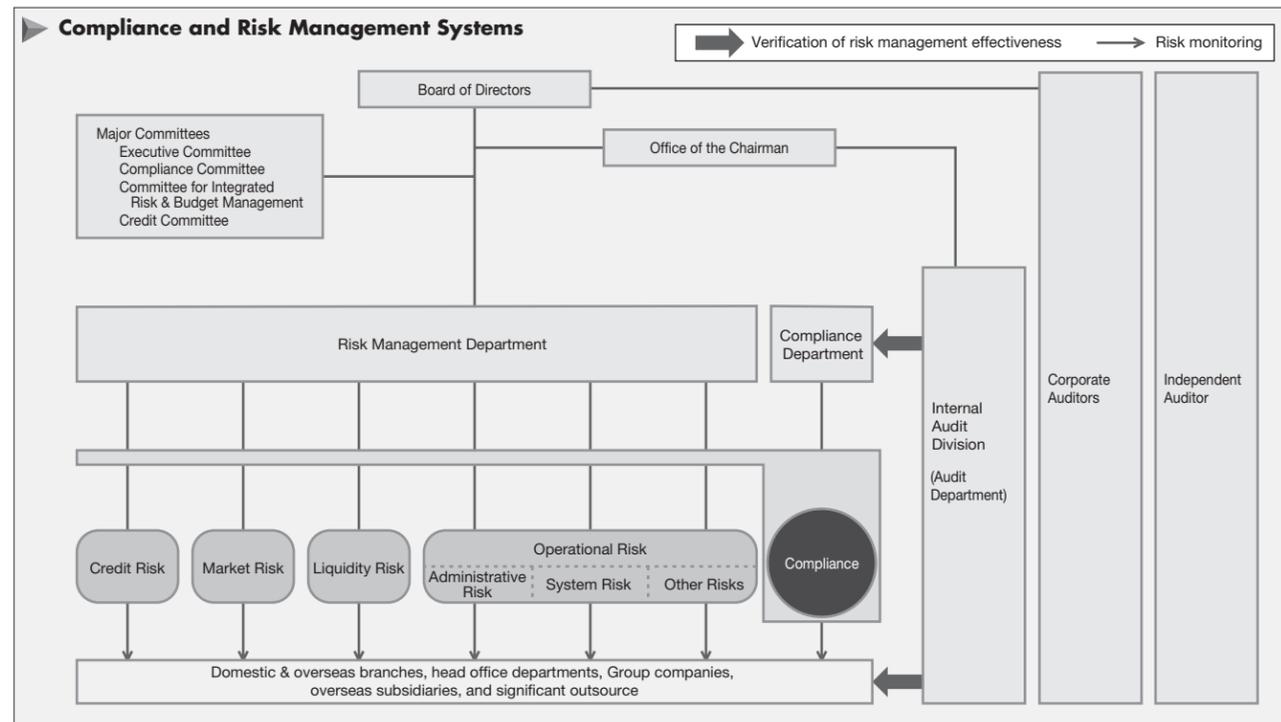
We have also set forth the Bank's basic policies so as to make possible the provision of a system that ensures that the directors of the Bank comply both with the law and with the Bank's Articles of Incorporation in the performance of their duties, as well as a system enabling the management to secure appropriate business operations across the board. Based on these policies, we are currently working to create an effective system of internal control.

Ensuring the Reliability of Financial Reporting

In July 2006 the Shizuoka Bank Group commenced a project to create a system of effective internal controls in compliance with the stipulations of the Financial Instruments and Exchange Law. We have been working to construct a system of internal controls on financial reporting, and these efforts have been led by the J-SOX Project Team within the Corporate Planning Department, which was set up in January



Compliance and Risk Management Systems



Basic Compliance Policy and Organizational Structure

The Shizuoka Bank Group has always regarded ethical and legal compliance as a priority issue for management, and is taking measures to consolidate and strengthen its compliance structure under its Ethical Charter, which sets out the Bank's basic policy. These measures are governed by the Compliance Program, a specific set of compliance measures drawn up by the Board of Directors each fiscal year.

Meetings of the Compliance Committee, chaired by the Bank's president and composed of directors and other top executives, are held monthly to deliberate on important compliance-related matters and assess the operation of the compliance system across the whole Shizuoka Bank Group — including progress being made in achieving the goals of the Compliance Program. The system is revised when deemed necessary.

In addition to acting as the central body for the unified management of compliance-related information throughout the Group, the Compliance Group of the Compliance Department takes prime responsibility for monitoring the functioning of the compliance system, devises preventive measures against possible compliance violations, and works to improve the whole compliance system. In addition, Compliance Officers and officers responsible for the management of risk-involved products assigned to the Compliance Group carry out on-site spot checks of the Bank's branches to strengthen our monitoring systems at the branch level.

Creating a Compliance-Centered Corporate Culture

The Shizuoka Bank is taking measures to foster greater awareness of compliance issues from the executive level down. In addition to distributing the Shizuoka Bank Compliance Manual, which explains laws and business ethics, we have appointed managers with responsibility for compliance (and their assistant

staff) at head office and branches, departments in headquarters, Group companies and subsidiaries. We check that laws are rigidly observed in daily operations, based on study sessions held at branches and a completion of compliance checklists for daily operations. We have also set up a whistleblower function enabling all employees of the Bank group to inform executives in charge, Compliance Group, or The Legal Office of legal violations occurring within the Bank group.

Basic Risk Management Policy and Organizational Structure

To secure a steady flow of earnings while maintaining a sound financial position, the Shizuoka Bank Group has positioned the strengthening of its risk management as a top-priority management issue. Risks are assessed according to individual risk categories and are also assessed comprehensively insofar as this is possible. Our core policy is to implement an integrated risk management system that keeps the amount at risk within the Bank's economic capital (regulatory capital). In addition, our basic stance is to maintain a level of capital adequacy sufficient to cover the materialization of projected risks.

At the Shizuoka Bank Group, we have drawn up a set of Risk Management Regulations that specify the Group's policies regarding business risks and lay down the organizational structure for dealing with risks. Risk management is based on these regulations, which stipulate procedures to be followed in the case of each separate category of risk, including credit risk, market risk, liquidity risk, and operational risk. The Risk Management Department acts as the central authority for all categories of risk management, and includes risk management sections responsible for particular risk categories. Risks that affect or may affect the business operations of the Bank's group are analyzed and assessed by a risk management system that enables integrated monitoring and management of risk across the entire Group. Additionally, the Audit Department, which is organizationally independent of the

departments and sections subject to its audits, conducts regular verifications of the appropriateness and effectiveness of the Group's internal controls relating to risk management across the entire breadth of the Group's business operations.

Integrated Risk Management System

To ensure the effectiveness of the Shizuoka Bank Group's integrated risk management system, we have adopted a system of risk management through risk capital allocation.

The Bank allocates regulatory risk capital to the extent deemed to be required to cover losses that may arise from the materialization of the risks (particularly market and credit risks) attendant on the conduct of the Bank's normal business operations. By setting aside an amount of regulatory capital sufficient to cover any such losses, we can avoid becoming insolvent, and thereby ensure the ability to continue business operations.

Risk capital is defined as core capital (Tier I minus an amount equivalent to net deferred tax assets), and specific amounts are allocated to each operational department or section by the Board of Directors. Each department for business execution must conduct its business so that the maximum losses arising from risk materialization do not exceed the amount of risk capital allocated to cover them. The amounts at risk are estimated by the appropriate risk management section, and the Risk Management Group constantly monitors the situation to ensure that the amount at risk does not exceed the allocated risk capital amount. Through this system, the Bank ensures objective and accurate risk management.

Risk capital allocation does not imply that the entire amount of core capital is allocated: a certain amount of the core capital is kept as a buffer against the losses likely to be incurred in the event of a natural disaster such as a major earthquake. This enables the Bank to carry out its business operations with a reasonable degree of assurance that its financial position will remain sound.

Credit Risk Management

The Credit Risk Management Group of the Risk Management Department manages all credit risk relating to the Shizuoka Bank Group's operations both in Japan and overseas in order to enhance the soundness of the Group's loan asset portfolio.

In April 2007 the Bank's borrower credit rating system, which is the foundation stone of its credit risk management, together with other internal rating systems, was reorganized into a new system in which responsibility for the design of the system and the supervision of its functioning lies with the Credit Risk Management Group of the Risk Management Department (which is independent from the front-line marketing units that actually make loans); responsibility for the day-to-day operation of the system lies with the Ratings Assessment Group of the Credit Department; and responsibility for verification of the correct functioning of the system lies with the Risk Management Group within the Risk Management Department. These three units exercise a mutual limitation and checking function with respect to one another, thereby facilitating greater precision and more advanced functions in the Bank's internal ratings system. In addition, the self-assessment process — overseen by the Asset Auditing Group of the Audit Department, which is organizationally independent of the front-line marketing and loan units — is used to verify that the rules of credit risk management are being properly observed.

The Credit Risk Management Group uses statistical methods to quantify latent credit risk across the Bank's entire loan portfolio. In this way, the Bank accurately assesses the scale of potential risk, monitors the concentration of loans to particular large-scale borrowers or particular industries, and has in place risk control mechanisms to eliminate excessive credit risk.

Borrowers' Credit Rating System

The Bank employs a borrowers' credit rating system to form an accurate picture of the creditworthiness of corporate borrowers and ensure meticulous credit risk management. Borrowers are rated on a scale of 1 to 12 according to financial indicators, including the asset portfolio and cash flows. To make the ratings objective, quantitative information is given more weight in this system.

Borrowers' credit ratings form the basis of self-assessment, which is preparatory to the calculation of capital ratios. They are also used in calculating the general reserve for possible loan losses, and are widely used as criteria for determining credit-approval limits and management of problem credits. They are thus fundamental to credit risk management.

Market Risk Management

At Shizuoka Bank, the amount of market risk (including the market risk of Shizuoka Bank Europe S.A.) is kept within a fixed range as a percentage of risk capital, and we ensure that an appropriate level of profitability is maintained, with due consideration to degree of risk. Regarding the market risk faced by our other major subsidiaries, we are also taking a unified approach to market risk management.

To ensure an effective system of checks and balances at Shizuoka Bank, market risk management (middle office) departments and administrative (back office) departments are kept strictly separate from departments involved in market transactions (front office). In addition, the Audit Department monitors the system of mutual checking among the front, middle, and back offices.

Earnings performance and risk level data assessed by middle offices are used in management evaluations through an intranet which enables monitoring at all times.

Liquidity Risk Management

Liquidity risk consists mainly of market liquidity risk and cash flow risk. Staff are assigned to the management of cash flow risk on a daily, weekly, and monthly basis, and cash flow risk is controlled across the whole Bank, including overseas branches. Four levels of emergency scenario have been established to help us formulate rapid and appropriate responses to unforeseeable events, and we have in place for each contingency the officials, offices, and measures needed to ensure immediate remedial action.

Position limits are set for each financial product and maturity period to control market liquidity risk. In addition, the Audit Department monitors the execution of liquidity risk management.

Operational Risk Management

The Shizuoka Bank Group uses the term "operational risk" to refer to a set of eight risk categories, i.e. administrative risk, system risk, data management and clerical work outsourcing risk, legal risk, risk of damage to tangible fixed assets, personnel risk, reputational risk, and miscellaneous operational risks. Each risk category is managed by a dedicated unit of the Bank, while the Operational Risk Management Group within the Risk Management Department is the central unit responsible for overseeing and managing operational risk throughout the entire Shizuoka Bank Group. In line with our basic policies on operational risk management, we are taking measures to construct a failsafe system for the appropriate identification, assessment, detailed analysis, monitoring, and minimization of this category of risk through the application of self-assessment based on the rigorous compilation and analysis of data. The effectiveness of this risk management system is being verified by on-site audits conducted by the Audit Department, which is organizationally independent from any of the units that it audits.

Business Continuity Plan

Japan is one of the countries most vulnerable to earthquakes. Shizuoka Bank Group has drawn up a contingency plan in the event of a large-scale earthquake in the Tokai region or under metropolitan area, since it is said that there is a significant likelihood of such an earthquake in the near future. We have strengthened our ability to deal with such disasters through a contingency plan, so that we can continue our operations even during emergencies or re-open operations at an early date after such events.

In addition to quakeproofing Bank structures, firmly attaching safe-deposit boxes, ATMs and other equipment to walls/floors, establishing backup computing systems, and using more earthquake resistant materials at each branch, including for emergency communications equipment, we also undertake twice-yearly earthquake training sessions based on our emergency procedures.

Soundness of Financial Position

The core of the Shizuoka Bank Group's management policy has been the maintenance of the kind of sound financial position expected of a financial sector enterprise, in view of its strong public service character.

Capital Ratios

The adoption of the new Basel II capital adequacy requirements with effect from the end of March 2007 will produce changes in the method of calculating banks' capital ratios. As a result, the relative reputations of banks for financial soundness will change depending on the degree of risk involved in their operations and their success in managing risk. At Shizuoka Bank, with the aim of using the most accurate method feasible of estimating risk, we have pushed forward with reforms to our internal systems, and with effect from the fiscal 2007 term-end, we will apply the "Foundation IRB (FIRB) approach" to the calculation of credit risk and the "standardized approach" to the calculation of operational risk.

As of the end of March 2008, the Bank's capital ratio according to the new standard was 14.70% on a consolidated basis. The fundamental Tier I capital ratio stood at 13.42%, and the core capital ratio (Tier I capital minus an amount equivalent to net deferred tax assets as the numerator) was 12.63%, which was substantially higher than the BIS minimum capital adequacy requirement of 8% for banks engaging in international operations.

Credit Ratings

A credit rating is an indicator of a bank's ability to repay the principal of and interest on deposits. Credit ratings are widely accepted as reliable indicators of a bank's creditworthiness and financial safety. Shizuoka Bank has been rated by one Japanese and three overseas ratings agencies, and these ratings are in each case substantially higher than most of Japanese financial institutions.

Non-Performing Loans

The balance of risk-managed loans, under the Banking Law, totaled ¥198.8 billion (US\$1,984 million) on a consolidated basis, representing 3.35% of the total balance of loans outstanding at the end of the term. This figure reflects our success in curbing new occurrences of bad debt by supporting business rehabilitation at struggling customers, and our efforts to move bad debt off the balance sheet.

With regard to non-performing loans on which payments of principal or interest are in arrears, Shizuoka Bank aims to remove them from its balance sheets by such means as the rapid disposal of collateral or sale of receivables. However, not all loans classified as risk-managed loans are treated in the same way, because the greater part of the Bank's risk-managed loans are performing loans, with the payment of principal and interest being kept up. For such loans, working in collaboration with Group companies and others, the Bank endeavors to bring about the revitalization of the debtor companies and their business activities, even if it takes some time to do so. In this way, we seek to maintain the soundness of the Bank's assets and at the same time revitalize the regional economy.

Shizuoka Bank's total credit costs also continue to be held at a low level, thanks to the Bank's high coverage ratio on its risk-managed loans. (The term "coverage ratio," as used here, refers to the ratio of the combined value of loan loss reserves, and collateral and guaranteed amounts, to the value of total loans outstanding.)

Business Performance in Fiscal 2007 (Consolidated)

Earnings

Total income of the Shizuoka Bank Group increased ¥18.8 billion from the previous term to ¥245.3 billion (US\$2,449 million), attributable mainly to higher interest income from increases in interest on loans and discounts.

Total expenses increased ¥28.7 billion year-on-year, to ¥183.3 billion (US\$1,830 million), principally as a result of an increase in interest on deposit.

As a result, net income decreased by ¥3.0 billion from the previous term, to ¥34.7 billion (US\$347 million).

Loans

As our prosperity depends on the economic health of our home region, during the reporting period we continued to focus on providing loans to meet the diverse funding needs of our customers. Mortgage loans and other loans to individual customers, and loans to SMEs both showed steady increases, with the result that the balance of loans and bills discounted at the end of the term rose by ¥238.8 billion year-on-year, to ¥5,932.8 billion (US\$59,216 million).

Deposits

Total deposits increased ¥345.1 billion at the end of the term, to ¥7,341.4 billion (US\$73,275 million), thanks mainly to increases in time deposits and NCDs.

To meet customers' increasingly diverse asset management needs, the Bank put efforts into marketing, and increased its balance of assets in custody such as JGBs, and foreign-currency deposits. As a result, the total of such personal assets under custody (including yen deposits and NCDs) increased by ¥187.5 billion to ¥6,227.7 billion (US\$62,159 million).

Securities

The Bank endeavored to construct a portfolio yielding sound and steady earnings by tailoring its position flexibly to market trends. The Bank has increased the balance of yen-denominated bonds on the assumption that any rise in medium-to-long-term interest rates in Japan will be limited. However, the balances of equities, investment trusts, and similar financial instruments, all of which are subject to market-to-market valuation, decreased as a result of the decline in prices on the stock markets. As a result, the total balance of securities at the end of the term decreased by ¥65.4 billion from the previous term-end, to ¥2,222.7 billion (US\$22,184 million).

Cash Flows

Net cash provided by operating activities amounted to ¥158.1 billion (US\$1,579 million), due mainly to an increase in deposits and borrowed money. Net cash used in investing activities totaled ¥150.8 billion (US\$1,505 million), reflecting the purchase of securities. Net cash used in financing activities totaled ¥23.1 billion (US\$231 million), the principal factor being dividend payments and repurchase of treasury stock. As a result, cash and cash equivalents decreased by ¥15.7 billion at the term-end, to ¥115.5 billion (US\$1,154 million).

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Shizuoka Bank, Ltd. (the "Bank") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Shizuoka Bank, Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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



June 10, 2008

Consolidated Balance Sheets

THE SHIZUOKA BANK, LTD. and Subsidiaries March 31, 2008 and 2007

	Millions of Yen		Thousands of
	2008	2007	U.S. Dollars (Note 2)
Assets:			2008
Cash and due from banks (Note 11)	¥ 288,011	¥ 199,250	\$ 2,874,653
Call loans and bills bought	185,000	118,440	1,846,492
Monetary claims bought	142,964	138,273	1,426,935
Trading assets (Note 4)	69,278	71,098	691,474
Securities (Notes 5, 11)	2,222,702	2,288,124	22,184,871
Loans and bills discounted (Notes 6, 11, 12)	5,932,895	5,694,075	59,216,441
Foreign exchanges (Note 7)	3,956	4,404	39,494
Other assets (Notes 8, 11)	90,632	69,404	904,605
Tangible fixed assets (Note 9)	97,751	96,958	975,664
Intangible fixed assets (Note 9)	19,842	15,371	198,051
Deferred tax assets (Note 25)	2,932	2,938	29,267
Customers' liabilities for acceptances and guarantees (Note 10)	101,453	88,938	1,012,614
Allowance for loan losses	(58,887)	(61,316)	(587,760)
Allowance for investment losses	(108)	(102)	(1,084)
Total Assets	¥9,098,425	¥8,725,859	\$90,811,717
Liabilities and Equity:			
Liabilities:			
Deposits (Notes 11, 13)	7,341,449	6,996,299	73,275,267
Call money and bills sold (Note 11)	164,423	234,294	1,641,121
Payables under securities lending transactions (Note 11)	70,703	90,415	705,690
Trading liabilities (Note 4)	31,720	30,922	316,599
Borrowed money (Notes 11, 14)	334,116	79,931	3,334,827
Foreign exchanges (Note 7)	282	301	2,822
Bonds payable (Note 15)	150,112	180,824	1,498,279
Other liabilities (Notes 11, 16)	124,984	130,150	1,247,477
Provision for directors' bonuses		69	
Provision for retirement benefits (Note 17)	22,925	23,484	228,818
Provision for losses from reimbursement of inactive accounts	928		9,262
Provision for contingent losses	445		4,450
Reserves under the special laws	11	9	112
Deferred tax liabilities (Note 25)	37,477	86,015	374,068
Acceptances and guarantees (Note 10)	101,453	88,938	1,012,614
Total Liabilities	8,381,034	7,941,659	83,651,406
Equity: (Notes 18, 20, 31)			
Capital stock,			
authorized, 2,414,596 thousand shares:			
issued, 710,129 thousand shares in 2008 and 720,129 thousand shares in 2007	90,845	90,845	906,735
Capital surplus	54,887	54,940	547,837
Subscription rights to shares	57		578
Retained earnings	458,525	444,100	4,576,557
Valuation difference on available-for-sale securities	108,950	188,727	1,087,443
Deferred gains or losses on hedges	(218)	153	(2,176)
Foreign currency translation adjustment	(44)	(72)	(446)
Treasury stock-at cost			
11,985 thousand shares in 2008 and 11,806 thousand shares in 2007	(12,163)	(9,439)	(121,400)
Total	700,841	769,255	6,995,128
Minority interests	16,549	14,944	165,183
Total Equity	717,391	784,200	7,160,311
Total Liabilities and Equity	¥9,098,425	¥8,725,859	\$90,811,717

Consolidated Statements of Income

THE SHIZUOKA BANK, LTD. and Subsidiaries Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of
	2008	2007	U.S. Dollars (Note 2)
Income:			2008
Interest Income:			
Interest on loans and discounts	¥123,144	¥106,234	\$1,229,112
Interest and dividends on securities	40,492	39,802	404,162
Other interest income	4,755	3,392	47,468
Subtotal	168,393	149,429	1,680,742
Fees and Commissions	48,597	49,555	485,056
Trading Income	3,045	1,965	30,400
Other Operating Income (Note 21)	4,136	4,385	41,291
Other Income (Note 22)	21,164	21,173	211,246
Total Income	245,338	226,508	2,448,735
Expenses:			
Interest Expenses:			
Interest on deposits	29,944	19,745	298,880
Interest on borrowings and rediscounts	8,908	6,641	88,920
Other interest expenses	9,713	10,782	96,952
Subtotal	48,567	37,169	484,752
Fees and Commissions Payments	22,357	21,652	223,150
Other Operating Expenses (Note 23)	9,199	2,238	91,820
General and Administrative Expenses	82,925	80,720	827,681
Other Expenses (Note 24)	20,296	12,784	202,578
Total Expenses	183,345	154,564	1,829,981
Income before Income Taxes and Minority Interests	61,992	71,944	618,754
Income Taxes: (Note 25)			
Current	23,863	21,355	238,186
Deferred	1,549	10,790	15,468
Minority Interests in Net Income of Consolidated Subsidiaries	1,820	1,982	18,175
Net Income	¥ 34,758	¥ 37,815	\$ 346,925

	Yen		U.S. Dollars (Note 2)
	2008	2007	
Per Share: (Note 30)			
Basic net income	¥ 49.25	¥ 53.39	\$ 0.49
Diluted net income	49.25		0.49
Cash dividends applicable to the year	13.00	13.00	0.13

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

THE SHIZUOKA BANK, LTD. and Subsidiaries Years ended March 31, 2008 and 2007

	Thousands		Millions of Yen										
	Outstanding Number of Shares of Common Stock	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Treasury Stock	Total	Minority Interests	Total Equity	
Balance at April 1, 2006	720,129	¥90,845	¥54,898	¥	¥413,951	¥175,996	¥	¥(589)	¥(9,417)	¥725,685	¥13,344	¥739,029	
Change of items during the period													
Cash dividends, ¥5.75 per share (1)					(4,072)					(4,072)		(4,072)	
Cash dividends, ¥5.00 per share					(3,541)					(3,541)		(3,541)	
Bonuses to directors and corporate auditors (1)					(52)					(52)		(52)	
Net income					37,815					37,815		37,815	
Repurchase of treasury stock (250 thousand shares)									(314)	(314)		(314)	
Disposal of treasury stock (329 thousand shares)			41						292	334		334	
Net changes of items other than shareholders' equity						12,730	153	516		13,401	1,600	15,001	
Total changes of items during the period			41		30,149	12,730	153	516	(22)	43,570	1,600	45,170	
Balance at March 31, 2007	720,129	¥90,845	¥54,940	¥	¥444,100	¥188,727	¥153	¥(72)	¥(9,439)	¥769,255	¥14,944	¥784,200	
Balance at April 1, 2007	720,129	¥90,845	¥54,940	¥	¥444,100	¥188,727	¥153	¥(72)	¥(9,439)	¥769,255	¥14,944	¥784,200	
Change of items during the period													
Cash dividends, ¥8.00 per share (2)					(5,666)					(5,666)		(5,666)	
Cash dividends, ¥6.50 per share					(4,603)					(4,603)		(4,603)	
Net income					34,758					34,758		34,758	
Repurchase of treasury stock (10,224 thousand shares)									(12,892)	(12,892)		(12,892)	
Disposal of treasury stock (44 thousand shares)			13						38	52		52	
Retirement of treasury stock (10,000 thousand shares)	(10,000)		(66)		(10,063)				10,130				
Net changes of items other than shareholders' equity					57	(79,776)	(371)	28		(80,062)	1,605	(78,456)	
Total changes of items during the period	(10,000)		(52)		57	14,424	(79,776)	(371)	28	(2,723)	(68,413)	1,605	(66,808)
Balance at March 31, 2008	710,129	¥90,845	¥54,887	¥57	¥458,525	¥108,950	¥(218)	¥(44)	¥(12,163)	¥700,841	¥16,549	¥717,391	

	Thousands of U.S. Dollars (Note 2)											
	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Treasury Stock	Total	Minority Interests	Total Equity	
Balance at April 1, 2007	\$906,735	\$548,366	\$	\$4,432,585	\$1,883,692	\$1,536	\$(727)	\$(9,421)	\$7,677,969	\$149,160	\$7,827,129	
Change of items during the period												
Cash dividends, \$0.08 per share (2)				(56,558)					(56,558)		(56,558)	
Cash dividends, \$0.06 per share				(45,948)					(45,948)		(45,948)	
Net income				346,925					346,925		346,925	
Repurchase of treasury stock								(128,677)	(128,677)		(128,677)	
Disposal of treasury stock		132						387	519		519	
Retirement of treasury stock		(661)		(100,447)				101,108				
Net changes of items other than shareholders' equity				578	(796,249)	(3,712)	281		(799,102)	16,023	(783,079)	
Total changes of items during the period		(529)		578	143,972	(796,249)	(3,712)	281	(27,182)	(682,841)	16,023	(666,818)
Balance at March 31, 2008	\$906,735	\$547,837	\$578	\$4,576,557	\$1,087,443	\$(2,176)	\$(446)	\$(121,400)	\$6,995,128	\$165,183	\$7,160,311	

Note (1): The profit appropriation of the meeting of shareholders conducted on June, 2006.

(2): The profit appropriation of the meeting of shareholders conducted on June, 2007.

Consolidated Statements of Cash Flows

THE SHIZUOKA BANK, LTD. and Subsidiaries Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	2008
I. Operating Activities:			
Income before income taxes and minority interests	¥ 61,992	¥ 71,944	\$ 618,754
Adjustments for:			
Income taxes-paid	(23,340)	(17,719)	(232,966)
Depreciation and amortization	21,256	19,927	212,159
Impairment loss	99	48	989
Equity in loss of affiliates	437	52	4,363
Decrease in allowance for loan losses	(2,428)	(8,670)	(24,240)
Increase (decrease) in allowance for investment losses	6	(36)	61
(Decrease) increase in provision for directors' bonuses	(69)	69	(698)
Decrease in provision for retirement benefits	(558)	(654)	(5,579)
Increase in provision for losses from reimbursement of inactive accounts	928		9,262
Increase in provision for contingent losses	445		4,450
Bonuses to directors and corporate auditors		(67)	
Losses (gains) on securities	3,806	(7,227)	37,989
Losses on money held in trust	6		64
Losses on sale of fixed assets	1,117	765	11,154
Changes in assets and liabilities			
Decrease in trading assets	1,819	14,945	18,159
Increase (decrease) in trading liabilities	797	(1,750)	7,959
Increase in loans and bills discounted	(265,934)	(349,030)	(2,654,305)
Increase in deposits	377,550	17,187	3,768,350
Increase in borrowed money	254,184	61,824	2,537,027
(Increase) decrease in due from banks (excluding demand deposits with the Bank of Japan)	(108,663)	72,001	(1,084,572)
Increase in call loans	(67,836)	(115,308)	(677,078)
(Increase) decrease in monetary claims bought	(4,691)	115,650	(46,822)
Decrease in call money	(36,832)	(76,659)	(367,624)
Decrease in payables under securities lending transactions	(8,016)	(20,256)	(80,010)
Decrease in foreign exchanges (assets)	447	675	4,469
(Decrease) increase in foreign exchanges (liabilities)	(18)	176	(184)
Decrease in bonds payable	(20,000)	(20,000)	(199,621)
Decrease (increase) in interest and dividends receivable	216	(980)	2,166
Increase in interest payable	3,632	2,604	36,259
Other net	(32,156)	29,820	(320,950)
Total Adjustments	96,205	(282,612)	960,231
Net Cash Provided by (Used in) Operating Activities	158,198	(210,668)	1,578,985
II. Investing Activities:			
Purchase of securities	(960,130)	(622,938)	(9,583,098)
Proceeds from sale of securities	475,705	287,960	4,748,030
Proceeds from redemption of securities	360,225	461,986	3,595,419
Purchase of tangible fixed assets	(18,927)	(20,298)	(188,912)
Purchase of intangible fixed assets	(9,273)	(7,094)	(92,562)
Proceeds from sale of tangible fixed assets	1,592	3,084	15,894
Net Cash (Used in) Provided by Investing Activities	(150,808)	102,700	(1,505,229)
III. Financing Activities:			
Dividends paid	(10,259)	(7,607)	(102,398)
Dividends paid to minority interests	(21)	(21)	(216)
Repurchases of treasury stock	(12,892)	(314)	(128,677)
Proceeds from sales of treasury stock	52	360	519
Net Cash Used in Financing Activities	(23,121)	(7,583)	(230,772)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(63)	9	(629)
V. Net Decrease in Cash and Cash Equivalents	(15,794)	(115,541)	(157,645)
VI. Cash and Cash Equivalents, Beginning of Year	131,384	246,926	1,311,358
VII. Cash and Cash Equivalents, End of Year (1)	¥115,590	¥131,384	\$1,153,713

See notes to consolidated financial statements.

Note (1): For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and demand deposits with the Bank of Japan.

Cash and due from banks on the consolidated balance sheets at March 31, 2008 and 2007 are reconciled with cash and cash equivalents on the consolidated statements of cash flows as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2008	2007	2008
Cash and due from banks	¥288,011	¥199,250	\$2,874,653
Other due from banks	(172,420)	(67,865)	(1,720,940)
Cash and cash equivalents, end of year	¥115,590	¥131,384	\$1,153,713

Notes to Consolidated Financial Statements

THE SHIZUOKA BANK, LTD. and Subsidiaries Years ended March 31, 2008 and 2007

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 (the "Group") in accordance with the provisions set forth in the "Corporate Law", the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law), the Bank Law of Japan and the Accounting Guideline for Banks in Japan stated by the Japanese Bankers' Association and accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In order to facilitate an understanding by readers outside Japan, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically.

In addition, certain reclassifications and rearrangements have been made in the 2007 consolidated financial statements to conform to classifications and presentations used in 2008.

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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to \$1, the approximate rate of exchange at March 31, 2008. Such translation should not be construed as representation 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, 2008 and 2007 include the accounts of the Bank, 11 subsidiaries and 1 company accounted by the equity method.

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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.

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 stated at amortized cost computed by straight-line method and available-for-sale securities, which are not classified as either trading account securities or held-to-maturity debt securities, are stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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.

Tangible fixed assets:

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets owned by the Bank 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.

Depreciation of tangible fixed assets owned by consolidated subsidiaries is principally computed using the declining-balance method over the estimated useful lives of the assets. Depreciation of leased property and equipment is provided on the straight-line method over lease periods.

Impairment loss:

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Software:

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

Allowance for loan losses:

The amount of the allowance for 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.

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 allowance for 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 "Allowance for loan losses" at the amount deemed necessary to cover such losses, principally based on past experience.

Allowance for investment losses:

The allowance for investment losses is provided at a necessary amount based on the estimated possible losses on investments.

Provision for retirement benefits:

The Bank and domestic consolidated subsidiaries have lump-sum retirement benefit plans, a contributory funded pension plan and a non-contributory funded pension plan.

The Bank and its subsidiaries accounted for the provision for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Provision for losses from reimbursement of inactive accounts:

Provision for losses from reimbursement of inactive accounts which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience. Prior to the year ended March 31, 2007, deposits which were derecognized as liabilities were expensed when they were actually reimbursed. Effective April 1, 2007, such provision is accounted in the estimated amount as described above in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007.

As a result, Income before income taxes decreased by ¥928 million as compared with the former method.

Provision for contingent losses:

The provision for contingent losses is provided for the estimated future payments to credit guarantee corporations due to the implementation of loss sharing system started from October 1, 2007.

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.

Presentation of equity:

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard,

certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

Stock option:

The ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expenses for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as subscription rights to shares as a separate component of equity until exercised.

The Bank has applied the accounting standard for stock options to those granted on and after May 1, 2006.

Translation of foreign currencies:

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.

The financial statements of the consolidated subsidiaries outside Japan are translated into Japanese yen at the current exchange rate at each balance sheet date, except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Income taxes:

The Bank and its subsidiaries in Japan allocate 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 differences.

Derivatives and hedging activities:

(a) Transactions to hedge against interest rate risk

Transactions to hedge against interest rate risk affecting the financial assets and liabilities of the Bank are accounted for using deferral hedge accounting as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountant Industry Audit Committee Report No. 24). Regarding the effectiveness of a hedging relationship under fair value hedging, a portfolio of hedged items such as deposits or loans with common maturities is matched with a group of hedging instruments such as interest rate swaps which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the fair value hedge is assessed by each group. Also, the effectiveness of a cash flow hedge is assessed on the basis of the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

Special hedging treatment is applied for interest rate swaps.

Methods similar to that utilized by the Bank are applied to hedge transactions conducted by the subsidiaries of the Bank.

(b) Transactions to hedge against foreign exchange fluctuation risk
Deferral hedge accounting is applied to hedges against foreign exchange fluctuation risks associated with foreign currency denominated monetary assets and liabilities, stipulated in JICPA Industry Audit Committee Report No. 25.

The effectiveness of currency-swap transactions, exchange swap transactions and similar transactions hedging foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed by comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In order to hedge the foreign exchange risk of foreign-currency-denominated Available-for-sale securities (except bonds), the Bank applies the "general method", using market-value hedges in accordance with certain conditions, namely the stipulation in advance of which foreign-currency-denominated securities are to be hedged, and the existence in foreign currency of a spot-forward liability in excess of the acquisition cost of the relevant foreign-currency-denominated securities.

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

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:

Basic net income per share is computed by dividing net income available to common stockholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 705,635,098 shares for 2008 and 708, 287, 876 shares for 2007.

Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

Cash dividends per share presented in the accompanying statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

New Accounting Pronouncements:

(a) Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard required that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements
Under Japanese GAAP, a company currently can use the financial

statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new standard prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparations of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities at March 31, 2008 and 2007 consisted of the following:

(a) Trading assets

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Trading securities:			
National government bonds	¥ 3,471	¥ 3,046	\$ 34,647
Local government bonds	713	926	7,121
Foreign securities	266	427	2,662
Subtotal	4,451	4,400	44,430
Bond futures			
Subtotal			
Financial derivatives:			
Other (Note)	34,800	33,723	347,345
Subtotal	34,800	33,723	347,345
Other trading assets:			
Commercial paper	30,003	32,955	299,467
Other (Note)	23	18	232
Subtotal	30,026	32,973	299,699
Total	¥69,278	¥71,098	\$691,474

(b) Trading liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Financial derivatives:			
Other (Note)	¥31,720	¥30,922	\$316,599
Total	¥31,720	¥30,922	\$316,599

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

5. SECURITIES

Securities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of
	2008	2007	U.S. Dollars
National government bonds	¥ 315,439	¥ 461,880	\$ 3,148,410
Local government bonds	239,313	187,781	2,388,600
Corporate debentures	815,260	545,081	8,137,142
Corporate stocks	321,088	454,863	3,204,797
Other securities	531,600	638,518	5,305,922
Total	¥2,222,702	¥2,288,124	\$22,184,871

In the following description, in addition to "Securities" in the consolidated balance sheet, also presented 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, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as:				¥ 34,478
Trading				
Available-for-sale:				
Equity securities	¥ 137,435	¥179,793	¥ 2,522	314,705
Debt securities	1,329,101	12,241	2,823	1,338,519
Others	526,727	5,157	15,962	515,922
Held-to-maturity	7,490	62	6	7,546

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as:				¥ 37,374
Trading				
Available-for-sale:				
Equity securities	¥ 142,339	¥305,196	¥ 427	447,108
Debt securities	1,164,972	1,034	7,363	1,158,643
Others	616,881	7,662	3,344	621,199
Held-to-maturity	7,946	45	49	7,942

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as:				\$ 344,130
Trading				
Available-for-sale:				
Equity securities	\$ 1,371,745	\$1,794,521	\$ 25,180	3,141,086
Debt securities	13,265,814	122,181	28,182	13,359,813
Others	5,257,286	51,475	159,322	5,149,439
Held-to-maturity	74,761	622	65	75,318

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 5,873	¥ 6,807	\$ 58,619
Debt securities	36,286	42,041	362,174
Held-to-maturity	103,414	103,716	1,032,186
Total	¥145,573	¥152,565	\$1,452,979

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥481,215 million (\$4,803 million), and ¥284,980 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥16,252 million (\$162,216 thousand) and ¥12,670 million

(\$126,460 thousand), respectively for the year ended March 31, 2008 and ¥10,910 million and ¥2,293 million, respectively, for the year ended March 31, 2007.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
2008				
Due in one year or less	¥ 184,071	¥ 93,217	\$ 1,837,229	\$ 930,407
Due after one year through five years	994,703	4,896	9,928,169	48,869
Due after five years through ten years	281,640	1,157	2,811,059	11,552
Due after ten years	377,659	11,633	3,769,429	116,119
No maturity period				
Total	¥1,838,074	¥110,905	\$18,345,886	\$1,106,947

	Millions of Yen	
	Available-for-sale	Held-to-maturity
2007		
Due in one year or less	¥ 274,127	¥ 89,640
Due after one year through five years	978,472	6,129
Due after five years through ten years	144,211	1,411
Due after ten years	350,168	14,481
No maturity period		
Total	¥1,746,980	¥111,662

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Bills discounted	¥ 63,474	¥ 78,019	\$ 633,542
Loans on bills	266,356	311,162	2,658,514
Loans on deeds	4,396,574	4,144,966	43,882,370
Overdrafts	1,206,489	1,159,926	12,042,015
Total	¥5,932,895	¥5,694,075	\$59,216,441

In accordance with the Uniform Accounting Standards for Banks in Japan, loans under bankruptcy proceedings, past due loans on which interest payments are waived from 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans under bankruptcy proceedings	¥ 9,627	¥ 7,951	\$ 96,092
Past due loans	160,674	164,414	1,603,698
Loans past due for three months or more	1,793	1,172	17,899
Loans with relaxed conditions	26,736	26,667	266,855
Total	¥198,831	¥200,206	\$1,984,544

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 recovery 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, 2008 and 2007 consisted of the following:

(a) Assets

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due from foreign banks	¥1,697	¥1,437	\$16,944
Foreign exchange bills bought	696	1,140	6,948
Foreign exchange bills receivable	1,563	1,826	15,602
Total	¥3,956	¥4,404	\$39,494

(b) Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Foreign exchange bills sold	¥202	¥246	\$2,024
Foreign exchange bills payable	79	55	798
Total	¥282	¥301	\$2,822

8. OTHER ASSETS

Other assets at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Accrued income	¥13,137	¥12,417	\$131,125
Derivative products	16,987	9,044	169,548
Bond issue cost		41	
Prepaid expenses	10,048	9,729	100,294
Others	50,459	38,171	503,638
Total	¥90,632	¥69,404	\$904,605

9. TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

Tangible fixed assets and intangible fixed assets at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Tangible fixed assets			
Buildings	¥ 26,097	¥ 24,189	\$ 260,479
Land	24,671	24,765	246,251
Construction in progress	327	3,834	3,273
Other tangible fixed assets	46,654	44,169	465,661
Subtotal	97,751	96,958	975,664
Intangible fixed assets			
Software	16,401	11,583	163,704
Other intangible assets	3,441	3,787	34,347
Subtotal	19,842	15,371	198,051
Total	¥117,594	¥112,329	\$1,173,715

Tangible fixed assets are stated at cost less accumulated depreciation of ¥162,598 million (\$1,622,906 thousand) and ¥168,448 million in 2008 and 2007, respectively.

As of March 31, 2008 and 2007, deferred gains for tax purposes of ¥11,118 million (\$110,974 thousand) and ¥11,169 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

The Group reviewed its long-lived assets for impairment as of March 31, 2008 and 2007, as a result, recognized an impairment loss of ¥99 million (\$989 thousand) and ¥48 million as other expense for certain branches due to a continuous operating losses and the carrying amount of the relevant tangible fixed assets was written down to the recoverable amount. The recoverable amount of such tangible fixed assets was measured at its net selling price determined by quotation from a third-party vendor.

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.

The respective amounts of "Acceptances and Guarantees" and "Customers' Liabilities for Acceptances and Guarantees" are netted in accordance with the appendix forms of "Banking Law Enforcement Regulations" (Ministry of Finance Ordinance No.10, 1982).

Liabilities for guarantees on corporate bonds included in Securities, which were issued by private placement (Article 2 Paragraph 3 of the Financial Instruments and Exchange Law) amounted to ¥27,297 million.

11. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Assets pledged as collateral:			
Due from banks	¥ 239	¥ 239	\$ 2,395
Securities	602,290	439,851	6,011,480
Loans and bills discounted			
Minimum future rentals on lease contacts (off balanced)	6,102	10,553	60,912
Relevant liabilities to above assets:			
Deposits	¥ 88,453	¥ 29,357	\$ 882,854
Call money and bills sold			
Payables under securities lending transactions	70,703	90,415	705,689
Borrowed money	322,949	67,584	3,223,366
Other liabilities	3,884	7,134	38,766

In addition to the above, the Bank has provided ¥187,166 million in securities and ¥2,103 million in Negotiable Certificates of Deposit as collateral for foreign exchange settlements and certain other transactions and as security for futures transactions.

Guarantee deposits on office space are included in other assets in the amount of ¥1,653 million, and margin money on futures trading is included in other assets in the amount of ¥25 million.

12. LOAN COMMITMENTS

Loan commitments at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Unexecuted loan commitments			
outstanding			
Loans due within one year	¥1,411,257	¥1,292,470	\$14,085,817
Loans due over one year	61,059	80,400	609,440
Total	¥1,472,317	¥1,372,870	\$14,695,257

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 written in the agreements. The balance of loans as yet undisbursed under these agreements stands at ¥1,472,317 million (\$14,695,257 thousand).

Of this total, ¥1,411,257 million (\$14,085,817 thousand) 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current deposits	¥ 314,544	¥ 371,092	\$ 3,139,477
Savings deposits	3,463,481	3,494,475	34,569,133
Deposits at notice	17,689	21,976	176,564
Time deposits	2,926,959	2,732,138	29,214,089
Negotiable certificates of deposit	334,230	123,480	3,335,962
Other	284,543	253,137	2,840,042
Total	¥7,341,449	¥6,996,299	\$73,275,267

14. BORROWED MONEY

At March 31, 2008 and 2007, the weighted average annual interests rates applicable to borrowed money were 0.59% and 0.56%, respectively.

Borrowed money are borrowings from financial institutions. Annual maturities of borrowed money as of March 31, 2008, were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009	¥328,714	\$3,280,910
2010	2,401	23,972
2011	1,824	18,211
2012	925	9,239
2013	200	1,996
2014 and thereafter	50	499
Total	¥334,116	\$3,334,827

15. BONDS PAYABLE

Bonds at March 31, 2008 and 2007, consisted of the following:

	rate (%)	Millions of Yen		Thousands of U.S. Dollars
		2008	2007	2008
Unsecured bonds, payable in Japanese yen, due May 2007	1.67		¥ 20,000	
Unsecured bonds, payable in Japanese yen, due September 2010	2.22	¥ 20,000	20,000	\$ 199,621
Unsecured bonds, payable in Japanese yen, due May 2008	1.11	5,000	5,000	49,905
Unsecured bonds, payable in Japanese yen, due May 2011	1.65	5,000	5,000	49,905
Unsecured bonds, payable in Japanese yen, due September 2009	0.68	20,000	20,000	199,621
Unsecured bonds, payable in Japanese yen, due September 2014	1.59	10,000	10,000	99,810
Unsecured bonds, payable in Japanese yen, due June 2010	0.54	20,000	20,000	199,621
Unsecured bonds, payable in Japanese yen, due June 2015	1.37	10,000	10,000	99,810
Bond, payable in U.S. dollars, due July 2008	3.49	30,056	35,412	299,995
Bond, payable in U.S. dollars, due November 2008	3.16	30,056	35,412	299,991
Total		¥150,112	¥180,824	\$1,498,279

Annual maturities of bonds as of March 31, 2008, were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 65,112	\$ 649,891
2010	20,000	199,621
2011	40,000	399,241
2012	5,000	49,905
2013		
2014 and thereafter	20,000	199,621
Total	¥150,112	\$1,498,279

16. OTHER LIABILITIES

Other liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Income taxes payable	¥ 13,127	¥ 12,644	\$ 131,022
Accrued expenses	16,282	11,966	162,521
Deposits from employees	2,935	3,141	29,299
Unearned income	11,001	10,395	109,811
Derivative products	18,364	8,859	183,293
Other	63,273	83,143	631,531
Total	¥124,984	¥130,150	\$1,247,477

17. 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.

The provision for retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥74,904	¥74,572	\$747,626
Fair value of plan assets	(55,866)	(63,936)	(557,605)
Unrecognized actuarial (loss) gain	(6,259)	3,285	(62,478)
Prepaid pension costs	10,146	9,562	101,275
Net provision	¥22,925	¥23,484	\$228,818

The components of net periodic benefit costs for the year ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥2,043	¥2,057	\$20,396
Interest cost	1,483	1,470	14,809
Expected return on plan assets	(1,734)	(1,625)	(17,315)
Recognized actuarial losses	606	1,073	6,053
Other	805	658	8,041
Net periodic benefit costs	¥3,204	¥3,634	\$31,984

Assumptions used for the year ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5%	3.5%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	10 years	10 years

18. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the

Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increase / decrease and transfer of capital stock, reserve and surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 100% of the capital stock.

The Corporate Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

19. STOCK OPTIONS

The stock options outstanding as of March 31, 2008 are as follows:

	Persons Granted	Number of Options	Date of Grant	Exercise Price	Exercise Period
2000 Stock Option	10 directors 7 executive officers	295,000 share	2000.7.31	¥ 963 (\$9.61)	From June 28, 2002 To June 27, 2007
2007 Stock Option	8 directors	67,000 share	2007.7.27	¥ 1 (\$0.01)	From July 28, 2007 To July 27, 2032

The stock option activity is as follows:

	2000 Stock Option	2007 Stock Option
For the year ended March 31, 2007		
Vested		
March 31, 2006—Outstanding	295,000	
Exercised	260,000	
March 31, 2007—Outstanding	35,000	
For the year ended March 31, 2008		
Non-vested		
March 31, 2007—Outstanding		67,000
Granted		67,000
March 31, 2008—Outstanding		67,000
Vested		
March 31, 2007—Outstanding	35,000	
Canceled	35,000	
March 31, 2008—Outstanding		
Exercise price	¥963 (\$9.61)	¥ 1 (\$0.01)
Fair value price at grant date		¥1,153 (\$11.51)

The assumptions used to measure fair value of the 2007 Stock Option Estimate method: Black-Scholes option pricing model

Volatility of stock price: 20.0%

Estimated remaining outstanding period: 4 years

Estimated dividend: ¥13 per share

Interest rate with risk free: 1.2%

20. VALUATION DIFFERENCE ON AVAILABLE-FOR-SALE SECURITIES

Breakdown of "Valuation difference on available-for-sale securities" posted in the Balance Sheet is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Valuation difference	¥178,620	¥ 308,427	\$1,782,819
Deferred tax liabilities	(69,564)	(119,401)	(694,324)
Amounts equivalent to difference on available-for-sale securities	¥109,056	¥ 189,026	\$1,088,495
Minority interests adjustment	¥ (105)	¥ (299)	\$ (1,052)
Valuation difference on available-for-sale securities	¥108,950	¥ 188,727	\$1,087,443

21. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Gains on foreign exchange transactions	¥2,582	¥1,941	\$25,773
Gains on sales of bonds	1,467	399	14,648
Gains on financial derivatives	71	1,992	712
Other	15	51	158
Total	¥4,136	¥4,385	\$41,291

22. OTHER INCOME

Other income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Gains on sales of stocks and other securities	¥12,014	¥ 5,603	\$119,919
Other	9,150	15,569	91,327
Total	¥21,164	¥21,173	\$211,246

23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Losses on sales of bonds	¥3,058	¥1,964	\$30,523
Losses on redemption of bonds	6,099		60,879
Amortized bond issue cost	41	273	418
Other			
Total	¥9,199	¥2,238	\$91,820

24. OTHER EXPENSES

Other expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Provision of allowance for loan losses	¥ 5,363	¥ 2,057	\$ 53,535
Losses on written-off claims	249	988	2,489
Losses on sales of stocks and other securities	210	30	2,100
Losses on devaluation of stocks and other securities	1,529	907	15,262
Losses on money held in trust	6		64
Equity in loss of affiliates	437	52	4,363
Losses on disposition of fixed assets	1,316	867	13,135
Impairment loss	99	48	989
Other	11,085	7,830	110,641
Total	¥20,296	¥12,784	\$202,578

25. INCOME TAXES

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.7% for the years ended March 31, 2008 and 2007, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Allowance for loan losses	¥ 21,562	¥ 22,997	\$ 215,213
Depreciation	3,608	3,628	36,016
Provision for retirement benefits	12,960	13,412	129,355
Valuation loss on securities	7,170	7,091	71,570
Other	(1,835)	(2,246)	(18,317)
Deferred tax assets	43,466	44,883	433,837
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(69,564)	(119,401)	(694,323)
Gain on establishment of employee retirement benefit trust	(6,922)	(6,922)	(69,091)
Revaluation reserve for fixed assets	(1,522)	(1,530)	(15,199)
Other	(2)	(107)	(25)
Deferred tax liabilities	(78,011)	(127,961)	(778,638)
Net deferred tax liabilities	¥(34,545)	¥ (83,077)	\$(344,801)

A reconciliation between the normal effective statutory tax rates for the year ended March 31, 2008 and the actual effective tax rates reflected in the accompanying consolidated statements of income was not required under Japanese accounting standards due to immaterial differences of tax rates.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2007 is as follows:

Normal effective statutory tax rate: 39.7%

Valuation allowance: 6.2%

Dividends exempted for income tax purpose: (1.7)%

Other: 0.4%

Actual effective tax rate: 44.6%

26. LEASES

(a) Lessee

Lease payments under finance leases for the years ended March 31, 2008 and 2007 were ¥6 million (\$64 thousand) and ¥7 million, respectively.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Equipment			
Acquisition cost	¥12	¥34	\$129
Accumulated depreciation	(9)	(28)	(99)
Net leased property	¥ 2	¥ 5	\$ 30

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Equipment			
Due within one year	¥1	¥5	\$15
Due after one year	1	0	15
Total	¥3	¥6	\$30

Depreciation expense and interest expense under finance lease:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥5	¥6	\$58
Interest expense	0	0	1

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

(b) Lessor

Lease revenue under finance leases for the year ended March 31, 2008 and 2007 was ¥14,557 million (\$145,300 thousand) and ¥15,495 million, respectively.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, balance at term-end, future lease payment receivable, lease revenue and interest income 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, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Equipment			
Acquisition cost	¥105,764	¥107,607	\$1,055,642
Accumulated depreciation	(71,595)	(72,010)	(714,602)
Net leased property	¥ 34,168	¥ 35,596	\$ 341,040

Future lease payment receivable:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Equipment			
Lease receivable (within one year)	¥10,654	¥11,388	\$106,342
Lease receivable (after one year)	21,309	22,184	212,695
Total	¥31,964	¥33,572	\$319,037

Leasing fees received under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Leasing fees received	¥11,340	¥12,404	\$113,186
Interest income	1,640	1,776	16,376

27. SEGMENT INFORMATION

Information regarding business segments of the Bank and its subsidiaries for the years ended March 31, 2008 and 2007 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, 2008	Millions of Yen					
	Bank operations	Leasing operations	Other operations	Total	Eliminations	Consolidated
Ordinary income and ordinary profits:						
Ordinary income from outside customers	¥ 215,013	¥19,950	¥10,135	¥ 245,099	¥	¥ 245,099
Ordinary income from intersegment transactions	1,273	2,820	11,488	15,582	(15,582)	
Total	216,287	22,771	21,623	260,682	(15,582)	245,099
Ordinary expenses	155,674	21,283	18,287	195,245	(15,256)	179,989
Ordinary profits	60,613	1,487	3,336	65,437	(326)	65,110
Total assets, depreciation and amortization and capital expenditure:						
Total assets	9,059,793	70,275	34,411	9,164,480	(66,054)	9,098,425
Depreciation and amortization	7,524	13,552	215	21,292	(36)	21,256
Impairment loss	99			99		99
Capital expenditure	10,576	18,705	241	29,523	(74)	29,448

Year ended March 31, 2007	Millions of Yen					
	Bank operations	Leasing operations	Other operations	Total	Eliminations	Consolidated
Ordinary income and ordinary profits:						
Ordinary income from outside customers	¥ 194,540	¥21,749	¥10,106	¥ 226,395	¥	¥ 226,395
Ordinary income from intersegment transactions	602	1,807	10,906	13,316	(13,316)	
Total	195,142	23,556	21,013	239,712	(13,316)	226,395
Ordinary expenses	128,038	21,791	17,156	166,986	(13,340)	153,646
Ordinary profits	67,103	1,764	3,856	72,725	23	72,749
Total assets, depreciation and amortization and capital expenditure:						
Total assets	8,684,433	65,692	34,580	8,784,706	(58,846)	8,725,859
Depreciation and amortization	6,376	13,456	131	19,964	(36)	19,927
Impairment loss	48			48		48
Capital expenditure	11,479	14,450	568	26,497	(71)	26,426

Year ended March 31, 2008	Thousands of U.S. Dollars					
	Bank operations	Leasing operations	Other operations	Total	Eliminations	Consolidated
Ordinary income and ordinary profits:						
Ordinary income from outside customers	\$ 2,146,062	\$199,124	\$101,162	\$ 2,446,348	\$	\$ 2,446,348
Ordinary income from intersegment transactions	12,713	28,155	114,665	155,533	(155,533)	
Total	2,158,775	227,279	215,827	2,601,881	(155,533)	2,446,348
Ordinary expenses	1,553,794	212,434	182,524	1,948,752	(152,275)	1,796,477
Ordinary profits	604,981	14,845	33,303	653,129	(3,258)	649,871
Total assets, depreciation and amortization and capital expenditure:						
Total assets	90,426,123	701,425	343,459	91,471,007	(659,290)	90,811,717
Depreciation and amortization	75,105	135,265	2,152	212,522	(363)	212,159
Impairment loss	989			989		989
Capital expenditure	105,565	186,696	2,413	294,674	(746)	293,928

Note: Business segments:

(1) Bank Operations

(2) Leasing Operations

(3) Other Operations—commissioned computer processing operations, credit card operations, etc.

28. DERIVATIVES

(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; bond-related transactions using bond futures and bond future options, and commodity-related transactions using commodity swaps.

(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 derivative 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.

(a) Accounting for hedging activities

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

(b) 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.

Hedge accounting was applied to the following hedging instruments and hedged items:

Hedging instruments: Interest rate swaps, currency swaps

Hedged items:

Yen-denominated assets: deposits (under general method), loans (under individual hedge)

Foreign-currency denominated assets: deposits, loans, corporate bonds and other securities (under individual hedge)

(c) Assessment of the effectiveness of hedging instruments

Fair Value Hedge

A portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest swaps which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the fair value hedge is assessed by each group.

Cash Flow Hedge

The effectiveness of a cash flow is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

Others have been confirmed to meet the requirements of the exceptional interest rate swap handling method.

Market Value of Derivatives

	Millions of Yen			
	Total	More than one year	Market value	Unrealized gain (loss)
2008				
Over-the-counter:				
Interest rate swaps	¥1,206,001	¥1,021,788	¥ 978	¥ 978
Currency swaps	738,643	667,878	2,066	2,066
Exchange contracts	65,151		(1,324)	(1,324)
Currency option	344,648	279,149		
Other	78,011	39,705	107	107

	Millions of Yen			
	Total	More than one year	Market value	Unrealized gain (loss)
2007				
Over-the-counter:				
Interest rate swaps	¥1,213,907	¥1,153,592	¥1,035	¥1,035
Currency swaps	619,441	546,481	1,828	1,828
Exchange contracts	22,877		(67)	(67)
Currency option	274,545	217,794		
Other	116,506	78,816	10	10

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.

	Thousands of U.S. Dollars			
	Total	More than one year	Market value	Unrealized gain (loss)
2008				
Over-the-counter:				
Interest rate swaps	\$12,037,148	\$10,198,504	\$ 9,765	\$ 9,765
Currency swaps	7,372,423	6,666,119	20,631	20,631
Exchange contracts	650,283		(13,216)	(13,216)
Currency option	3,439,952	2,786,197		
Other	778,634	396,303	1,071	1,071

29. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2008 and 2007 were as follows.

Related party	Category	Description of transactions	Millions of Yen		Thousands of U.S. Dollars
			2008	2007	2008
Yasuhiro Saito Lawyer	Corporate Auditor of Shizuoka Bank	Legal service fees	¥ 20	¥ 19	\$ 201
		Lending operation loans	11	15	114
Hiroyuki Aoshima President of Santamon Corp.	Corporate Auditor of Shizuoka Bank	Business transactions	113	83	1,136
		Lending operation loans	210	204	2,101
Masakuni Nakayama President of MTK Ltd.	Predecessor Director of Shizuoka Bank	Lending operation loans	26	29	263
Tsutomu Goto	Close relative of a director of Shizuoka Bank	Lending operation loans	298		2,983
Yoko Mizuguchi	Close relative of a director of Shizuoka Bank	Lending operation loans	16		166
Kenji Mizuguchi	Close relative of a director of Shizuoka Bank	Lending operation loans	52		521
Sano Kogyo Co., Ltd. (Manufacture of machine parts)	Company in which majority voting rights are held by a close relative of a director of Shizuoka Bank	Lending operation loans	96	107	963

Notes: 1. Amounts of loans are balances at the end of the year.

2. The amount of the loans to MTK Ltd. is the balance at the Mr. Nakayama's resignation as director on June 26, 2007.

30. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2008 and 2007 is computed as follows:

	Millions of Yen		Thousands of Stocks	Yen	Dollars
	Net income	Weighted average stocks		EPS	
For the year ended March 31, 2008					
Basic EPS					
Net income available to common shareholders	¥34,758	705,635		¥49.25	\$0.492
Effect of Dilutive Securities					
Stock option		45			
Diluted EPS					
Net income for computation	¥34,758	705,680		¥49.25	\$0.492

For the year ended

March 31, 2007

Basic EPS

Net income available to common shareholders ¥37,815 708,287 ¥53.39 \$0.452

31. SUBSEQUENT EVENTS

(a) Appropriations of Retained Earnings

The following appropriations of retained earnings were authorized at the ordinary general shareholders' meeting held on June 25, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥6.5 (\$0.06) per share	¥4,537	\$45,293
Total	¥4,537	\$45,293

(b) Stock option plan

At the general shareholders meeting held on June 26, 2008, the Bank's shareholders approved the following stock option plan for the Bank's directors.

The plan provides for granting options to directors to purchase up to 100 thousand shares of the Bank's common stock every year. The options will be granted at an exercise price of ¥1.

A director of the Bank to whom such stock options have been granted may exercise the options only during a 25-year period beginning on the day immediately following the day on which the options are granted.

A director of the Bank to whom such stock options have been granted may exercise the options only during a ten-day period beginning on the day immediately following the day with effect from which he/she ceases to be a director of the Bank.

Key Consolidated Financial Indicators

Summary of Profits (Losses)

Years ended March 31	Millions of Yen			Percentage change
	2008	2007	Increase (decrease)	
Net interest income	¥119,826	¥112,259	¥7,566	6.7
Net fees and commissions	26,240	27,903	(1,663)	(6.0)
Net trading income	3,045	1,965	1,080	55.0
Net other operating profits	(5,062)	2,146	(7,209)	(335.8)
General and administrative expenses	82,925	80,720	2,205	2.7
Net other ordinary income	3,986	9,193	(5,207)	(56.6)
Ordinary profits	65,110	72,749	(7,638)	(10.5)
Income before income taxes and minority interests	61,992	71,944	(9,951)	(13.8)
Income taxes:				
Current	23,863	21,355	2,508	11.7
Deferred	1,549	10,790	(9,240)	(85.6)
Minority interest in net income of consolidated subsidiaries	1,820	1,982	(161)	(8.1)
Net income	34,758	37,815	(3,057)	(8.1)

Breakdown of Net Interest Margin

Year ended March 31	Billions of Yen
	2008
Interest income	¥ 168.3
Average interest-earning assets	8,224.9
Average interest rate of interest-earning assets (%)	2.04
Interest expenses (Note)	48.5
Average interest-bearing liabilities	7,840.8
Average interest rate of interest-bearing liabilities (%)	0.61
Net interest income	119.8

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		
	2008	2007	Increase (decrease)
Gain on foreign exchange transactions	¥2,582	¥1,941	¥ 640
Gain/loss on government bonds	(7,689)	(1,565)	(6,124)
Gain on sale	1,467	399	1,068
Loss on sale	(3,058)	(1,964)	(1,093)
Loss on redemption	(6,099)		(6,099)
Amortized bond issue cost	(41)	(273)	231
Gain/loss on derivatives transactions	71	1,992	(1,921)
Proceeds from derivatives transaction	71	1,992	(1,921)
Others	15	51	(36)
Gain/loss on other business	(5,062)	2,146	(7,209)
Other operating revenue	4,136	4,385	(248)
Other operating expenses	(9,199)	(2,238)	(6,961)

Loans Outstanding by Type of Borrower

March 31	Billions of Yen, % Share			
	2008		2007	
Domestic branches:				
Manufacturing	¥1,033.2	17.83%	¥ 998.7	17.98%
Agriculture	5.6	0.10	5.9	0.11
Forestry	0.1	0.00	0.0	0.00
Fishery	3.7	0.06	2.9	0.05
Mining	17.6	0.31	16.0	0.29
Construction	274.7	4.74	278.0	5.01
Utilities	49.4	0.85	46.0	0.83
Telecommunications	29.4	0.51	33.5	0.60
Transportation	212.4	3.66	204.6	3.68
Wholesale and retailing	730.6	12.61	733.9	13.21
Finance and insurance	394.3	6.80	347.8	6.26
Real estate	350.5	6.05	331.1	5.96
Other miscellaneous services	663.2	11.44	650.9	11.72
Local governments	118.2	2.04	118.2	2.13
Other	1,913.0	33.00	1,786.9	32.17
Subtotal	5,796.5	100.00	5,555.1	100.00
Overseas branches and offshore accounts:				
Governments and official institutions				
Banks and other financial institutions	1.0	0.74		
Other	135.3	99.26	138.8	100.00
Subtotal	136.3	100.00	138.8	100.00
Total	¥5,932.8		¥5,694.0	

Risk Management Asset Information

March 31	Millions of Yen		
	2008	2007	Increase (decrease)
Loans under bankruptcy proceedings A	¥ 9,627	¥ 7,951	¥1,676
% of loans and bills discounted	0.16	0.13	0.02
Past due loans B	160,674	164,414	(3,740)
% of loans and bills discounted	2.70	2.88	(0.17)
Loans past due for three months or more C	1,793	1,172	620
% of loans and bills discounted	0.03	0.02	0.00
Loans with relaxed conditions D	26,736	26,667	68
% of loans and bills discounted	0.45	0.46	(0.01)
Risk management loan total E (E=A+B+C+D)	198,831	200,206	(1,375)
% of loans and bills discounted	3.35	3.51	(0.16)
Value covered with collateral, guarantees, etc. F	171,219	171,959	(739)
Cover ratio (%) F/E	86.11	85.89	0.22

- 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 recovery 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.

Allowance for Loan Losses

March 31	Millions of Yen	
	2008	2007
General allowance for loan losses	¥27,488	¥27,999
Specific allowance for loan losses	31,399	33,316
Total	¥58,887	¥61,316
[Loans on written-off claims for the year]	¥ [249]	¥ [988]

Financial Index

Years ended March 31	Consolidated			Non-Consolidated		
	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)
Per share (Yen):						
Net income	¥ 49.25	¥ 53.39	¥ (4.13)	¥ 49.88	¥ 51.19	¥ (1.31)
Net assets	1,003.78	1,086.02	(82.24)	997.20	1,077.85	(80.65)
Cash dividends	13.00	13.00		13.00	13.00	
Dividend payout ratio (%)				26.06	25.39	0.67
Return on equity (ROE) (%) (Note)	4.72	5.05	(0.33)	6.21	6.68	(0.46)
Price earnings ratio (PER) (%)	23.89	23.50	0.38	23.59	24.51	(0.92)

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

Capital Adequacy Ratio

From the fiscal year ended March 31, 2007, Basel II methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (F-IRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

March 31	Billions of Yen			
	Consolidated		Non-Consolidated	
	2008	2007	2008	2007
Tier I:				
Common shareholders' equity	¥ 593.8	¥ 578.4	¥ 571.3	¥ 558.0
Tier II capital included as Tier I				
Total adjusted Tier I capital	593.8	578.4	571.3	558.0
Tier II:				
45% of an aggregate amount equivalent to the balance sheet value of available for sale securities with relevant aggregate book value deducted	78.4	135.9	78.5	135.5
Allowance for loan losses, excluding specific reserve	0.6	0.5	0.1	0.1
Others				
Tier II capital included as Tier I				
Total adjusted Tier II capital	79.0	136.5	78.6	135.7
Tier II capital included as qualifying capital	79.0	136.5	78.6	135.7
Tier III (Note 1):				
Short-term subordinated debt (Capital for covering market risks)				
Deduction items	22.5	23.0	18.3	17.7
Total capital	650.4	691.9	631.7	676.0
Total risk-adjusted assets (Notes 1, 3)	4,423.1	4,754.8	4,369.0	4,660.4
Capital adequacy ratio (%) (Note 2)	14.70	14.55	14.45	14.50
Tier I ratio (%) (Note 2)	13.42	12.16	13.07	11.97

- 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	
	2008	2007
Commitments to extend credit	¥3,205.8	¥3,044.0
Guarantees	128.7	120.1
Total	¥3,334.6	¥3,164.1

The Shizuoka Bank

Corporate Data

HEAD OFFICE
10, Gofukucho 1-chome, Aoi-ku,
Shizuoka-shi, Shizuoka 420-8761, Japan

HEADQUARTERS
2-1, Kusanagi-Kita, Shimizu-ku,
Shizuoka-shi, Shizuoka 424-8677, Japan
Phone: 054 (345) 5411
URL: <http://www.shizuokabank.co.jp/>

INTERNATIONAL PLANNING GROUP
Phone: 054 (345) 5411
Fax: 054 (344) 0090

INTERNATIONAL OPERATIONS CENTER
Phone: 054 (345) 5700
Fax: 054 (349) 5501
SWIFT address: SHIZJPJT

NUMBER OF EMPLOYEES
(As of March 31, 2008)
3,205

DATE OF ESTABLISHMENT
March 1, 1943

DOMESTIC NETWORK
(As of July 1, 2008)
Head Office, 167 branches,
21 sub-branches

OVERSEAS NETWORK
(As of July 1, 2008)
2 branches, 1 agency,
2 representative offices and
1 subsidiary

Overseas Service Network

Los Angeles Branch
801 South Figueroa Street, Suite 800,
Los Angeles, CA 90017, U.S.A.
Phone: (1) 213-622-3233
Fax: (1) 213-623-8674

New York Agency
600 Lexington Ave,
4th Floor, New York,
NY 10022, U.S.A.
Phone: (1) 212-319-6260
Fax: (1) 212-319-6270

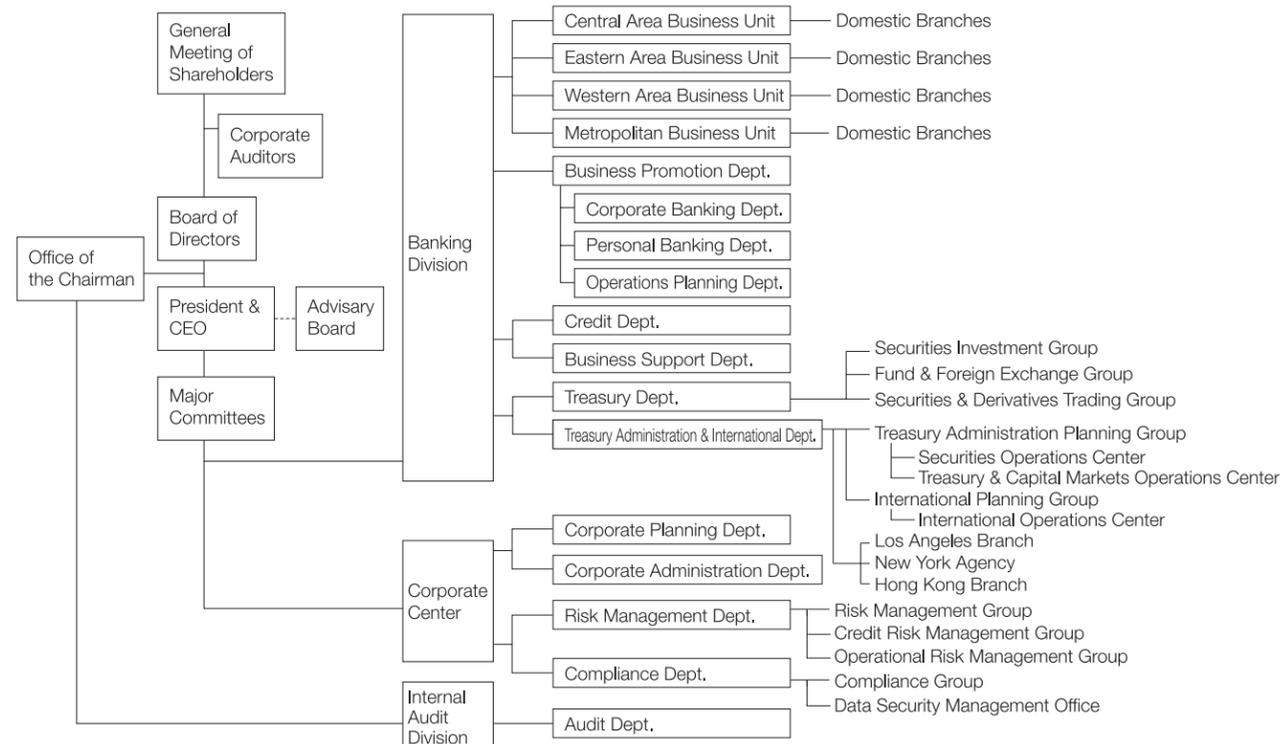
Hong Kong Branch
Suite 1010, 10th Floor, Chater House,
8 Connaught Road, Central, Hong Kong
People's Republic of China
Phone: (852) 2521-6547
Fax: (852) 2845-9257

Singapore Representative Office
2 Shenton Way, #04-02 SGX Centre 1,
Singapore 068804
Phone: (65) 6225-3600
Fax: (65) 6225-9901

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
Fax: (86) 21-6209-8116

Shizuoka Bank (Europe) S.A.
283 Avenue Louise, Bte. 13,
1050 Brussels, Belgium
Phone: (32) 2-646-0470
Fax: (32) 2-646-2462

Organization Chart



(As of July 1, 2008)

Board of Directors and Corporate Auditors

Chairman Yasuo Matsuura	Director & CCO Kazuhiro Satomi	Corporate Auditors Shigeru Masugi Hisashi Hotta Yasuhiko Saito Hiroaki Sato
Deputy Chairman Moritaka Nakamura	Director & Senior Executive Officers Masahiro Goto Yukihiro Fushimi	
President & CEO Katsunori Nakanishi	Directors Masakazu Oishi Toshiaki Sugiyama	CEO=Chief Executive Officer COO=Chief Operating Officer CFO=Chief Financial Officer CCO=Chief Credit Officer
Director & COO Tohru Sakurai		(As of July 1, 2008)
Director & CFO Seiya Ito		

Investor Information

CAPITAL STOCK (As of March 31, 2008)
Common stock..... ¥90,845 million

NUMBER OF SHARES (As of March 31, 2008)
Authorized..... 2,414,596,000 shares
Issued and outstanding..... 710,129,069 shares

NUMBER OF SHAREHOLDERS (As of March 31, 2008)
18,814

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	2004	2005	2006	2007	2008
High	934	1,139	1,255	1,379	1,339
Low	745	800	899	1,104	1,042

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

Month	Oct. 2007	Nov. 2007	Dec. 2007	Jan. 2008	Feb. 2008	Mar. 2008
High	1,220	1,317	1,339	1,209	1,214	1,222
Low	1,060	1,072	1,200	1,070	1,088	1,044
Turnover (thousands of shares)	42,694	71,316	56,740	74,126	51,380	59,504

PRINCIPAL SHAREHOLDERS
The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2008 were as follows:

	Number of Shares in Thousands	Percentage of Total Shares Outstanding
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	29,884	4.20%
Nippon Life Insurance Company	29,745	4.18
Meiji Yasuda Life Insurance Company	29,117	4.10
The Master Trust Bank of Japan, Ltd. (trust account)	25,592	3.60
The Dai-ichi Mutual Life Insurance Company	23,546	3.31
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	23,216	3.26
Northern Trust Company (AVFC) Sub Account American Client (Custodian: The Hongkong and Shanghai Banking Corporation Limited (Tokyo))	21,029	2.96
Japan Trustee Services Bank, Ltd. (trust account)	20,829	2.93
Sumitomo Life Insurance Company	13,070	1.84
Mizuho Corporate Bank, Ltd.	11,604	1.63
Total	227,636	32.05%

The Shizuoka Bank Group

Consolidated Subsidiaries

SHIZUGIN MANAGEMENT CONSULTING CO., LTD.
Corporate and financial management advisory services

SHIZUGIN LEASE CO., LTD.
Leasing

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
Support for corporate rehabilitation

SHIZUGIN TM SECURITIES CO., LTD.
Securities

SHIZUGIN GENERAL SERVICE CO., LTD.
Part-time employee management

SHIZUOKA BANK (EUROPE) S.A.
Repair of dormitories, housing and branch of the Bank

SHIZUOKA MORTGAGE SERVICE CO., LTD.
Appraisal of real estate for loan collateral
Custody of credit documents

SHIZUGIN BUSINESS CREATE CO., LTD.
Operation center for remittance and bill collection

SHIZUGIN TM SECURITIES CO., LTD.
Part-time employee management

SHIZUOKA BANK (EUROPE) S.A.
Finance and securities-related services

Affiliates under equity method
SHIZUGIN SAISON CARD CO., LTD.
Credit card and guarantee of consumer loans