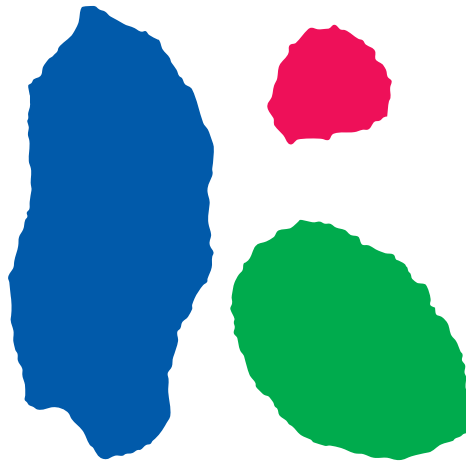




ANNUAL REPORT 2005

Years ended March 31, 2005

BANK OF KOCHI



Our tricolor “Vivid K” logo symbolizes enthusiasm, harmony, and sincerity, the three themes at the core of our management philosophy.

Profile

Since its establishment in 1930, the basic philosophy of the Bank of Kochi, Ltd. has been to progress and develop together with the people of the local community. Our mission is to create a sound management structure to consistently ensure appropriate funding for the region's healthy enterprises. The principle of mutual harmony and benefit with the community is of utmost important to us.

In fiscal 2004, ended March 31, 2005, net operating profit from the Bank's core operations (net operating profit + provision for possible loan losses – gains on government bonds) totaled ¥5,970 million (US\$55,581 thousand). As of the end of the fiscal year, the Bank had a network comprising 72 branches and 122 automated teller machines (ATMs) located outside branches. The capital adequacy ratio based on the Bank for International Settlements' Standards for the Kochi Bank Group, including consolidated subsidiaries, was 8.60% on the basis of domestic standards.

We formulated the Mid-term Management Plan, Challenge 31, which covers from fiscal 2003 to fiscal 2005. “Challenge 31” refers to our efforts to implement “3 innovations” and “1 reform” to support these innovations. By doing so, we aim to increase organizational strength and return to a highly profitable structure. As a community-based financial body, we will press steadily forward with policies that meet the diverse needs of local customers, with all directors and employees working in tight cohesion to continually earn the trust placed in us by our customers.

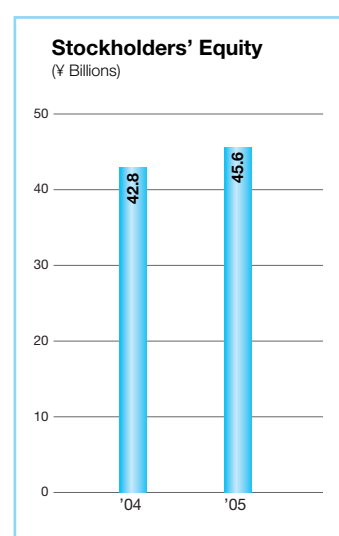
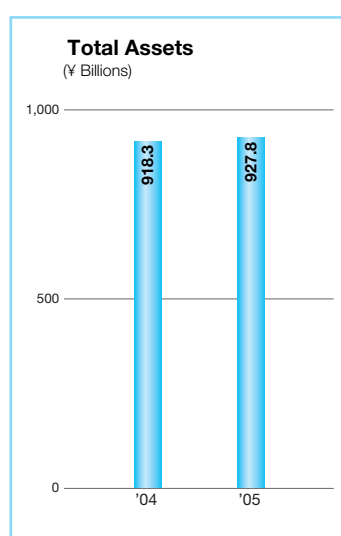
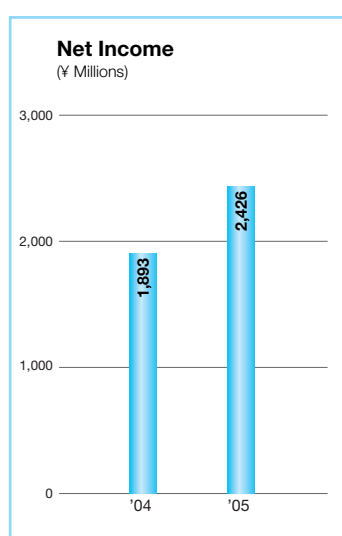
CONSOLIDATED FINANCIAL HIGHLIGHTS

THE BANK OF KOCHI, LTD.
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
For the Year:			
Total Income	¥31,543	¥ 28,963	\$ 293,671
Total Expenses	27,700	26,155	257,894
Net Income	2,426	1,893	22,587
At Year-End:			
Deposits	¥845,424	¥ 840,959	\$ 7,871,001
Loans and Bills Discounted	699,926	685,733	6,516,397
Securities	155,151	154,504	1,444,476
Stockholders' Equity	45,696	42,826	425,437
Total Assets	927,888	918,397	8,638,748
Per Share of Common Stock:			
	Yen		U.S. dollars
Stockholders' Equity	¥474.23	¥ 444.36	\$ 4.415
Net Income	25.17	19.63	0.234
Cash Dividends	5.00	5.00	0.047
Other Statistics:			
Number of Branches	72	74	
Number of Employees	1,047	1,083	

Note: 1. U.S. dollar amounts are converted, for convenience only, at ¥107.41 per US\$1.00, the prevailing rate of exchange on March 31, 2005.

2. Effective April 1, 2002, the Bank and its consolidated subsidiaries adopted the new accounting standard for net assets per share and net income (loss) per share (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share").



MESSAGE FROM THE PRESIDENT

We sincerely appreciate your longstanding support for the Bank of Kochi, Ltd. As with previous years, this annual report has been created as a means to disclosing our management and financial condition in a form that is easy to understand. By reading the report, I trust you can grasp a deeper appreciation of our business activities.

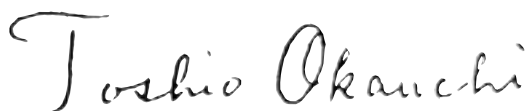
Although domestic economic conditions continued to rebound, regional businesses on the whole showed limited recoveries. In the financial sector, the lifting of the freeze on the payoff system in April 2005 and further deregulation in the financial, securities, and insurance fields is expected to drastically increase competition and business selection that transcends traditional business boundaries.

Amid such an environment, we will continue with our philosophy of being a locally-oriented retail bank. We have been aggressively pursuing sound management based on our Mid-term Management Plan, Challenge 31, to further strengthen our corporate structure. As a result, we achieved Challenge 31's final-year (term ending March 31, 2006) target for shareholders' equity in fiscal 2004, one year ahead of schedule.

Since our founding, our basic principle has been to progress and develop together with the people of the local community. In the coming years, we will work to bolster our functions as a regional banking institution and devote energies to fulfilling our goal of becoming a bank that helps local people. We will fully exploit the collective strength of all managers and employees to gain the enduring trust and confidence of customers.

We hope that we will enjoy your continued support in the future.

August 2005



President
Toshio Okauchi



BUSINESS PERFORMANCE

(Financial figures in this section are stated on a non-consolidated basis.)

Business Progress and Results

Amid the prolonged harsh operating environment, the Bank continued to carry out business activities closely tied to its home market and worked to further improve business results and financial condition. In conjunction with these efforts, the Bank sought to strengthen its operating framework by implementing efficiency-boosting policies, beginning with head-count reductions, and reassessing its business promotion system based on such factors as the location and quality of its branches.

As a result, deposits increase ¥4,400 million to a term-end balance of ¥845,900 million (US\$7,875,439 thousand), up 0.5% year on year. In lending, the Bank focused efforts on providing funds for small- and medium-sized corporations in local community, while advancing individual loans, especially housing loans for personal customers. As a result, loans and bills discounted increased ¥13,700 million during the year to a year-end balance of ¥702,700 million (US\$6,542,789 thousand), down 1.9% from the prior fiscal term. On the other hand, securities increased ¥600 million, or 0.3%, from the previous year, and outstanding securities amounted to ¥154,800 million (US\$1,442,128 thousand).

Meanwhile, from an earnings perspective, we strove to improve management efficiency by enhancing effective fund management and procurement while reducing expenses. To further maintain our sound asset base, we took an aggressive approach to allocating reserves for non-performing loans. As a result, recurring profit for the period amounted to ¥2,326 million (US\$21,655 thousand), and net income totaled ¥2,430 million (US\$22,623 thousand).

As a result, the capital adequacy ratio based on the Bank for International Settlements' Standards, an index to a bank's soundness, increased 0.46 percentage points to 8.34% relative to the previous fiscal year, meeting the target of 8.15% set in our Mid-Term Business Plan ahead of schedule.

With regard to our bank network, although we did not establish any new branches during the period, we consolidated two branches into a nearby branch. To heighten customer convenience and streamline sales offices, we set up three new automated teller machines (ATMs) outside bank premises, while discontinuing three such facilities during the year. As a result, as of the end of the fiscal year, the Bank had a network comprising 72 branches and 122 automated teller machines (ATMs) located outside branches. We also reduced the number of branches that handle foreign currencies to four, a reduction of three from the previous level. (see corporate data)

Current Focus

The environment surrounding financial institutions continues to be extremely harsh. Despite improving share prices, the climate also featured unstable long-term interest rates, a slump in funding requirements brought on by economic uncertainty, and a consistently high incidence of bankruptcies.

As a result, the Kochi Bank Group is aware of the need to keep bolstering reserves and improving its asset portfolio through the disposal of non-performing loans. Also, the lifting of the freeze on the payoff system in April 2005, coupled with further deregulation in the financial, securities, and insurance fields, is expected to drastically increase competition and business selection that transcends traditional business boundaries.

In this environment, the Bank worked to achieve the final-year goals of its Mid-Term Management Plan, Challenge 31 (which covers from fiscal 2003 to fiscal 2005). The Bank's managers and employees all concertedly pushed ahead with the plan's "3 innovations" (innovating business development, business processes, as well as organizational structure and management) and "1 reform" (reforming corporate mindset and actions). Based on these policies, we worked to construct a stronger business base and further strengthen our financial structure, and in doing so, expand and enhance our ability to function as a financial institution that genuinely contributes to regional society.

OPERATIONAL REVIEW

Banking Operations

Since its establishment, the basic philosophy of the Bank has been to progress and develop together with the people of the local community. Our mission is to serve the citizens of our home market by providing highly trustworthy products and services and ensuring smooth funding for the region's citizens.

As a result of these efforts, the Bank boasted the second-leading share of 25.3% in loans outstanding and the second leading share of 13.7% in deposits balance (with a prefecture-dominant bank) among the 48 members of the Second Association of Regional Banks, according to a December 2004 special issue of Kinyu Journal, a financial magazine in Japan.

In banking operations, we continued to work to reduce Group-wide costs by streamlining, specializing, and enhancing administration and operations and by leveraging our relationships with Kogin Business Co., Ltd., a wholly owned subsidiary that carries out consignment work for the Bank.

Individual-based Operations

The Bank believes in the importance of creating a strong partnership with customers by fostering long-term, sustainable relationships. Based on this ideal, we offer financial products that match the life stage of our customers, considering the customer's experience with the product as well as the product pertinence to the customer.

As customer lifestyles become more diverse, the Bank has reassessed and added to its product menu, comprising deposit instruments, investment trusts, and insurance. As a result, the Bank is now better able to accommodate a wider range of funding needs. Moreover, to assist customers in formulating plans for realizing more affluent lifestyles, the Bank has concentrated on upgrading and expanding its lineup of loan products to include a variety of loans for specific purposes, such as funding the purchase of a home or education, as well as loans for non-specific purposes.

We started handling life insurance in October 2002, thereby making the "one-stop shopping" of banking, securities, and insurance products possible. We now have a structure that enables us to meet wide-ranging customer needs.

In order to increase customer convenience in their life stage, we now operate loan centers on Saturdays and provide products and services such as internet banking and mobile banking via PCs and mobile phones.



Corporate-based Operations

The Bank is striving to accurately meet fine-tuned customer needs by providing a stable supply of funds in response to the need for business capital and high quality financial services to small- and medium-sized corporations.

Properly serving customers requires the provision of financial services that are tailored to meet individual needs. As such, in addition to the general procurement and investment of funds, the Bank provides electronic banking and other such services that facilitate operating efficiency and rationalization.

The Bank has also upgraded and expanded its comprehensive menu of specialized services to include everything from the periodic provision of economic data to advice on a wide variety of specific situations, including business matching, and management consulting on operational reforms.

As a result, as of the end of March 2005, loans to small- and medium-sized companies and individual business owners accounted for 84.54% of total loan and bills discounted and for 86.21% of loans in Kochi Prefecture. We conduct individual-based consultation based on previous transactions, while also taking into account changes in the financial environment and local affairs, to offer the most appropriate products.

Securities, International and Insurance Operations

As financial products become increasingly diversified and advanced while extremely low interest rates continue, customers are faced with the need to strike a balance between certain outcomes and a potentially high profit return. The Bank is offering a wide range of funds that span from sure-footed savings plans to risk-taking products. We always provide a detailed explanation of the risk involved with each product beforehand.

We have been concentrating on expanding our product and service line-up. We handle foreign currency denominated deposits, impact loans and overseas remittance, buy and sell foreign currencies and travelers' checks, and sell government bonds and annuities to individuals.



Non-Banking Financial Operations

Customer needs towards financial institutions have been changing. To increase customer satisfaction and convenience in this era, it is imperative to provide financial services that are outside the traditional banking field. To address such customer needs, the Kochi Bank Group has two subsidiaries that engage in non-banking financial operations. One is Ocean Lease Co., Ltd., which provides comprehensive leasing services, and the other is Kochi Card Co., Ltd., which handles credit-card services for individuals. This mix of Group companies gives us a strong system for responding to diverse client needs.

GOALS AND TARGETS

(Financial figures in this section are stated on a non-consolidated basis.)

Process to Achieve Management Objectives

The Bank is pushing ahead with its Mid-term Management Plan, Challenge 31, covering from fiscal 2003 to fiscal 2005, aimed at increasing organizational strength and returning to high profits. All managers and employees are working in unison to sustain a high level of public trust by implementing policies that match the respective needs of local customers.

Enhance efficiency: Target in the final year of “Challenge 31”; an Overhead Ratio (OHR) of less than 69.92%

While monitoring economic trends in the region, the Bank consolidated some branches and reassessed its deployment of personnel. As a result, expenses declined ¥95 million from the previous fiscal year to ¥13,700 million (US\$127,688 thousand). Meanwhile, due to the efficient procurement and investment of funds, gross operating profit from the Bank’s core operations rose ¥628 million to ¥19,686 million (US\$183,282 thousand). Consequently, the overhead ratio (OHR) dropped sharply from 72.47% to 69.67%, meeting the final-year target in Challenge 31 one year ahead of schedule.

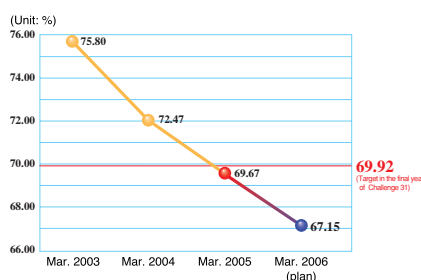
Enhance profitability: Target in the final year of Challenge 31; ROE of at least 13.39%

Looking at profitability, net operating profit from the Bank’s core operations rose ¥724 million to ¥5,970 million (US\$55,581 thousand). As a result, ROE improved 0.8 percentage point to 13.54%, meeting the final-year target in Challenge 31.

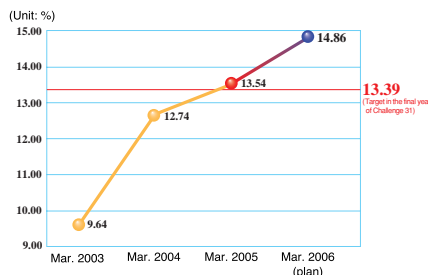
Enhance soundness: Target in the final year of Challenge 31; “the Bank for International Settlements’ Standards” of at least 8.15%

Furthermore, we worked to improve business efficiency by reducing costs and more efficiently procuring and investing funds. In conjunction, we provisioned reserves for possible loan losses to sustain the health of our asset portfolio. As a result, the shareholders’ equity ratio improved 0.46 percentage point to 8.34%, exceeding the Challenge 31’s final-year target of 8.15%.

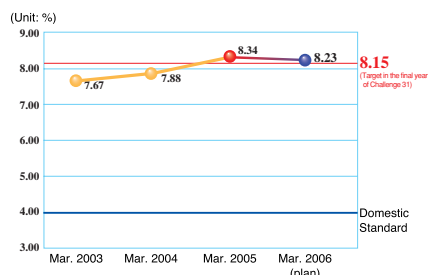
OHR Forecast



ROE Forecast



Stockholders’ Equity Ratio Forecast



Position on Compliance

Our basic policy on compliance is to comply strictly with all laws, ordinances, rules and regulations, and carry out our business activities with honesty and integrity and in conformity with social standards.

To ensure adherence to these basic policies, the Bank established an “Ethics Charter” and used it as the basis for strengthening its fundamental code of conduct (Compliance Policy) for all bank managers and employees.

Also, management’s basic policy is to maintain the enduring trust and confidence of customers and the community by performing an internal oversight function and ensuring that each manager and employee complies with all relevant rules in recognition of their duties as members of society and autonomy underpinned by high professional ethics.

Risk Management

The banking business has been diversifying and becoming increasingly complex with the liberalization of the financial industry and advances in computer and financial technology. Together with this, the risks faced by financial institutions have also become more diverse. In order to maintain the sound management of the Bank at the same time as improving earnings in these circumstances, it is essential that we take responsibility for accurate risk management.

The Bank recognizes the strengthening and enhancement of risk management as our most important challenge. In addition to a variety of risk management rules, the Bank established a fiscal-year management strategy.

Based on this, we work to manage the risks involved in our business operations with various risk management committees and supervisory departments playing key roles. We also seek to make management methodology more sophisticated to guarantee optimum risk control.



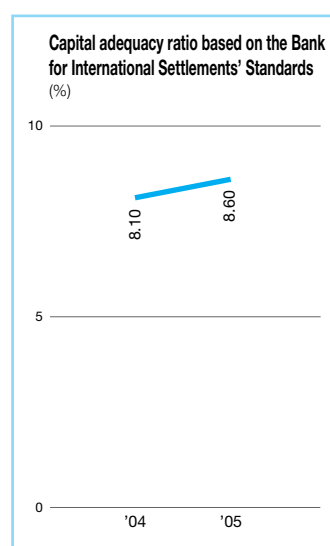
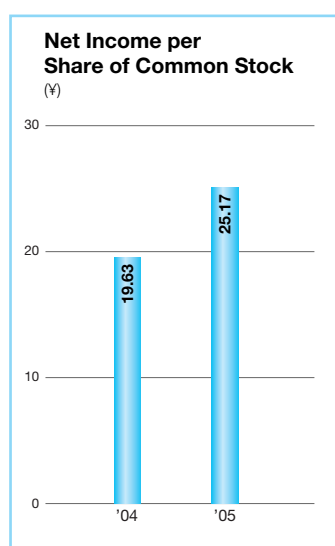
Disposal of Non-Performing Loans

The Bank implements necessary and appropriate loan redemption and loss provision measures for recoverable loans using a rigorous self-assessment process based on guidelines and standards drawn up by the Bank itself for loan redemptions and losses. These measures are derived from the Financial Inspection Manuals by Japan's Financial Services Agency (FSA) and its related statutes.

Prolonged economic stagnation is expected to continue adversely affecting business. To hedge against possible future risks, the Bank reviewed its stance towards claims under close observation and modified the calculation of necessary provisions for the claims during the period. In line with this review, we disposed of ¥3,500 million (US\$32,585 thousand) in non-performing loans to maintain the soundness of our asset portfolio.

As a result, the Bank's coverage ratio for non-performing loans under the requirements of the Financial Function Revitalization Law was 74.74% for claims under close observation, claims under high risk and claims under bankruptcy and substantial bankruptcy.

We will enhance credit risk management and prevent new non-performing loans by pushing ahead with corporate restructuring. At the same time, we will dispose of bad loans in the most appropriate manner.



CONSOLIDATED FINANCIAL REVIEW

Results

Deposits increase ¥4.4 billion to a term-end balance of ¥845,424 million (US\$7,871,001 thousand), up 0.5% year on year. In lending, the Bank focused efforts on providing funds for small- and medium-sized corporations in local community, while advancing individual loans, especially housing loans for personal customers. Because increased demand from local municipal entities and in the financial and insurance business more than offset the adverse affect from the prolonged economic stagnation, loans and bills discounted increased ¥14,100 million during the year to a year-end balance of ¥699,926 million (US\$6,516,397 thousand). On the other hand, securities increased ¥600 million and outstanding securities amounted to ¥155,151 million (US\$1,444,476 thousand), up 0.4% year on year.

From an earnings perspective, operating income increased ¥2,580 million year on year to ¥31,543 million (US\$293,671 thousand), primarily due to an increase in other operating profits. Operating expenses increased ¥1,545 million year on year to ¥27,700 million (US\$257,894 thousand). This was mainly owing to an increase in other operating expenses.

As a result, recurring profit for the period decreased ¥151 million from the previous fiscal year to ¥2,920 million (US\$27,188 thousand) and net income totaled ¥2,426 million (US\$22,587 thousand), up ¥533 million from the previous fiscal year.

In results by business segment, in bank business, ordinary income increased ¥1,009 million year on year to ¥23,939 million (US\$222,879 thousand) while ordinary expenses increase ¥1,573 million in comparison with the previous fiscal period to ¥21,607 million (US\$201,163 thousand). As a result, ordinary profit decreased ¥564 million from the previous fiscal year to ¥2,332 million (US\$21,714 thousand).

In financial business, ordinary income increased ¥569 million year on year to ¥6,848 million (US\$63,755 thousand) and ordinary expenses increased ¥155 million to ¥6,258 million (US\$58,266 thousand). Consequently, ordinary profit was up ¥414 million to ¥590 million (US\$5,489 thousand).

Total assets as of March 31, 2005, totaled ¥927,888 million (US\$8,638,748 thousand), up ¥9,491 million, or 1.0%, from the previous fiscal year-end. Total liabilities were ¥880,354 million (US\$8,196,197 thousand), up ¥6,274 million, or 0.7% from the previous fiscal year-end. Minority interests rose ¥347 million, or 23.3%, to ¥1,838 million (US\$17,114 thousand). Total capital increased ¥2,870 million, or 6.7%, to ¥45,696 million (US\$425,437 million).

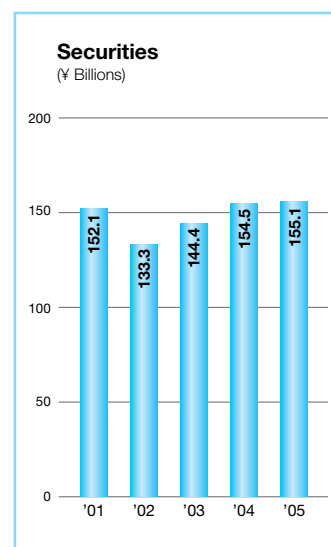
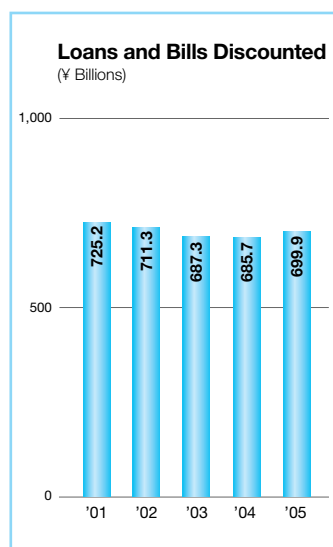
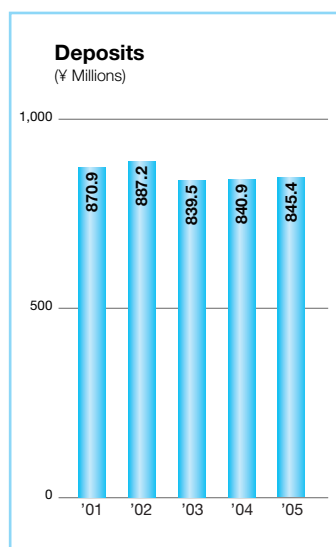
Net assets per share increased ¥29.87 to ¥474.23 (US\$4.42), while the consolidated capital adequacy ratio based on the Bank for International Settlements' Standards increased 0.50 percentage point to 8.60% on the basis of domestic standards.

CONSOLIDATED FIVE-YEAR SUMMARY

THE BANK OF KOCHI, LTD.
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2005	2004	2003	2002	2001	2005
For the Year:						
Total Income	¥31,543	¥ 28,963	¥ 30,285	¥ 34,882	¥ 35,697	\$ 293,671
Total Expenses	27,700	26,155	36,982	34,075	33,352	257,894
(Loss) Income before						
Income Taxes	3,843	2,808	(6,697)	807	2,345	35,777
Net (Loss) Income	2,426	1,893	(6,367)	353	1,099	22,587
At Year-End:						
Total Assets	¥927,888	¥ 918,397	¥ 913,843	¥ 975,275	¥ 972,977	\$ 8,638,748
Deposits	845,424	840,959	839,518	887,255	870,919	7,871,001
Loans and Bills Discounted	699,926	685,733	687,357	711,376	725,284	6,516,397
Securities	155,151	154,504	144,430	133,392	152,113	1,444,476
Common Stock	11,300	11,300	11,300	11,300	11,300	105,204
Capital Surplus	8,265	8,265	8,265	8,266	8,265	76,953
Retained Earnings	19,769	17,781	16,209	23,051	22,871	184,047
Stockholders' Equity	45,696	42,826	41,608	46,827	48,462	425,437

Note: U.S. dollar amounts are converted, for convenience only, at ¥107.41 per U.S.\$1.00, the prevailing rate of exchange on March 31, 2005.



CONSOLIDATED BALANCE SHEETS

THE BANK OF KOCHI, LTD.
Years ended March 31, 2005 and 2004

	Millions of yen		Thousand of U.S. dollars (Note 1)
	2005	2004	2005
ASSETS			
Cash and due from banks (Note 3)	¥ 39,497	¥ 45,029	\$ 367,720
Call loans and debt purchased	-	800	-
Trading account securities (Note 4)	845	529	7,871
Money held in trust (Note 5)	1,473	1,485	13,714
Securities (Notes 4, 6 and 13)	155,151	154,504	1,444,476
Loans and bills discounted (Notes 7,8 and 9)	699,926	685,733	6,516,397
Foreign exchanges (Note 10)	2,617	3,028	24,360
Other assets (Note 11)	8,263	7,271	76,932
Premises and equipment (Notes 12 and 18)	29,154	28,575	271,428
Deferred tax assets (Note 22)	8,505	9,477	79,182
Customers' liabilities for acceptances and guarantees (Note 17)	7,197	8,493	67,002
Reserve for possible loan losses	(24,740)	(26,527)	(230,334)
	¥ 927,888	¥ 918,397	\$ 8,638,748
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits (Note 14)	¥ 845,424	¥ 840,959	\$ 7,871,001
Call money and bills sold	-	422	-
Payables under securities lending transactions	1,961	-	18,256
Borrowed money	8,670	7,898	80,722
Foreign exchanges (Note 10)	0	0	0
Other liabilities (Note 15)	8,537	6,864	79,480
Reserve for employees' bonuses	676	674	6,289
Reserve for severance and retirement benefits (Note 16)	4,638	5,490	43,182
Deferred tax liabilities for revaluation reserve for land(Notes 18 and 22)	3,251	3,280	30,265
Acceptances and guarantees (Note 17)	7,197	8,493	67,002
Total liabilities	880,354	874,080	8,196,197
Minority interests	1,838	1,491	17,114
Stockholders' equity: (Note 19)			
Common stock			
Authorized - 200,000,000 shares			
Issued -96,448,000 shares	11,300	11,300	105,204
Capital surplus	8,265	8,265	76,953
Retained earnings	19,769	17,781	184,047
Revaluation reserve for land, net of tax (Note 18)	4,086	4,129	38,045
Net unrealized holding gains on securities (Note 6)	2,305	1,374	21,459
	45,725	42,849	425,708
Common stock in treasury (89,362 shares in 2005, 68,046 shares in 2004)	(29)	(23)	(271)
Total stockholders' equity	45,696	42,826	425,437
	¥ 927,888	¥ 918,397	\$ 8,638,748

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

THE BANK OF KOCHI, LTD.
Years ended March 31, 2005 and 2004

Thousands of
U.S. dollars
(Note 1)

	Millions of yen		2005
	2005	2004	
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 18,283	¥ 18,148	\$ 170,213
Interest and dividends on securities	1,647	1,607	15,337
Other	143	153	1,335
Fees and commissions	2,532	2,499	23,572
Other operating income	6,213	6,109	57,841
Other income (Note 20)	2,725	447	25,373
	<u>31,543</u>	<u>28,963</u>	<u>293,671</u>
EXPENSES:			
Interest expense:			
Interest on deposits	485	628	4,518
Interest on borrowings and rediscounts	113	125	1,051
Other interest expenses	115	99	1,066
Fees and commissions	2,010	2,145	18,712
Other operating expenses	6,253	5,684	58,218
General and administrative expenses	15,030	15,081	139,933
Other expenses (Note 21)	3,694	2,393	34,396
	<u>27,700</u>	<u>26,155</u>	<u>257,894</u>
Income before income taxes and minority interests	3,843	2,808	35,777
Income tax expenses (Note 22):			
Current	815	728	7,584
Deferred	292	48	2,717
	<u>1,107</u>	<u>776</u>	<u>10,301</u>
	<u>2,736</u>	<u>2,032</u>	<u>25,476</u>
Minority interests in net income of consolidated subsidiaries	310	139	2,889
Net income	<u>2,426</u>	<u>1,893</u>	<u>22,587</u>
Retained earnings at beginning of year	17,781	16,209	165,545
Reversal of revaluation reserve for land	43	147	401
Effect on change in scope of consolidated subsidiaries	-	14	-
Cash dividends (¥5 or \$0.047 per share)	(482)	(482)	(4,486)
Bonuses to directors and statutory corporate auditors	-	(0)	-
Retained earnings at end of year	<u>¥ 19,769</u>	<u>¥ 17,781</u>	<u>\$ 184,047</u>

U.S. dollars
(Note 1)

	Yen		U.S. dollars
	¥	¥	
Amounts per share of common stock:			
Net income	¥ 25.17	¥ 19.63	\$ 0.234
Cash dividends applicable to the year	5.00	5.00	0.047

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE BANK OF KOCHI, LTD.
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 3,843	¥ 2,808	\$ 35,777
Depreciation	4,020	4,000	37,422
Net change in reserve for possible loan losses	(1,787)	(3,925)	(16,634)
Net change in reserve for employees' bonuses	1	13	9
Net change in reserve for severance and retirement benefits	(851)	204	(7,926)
Interest income	(20,073)	(19,908)	(186,886)
Interest expenses	713	853	6,635
Net (gain) loss related to securities transactions	(440)	(200)	(4,093)
Net (income) loss from money held in trust	(168)	(258)	(1,564)
Net exchange (gain) loss	(1)	4	(4)
Net loss from disposition of premises and equipment	113	273	1,055
Net change in trading account securities	(316)	374	(2,945)
Net change in loans	(14,194)	1,625	(132,144)
Net change in deposits	4,466	1,441	41,576
Net change in borrowed money	772	(712)	7,186
Net change in deposits with bank	(49)	13	(457)
Net change in call loans	800	4,921	7,448
Net change in call money	(423)	423	(3,934)
Net change in payables under securities lending transactions	1,961	-	18,256
Net change in foreign exchanges (asset account)	411	442	3,831
Net change in foreign exchanges (liability account)	0	(6)	0
Interest received	20,541	20,516	191,239
Interest paid	(759)	(1,349)	(7,071)
Other, net	(1,606)	1,792	(14,953)
Sub-total	(3,026)	13,344	(28,177)
Income taxes paid	(1,004)	(63)	(9,346)
Net cash provided by (used in) operating activities	(4,030)	13,281	(37,523)
Cash flows from investing activities			
Purchases of securities	(118,940)	(138,155)	(1,107,345)
Proceeds from sale of securities	106,833	118,238	994,631
Proceeds from maturity of securities	15,874	9,749	147,793
Purchases of money held in trust	(1,000)	-	(9,310)
Proceeds from sale of money held in trust	987	-	9,186
Purchases of premises and equipment	(5,132)	(4,363)	(47,777)
Proceeds from sales of premises and equipment	317	607	2,947
Net cash used in investing activities	(1,061)	(13,924)	(9,875)
Cash flows from financing activities			
Dividends paid	(482)	(482)	(4,486)
Dividends paid for minority	(3)	(3)	(28)
Purchases of treasury stock	(7)	(7)	(60)
Proceeds from sale of treasury stock	1	-	7
Net cash used in financing activities	(491)	(492)	(4,567)
Foreign currency translation adjustments	1	(4)	4
Net change in cash and cash equivalents	(5,581)	(1,139)	(51,961)
Cash and cash equivalents at beginning of year	44,167	45,306	411,202
Cash and cash equivalents at end of year (Note 3)	¥ 38,586	¥ 44,167	\$ 359,241

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE BANK OF KOCHI, LTD.
Years ended March 31, 2005 and 2004

1. Basis of consolidated financial statements

The accompanying consolidated financial statements of THE BANK OF KOCHI, LTD. (the "Bank") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law, the Bank Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese "GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.41 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation - The consolidated financial statements include the accounts of the Bank and three subsidiaries, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. All significant intercompany balances and transactions have been eliminated.

Cash and cash equivalents - In preparing the consolidated statement of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturity of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Cash and cash equivalents consisted of cash and due from The Bank of Japan.

Securities - Securities principally consist of Japanese national and local government bonds, corporate stocks and bonds.

At the time of purchase, the Bank and its consolidated subsidiaries examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading account securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading account securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Realized gains or losses on sale of such securities are computed using the moving-average cost.

Held-to-maturity debt securities are stated at amortized cost (straight-line method). Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of these securities are computed using primarily moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities and available-for-sale securities, declines significantly, which means market value is 50% less than book value or market value is 30%~50% less than book value with negative financial conditions, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the consolidated statement of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Derivatives- The Bank states derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses in the consolidated statements of income unless derivative financial instruments are used for hedging purposes.

Premises and equipment - Premises and equipment are stated at cost less accumulated depreciation except for certain revalued land used for business operations as explained in Note 18. The Bank computes depreciation of premises and equipment using the declining-balance method at rates based on their estimated useful lives. Buildings acquired after March 31, 1998 are depreciated using the straight-line method. A consolidated subsidiary depreciates its leased assets using the straight-line method over their lease terms. Estimated useful lives are as follows:

Buildings	39-47 years
Others	5- 6 years

Software cost

Software for internal use is amortized on a straight-line basis over its estimated useful life (principally 5 years).

Foreign currency translation - Assets and liabilities denominated in foreign currencies are generally translated into Japanese yen at the exchange rates prevailing at the balance

sheet dates.

Hedge accounting

The Bank manages foreign exchange risk arising from various assets and liabilities denominated in foreign currencies by using financial derivative transactions and applies deferred hedge accounting regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in the Banking Industry", issued by Industry Audit Committee of JICPA.

The Bank specifies the currency swaps and foreign exchange swaps made to mitigate the foreign exchange risks arising from monetary claims and debts denominated in foreign currency as hedge transactions. The effectiveness of the hedge is assessed by conforming that the position of those hedge transactions exceeds the monetary claims and debts denominated foreign currency as hedged items.

Reserve for possible loan losses – For loans to customers who are legally bankrupt or virtually bankrupt, reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to available collateral or guarantees.

For the unsecured and unguaranteed portions of loans to customers who are likely to become bankrupt, the reserve for possible loan losses is provided for estimated unrecoverable amounts determined after evaluating the customer's overall financial conditions.

For other loans, reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past. For loans which exceed certain amount and possibly to be estimated future cash flows from collection of principal amounts and interest receipt, a reserve is provided for the difference between the book value and the present value of expected future cash flows discounted by the interest rate at the time of original contracts.

All branches and other business related section evaluate all loans in accordance with the self-assessment rule, and their evaluations are audited by the asset audit section, which is independent from branches and other business related sections, and the evaluations are revised as required based on the audits.

Also, consolidated subsidiaries provide for reserve for possible loan losses. It consists of the estimated uncollectible amount with respect to identified doubtful accounts and an amount calculated mainly using the actual rate of loan losses in the past.

Reserve for employees' bonuses - A reserve for employees' bonuses is provided for the payment of employees' bonuses based on estimated amounts of future payments attributed to the current fiscal year.

Employees' severance and retirement benefits – The Bank provides two types of retirement benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of salaries at the time of retirement or termination, length of

service and certain other factors. The pension plans cover approximately half of total severance and retirement benefits.

The Bank and its consolidated subsidiaries determine liabilities and expenses for severance and retirement benefits based on the amounts actuarially calculated using certain assumptions. The reserve for severance and retirement benefits are provided by estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date.

The excess of the projected benefit obligation over the total of the fair value of pension assets and the reserve for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥6,151 million. The net transition obligation will be recognized in expenses in equal amounts over 10 years commencing with the year ended March 31, 2001. However, the net transition obligation charged to net loss amounted by ¥256 million (\$2,388 thousand) for the year ended March 31, 2005, because of transferring the substitutional portion of their welfare pension insurance contributions as mentioned below.

Prior service costs are recognized in the consolidated statement of income when incurred, and actuarial gains and losses are recognized in the consolidated statement of income in equal amounts over 5 years commencing with the following period.

Based on the Defined Benefit Corporate Pension Law, the Bank and its consolidated subsidiaries decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on February 25, 2003 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme.

The Bank and its consolidated subsidiaries were permitted by the Minister of Health, Labor and Welfare on April 1, 2004 to be released from their past obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme.

The Pension assets for the substitutional portion maintained by the Employees' Pension Fund were transferred back to the government's scheme on July 13, 2004.

Equipment used under finance lease agreements - Equipment used under finance lease agreements is accounted for as equipment leased under operating leases, except for those leases which transfer the ownership of leased equipment to the lessee, in which case the equipment is capitalized.

Income taxes - The Bank and its consolidated subsidiaries recognize tax effect of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statement of income.

With the promulgation of the "Revision of the Local Tax Law" (Legislation No.9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprise "amount of income", "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital" are included in "General and administrative expenses" commencing this fiscal year

pursuant to “Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement” (Accounting Standards Board, Practical Solution Report No.12 issued on February 13, 2004).

As a result of this change, General and administrative expenses increased by ¥75 million (\$698 thousand), and income before income taxes decreased by the same amount.

Consumption Taxes - The Consumption tax and the local consumption tax are excluded from transaction amounts.

Amounts per share - Computation of basic net income per share is based on the weighted-average number of common shares outstanding during each fiscal year. Diluted net income per share of common stock is not presented, since the Bank has not issued any securities with dilutive effect.

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

Accounting standard for impairment of fixed assets - In the year ended March 31, 2005 and 2004, the Bank did not adopt early the new accounting standard for impairment of fixed Assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

3. Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheet and cash and cash equivalents in the consolidated statement of cash flows at March 31, 2005 and 2004 were as follows:

	<u>Millions of yen</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
	2005	2004	2005
Cash and due from banks	¥ 39,497	¥ 45,029	\$ 367,720
Ordinary deposits with banks	(365)	(434)	(3,396)
Time deposits with banks	(388)	(368)	(3,612)
Other deposits with banks	(158)	(60)	(1,471)
Cash and cash equivalents	<u>¥ 38,586</u>	<u>¥ 44,167</u>	<u>\$ 359,241</u>

4. Securities

A. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2005:

(a)	Trading securities	
	Book value	¥ 845 million
	Amount of net unrealized gains or losses included in the consolidated statement of income	3 million

(b)	Available-for-sale securities	(Millions of yen)		
		<u>Acquisition cost</u>	<u>Book value</u>	<u>Difference</u>
	Equity securities	¥ 7,458	¥ 9,593	¥ 2,135
	Bonds			
	Government bonds	61,242	61,975	733
	Municipal bonds	23,304	23,671	367
	Corporate bonds	37,677	38,121	444
	Sub-total	<u>122,223</u>	<u>123,767</u>	<u>1,544</u>
	Others	19,483	19,738	255
	Total	<u>¥ 149,164</u>	<u>¥ 153,098</u>	<u>¥ 3,934</u>

B. The following tables summarize book values of securities with no available fair values as of March 31, 2005:

(a)	Held-to-maturity debt securities (Millions of yen)	
		Book value
	Non-listed corporate bonds	¥ 160
(b)	Available-for-sale securities (Millions of yen)	
		Book value
	Non-listed equity securities	¥ 1,044
	Other	850
	Total	¥ 1,894

C. The maturity schedule for available-for-sale securities with maturities and held-to-maturity debt securities are as follows: (Millions of yen)

Type	Within one year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Total
Bonds					
Government bonds	¥ 11,102	¥ 21,946	¥ 21,727	¥ 7,200	¥ 61,975
Municipal bonds	1,513	12,082	10,076	-	23,671
Corporate bonds	8,333	15,114	15,580	103	39,130
Sub-total	20,948	49,142	47,383	7,303	124,776
Others	-	4,834	10,444	1,480	16,758
Total	¥ 20,948	¥ 53,976	¥ 57,827	¥ 8,783	¥ 141,534

D. There were no sales of held-to-maturity debt securities in the year ended March 31, 2005.

E. Total sales of available-for-sale securities sold in the year ended March 31, 2005 amounted to ¥ 106,835 million (\$994,643 thousand) and the related gains and losses amounted to ¥ 1,483 million (\$13,807 thousand) and ¥ 1,000 million (\$9,312 thousand) for the years ended March 31, 2005, respectively.

5. Money held in trust

At March 31, 2005, book value and net realized gains of money held in trust were as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Book value	¥ 1,473	\$ 13,714
Net realized gains	25	235

6. Net unrealized holding gains on securities

Net unrealized holding gains on securities at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Unrealized holding gains on securities	¥ 3,934	¥ 2,325	\$ 36,626
Deferred tax liabilities	(1,591)	(940)	(14,808)
Sub-total	2,343	1,385	21,818
Minority interests	38	11	359
Net unrealized holding gains on securities	¥ 2,305	¥ 1,374	\$ 21,459

7. Loans and bills discounted

Loans and bills discounted at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Bills discounted	¥ 15,674	¥ 17,978	\$ 145,933
Loans on notes	83,464	91,646	777,058
Loans on deeds	524,949	507,850	4,887,336
Overdrafts	75,839	68,259	706,070
	¥ 699,926	¥ 685,733	\$ 6,516,397

Doubtful loans at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Non-accrual loans:			
Loans to customers in bankruptcy proceedings (1)	¥ 2,649	¥ 6,808	\$ 24,663
Past due loans (2)	49,886	52,407	464,446
Accrual loans past due over more than three months (3)	66	35	614
Restructured loans (4)	22,305	23,095	207,663

(1) Loans to customers in bankruptcy proceedings denote loans to borrowers subject to corporate reorganization proceedings, composition, bankruptcy, special liquidation proceedings or similar proceedings. These loans are classified as loans to customers who are legally bankrupt pursuant to the self-assessment rules.

(2) Past due loans are nonaccrual loans other than loans to customers in bankruptcy

- proceedings, which are classified as loans to customers who are virtually bankrupt or loans to customers who are likely to become bankrupt pursuant to the self-assessment rules.
- (3) Accrual loans past due over more than three months, which are classified as loans to customers requiring caution pursuant to the self-assessment rules, are loans to customers whose payments of interest or principal are delayed for three months or more.
 - (4) Restructured loans, which are classified as loans to customers requiring caution pursuant to the self-assessment rules, are loans that are adjusted the terms in favor of borrowers for financial assistance including reducing interest rates, extending maturity dates, and reducing principal obligations.

8. Bills discounted

The total of the face value of commercial bills discounted by the Bank was ¥16,115 million (\$150,036 thousand) as of March 31, 2005.

9. Contracts of overdrafts and contracts of commitment line

Contracts of overdrafts and loan commitment limits are the contracts that the Bank and its consolidated subsidiaries lend to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits relating to these contracts was ¥116,232 million (\$1,082,133 thousand) as of March 31, 2005.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank and its consolidated subsidiaries can refuse customers' application for loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank and its consolidated subsidiaries obtain real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank and its consolidated subsidiaries perform periodic review of the customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

10. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Assets:			
Due from foreign banks	¥ 856	¥ 1,076	\$ 7,964
Foreign exchange bills bought	4	15	39
Foreign exchange bills receivable	1,757	1,937	16,357
	<u>¥ 2,617</u>	<u>¥ 3,028</u>	<u>\$ 24,360</u>

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Liabilities:			
Foreign exchange bills sold	¥ 0	¥ 0	\$ 0
	¥ 0	¥ 0	\$ 0

11. Other assets

Other assets at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Domestic exchange settlement account	¥ 111	¥ 97	\$ 1,036
Prepaid expenses	66	81	618
Accrued income	1,198	1,216	11,158
Other	6,888	5,877	64,120
	¥ 8,263	¥ 7,271	\$ 76,932

12. Premises and equipment

Premises and equipment at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Land, buildings and equipment	¥ 18,876	¥ 18,442	\$ 175,739
Leased assets	9,899	9,522	92,160
Construction in progress	-	217	-
Guaranty money deposited	379	394	3,529
	¥ 29,154	¥ 28,575	\$ 271,428

Accumulated depreciation at March 31, 2005 and 2004 amounted to ¥ 29,354 million (\$273,287 thousand) and ¥ 30,246 million, respectively.

13. Pledged assets

At March 31, 2005, the following assets were pledged as collateral for deposits, borrowed money and other liabilities.

	Millions of yen		Thousands of U.S. dollars	
	2005		2005	
Securities	¥	6,986	\$	65,038
Other		470		4,381
	¥	7,456	\$	69,419

In addition, securities not included in the above were pledged as collateral for settlement of exchange contracts. Such securities amounted to ¥ 17,329 million (\$161,332 thousand).

14. Deposits

Deposits at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Current deposits	¥ 29,756	¥ 27,124	\$ 277,036
Ordinary deposits	226,895	215,878	2,112,423
Deposits at notice	3,338	3,651	31,074
Time deposits	542,610	552,233	5,051,764
Other	42,825	42,073	398,704
	¥ 845,424	¥ 840,959	\$ 7,871,001

15. Other liabilities

Other liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Domestic exchange settlement account	¥ 169	¥ 169	\$ 1,572
Accrued expenses	691	777	6,435
Accrued income taxes	537	651	4,997
Unearned income	895	935	8,330
Other	6,245	4,332	58,146
	¥ 8,537	¥ 6,864	\$ 79,480

16. Employees' severance and pension benefits

The reserve for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2005 consists of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 9,717	\$ 90,465
Unrecognized prior service costs	-	-
Unrecognized actuarial differences	(1,506)	(14,025)
Less fair value of pension assets	(2,290)	(21,316)
Less unrecognized net transition obligation	(1,283)	(11,942)
Reserve for severance and retirement benefits	<u>¥ 4,638</u>	<u>\$ 43,182</u>

Included in the consolidated statement of income for the year ended March 31, 2005 are severance and retirement benefit expenses comprised of the following:

	Millions of yen	Thousands of U.S. dollars
Service costs - benefits earned during the year	¥ 387	\$ 3,600
Interest cost on projected benefit obligation	234	2,178
Expected return on plan assets	(55)	(509)
Amortization of prior service costs	(1,029)	(9,583)
Amortization of actuarial differences	421	3,917
Amortization of net transition obligation	256	2,388
Others (special severance pay, etc)	300	2,792
Severance and retirement benefit expenses	<u>¥ 514</u>	<u>\$ 4,783</u>

The discount rate used by the Bank is 2.0 %. The rate of expected return on plan assets used by the Bank is 2.5 %. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized in the consolidated statement of income when incurred, and actuarial gains and losses are recognized in the consolidated statement of income in equal amounts over 5 years commencing with the following period. The net transition obligation is recognized in expenses in equal amounts over 10 years.

17. Acceptances and guarantees

All commitments and contingent liabilities arising from customers' needs in foreign trade and other transactions are included in acceptances and guarantees in the consolidated balance sheets. As a contra account, customers' liabilities for acceptances and guarantees is shown on the asset side representing the Bank's right of indemnity from customers.

18. Revaluation reserves for land and related deferred tax liabilities

Pursuant to the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land effective March 31, 1998, and the revision in the Law effective March 31, 2001 (the "Law"), the Bank recorded its land at fair value with a corresponding entry of deferred tax liabilities for revaluation reserve for land and separate component of equity, revaluation reserve for land, net of tax. According to the Law, the Bank is not permitted to revalue the land at any time even in case that the fair value of the land declines. Such unrecorded revaluation loss as of March 31, 2005 was ¥ 4,251 million (\$39,577 thousand).

19. Stockholders' equity

Under the Commercial Code of Japan and the Banking law of Japan, the followings are provided:

- (1) The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank.
- (2) Certain amount of retained earnings equivalent to at least 20% of cash dividends paid and other cash outlays resulting from appropriation of retained earnings is appropriated to a legal earnings reserve until the total amount of legal earnings reserve and additional paid in capital equals 100% of the issued capital. The legal reserve is included in the retained earnings.
- (3) Neither capital surplus nor legal earnings reserve is available for cash dividends, but either may be used to reduce a capital deficit by resolution of the stockholders or may be capitalized by resolution of the board of directors.
- (4) Dividends are approved by the stockholders' meeting held subsequent to the statutory fiscal period to which the dividends are payable to stockholders of record at the end of each such fiscal period.
- (5) Semi-annual dividends are approved by the board of directors after the end of each first six-month period to which the dividends are payable to stockholders of record at the end of interim six-month period.

20. Other income

Other income for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
Gain on sale of securities	¥ 1,280	¥ 22	\$ 11,920
Gain on money held in trust	168	258	1,564
Gain on disposition of premises and equipment	69	2	639
Amortization of prior service costs of retirement benefits to employees	1,029	-	9,583
Other	179	165	1,667
	<u>¥ 2,725</u>	<u>¥ 447</u>	<u>\$ 25,373</u>

21. Other expenses

Other expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
Devaluation of securities	¥ 1	¥ -	\$ 10
Losses on sale of securities	-	0	-
Provision for possible loan losses	2,837	1,693	26,415
Write-off of claims	50	118	468
Losses on disposition of premises and equipment	182	275	1,694
Devaluation of land	-	-	-
Other	624	307	5,809
	<u>¥ 3,694</u>	<u>¥ 2,393</u>	<u>\$ 34,396</u>

22. Income taxes

Income taxes in the consolidated statements of income consist of corporation, inhabitant and enterprise taxes. The aggregate statutory tax rates were approximately 40.4% and 41.7% in 2005 and 2004, respectively.

The following table summarizes the significant differences between the statutory tax rates and the Bank's effective tax rates for financial statement purposes for the year ended March 31, 2005 and 2004.

	2005	2004
Statutory tax rate	40.4%	41.7%
Permanent differences related to non-deductible items	1.5	2.0
Permanent differences related to non-taxable items	(1.3)	(1.6)
Valuation allowances	(12.2)	(18.8)
Other	0.4	4.3
Effective tax rate	28.8	27.6

Significant components of the Bank's deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Reserve for possible loan losses	¥ 9,015	¥ 8,915	\$ 83,933
Retirement benefits	1,791	2,053	16,675
Depreciation	271	295	2,520
Other	1,201	2,355	11,181
Sub-total	12,278	13,618	114,309
Valuation allowances	(1,736)	(2,206)	(16,163)
Total deferred tax assets	10,542	11,412	98,146
Deferred tax liabilities:			
Net unrealized holding gains on securities	(1,756)	(1,668)	(16,343)
Accumulated earnings of subsidiaries	(138)	(121)	(1,286)
Deferred gain on sale of fixed assets	(138)	(138)	(1,286)
Special depreciation reserve	(5)	(8)	(49)
Net deferred tax assets	¥ 8,505	¥ 9,477	\$ 79,182
Deferred tax liabilities for revaluation reserve for land	¥ 3,251	¥ 3,280	\$ 30,265

23. Derivative financial instruments

As to financial derivatives traded on exchanges, the Bank and the subsidiaries had no outstanding position at March 31, 2005 and 2004. The contract amounts of financial derivatives traded over the counter (OTC derivatives) at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
Interest rate swap	¥ -	¥ -	\$ -
Currency swap	-	-	-
Forward exchange	7,585	5,982	70,613

The Bank and the subsidiaries had no significant unrealized gains or losses of the OTC derivatives outstanding at March 31, 2005 and 2004.

24. Information for finance lease

Lessee side:

Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the years ended March 31, 2005 and 2004 was as follows:

(1) Equivalent amount of purchase price, accumulated depreciation and book value of leased properties

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Equivalent amount:			
Equipment:			
Purchase price	¥ 14	¥ 14	\$ 132
Accumulated depreciation	7	4	67
Book value	7	10	65
Others:			
Purchase price	37	37	342
Accumulated depreciation	13	7	119
Book value	24	30	223
Total:			
Purchase price	51	51	474
Accumulated depreciation	20	11	186
Book value	31	40	288

(2) Future lease payments, inclusive of interest, at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥ 9	¥ 9	\$ 81
Due after one year	22	31	207
	<u>¥ 31</u>	<u>¥ 40</u>	<u>\$ 288</u>

(3) Lease payment and equivalent of depreciation expense for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease payment	¥ 9	¥ 9	\$ 81
Equivalent of depreciation expense	9	9	81

Equivalent of depreciation expense is computed using the straight-line method over the lease terms assuming no residual value. Equivalent of acquisition cost and future lease payments are computed including interest portion due to the fact that their amounts are considered to be immaterial as compared with the amount of premises and equipment.

Lessor side:

Certain information for such non-capitalized finance leases for the years ended March 31, 2005 and 2004 was as follows:

(1) Acquisition cost, accumulated depreciation and book value of leased properties

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
			2005
Equipment:			
Acquisition cost	¥ 25,397	¥ 25,853	\$ 236,449
Accumulated depreciation	16,894	17,099	157,281
Net book value	8,503	8,754	79,168
Others:			
Acquisition cost	1,532	1,550	14,264
Accumulated depreciation	867	875	8,075
Net book value	665	675	6,189
Total:			
Acquisition cost	26,929	27,403	250,713
Accumulated depreciation	17,761	17,974	165,356
Net book value	9,168	9,429	85,357

(2) Future lease receivable including interest, at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
			2005
Due within one year	¥ 3,570	¥ 3,710	\$ 33,237
Due after one year	6,607	6,994	61,512
	¥ 10,177	¥ 10,704	\$ 94,749

3) Lease revenues and depreciation expenses for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
			2005
Lease revenues	¥ 4,094	¥ 4,005	\$ 38,115
Depreciation expenses	3,277	3,323	30,508

25. Segment information

The Banks' primary business activities include (1) banking business, and (2) financial business (leasing, credit card, etc.).

A summary of ordinary income, ordinary expenses, and ordinary profit by segment of business activities for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen				
	Bank business	Financial business	Total	Elimination and /or corporate	Consolidated
For 2005:					
Ordinary income:					
Customers	¥ 23,760	¥ 6,679	¥ 30,439	¥ -	¥ 30,439
Inter-segment	179	169	348	(348)	-
Total	23,939	6,848	30,787	(348)	30,439
Ordinary expenses	21,607	6,258	27,865	(346)	27,519
Ordinary profit	¥ 2,332	¥ 590	¥ 2,922	¥ (2)	¥ 2,920
Identifiable assets	¥ 916,701	¥ 17,284	¥ 933,985	¥ (6,097)	¥ 927,888
Depreciation	599	3,421	4,020	-	4,020
Capital expenditures	1,143	4,057	5,200	-	5,200
For 2004:					
Ordinary income:					
Customers	¥ 22,739	¥ 6,212	¥ 28,951	¥ -	¥ 28,951
Inter-segment	191	67	258	(258)	-
Total	22,930	6,279	29,209	(258)	28,951
Ordinary expenses	20,034	6,103	26,137	(257)	25,880
Ordinary profit	¥ 2,896	¥ 176	¥ 3,072	¥ (1)	¥ 3,071
Identifiable assets	¥ 908,154	¥ 16,931	¥ 925,085	¥ (6,688)	¥ 918,397
Depreciation	627	3,373	4,000	-	4,000
Capital expenditures	793	3,683	4,476	-	4,476

Thousands of U.S. dollars

	Bank Business	Financial business	Total	Elimination and /or corporate	Consolidated
For 2005:					
Ordinary income:					
Customers	\$ 221,211	\$ 62,177	\$ 283,388	\$ -	\$ 283,388
Inter-segment	1,666	1,578	3,244	3,244	-
Total	222,877	63,755	286,632	3,244	283,388
Ordinary expenses	201,163	58,266	259,429	3,229	256,200
Ordinary profit	<u>\$ 21,714</u>	<u>\$ 5,489</u>	<u>\$ 27,203</u>	<u>\$ 15</u>	<u>\$ 27,188</u>
Identifiable assets	\$ 8,534,601	\$ 160,914	\$ 8,695,515	\$ 56,767	\$ 8,638,748
Depreciation	5,575	31,847	37,422	-	37,422
Capital expenditures	10,645	37,766	48,411	-	48,411

Geographic segment information for the years ended March 31, 2005 and 2004 are not disclosed, because the Bank does not have foreign subsidiaries or foreign branches. Ordinary income (foreign operations) for the years ended March 31, 2005 and 2004 are not disclosed, because domestic operations account for more than 90% of the consolidated ordinary income.

26. Subsequent event

At the June 29, 2005 annual meeting, the Bank's stockholders approved the following appropriations of retained earnings:

Payment of a year-end cash dividend of ¥ 2.50 (\$0.02) per share aggregating ¥ 241 million (\$2,243 thousand).

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
THE BANK OF KOCHI, LTD.:

We have audited the accompanying consolidated balance sheets of THE BANK OF KOCHI, LTD. (the "Bank") and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to independently 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 Bank and subsidiaries as of March 31, 2005 and 2004, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG

AZSA & Co.

Tokyo, Japan
June 29, 2005

CORPORATE DATA

THE BANK OF KOCHI, LTD.
March 31, 2005

SERVICE NETWORK

Head Office

2-24, Sakai-machi, Kochi 780-0834, Japan
Telephone: (088) 822-9311

Financial Market Administrative Department

6th Floor, 2-24, Sakai-machi, Kochi 780-0834, Japan
Telephone: (088) 871-7105
Facsimile: (088) 871-3996 / 3997
SWIFT CODE: KOTI JP JT

Foreign Exchange Offices

Head Office

2-24, Sakai-machi, Kochi 780-0834, Japan
Telephone: (088) 871-1011

Osaka Branch

1-1-21, Kitahorie, Nishi-ku, Osaka 550-0014, Japan
Telephone: (06) 6531-2782

Imabari Branch

2-4-14, Taisho-cho, Imabari, Ehime 794-0025, Japan
Telephone: (0898) 32-4540

Takamatsu Branch

16-17, Tsukiji-cho, Takamatsu, Kagawa 760-0061, Japan
Telephone: (087) 834-0111

Money Exchange Offices

Nishi Branch

Honmachi Branch

Mama Branch

Takasu Branch

Misato Branch

Kouda Branch

Gomen Branch

Susaki Branch

Simizu Branch

Sukumonishi Branch

Niihama Branch

OUTLINE OF THE BANK

Date of Incorporation: January 20, 1930
Common Stock (Paid-in Capital):
¥11,300 million (U.S.\$105.20 million)
Issued Shares: 96.44 million shares
Number of Stockholders: 5,744
Number of Offices: 72
Number of Employees: 1,047

Number of Offices by Prefecture

Kochi	59
Tokushima	3
Ehime	6
Kagawa	1
Okayama	1
Osaka	1
Tokyo	1
Total	72

STOCKHOLDER INFORMATION

Major Stockholders

Mizuho Corporate Bank, Ltd.
Sompo Japan Insurance Inc.
The Bank of Kochi, Ltd., Employee Stockholding Organization
Shinsei Bank, Limited
Aozora Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Sumitomo Trust & Banking Co., Ltd.
Yodogawa Steel Works, Ltd.
The Bank of Tokyo-Mitsubishi, Ltd.
UFJ Bank Limited

Breakdown by Stockholder Category
95,119 thousand shares

