

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

P r o f i l e

Since its establishment in 1930, the Bank of Kochi, Ltd., has worked consistently to promote a smooth flow of funds in the local community based on the fundamental principle of providing trustworthy and extensive banking services through long-term and ongoing relationships with customers.

In fiscal 2001, ended March 31, 2002, the Bank’s net operating profit totaled ¥5,793 million (US\$43,474 thousand). As of the end of the fiscal year, the Bank had a network comprising 82 branches, of which 2 were administrative offices, and 124 automated teller machines (ATMs) located outside branches. Capital adequacy ratio based on the Bank for International Settlements’ Standards for the Kochi Bank Group, including consolidated subsidiaries, was 8.72% on the basis of domestic standards.

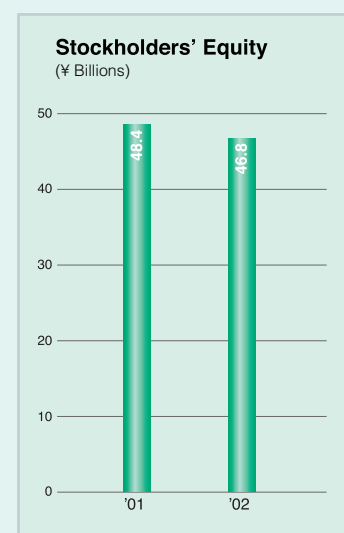
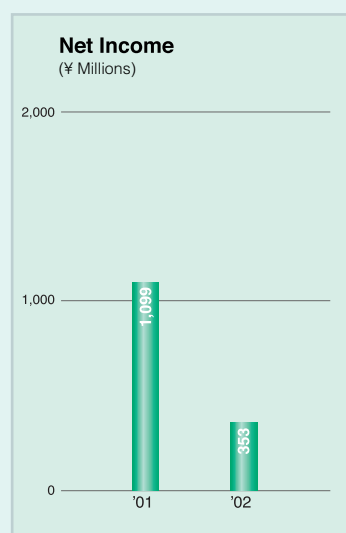
The Bank is a specialized community-based retail bank devoted to maintaining sound management and raising profit-earning capacity, while working towards being listed on the stock exchange. This is the stance the Bank is aiming for in the new century. In order to realize these objectives, we are striving to establish an even stronger management base by conducting structural reforms in all areas of management.

CONSOLIDATED FINANCIAL HIGHLIGHTS

THE BANK OF KOCHI, LTD.
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
For the Year:			
Total Income	¥ 34,882	¥ 35,697	\$ 261,779
Total Expenses	34,075	33,352	255,722
Net Income	353	1,099	2,649
At Year-End:			
Deposits	¥ 887,255	¥870,919	\$6,658,574
Loans and Bills Discounted	711,376	725,284	5,338,657
Securities	133,392	152,113	1,001,066
Stockholders' Equity	46,827	48,462	351,422
Total Assets	975,275	972,977	7,319,137
	Yen		U.S. dollars
Per Share of Common Stock:			
Stockholders' Equity	¥ 485.86	¥ 502.75	\$ 3.646
Net Income	3.65	11.40	0.027
Cash Dividends	5.00	5.00	0.038
Other Statistics:			
Number of Branches	80	81	
Number of Employees	1,203	1,265	

Note: U.S. dollar amounts are converted, for convenience only, at ¥133.25 per US\$1.00, the prevailing rate of exchange on March 31, 2002.



MESSAGE FROM THE PRESIDENT



Toshio Okauchi
President

We sincerely appreciate your longstanding support for the Bank of Kochi, Ltd. It is my pleasure to be able to report our business results for fiscal 2001, ended March 31, 2002.

Review of Operations (Financial data in this message has been stated based on a non-consolidated basis.)

Economic and Financial Environment

The rapid deceleration of the global economy on the back of a downturn in demand from IT-related industries saw Japan's economy decline up until the end of 2001, with significantly falling exports and an exacerbated trend towards lower production levels.

In that period, corporate sentiment worsened amid falling stock prices and a deflationary spiral, while private-sector investment remained stagnant due to low corporate earnings. Business conditions further deteriorated as public-sector investment and residential construction continued to taper off, signs of a solid recovery in personal spending remained weak, due to a decline in per-capita earnings, and the unemployment situation became increasingly severe. As we entered 2002, signs of production leveling out emerged as a result of steady progress in inventory adjustments in line with an improving export environment. Although economic conditions continued to degenerate in general, we witnessed a deceleration in the downturn.

In Kochi prefecture, the bank's main operating region, housing orders remained solid as low interest rates spurred an increase in the construction of leased housing. Public-sector investment declined year on year due to a reduction in large-scale projects following completion for construction related to the National Athletic Meet. Signs of a solid recovery in personal spending remained weak, with lower sales at department stores and mass merchandisers as well as of automobiles and home appliances, compared with the previous term. In tourism-related industries, although the number of visitors to Kochi increased temporarily to celebrate Kochi Castle's 400th anniversary since its construction, people were reluctant to

travel during such a severe economic climate, and consequently the total number of tourists remained roughly on par with the previous fiscal term. Although indications of production leveling out began to surface at the beginning of 2002, falling exports and stagnant demand caused by the slump in IT-related sectors triggered production levels to drop in most industries throughout the prefecture. Overall, there is no clear sign of an economic recovery on the horizon.

On a financial front, interest rates have eased further as the Bank of Japan's zero interest rate policy remained in effect and an official discount rate and short-and long-term interest rates both maintained extremely low levels. However, the prolonged economic depression forced companies to act cautiously, as evidenced by consistently low corporate demand for capital.

Business Progress and Results

Under such a dismal economic environment, the bank's management and employees were united in their efforts to promote regional business activities, improve business results and strengthen underlying business structure based on the unflagging support of all our shareholders and customers. As a result, although the lift on the freeze on the so-called pay-off system is imminent, deposits rose by ¥16.3 billion to a term-end balance of ¥887,841 million (US\$6,662,972 thousand), up 1.8% year on year. In lending, the Bank focused efforts on providing funds for top-level corporations and small- and medium-sized corporations in local community with a sound asset base and high-level risk distribution competencies, while advancing individual loans, especially housing loans for individual customers. Despite these efforts, however, protracted low demand for funds caused loans and bills discounted to decrease ¥12.1 billion during the year to a year-end balance of ¥715,876 million (US\$5,372,428 thousand), down 1.6% year on year. We took into consideration the risk-return relationship in activities related to our holdings, and as such, securities decreased ¥18.5 billion, or 12.2%, from the previous year, and outstanding securities amounted to ¥133,249 million (US\$999,992 thousand).

Meanwhile, from an earnings perspective, we strove to improve management efficiency by enhancing the effective fund management and reducing expenses. To further strengthen our asset base, we continued the previous term's policy of taking an aggressive approach to allocating reserves for non-performing loans. As a result, ordinary income decreased 90.0% over the previous fiscal term to ¥183 million (US\$1,373 thousand), while net income decreased 68.3% over the previous fiscal term to ¥333 million (US\$2,499 thousand).

With regard to our bank network, we opened the Kencho branch in the Kochi prefectural office in October 2001 and consolidated two branches into a nearby branch. To heighten customer convenience, we set up five new automated teller machines (ATMs) outside bank premises, while discontinuing six such facilities during the year. As a result, as of the end of the fiscal year, the Bank had a network comprising 82 branches, of which two were administrative offices, and 124 automated teller machines (ATMs) located outside branches.

Current focus

In the year under review, aiming to strengthen management efficiency, the Bank strove to streamline personnel in line with plans and advanced a review of our branch network, while gaining understanding from our customers in all aspects of our operations. In addition to continuing the previous term's policy of taking an aggressive approach to writing off or allocating reserves for non-performing loans, we strengthened our business foundations and improved our loan operations by increasing the number of small, individual depositors and promoting retail loans. As a result, capital adequacy ratio based on Bank for International Settlements' Standards, an index to a bank's soundness, has risen to 8.62%, an increase of 0.33 percentage points over the previous fiscal term, far exceeding the domestic standard of 4.00%. In the following years, we will remain resolute in our determination to enhance business efficiency, streamline operations and increase the soundness of our asset portfolio.

The operating environment surrounding financial institutions will change rapidly in the coming years, and people will become more selective in their choice of bank due to the lifting of the freeze on the so-called payoff system. The Bank of Kochi is looking positively at these changes and is striving to respond to diversifying customer needs. In an effort to increase transparency, we are endeavoring to disclose information in a timely fashion, while providing high-quality, integrated financial services to all local customers.

The management and employees of the Bank of Kochi are devoted to stepping up compliance to laws and regulations and strengthening our stance towards risk management and to ensuring that customers continue to regard us as a helpful and reliable bank, based on our core principles of enthusiasm, harmony and sincerity.

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

September 2002

A handwritten signature in black ink, reading "Toshio Okauchi". The signature is written in a cursive, flowing style with a large initial 'T'.

Toshio Okauchi
President

OPERATIONAL REVIEW

Banking operations

The Bank of Kochi has operated under the basic concept that enthusiasm, harmony, and sincerity should lie at the core of our banking operations. Under this belief, we are committed to rationalizing operations at all levels, improving efficiencies throughout our organization in order to build a powerful operating structure and promoting business strategies that will bring us closer to the regional community.

The financial world is now undergoing a period of unprecedented change, however, including the emergence of cross-industrial corporations and the lifting of the freeze on the “payoff system”. Given these factors, together with three subsidiaries which carry out consignment work for the Bank-Kozai Co., Ltd., Kogin Business Co., Ltd., and Kogin System Service Co., Ltd.-the Bank has been responding more rapidly and flexibly to the changing environment, meeting specific customer needs better, and taking the lead in offering comprehensive, cohesive financial and information systems required for the new era. As a result of these efforts, the Bank boasted the leading share of loans outstanding and the second-leading share in deposits balance (with a prefecture-dominant bank) among the 56 regional banks association nationwide, according to a December 2001 special issue of Kinyu Journal, a financial magazine in Japan.

Individual-based operations

The Bank has diligently worked to enhance the channel of contact with customers as part of a focus on boosting convenience. With regard to our bank network, we opened the Kencho branch in the Kochi prefectural office in October 2001 and consolidated two branches into a nearby branch. Consequently, the Bank had a network comprising 82 branches, of which two were administrative offices, as of the end of the fiscal year. To heighten customer convenience, we set up five new automated teller machines (ATMs) outside bank premises, while discontinuing six such facilities during the year. As a result, we were operating 124 automated teller machines (ATMs) located outside branches at the end of the fiscal year.

In order to respond to diversifying customer needs, we upgraded ATM functions and expanded our ATM network, while providing internet banking and mobile banking services in addition to offering products and services directly from our website. The Bank commenced over-the-counter sales services for non-life insurance in April 2001, and is planning to offer services for life insurance within fiscal 2002. In the coming years, we will actively develop “face-to-face” relationships with our customers and continue to provide a wide array of financial services.



Corporate-based operations

The Bank has decided to focus on the retail market, which includes small- and medium-sized businesses and individuals, as the major market for business development, and is striving to accurately meet customer needs by providing high quality financial services as well as a stable supply of funds in response to the need for business capital.

In addition to providing products to ensure the efficient acquisition and use of funds, the Bank is working hard to enhance total financial services that demand specialized technology in order to meet diversified and sophisticated customer needs. As a result, as of the end of March 2002, loans to small-and medium-sized companies and individuals accounted for 89.82% of total loan and bills discounted and for 91.91% of loans in Kochi Prefecture.

The Bank is also pouring efforts into consulting services related to business management, whereby expert staff in each department are responding to needs by regularly providing economic information and offering consultation on a wide variety of diversified individual cases as well as on across-the-board operations. For electronic banking, the Bank provides services in promoting rationalization and efficiency in business operations.



Securities and international operations

The Bank offers newly issued government bonds and handles sales of bonds on secondary market. To meet the needs of our customers' investment plans, we deal in various bonds with a range of management periods, including 10-year interest-bearing long-term government bonds, two- or five-year interest-bearing medium-term government bonds and three-year discount government bonds. With regard to over-the-counter sales services for investment trust products, the Bank offers a diverse range of funds, from those to reduce risk to those that focus on profitability, to meet customers' investment plans. The Bank is now working to strengthen and expand its over-the-counter sales system. In addition, as interest towards foreign currency-denominated deposits as fund management products deepens, we are striving to increase the number of branches that deal in foreign currencies, while working to expand our foreign-currency denominated products.

The Bank is enlarging its network of foreign correspondent bank contracts in order to meet customers' overseas transaction needs. This network has spread to all the major regions of the world as of the end of March 2002, where we now have a total of 128 banks in Japan and overseas.

Non-banking financial operations

The Kochi Bank Group includes three subsidiaries engaged in non-banking financial operations. Ocean Lease Co., Ltd., provides comprehensive leasing services, Kochi Card Co., Ltd. handles credit-card services, and Kogin Finance Co., Ltd. offers financing, debt guarantees, and other types of credit extension.

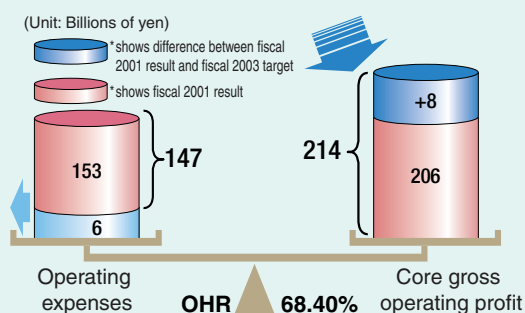
GOALS AND TARGETS

Process to realize management objectives (Financial data in this section has been stated based on a non-consolidated basis.)

In November 1999, we implemented our management plan named “Jump Up 21” to ensure the strengthening of our management structure. This plan elucidates the Bank’s management direction until March 2004, and focuses on improving operating efficiency, profitability and financial soundness as we aim to improve our financial indicators.

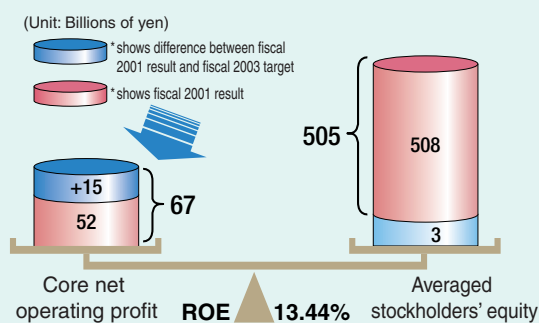
Enhance efficiency: Target in the final year of Jump Up 21; an Overhead Ratio (OHR) of less than 68.40%

The Bank is endeavoring to reduce both personnel numbers and costs by promoting the appropriate distribution of personnel through the abolition and amalgamation of branches and a review of personnel in each department and branch while boosting efficiency. During Jump Up 21, the Bank is also reducing the amount of Directors’ remuneration to better match position and responsibility.



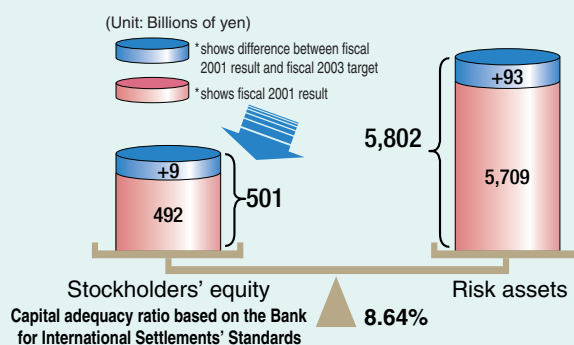
Enhance profitability: Target in the final year of Jump Up 21; ROE of at least 13.44%

Against the backdrop of prolonged stagnation in the economic environment, we will call for a plan to increase total loans slightly. As a result, we will do our utmost to increase individual loans, especially for housing, and will work towards achieving our objective of increasing earnings from loans by building up our customer base. With regard to corporate financing, we will also set interest rates that appropriately reflect credit risk while gaining understanding from our customers.



Raise financial soundness: Target in the final year of Jump Up 21; a capital adequacy ratio based on the Bank for International Settlements' Standards of at least 8.64%

In order to raise the Bank's capital adequacy ratio based on the Bank for International Settlements' Standards, it is necessary to boost stockholders' equity by increasing profitability and operating efficiency, as well as enhance asset risk management and improve the soundness of assets, all the while taking care to find the appropriate balance between stockholders' equity and assets. The Bank will conduct strict self-assessment to strike a balance between market-related risk and profitability in the management of our marketable securities, and to help prevent the emergence of new non-performing loans.



We at the Bank of Kochi, Ltd. will conduct structural reforms in all areas of operations in line with our plan in order to guarantee we can match the trust awarded us from our regional customers, and will strive to create even stronger management foundations.

Position on compliance

Our basic policy of compliance structure 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.

In order to maintain the enduring trust and confidence of customers and the community, the Bank created the "Compliance Manual," which stipulates specific standards of business conduct, and distributed it to all bank managers and employees, ensuring it is thoroughly understood by providing training. Plans to develop and promulgate the compliance system will be laid down at the Board of Directors' Meeting in each fiscal year as a Compliance Program, whereby the progress of the plan is investigated to make sure effective internal control is maintained.

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 establishes 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.

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.

During the year under review, the Bank disposed of ¥5.8 billion (US\$43,527 thousand) in non-performing loans upon a review of claims under close observation and the computation of allowances in order to maintain the soundness of its asset portfolio. As a result, the Bank's coverage ratio for non-performing loans under the requirements of the Financial Function Revitalization Law was 82.23% for claims under close observation, claims under high risk and claims under bankruptcy and substantial bankruptcy.

While continuing efforts to recover non-performing loans as quickly as possible, the Bank is working to prevent new non-performing loans in the future by strengthening credit risk management, and to normalize such loans by improving the business affairs of its customers with the overall aim of boosting the soundness of its financial structure.

Response to new accounting systems

Retirement benefit accounting

In the past, the company calculated the retirement benefit reserve on the basis of the retirement lump sum benefits due at the end of the fiscal year. However, this did not include corporate pensions, meaning that overall retirement benefit liabilities and expenses were inadequately accounted for. As a result, the Bank adopted a new accounting standard from the year ended March 31, 2001.

Under the new accounting standard, pension and retirement lump sum liabilities deemed to be due by the end of the year are discounted at current value from the company's future pension and retirement lump sum liabilities. The pension assets set aside by the company and the retirement benefit reserve already allocated are subtracted from that, and the shortfall is recognized as a liability.

The liabilities for retirement benefits as of the end of the fiscal year stood at ¥22.0 billion (US\$165,103 thousand), including unrecognized transition obligation of ¥4.9 billion (US\$36,772 thousand), which will be amortized until the end of fiscal 2009, namely March 31, 2010. The total amount of transitional obligation, ¥3,609 million, is being amortized over five years. A total of ¥0.8 billion (US\$6,003) was amortized this fiscal term.

Market-valuation accounting

In the past, the accounting standard for evaluation of assets was the acquisition price basis which evaluates assets using the price at the time of acquisition. However, under the market-valuation accounting standard that was introduced in fiscal 2000 the evaluation of financial products, primarily marketable securities, uses the market price. Market valuation of marketable securities classifies marketable securities according to the purpose of the holdings and is conducted on the basis of the valuation standards for each classification.

CONSOLIDATED FINANCIAL REVIEW

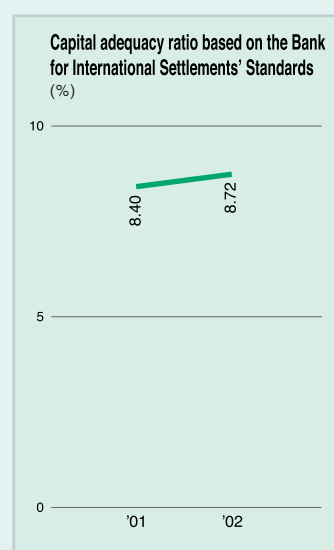
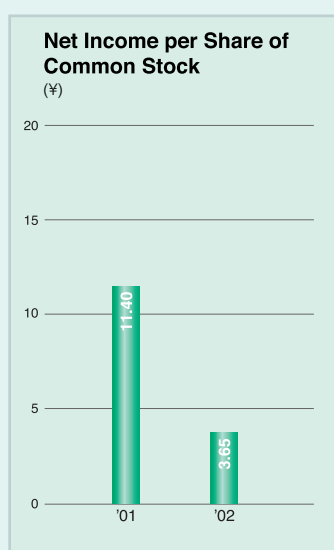
Results

First, despite low time deposits due to the abolishment of full deposit guarantees with the introduction of the “payoff system”, liquid deposits, especially ordinary deposits, increased, and as a result, deposits rose ¥16.3 billion year on year to a term-end balance of ¥887,255 million (US\$6,658,574 thousand). Conversely, in lending, although the Bank focused efforts on providing funds for top-level corporations and small- and medium-sized corporations with a sound asset base and high-level risk-distribution competencies, as well as on individual loans, especially those for housing, prolonged stagnation in demand for funds caused loans and bills discounted to drop ¥13.9 billion year on year to a term-end balance of ¥711,376 million (US\$5,338,657 thousand). Securities declined by ¥18.7 billion from the previous fiscal term to a year-end balance of ¥133,392 million (US\$1,001,066 thousand).

From an earnings perspective, operating profit decreased ¥0.8 billion year on year to ¥34,882 million (US\$261,779 thousand) primarily due to an overall fall in profits from fund management. Operating expenses increased by ¥0.7 billion year on year to ¥34,075 million (US\$255,722 thousand) as a result of an increase in transfers to the reserve for possible loan losses which offset a decline in expenses related to fund procurement. As a result, recurring profit fell ¥1.9 billion year on year to ¥363 million (US\$2,724 thousand). Net income, adjusted after extraordinary profit and loss, income taxes and minority interests, declined by ¥0.7 billion year on year to ¥353 million (US\$2,649 thousand). Net income per share stood at ¥3.65 (US\$0.027).

In results by business segment, in banking operations, operating profit decreased ¥845 million year on year to ¥28,496 million (US\$213,854 thousand), and operating expenses rose ¥838 million year on year to ¥28,258 million (US\$212,068 thousand). Recurring profit fell ¥1,683 million to ¥238 million (US\$1,786 thousand). In non-banking financial operations, operating profit declined by ¥458 million year on year to ¥6,219 million (US\$46,671 thousand) and operating expenses decreased ¥50 million year on year to ¥6,415 million (US\$48,142 thousand). Consequently, ¥196 million (US\$1,471 thousand) of recurring losses were recorded for fiscal 2001.

Net assets per share fell ¥16.89 year on year to ¥485.86 (US\$3.64), while the consolidated capital adequacy ratio based on the Bank for International Settlements' Standards rose 0.32 percentage point to 8.72% on the basis of domestic standards.

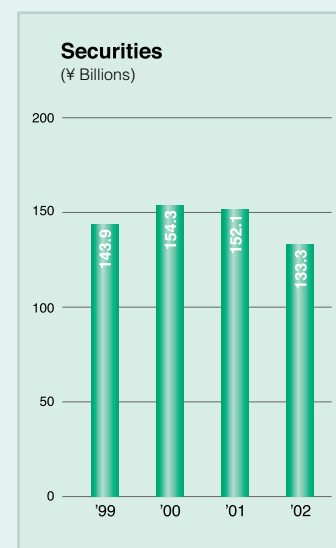
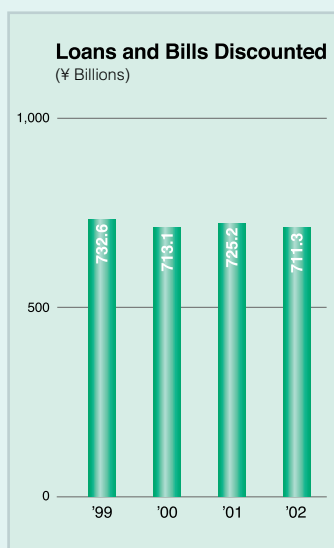
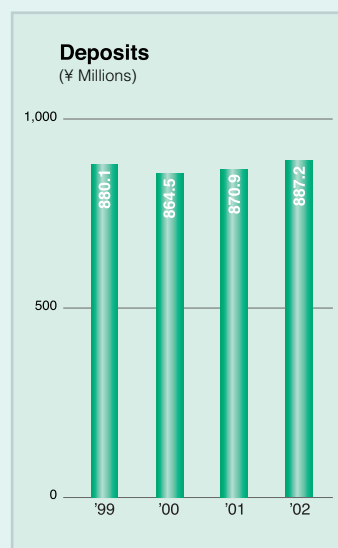


FIVE-YEAR SUMMARY

THE BANK OF KOCHI, LTD.
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	Consolidated				Non- Consolidated		Consolidated
	2002	2001	2000	1999	1999	1998	2002
For the Year:							
Total Income	¥ 34,882	¥ 35,697	¥ 39,647	¥ 39,147	¥ 31,731	¥ 36,655	\$ 261,779
Total Expenses	34,075	33,352	43,619	37,990	31,055	32,617	255,722
Income (Loss) before							
Income Taxes	807	2,345	(3,972)	1,157	676	4,038	6,057
Net Income (Loss)	353	1,099	(2,630)	423	269	841	2,649
At Year-End:							
Total Assets	¥975,275	¥972,977	¥968,935	¥977,980	¥980,302	¥967,308	\$7,319,137
Deposits	887,255	870,919	864,523	880,174	881,298	885,797	6,658,574
Loans and Bills Discounted	711,376	725,284	713,178	732,686	733,807	746,078	5,338,657
Securities	133,392	152,113	154,398	143,937	143,691	136,117	1,001,066
Common Stock	11,300	11,300	5,250	5,250	5,250	5,250	84,803
Capital Surplus	8,266	8,265	2,289	2,289	2,289	2,289	62,034
Retained Earnings	23,051	22,871	22,056	24,983	23,945	20,595	172,990
Stockholders' Equity	46,827	48,462	46,504	37,443	38,175	29,822	351,422

Note: U.S. dollar amounts are converted, for convenience only, at ¥133.25 per U.S.\$1.00, the prevailing rate of exchange on March 31, 2002.



CONSOLIDATED BALANCE SHEETS

THE BANK OF KOCHI, LTD.
March 31, 2002 and 2001

	Millions of yen		Thousand of U.S. dollars (Note 1)
	2002	2001	2002
ASSETS			
Cash and due from banks (Notes 3 and 13)	¥ 87,935	¥ 33,748	\$ 660,060
Call loans	1,333	14,200	10,004
Debt purchased	—	—	—
Trading account securities (Note 4)	1,144	1,995	8,586
Money held in trust (Note 5)	1,475	1,477	11,069
Securities (Notes 4 and 13)	133,392	152,113	1,001,066
Loans and bills discounted (Notes 7, 8 and 9)	711,376	725,284	5,338,657
Foreign exchanges (Note 10)	3,918	2,519	29,403
Other assets (Note 11)	8,376	11,265	62,859
Premises and equipment (Note 12)	29,700	31,243	222,889
Deferred tax assets (Note 22)	10,076	8,275	75,617
Customers' liabilities for acceptances and guarantees (Note 16)	12,914	15,440	96,916
Reserve for possible loan losses	(26,382)	(24,582)	(197,989)
	¥ 975,275	¥ 972,977	\$ 7,319,137
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits (Note 14)	¥ 887,255	¥ 870,919	\$ 6,658,574
Call money	1,112	8,777	8,345
Borrowed money	9,784	11,725	73,426
Foreign exchanges (Note 10)	0	1	0
Other liabilities (Note 15)	7,245	8,566	54,371
Reserve for employees' bonuses	420	—	3,152
Liability for severance and retirement benefits (Note 18)	5,242	4,128	39,340
Deferred tax liabilities for revaluation reserve for land (Notes 17 and 22)	3,201	3,423	24,022
Acceptances and guarantees (Note 16)	12,914	15,440	96,916
Total liabilities	927,173	922,979	6,958,146
Minority interests	1,275	1,536	9,569
Stockholders' equity:			
Common stock			
Authorized — 200,000,000 shares			
Issued — 96,448,000 shares	11,300	11,300	84,803
Capital surplus	8,266	8,265	62,034
Revaluation reserve for land, net of tax (Note 17)	4,468	4,778	33,531
Retained earnings	23,051	22,871	172,990
Net unrealized holding gains on securities (Note 6)	(238)	1,262	(1,786)
	46,847	48,476	351,572
Common stock in treasury	(20)	(14)	(150)
Total stockholders' equity	46,827	48,462	351,422
	¥ 975,275	¥ 972,977	\$ 7,319,137

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

THE BANK OF KOCHI, LTD.
Years ended March 31, 2002 and 2001

	Millions of yen		Thousand of U.S. dollars (Note 1)
	2002	2001	2002
INCOME :			
Interest income:			
Interest on loans and discounts	¥ 19,752	¥ 21,319	\$ 148,233
Interest and dividends on securities	2,524	3,567	18,942
Other	635	1,400	4,765
Fees and commissions	2,369	2,147	17,779
Other operating income	8,804	6,870	66,071
Other income (Note 20)	798	394	5,989
	34,882	35,697	261,779
EXPENSES:			
Interest expense:			
Interest on deposits	2,033	3,447	15,257
Interest on borrowings and rediscounts	449	947	3,370
Other interest expenses	540	1,114	4,052
Fees and commissions	1,484	1,329	11,137
Other operating expenses	5,189	5,532	38,942
General and administrative expenses	16,661	15,976	125,035
Other expenses (Note 21)	7,719	5,007	57,929
	34,075	33,352	255,722
Income before income taxes and minority interests	807	2,345	6,057
Income tax expenses (Note 22):			
Current	1,652	1,582	12,398
Deferred	(941)	(515)	(7,062)
	711	1,067	5,336
	96	1,278	721
Minority interests in net income of consolidated subsidiaries	257	(179)	1,928
Net income	353	1,099	2,649
Retained earnings at beginning of year	22,871	22,056	171,640
Reversal of revaluation reserve for land	309	119	2,319
Cash dividends (¥5 or \$0.040 per share)	(482)	(403)	(3,617)
Bonuses to directors and statutory corporate auditors	0	0	0
	(482)	(403)	(3,617)
Retained earnings at end of year	¥ 23,051	¥ 22,871	\$ 172,991
Amounts per share of common stock:			
Net income	¥ 3.65	¥ 1.40	\$ 0.027
Cash dividends applicable to the year	5.00	5.00	0.038

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

THE BANK OF KOCHI, LTD.
Year ended March 31, 2002 and 2001

	Millions of yen		Thousand of U.S. dollars (Note 1)
	2002	2001	2002
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 807	¥ 2,345	\$ 6,056
Depreciation	4,072	4,281	30,559
Net change in reserve for possible loan losses	1,799	(712)	13,501
Net change in reserve for employees' bonuses	420	0	3,152
Net change in liability for severance and retirement benefits	1,114	337	8,360
Interest income	(22,911)	(26,285)	(171,940)
Interest expenses	3,022	5,507	22,679
Net (gain) loss related to securities transactions	(1,804)	745	(13,538)
Net income from money held in trust	(1)	(1)	(8)
Net exchange gain	(3)	(6)	(22)
Net (gain) loss from disposition of premises and equipment	(428)	5	(3,212)
Net change in trading account securities	851	1,639	6,386
Net change in loans	13,908	(12,106)	104,375
Net change in deposits	16,336	6,395	122,597
Net change in call loans	12,868	(6,228)	96,570
Net change in call money	(7,665)	(71)	(57,523)
Net change in borrowed money	(1,941)	(2,907)	(14,566)
Net change in deposits with bank	(452)	5,712	(3,392)
Net change in foreign exchanges (asset account)	(1,399)	1,069	(10,499)
Net change in foreign exchanges (liability account)	(1)	(10)	(8)
Interest received	23,640	26,057	177,411
Interest paid	(3,519)	(5,706)	(26,409)
Other, net	(1,423)	(379)	(10,679)
Subtotal	37,290	(319)	279,850
Income taxes paid	(1,733)	(3,852)	(13,006)
Net cash provided by (used in) operating activities	35,557	(4,171)	266,844
Cash flows from investing activities			
Purchases of securities	(141,977)	(74,265)	(1,065,493)
Proceeds from sale of securities	136,232	53,322	1,022,379
Proceeds from maturity of securities	27,232	22,038	204,368
Net change in money held in trust	0	(477)	0
Purchases of premises and equipment	(4,399)	(4,916)	(33,013)
Proceeds from sales of premises and equipment	1,596	995	11,977
Net cash provided by (used in) investing activities	18,684	(3,303)	140,218
Cash flows from financing activities			
Purchases of treasury stock	(10)	(9)	(75)
Proceeds from sale of treasury stock	5	9	38
Dividends paid	(482)	(403)	(3,617)
Dividends paid for minority	(3)	(2)	(23)
Net cash used in financing activities	(490)	(405)	(3,677)
Foreign currency translation adjustments	2	6	15
Net change in cash and cash equivalents	53,753	(7,873)	403,400
Cash and cash equivalents at beginning of year	31,981	39,854	240,007
Cash and cash equivalents at end of year (Note 3)	¥ 85,734	¥ 31,981	\$ 643,407

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE BANK OF KOCHI, LTD.
March 31, 2002 and 2001

1. Basis of consolidated financial statements

THE BANK OF KOCHI, LTD. (the "Bank") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code, the Bank Law of Japan and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English with some expanded descriptions 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 financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to U.S. \$1.00. 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 six 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.

Trading account securities — Prior to April 1, 2000, listed trading account securities were stated at the lower of moving-average cost or market. Other trading account securities were stated at moving-average costs. Effective April 1, 2000, the Bank adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999), and the Bank's trading account securities are stated at fair market value, and unrealized gains or losses are recognized in the consolidated statement of income. Realized gains or losses on sale of such securities are computed using primarily the moving-average cost.

Securities — Securities principally consist of Japanese national and local government bonds, corporate stocks and bonds. Prior to April 1, 2000, securities of the Bank and its consolidated subsidiaries were stated at moving-average cost.

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading 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").

2. Significant accounting policies (cont'd)

Trading 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. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of such 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, 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 income statement 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.

As a result of adopting the new accounting standard for financial instruments, income before income taxes decreased by ¥17 million for the year ended March 31, 2001.

Derivatives — The new accounting standard for financial instruments, effective for the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses 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 17. 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	4-6 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.

Effective for the year ended March 31, 2001, in accordance with the audit treatment of new foreign currency transactions for banking industry as of April 10, 2000 issued by JICPA, the Bank accounts for foreign currency translation in the same manner as previous years.

However, effective for the year ended March 31, 2002, the Bank has applied the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999, except for certain rules especially referred in "Temporary Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (the "Report No. 20"), issued by Industry Audit Committee of JICPA. There was no effect of applying this rule to the Bank's consolidated financial statements.

2. Significant accounting policies (cont'd)

Pursuant to the Report No. 20, for fund swap transactions, net amounts of the principal equivalents of assets and liabilities are disclosed on the balance sheet using the year-end exchange rate. Differences between spot and forward rates in fund swap transactions are charged to net income included in the interest income or expense account on an accrual basis for the period from the settlement of spot foreign exchange to the settlement date of forward foreign exchange. Therefore, accrued interest income or expenses are accounted for at the balance sheet dates.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange either bought or sold and forward foreign exchange either sold or bought. The Bank utilizes these fund transaction intended to lend or borrow money in a different currency. The Bank translates the principal equivalent amount using spot foreign exchange bought or sold in relation to the corresponding funds borrowing or lending. In addition, such transactions convert the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange either bought or sold.

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 security interests 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.

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.

Effective for the year ended March 31, 2002, the reserve for employees' bonuses is disclosed on the balance sheet pursuant to the Research Center Review Information No 15 "Concerning Financial Statement Title to Be Used for Accrued Bonuses for employee". As a result, this change made decrease of other liabilities by ¥420 million (\$ 3,152 thousand) and increase of reserve for employees' bonuses by the same amount.

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 50% of total severance and retirement benefits.

Effective April 1, 2000, the Bank and its consolidated subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

2. Significant accounting policies (cont'd)

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank and its consolidated subsidiaries provide liability for severance and retirement benefits on the 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 as of April 1, 2000 and the liabilities 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. 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.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, income before income taxes decreased by ¥336 million compared with what would have been recorded under the previous accounting standard.

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.

Accounting for certain lease transactions - Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

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.

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, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and due from banks	¥ 87,953	¥ 33,748	\$ 660,060
Ordinary deposits with banks	(1,530)	(1,047)	(11,482)
Time deposits with banks	(513)	(503)	(3,850)
Other deposits with banks	(176)	(217)	(1,321)
Cash and cash equivalents	¥ 85,734	¥ 31,981	\$ 643,407

4. Securities

A. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2002:

(a) Trading securities

Book value	¥ 1,144 million
Amount of net unrealized gains or losses included in the income statement	3 million

4. Securities (cont'd)

(b) Available-for-sale securities

Type	Acquisition cost	Millions of yen	
		Book value	Difference
Equity securities	¥ 7,128	¥ 5,868	¥ (1,260)
Bonds	120,337	121,174	836
Government bonds	65,048	65,355	307
Municipal bonds	19,704	20,022	318
Corporate bonds	35,584	35,796	211
Others	4,975	4,989	14
Total	¥ 132,441	¥ 132,032	¥ (409)

B. The following tables summarize book values of securities with no available fair values as of March 31, 2002:

(a) Held-to-maturity debt securities

Type	Millions of yen	
	Book value	
Non-listed corporate bonds	¥	120

(b) Available-for-sale securities

Type	Millions of yen	
	Book value	
Non-listed corporate bonds	¥	939
Other		300
Total	¥	1,239

C. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

Type	Millions of yen				
	Within one year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Total
Bonds					
Government bonds	¥ 5,143	¥ 48,721	¥ 11,190	¥ 300	¥ 65,354
Municipal bonds	879	4,524	14,618	—	20,021
Corporate bonds	4,555	19,853	11,807	—	36,215
Sub-total	10,578	73,099	37,616	300	121,593
Others	134	1,728	3,126	—	4,988
Total	¥ 10,712	¥ 74,828	¥ 40,743	¥ 300	¥ 126,583

D. There were no sales of held-to-maturity debt securities in the year ended March 31, 2002.

E. Total sales of available-for-sale securities sold in the year ended March 31, 2002 amounted to ¥129,692 million (\$973,298 thousand) and the related gains and losses amounted to ¥3,453 million (\$25,913 thousand) and ¥1,426 million (\$10,701 thousand) for the years ended March 31, 2002, respectively.

F. Since the Bank copes with credit risk and intends to enhance liquidity of investment securities under present impenetrable economic situation, the Bank changed all of its holding purpose of held-to-maturity debt securities into available-for-sale securities. As a result, available-for-sale securities, deferred tax liabilities and net unrealized holding gain on securities increased by ¥267 million (\$2,003 thousand), ¥111 million (\$833 thousand) and ¥155 million (\$1,163 thousand), respectively. Also the Bank sold such securities mentioned above amounting to ¥17,343 million (\$130,153 thousand) and gain on sales of securities was charged to net income by ¥ 580 million (\$4,352 thousand).

5. Money held in trust

At March 31, 2002, book value and net realized losses of money held in trust were as follows:

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Book value:	¥ 1,479	\$ 11,099
Net realized losses	(5)	(37)

6. Net unrealized holding gains (losses) on securities

Net unrealized holding gains on securities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Unrealized holding gains (losses) on securities	¥ (409)	¥ 2,171	\$ (3,069)
Deferred tax assets (liabilities)	170	(906)	1,283
Subtotal	(238)	1,265	(1,786)
Minority interests	0	3	0
Net unrealized holding gains on securities	¥ (238)	¥ 1,262	\$ (1,786)

7. Loans and bills discounted

Loans and bills discounted at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Bills discounted	¥ 26,650	¥ 30,792	\$ 200,000
Loans on notes	121,404	128,490	911,100
Loans on deeds	484,049	482,922	3,632,638
Overdrafts	79,273	83,080	594,919
	¥ 711,376	¥ 725,284	\$ 5,338,657

Doubtful loans at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Non-accrual loans:			
Loans to customers in bankruptcy proceedings (1)	¥ 14,731	¥ 10,186	\$ 110,551
Past due loans (2)	9,996	6,560	75,016
Accrual loans past due over more than three months (3)	640	174	4,803
Restructured loans (4)	40,448	32,475	303,549

(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, 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.

7. Loans and bills discounted (cont'd)

(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 ¥26,780 million (\$200,975 thousand) as of March 31, 2002.

9. Contracts of overdrafts

Contracts of overdrafts are contracts, under which the Bank lends 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 ¥126,435 million (\$948,855 thousand) as of March 31, 2002.

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, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Assets:			
Due from foreign banks	¥ 1,541	¥ 697	\$ 11,565
Foreign exchange bills bought	6	171	45
Foreign exchange bills receivable	2,371	1,651	17,793
	¥ 3,918	¥ 2,519	\$ 29,403
	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Liabilities:			
Foreign exchange bills sold	¥ 0	¥ 1	\$ 0
	¥ 0	¥ 1	\$ 0

11. Other assets

Other assets at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Domestic exchange settlement account	¥ 183	¥ 187	\$ 1,373
Prepaid expenses	92	103	690
Accrued income	1,369	1,880	10,274
Accounts receivable – other	3,786	7,086	28,413
Other	2,946	2,009	22,109
	¥ 8,376	¥ 11,265	\$ 62,859

12. Premises and equipment

Premises and equipment at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Land, buildings and equipment	¥ 19,273	¥ 20,021	\$ 144,638
Leased assets	9,865	10,685	74,034
Construction in progress	77	—	577
Guaranty money deposited	485	536	3,640
	¥ 29,700	¥ 31,243	\$ 222,889

Accumulated depreciation at March 31, 2002 and 2001 amounted to ¥31,345 million (\$235,234 thousand) and ¥32,201 million, respectively.

13. Pledged assets

At March 31, 2002, the following assets were pledged as collateral for deposits.

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Securities	¥ 1,924	\$ 14,439
Time deposits in other bank	521	3,909
	¥ 2,445	\$ 18,348

In addition, securities not included in the above were pledged as collateral for settlement of exchange contracts. Such securities amounted to ¥17,374 million (\$130,386 thousand).

14. Deposits

Deposits at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current deposits	¥ 39,509	¥ 31,683	\$ 296,503
Ordinary deposits	220,889	153,752	1,657,704
Deposits at notice	8,626	4,895	64,736
Time deposits	563,122	626,820	4,226,056
Other	55,109	53,769	413,575
	¥ 887,255	¥ 870,919	\$ 6,658,574

15. Other liabilities

Other liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Domestic exchange settlement account	¥ 275	¥ 216	\$ 2,064
Accrued expenses	1,241	2,115	9,313
Accrued income taxes	836	917	6,274
Unearned income	729	852	5,471
Other	4,164	4,466	31,249
	¥ 7,245	¥ 8,566	\$ 54,371

16. 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.

17. 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, 2000 (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, 2002 was ¥2,210 million (\$16,585 thousand).

18. Employees' severance and pension benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2002 consists of the following:

	Millions of yen	Thousand of U.S. dollars
Projected benefit obligation	¥ 22,081	\$ 165,711
Unrecognized prior service costs	—	—
Unrecognized actuarial differences	(3,609)	(27,084)
Less fair value of pension assets	(8,309)	(62,356)
Less unrecognized net transition obligation	(4,921)	(36,931)
Liability for severance and retirement benefits	¥ 5,242	\$ 39,340

Included in the consolidated statement of income for the year ended March 31, 2002 are severance and retirement benefit expenses comprised of the following:

	Millions of yen	Thousand of U.S. dollars
Service costs - benefits earned during the year	¥ 690	\$ 5,178
Interest cost on projected benefit obligation	591	4,435
Expected return on plan assets	(262)	(1,966)
Amortization of prior service costs	—	—
Amortization of actuarial differences	271	2,033
Amortization of net transition obligation	615	4,615
Others (special severance pay, etc)	114	856
Severance and retirement benefit expenses	¥ 2,019	\$ 15,151

The discount rate and the rate of expected return on plan assets used by the Bank are 2.5% and 3.0%, respectively. 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.

19. Derivative financial instruments

As to financial derivatives traded on exchanges, the Bank and the subsidiaries had no outstanding position at March 31, 2002 and 2001. The contract amounts of financial derivatives traded over the counter (OTC derivatives) at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Interest rate swap	¥ 230	¥ 350	\$ 1,726
Currency swap	22,975	27,795	172,420
Forward exchange	7,475	3,138	56,097

The Bank and the subsidiaries had no significant unrealized losses of the OTC derivatives outstanding at March 31, 2002 and 2001.

20. Other income

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Gain on sale of shares and other securities	¥ 43	¥ 28	\$ 323
Gain on money held in trust	2	13	15
Gain on disposition of premises and equipment	478	36	3,587
Other	275	317	2,064
	¥ 798	¥ 394	\$ 5,989

21. Other expenses

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Devaluation of securities	¥ 126	¥ 688	\$ 946
Losses on sale of shares and other securities	1,280	694	9,606
Provision for possible loan losses	5,860	3,199	43,977
Write-off of claims	33	130	248
Losses on disposition of premises and equipment	50	40	375
Other	370	256	2,777
	¥ 7,719	¥ 5,007	\$ 57,929

22. Income taxes

Income taxes in the consolidated statements of income consist of corporation, inhabitant and enterprise taxes. The aggregate statutory tax rate was approximately 41.7% in 2002 and 2001.

The following table summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the year ended March 31, 2002.

	2002	2001
Statutory tax rate	41.7%	41.7%
Non-deductible expenses	11.5%	4.8%
Increase of valuation allowances	30.4%	—
Other	4.5%	(1.0)%
Effective tax rate	88.1%	45.5%

22. Income taxes (cont'd)

Significant components of the Bank's deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Reserve for possible loan losses	¥ 7,277	¥ 6,695	\$ 54,611
Retirement benefits	1,170	1,113	8,780
Depreciation	464	511	3,482
Other	2,258	1,043	16,945
Sub-total	11,169	10,057	83,819
Valuation allowances	(245)	—	(1,838)
Total deferred tax assets	10,924	10,057	81,981
Deferred tax liabilities:			
Net unrealized holding gains on securities	(591)	(1,608)	(4,435)
Accumulated earnings of subsidiaries	(106)	(103)	(788)
Deferred gain on sale of fixed assets	(140)	(56)	(1,051)
Special depreciation reserve	(11)	(14)	(83)
Net deferred tax assets	¥ 10,076	¥ 8,275	\$ 75,617
Deferred tax liabilities for revaluation reserve for land	¥ 3,201	¥ 3,423	\$ 24,022

23. 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, 2002 and 2001 were as follows:

	Millions of yen				
	Bank business	Financial business	Total	Elimination and /or corporate	Consolidated
For 2002:					
Ordinary income:					
Customers	¥ 28,233	¥ 6,155	¥ 34,388	¥ —	¥ 34,388
Inter-segment	263	64	327	327	—
Total	28,496	6,219	34,715	327	34,388
Ordinary expenses	28,258	6,415	34,673	648	34,025
Ordinary profit	¥ 238	¥ (196)	¥ 42	¥ (321)	¥ 363
Identifiable assets	¥ 965,303	¥ 19,312	¥ 984,615	¥ 9,339	¥ 975,276
Depreciation	733	3,339	4,072	—	4,072
Capital expenditures	1,069	3,476	4,545	—	4,545
For 2001:					
Ordinary income:					
Customers	¥ 29,031	¥ 6,600	¥ 35,631	¥ —	¥ 35,631
Inter-segment	310	77	387	387	—
Total	29,341	6,677	36,018	387	35,631
Ordinary expenses	27,420	6,465	33,885	573	33,312
Ordinary profit	¥ 1,921	¥ 212	¥ 2,133	¥ (186)	¥ 2,319
Identifiable assets	¥ 960,764	¥ 22,458	¥ 983,222	¥ 10,245	¥ 972,977
Depreciation	743	3,538	4,281	—	4,281
Capital expenditures	954	4,085	5,039	—	5,039
	Thousands of U.S. dollars				
	Bank business	Financial business	Total	Elimination and /or corporate	Consolidated
For 2002:					
Ordinary income:					
Customers	\$ 211,880	\$ 46,191	\$ 258,071	\$ —	\$ 258,071
Inter-segment	1,974	480	2,454	2,454	—
Total	213,854	46,671	260,525	2,454	258,071
Ordinary expenses	212,068	48,142	260,210	4,863	255,347
Ordinary profit	\$ 1,786	\$ (1,471)	\$ 315	\$ (2,409)	\$ 2,724
Identifiable assets	\$ 7,244,300	\$ 144,930	\$ 7,389,230	\$ 70,086	\$ 7,319,144
Depreciation	5,501	25,058	30,559	—	30,559
Capital expenditures	8,023	26,086	34,109	—	34,109

Geographic segment information for the years ended March 31, 2002 and 2001 are not disclosed, because the Bank does not have foreign subsidiaries or foreign branches.

Ordinary income (foreign operations) for the years ended March 31, 2002 and 2001 are not disclosed, because domestic operations account for more than 90% of the consolidated ordinary income.

24. Information for finance lease

Information for finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for as operating leases as a lessor as of March 31, 2002 and 2001 were as following:

(1) Purchase price, accumulated depreciation and book value of leased properties

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Equipment:			
Purchase price	¥ 26,829	¥ 28,514	\$ 201,343
Accumulated depreciation	17,654	18,482	132,488
Book value	9,175	10,032	68,856
Others:			
Purchase price	1,577	1,608	11,835
Accumulated depreciation	1,010	1,077	7,580
Book value	567	531	4,255
Total:			
Purchase price	28,406	30,122	213,178
Accumulated depreciation	18,664	19,559	140,068
Book value	9,742	10,563	73,111

(2) Future lease payments to be received, inclusive of interest, at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥ 3,596	¥ 3,851	\$ 26,987
Due after one year	7,243	7,686	54,356
	¥ 10,840	¥ 11,537	\$ 81,351

(3) Lease revenues and depreciation for the years ended March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Lease revenues	¥ 4,170	¥ 4,351	\$ 31,295
Depreciation	3,276	3,454	24,585

25. Subsequent event

At the June 27, 2002 annual meeting, the Bank's shareholders approved the following appropriations of retained earnings:

Payment of a year-end cash dividend of ¥2.50 (\$0.02) per share aggregating ¥241 million (\$1,808 thousand).

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Asahi & Co

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of THE BANK OF KOCHI, LTD. (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income and retained earnings and cash flows for each of the two years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of THE BANK OF KOCHI, LTD. and subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) on a consistent basis during the period.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
June 27, 2002

CORPORATE DATA

THE BANK OF KOCHI, LTD.
March 31, 2002

SERVICE NETWORK

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Facsimile: (088) 871-3996 / 3997
Cable Address: BKKOCHI
Telex No.: 5882105BKKOTI J
SWIFT CODE: KOTI JP JT

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Matsuyama Branch

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OUTLINE OF THE BANK

Date of Incorporation: January 20, 1930
Common Stock (Paid-in Capital):
¥11,300 million (U.S.\$84.8 million)
Issued Shares: 96.4 million shares
Number of Stockholders: 5,776
Number of Offices: 82
Number of Employees: 1,203

Number of Offices by Prefecture

Kochi	67
Tokushima	4
Ehime	7
Kagawa	1
Okayama	1
Osaka	1
Tokyo	1
Total	82

STOCKHOLDER INFORMATION

Major Stockholders

The Yasuda Fire and Marine Insurance Co., Limited
The Dai-ichi Kangyo Bank, Limited
The Bank of Kochi, Ltd.,
Employee Stockholding Organization
Shinsei Bank, Limited
Aozora Bank, Ltd.
The Industrial Bank of Japan, Limited
Sumitomo Mitsui Banking Corporation
The Sumitomo Trust and Banking Company, Limited
Yodogawa Steel Works, Ltd.
The Bank of Tokyo-Mitsubishi, Ltd.

Breakdown by Stockholder Category
95,044 thousand shares

