— Consolidated Five-Year Summary —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31

	Millions of Yen				
	2021	2020	2019	2018	2017
For the fiscal year					
Net interest income	¥ **69,877**	¥ 67,886	¥ 65,217	¥ 69,644	¥ 67,678
Net fees and commissions	**11,553**	11,458	11,345	10,963	10,973
Net other operating (loss) income	**(8,117)**	(2,186)	(3,104)	(7,869)	(5,213)
Net income attributable to owners of the parent	**16,468**	18,261	17,670	18,314	16,114
At the fiscal year-end					
Total assets	**¥9,839,581**	¥8,770,037	¥8,627,510	¥8,718,097	¥8,649,396
Deposits	**8,527,481**	7,865,991	7,872,834	7,946,100	7,805,860
Loans and bills discounted	**5,088,570**	4,886,221	4,718,942	4,621,062	4,443,883
Trading account securities and investment securities	**3,127,169**	2,922,506	2,978,130	3,146,865	3,262,638
Equity	**513,337**	447,436	489,077	490,737	468,195
Common stock	**24,658**	24,658	24,658	24,658	24,658

	Yen				
	2021	2020	2019	2018	2017
Per share of common stock					
Basic net income	¥ **222.89**	¥ 246.97	¥ 237.90	¥ 246.87	¥ 215.73
Diluted net income				246.45	214.74
Equity	**6,947.19**	6,057.30	6,582.31	6,613.28	6,306.73
Cash dividends	**50.00**	50.00	47.50	45.00	45.00
Capital adequacy ratio (%)					
Domestic standard	**10.39**	10.31	10.38	10.43	10.73

Notes: 1. The national consumption tax and the local consumption tax are excluded from transaction amounts.

2. The Bank's capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform.

3. On October 1, 2017, the Bank conducted consolidation of shares at a ratio of five shares to one share. Per share information is computed as if the share consolidation was conducted on April 1, 2016.

— Consolidated Balance Sheet —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
ASSETS:			
Cash and due from banks (Notes 3 and 26)	**¥1,371,871**	¥ 747,105	**$12,391,572**
Call loans and bills bought		429	
Debt purchased	**4,000**	4,000	**36,130**
Trading account securities (Note 4)	**20,627**	18,873	**186,315**
Money held in trust (Notes 5 and 26)	**108,901**	82,344	**983,660**
Investment securities (Notes 4, 10, 11, 26, 27 and 28)	**3,106,542**	2,903,632	**28,060,175**
Loans and bills discounted (Notes 6, 12, 26, 27 and 28)	**5,088,570**	4,886,221	**45,963,056**
Foreign exchange assets (Note 7)	**5,865**	9,528	**52,976**
Lease receivables and investments in leases (Notes 25 and 28)	**19,637**	19,261	**177,373**
Tangible fixed assets (Notes 8, 9 and 16):			
Buildings	**7,880**	8,208	**71,176**
Land	**19,313**	19,315	**174,446**
Lease assets	**50**	56	**451**
Construction in progress	**259**	282	**2,339**
Other tangible fixed assets	**5,782**	4,388	**52,226**
Intangible fixed assets:			
Software	**84**	120	**758**
Other intangible fixed assets	**262**	264	**2,366**
Deferred tax assets (Note 23)	**984**	4,173	**8,888**
Customers' liabilities for acceptances and guarantees (Notes 10 and 28)	**43,735**	45,258	**395,041**
Other assets (Notes 11 and 27)	**96,568**	79,792	**872,260**
Reserve for loan losses	**(61,356)**	(63,220)	**(554,204)**
TOTAL	**¥9,839,581**	¥8,770,037	**$88,877,075**
LIABILITIES:			
Deposits (Notes 11, 13 and 26)	**¥8,527,481**	¥7,865,991	**$77,025,390**
Call money and bills sold		8,706	
Payables under securities lending transactions (Note 11)	**25,869**	11,986	**233,664**
Borrowed money (Notes 11, 14 and 26)	**604,679**	285,901	**5,461,828**
Foreign exchange liabilities (Note 7)	**155**	116	**1,400**
Liability for employees' retirement benefits (Note 15)	**17,102**	25,539	**154,475**
Reserve for stock-based benefits (Note 17)	**817**	735	**7,379**
Reserve for reimbursement of deposits	**311**	337	**2,809**
Reserve for contingent losses	**804**	860	**7,262**
Deferred tax liabilities (Note 23)	**22,037**		**199,051**
Acceptances and guarantees (Notes 10 and 28)	**43,735**	45,258	**395,041**
Other liabilities (Notes 16 and 27)	**83,251**	77,167	**751,973**
Total liabilities	**9,326,243**	8,322,600	**84,240,294**
EQUITY (Notes 17, 18 and 31):			
Common stock—authorized, 268,800,000 shares; issued, 76,655,746 shares in 2021 and 2020	**24,658**	24,658	**222,726**
Capital surplus	**20,517**	20,517	**185,322**
Retained earnings	**374,218**	361,462	**3,380,164**
Less: treasury stock—at cost, 2,764,422 shares and 2,788,464 shares in 2021 and 2020, respectively	**(6,972)**	(7,040)	**(62,975)**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 4)	**106,557**	56,207	**962,487**
Deferred losses on derivatives under hedge accounting (Note 27)	**(375)**	(826)	**(3,387)**
Defined retirement benefit plans (Note 15)	**(5,265)**	(7,541)	**(47,556)**
Total equity	**513,337**	447,436	**4,636,771**
TOTAL	**¥9,839,581**	¥8,770,037	**$88,877,075**

See notes to consolidated financial statements.

— Consolidated Statement of Income —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
INCOME:			
Interest income:			
Interest on loans and discounts	**¥ 41,616**	¥ 41,956	**$ 375,901**
Interest and dividends on trading account and investment securities	**29,186**	28,031	**263,625**
Other	**406**	242	**3,667**
Fees and commissions (Note 28)	**17,977**	17,801	**162,379**
Other operating income (Note 19)	**13,990**	12,025	**126,366**
Gains on sales of stocks and other securities	**11,836**	4,967	**106,909**
Gains on sales of money held in trust	**3,798**	10,392	**34,305**
Other income (Note 20)	**1,163**	1,510	**10,504**
Total income	**119,976**	116,926	**1,083,696**
EXPENSES:			
Interest expense:			
Interest on deposits	**325**	762	**2,935**
Interest on borrowings and rediscounts	**272**	399	**2,456**
Other	**734**	1,182	**6,629**
Fees and commissions	**6,424**	6,343	**58,025**
Other operating expenses (Note 21)	**22,107**	14,211	**199,683**
General and administrative expenses	**55,104**	58,141	**497,732**
Provision for reserve for loan losses	**7,126**	6,644	**64,366**
Other expenses (Notes 9 and 22)	**3,057**	3,066	**27,612**
Total expenses	**95,152**	90,751	**859,470**
INCOME BEFORE INCOME TAXES	**24,823**	26,175	**224,216**
INCOME TAXES (Note 23):			
Current	**5,758**	8,047	**52,009**
Deferred	**2,595**	(133)	**23,439**
Total income taxes	**8,354**	7,913	**75,458**
NET INCOME	**16,468**	18,261	**148,748**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 16,468**	¥ 18,261	**$ 148,748**
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 30):			
Basic net income	**¥222.89**	¥246.97	**$2.01**
Cash dividends applicable to the year	**50.00**	50.00	**0.45**

See notes to consolidated financial statements.

— Consolidated Statement of Comprehensive Income —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET INCOME	**¥ 16,468**	¥ 18,261	**$ 148,748**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24):			
Unrealized gains (losses) on available-for-sale securities	**50,350**	(54,901)	**454,791**
Deferred gains on derivatives under hedge accounting	**450**	624	**4,064**
Defined retirement benefit plans	**2,276**	(1,251)	**20,558**
Total other comprehensive income (loss)	**53,077**	(55,528)	**479,423**
COMPREHENSIVE INCOME (LOSS)	**¥ 69,546**	¥(37,267)	**$ 628,181**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO—			
Owners of the parent	**¥ 69,546**	¥(37,267)	**$ 628,181**

See notes to consolidated financial statements.

— Consolidated Statement of Changes in Equity —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Thousands	Millions of Yen							
						Accumulated Other Comprehensive Income			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2019	74,302	¥24,658	¥20,517	¥346,926	¥(6,391)	¥111,108	¥(1,451)	¥(6,290)	¥489,077
Net income attributable to owners of the parent				18,261					18,261
Cash dividends, ¥50.00 per share				(3,725)					(3,725)
Purchase of treasury stock	(490)				(802)				(802)
Sales of treasury stock	56				153				153
Net change in the year						(54,901)	624	(1,251)	(55,528)
BALANCE, MARCH 31, 2020	73,867	24,658	20,517	361,462	(7,040)	56,207	(826)	(7,541)	447,436
Net income attributable to owners of the parent				16,468					16,468
Cash dividends, ¥50.00 per share				(3,713)					(3,713)
Purchase of treasury stock	(1)				(2)				(2)
Sales of treasury stock	25				70				70
Net change in the year						50,350	450	2,276	53,077
BALANCE, MARCH 31, 2021	73,891	¥24,658	¥20,517	¥374,218	¥(6,972)	¥106,557	¥ (375)	¥(5,265)	¥513,337

	Thousands of U.S. Dollars (Note 1)							
					Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2020	$222,726	$185,322	$3,264,944	$(63,589)	$507,695	$(7,460)	$(68,114)	$4,041,513
Net income attributable to owners of the parent			148,748					148,748
Cash dividends, $0.45 per share			(33,538)					(33,538)
Purchase of treasury stock				(18)				(18)
Sales of treasury stock				632				632
Net change in the year					454,791	4,064	20,558	479,423
BALANCE, MARCH 31, 2021	$222,726	$185,322	$3,380,164	$(62,975)	$962,487	$(3,387)	$(47,556)	$4,636,771

See notes to consolidated financial statements.

— Consolidated Statement of Cash Flows —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 24,823**	¥ 26,175	**$ 224,216**
Adjustments for:			
Income taxes—paid	**(9,597)**	(7,075)	**(86,685)**
Depreciation and amortization	**3,300**	3,227	**29,807**
Losses on impairment of fixed assets	**292**	126	**2,637**
Net change in reserve for loan losses	**(1,864)**	2,351	**(16,836)**
Net change in reserve for reimbursement of deposits	**(26)**	(127)	**(234)**
Net change in reserve for contingent losses	**(56)**	79	**(505)**
Net change in reserve for stock-based benefits	**82**	(15)	**740**
Net change in liability for employees' retirement benefits	**(5,166)**	(161)	**(46,662)**
Interest income	**(71,209)**	(70,229)	**(643,202)**
Interest expense	**1,332**	2,343	**12,031**
Losses (gains) on investment securities—net	**1,989**	(2,191)	**17,965**
Gains on money held in trust—net	**(3,073)**	(8,967)	**(27,757)**
Foreign exchange (gains) losses —net	**(3,683)**	3,022	**(33,267)**
Losses on sales and disposals of fixed assets—net	**71**	49	**641**
Net change in loans and bills discounted	**(202,349)**	(167,278)	**(1,827,739)**
Net change in deposits	**661,489**	(6,843)	**5,974,970**
Net change in borrowed money (except for subordinated loans)	**318,777**	169,257	**2,879,387**
Net change in due from banks (except for the Bank of Japan)	**4,817**	(3,656)	**43,510**
Net change in call loans and bills bought	**429**	152	**3,874**
Net change in call money and bills sold	**(8,706)**	(7,398)	**(78,637)**
Net change in payables under securities lending transactions	**13,883**	(5,428)	**125,399**
Net change in trading account securities	**(1,753)**	974	**(15,834)**
Net change in foreign exchange assets	**3,662**	(4,793)	**33,077**
Net change in foreign exchange liabilities	**38**	(222)	**343**
Net change in lease receivables and investments in leases	**(376)**	(1,638)	**(3,396)**
Interest received	**74,748**	75,035	**675,169**
Interest paid	**(1,714)**	(2,425)	**(15,481)**
Other—net	**4,245**	22,326	**38,343**
Total adjustments	**779,584**	(9,507)	**7,041,676**
Net cash provided by operating activities—(Forward)	**¥ 804,407**	¥ 16,667	**$ 7,265,892**
INVESTING ACTIVITIES:			
Purchases of investment securities	**(811,155)**	(645,953)	**(7,326,844)**
Proceeds from sales of investment securities	**149,314**	37,056	**1,348,694**
Proceeds from maturity of investment securities	**511,793**	601,904	**4,622,825**
Increase in money held in trust	**(20,000)**		**(180,652)**
Proceeds from dispositions of money held in trust	**3,510**	30,508	**31,704**
Purchases of tangible fixed assets	**(4,625)**	(3,144)	**(41,775)**
Proceeds from sales of tangible fixed assets	**41**	32	**370**
Purchases of intangible fixed assets		(96)	
Payment for execution of asset retirement obligations		(19)	
Net cash (used in) provided by investing activities	**(171,121)**	20,289	**(1,545,668)**
FINANCING ACTIVITIES:			
Purchases of treasury stock	**(2)**	(802)	**(18)**
Dividends paid	**(3,716)**	(3,718)	**(33,565)**
Net cash used in financing activities	**(3,718)**	(4,521)	**(33,583)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**16**	(12)	**144**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**629,584**	32,423	**5,686,785**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**737,406**	704,983	**6,660,699**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥1,366,991**	¥ 737,406	**$12,347,493**

See notes to consolidated financial statements.

— Notes to Consolidated Financial Statements —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2021

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the "Banking Law"), and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2020 consolidated financial statements to conform to the classifications used in 2021.

In accordance with the Japanese Financial Instruments and Exchange Act and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items. Also, U.S. dollar amounts have been rounded down to the nearest thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to U.S.$1, the approximate rate of exchange as of March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its significant subsidiaries (collectively, the "Companies"). There were five consolidated subsidiaries as of March 31, 2021 and 2020.

Under the control and influence concepts, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated in consolidation.

(1) Scope of consolidation
Consolidated Subsidiaries
There was no change in the scope of consolidation during the fiscal year ended March 31, 2021.

Unconsolidated Subsidiaries
77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership
77 Capital Investment Limited Partnership 2
Unconsolidated subsidiaries are excluded from the scope of consolidation because they are not material to the consolidated financial statements in terms of total assets, income, net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

77 Capital Investment Limited Partnership 2 has been included in unconsolidated subsidiaries from the fiscal year ended March 31, 2021, since it was newly incorporated.

(2) Equity method
Unconsolidated Subsidiaries Not Accounted for by the Equity Method
77 Capital Co., Ltd.
77 New Business Investment Limited Partnership
77 Strategic Investment Limited Partnership
77 Capital Investment Limited Partnership 2
These companies are excluded from the scope of equity method accounting because they are not material to the consolidated financial statements in terms of net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

77 Capital Investment Limited Partnership 2 has been included in unconsolidated subsidiaries not accounted for by the equity method from the fiscal year ended March 31, 2021, since it was newly incorporated.

b. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash and Cash Equivalents—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies' intent, as follows: (1) trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

In addition, investments in unconsolidated subsidiaries not accounted for by the equity method are reported at cost determined by the moving-average method.

Available-for-sale securities for which fair value is extremely difficult to determine are reported at cost determined by the moving-average method.

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

Securities included in money held in trust are also classified and accounted for using the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

e. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets, except for lease assets, is mainly computed using the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Lease assets under finance lease transactions, in which substantial ownership is not deemed to have been transferred, are depreciated using the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts (see Note 2.o).

f. Intangible Fixed Assets—The amortization of intangible fixed assets is calculated using the straight-line method. Capitalized costs of computer software developed/obtained for internal use are amortized using the straight-line method over the estimated useful lives of five years.

g. Long-Lived Assets—The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows ("DCFs") from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at year-end are translated into Japanese yen at the current exchange rates in effect at each consolidated balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

i. Reserve for Loan Losses—The Bank determines the amount of the reserve for loan losses by means of management's judgment and assessment of future losses based on internal rules for write offs and provisions.

For loans to borrowers classified as legally bankrupt or virtually bankrupt, the Bank fully provides the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possibly bankrupt, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors who are possibly bankrupt and debtors requiring special attention, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans (the "DCF method").

The reserve for other loan loss is recorded principally at the amount of estimated losses over the next two or three years. Estimated losses are determined by calculating a loss rate based on the average of actual loss ratio over the past certain period, which is calculated with credit loss experience over two or three years. Adjustments are to be made as necessary in light of future outlook and other factors.

All the loans are assessed by sales related department in accordance with the self-assessment standard and the results are audited by asset audit department independent from the sales related department.

The Bank's subsidiaries determine the reserve for loan losses based on the actual loss ratio or estimated collectible amounts in accordance with the self-assessment standard.

(Notes)

1. Category of loans by debtor classification is defined as below in compliance with the classification provided in "Practical Guideline on Self-Assessment of Assets and Audit of Bad Debts and Reserve for Loan Losses of Banks and Other Financial Institutions" (the Japanese Institute of Certified Public Accountants (the "JICPA") Special Audit Committee Report No. 4 for Banks and Other Financial Institutions issued on October 8, 2020), that is, "normal debtors," "debtors requiring caution," "possibly bankrupt debtors," "virtually bankrupt debtors" and "legally bankrupt debtors."

Category	Criteria
Legally bankrupt	Debtors who are legally or formally bankrupt
Virtually bankrupt	Debtors who are virtually bankrupt, experiencing serious financial difficulty with no prospect of a turnaround, although there are no existence of facts of legal or formal bankruptcy
Possibly bankrupt	Debtors who are in financial difficulty and likely to become bankrupt in the future, although they are not currently bankrupt
Caution	Debtors who have issues concerning lending conditions, debtors who have issues concerning the status of fulfilment of obligations or debtors who are in the red, experiencing sluggish or unstable performances
Special attention	Of the debtors classified as caution, those whose debts, either partially or wholly, require special attention
Normal	Debtors whose performance is favorable and who are considered to have no specific issues regarding financial conditions

2. The loss rate is in principle defined as the average rate of bad debts for the recent five base years, but comparisons with the average rate of bad debts for the recent two base years are also taken into account in the calculation. Also, necessary adjustments are made by referring to the average rate of bad debts for a number of base years to appropriately incorporate the risk during the recession period.

j. Reserve for Stock-Based Benefits—Reserve for stock-based benefits is provided for the grants of the Bank's shares to directors, etc. in accordance with the stock grant program based on the estimated stock-based benefits liabilities as of the fiscal year end.

k. Reserve for Reimbursement of Deposits—Reserve for reimbursement of deposits which were derecognized as liabilities is provided for the future estimated payments for reimbursement claims on dormant deposit accounts based on the historical reimbursement experience.

l. Reserve for Contingent Losses—Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation.

m. Employees' Retirement and Pension Plans—In calculation of projected benefit obligations, expected benefits are attributed to periods on a benefit formula basis. Treatment of prior service cost and actuarial gains and losses is as follows:

Prior service cost is charged to expenses when incurred.

Unrecognized actuarial gains and losses are amortized by the straight-line method from the following fiscal year after the fiscal year when they were incurred over a definite period (10 years) with the employees' average remaining service period when incurred.

Consolidated subsidiaries apply a shortcut method whereby the amount of the retirement benefits required to be paid if all the employees voluntarily retired at the end of the fiscal year is regarded as projected benefit obligations in determining the liability for employees' retirement benefits and net periodic retirement benefit costs.

n. Asset Retirement Obligations—The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Leases

As a lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

As a lessor

All finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

p. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities and to meet the needs of its clients. The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign currency exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statement of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

r. Per Share Information—Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits or share consolidation.

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

s. Significant Accounting Estimates

Reserve for loan losses

(1) Amount recorded in the consolidated financial statements as of March 31, 2021
¥61,356 million ($554,204 thousand)

(2) Information about the details of significant accounting estimates for the identified item

i. Computation method
The method of computing reserve for loan losses is stated in "i. Reserve for loan losses" under Note 2, "Summary of Significant Accounting Policies."

ii. Main assumptions
Main assumptions are the future prospects used in the assessment of the category of loans by debtor classification.
Debtor classification is assessed by comprehensively taking into account profitability projections, reasonableness of management improvement plans, status of support from financial institutions, etc., based on the characteristics of the industry to which the debtor belongs, after verifying the debtor's ability to repay the debts based on the financial position, cash management, cash flows, etc. of the debtor and confirming the lending conditions and the status of its fulfilment.
Regarding the domestic economy, it is assumed that the economic downturn will continue for the time being due to the impact of COVID-19. There was no significant change in the assumptions on COVID-19 from the previous fiscal year.

iii. Impact on the consolidated financial statements for the following fiscal year
If the assumptions used in the initial estimates change due to changes in the debtors' performances, this may have a significant impact on reserve for loan losses in the consolidated financial statements for the following fiscal year.
Furthermore, changes in assumptions used for the estimates include a risk of a further downturn in the economy due to the delay of supply of COVID-19 vaccines and prolonged restrictions of economic activity following the spread of the highly contagious variants of COVID-19.

t. Changes in Presentation—On March 31, 2020, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 31, "Accounting Standard for Disclosure of Accounting Estimates."

The Bank has applied this standard to the consolidated financial statements for the year ended March 31, 2021, and provided a note concerning significant accounting estimates in the consolidated financial statements. However, such note does not state the contents concerning the previous fiscal year pursuant to the transitional treatment prescribed in the proviso of paragraph 11 of the above standard.

3. CASH AND CASH EQUIVALENTS

The reconciliation of cash and cash equivalents at the end of the year and cash and due from banks in the consolidated balance sheet as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Cash and due from banks	**¥1,371,871**	¥747,105	**$12,391,572**
Due from banks, excluding due from the Bank of Japan	**(4,880)**	(9,698)	**(44,079)**
Cash and cash equivalents at the end of year	**¥1,366,991**	¥737,406	**$12,347,493**

4. TRADING ACCOUNT SECURITIES AND INVESTMENT SECURITIES

Trading account securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
National government bonds	**¥ 229**	¥ 649	**$ 2,068**
Local government bonds	**14,396**	12,222	**130,033**
Other securities	**6,001**	6,000	**54,204**
Total	**¥20,627**	¥18,873	**$186,315**

Investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
National government bonds	**¥ 274,404**	¥ 453,343	**$ 2,478,583**
Local government bonds	**909,175**	744,437	**8,212,221**
Corporate bonds	**1,023,345**	959,084	**9,243,473**
Equity securities	**137,884**	105,845	**1,245,452**
Other securities	**761,732**	640,922	**6,880,426**
Total	**¥3,106,542**	¥2,903,632	**$28,060,175**

Investment in an unconsolidated subsidiary in the amount of ¥25 million ($225 thousand) and ¥25 million and investment in interest in partnership in the amount of ¥3,580 million ($32,336 thousand) and ¥2,771 million are included in the above equity securities and other securities as of March 31, 2021 and 2020, respectively.

The carrying amounts and aggregate fair values of securities as of March 31, 2021 and 2020, were as follows:

Securities below include trading account securities and investment securities:

	Millions of Yen			
	2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				**¥ 20,627**
Available-for-sale:				
Equity securities*	**¥ 59,209**	**¥78,064**	**¥ 1,155**	**136,119**
Debt securities	**2,201,520**	**9,093**	**4,702**	**2,205,911**
Other securities*	**693,748**	**77,926**	**15,484**	**756,190**
Held to maturity	**1,014**		**1**	**1,012**

	Millions of Yen			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 18,873
Available-for-sale:				
Equity securities*	¥ 52,054	¥54,647	¥ 2,724	103,977
Debt securities	2,146,298	13,036	3,471	2,155,864
Other securities*	617,863	42,635	25,176	635,321
Held to maturity	1,000			1,000

	Thousands of U.S. Dollars			
	2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				**$ 186,315**
Available-for-sale:				
Equity securities*	**$ 534,811**	**$705,121**	**$ 10,432**	**1,229,509**
Debt securities	**19,885,466**	**82,133**	**42,471**	**19,925,128**
Other securities*	**6,266,353**	**703,874**	**139,860**	**6,830,367**
Held to maturity	**9,159**		**9**	**9,140**

* Unlisted equity securities for which the fair value is extremely difficult to determine are not included.

Securities, other than trading account securities, with readily determinable fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

Impairment losses were recognized for available-for-sale securities in the amount of ¥119 million ($1,074 thousand), consisting of ¥119 million ($1,074 thousand) of other securities, and ¥201 million, consisting of ¥201 million of equity securities for the years ended March 31, 2021 and 2020, respectively.

The criteria for determining whether the fair value has "significantly declined" are defined based on the asset classification of the issuer in the internal standards for asset quality self-assessment as follows:

(a) Normal issuer: Fair value declined by 50% or more of the acquisition cost or fair value declined between 30% and 50% and average fair value during the past one month declined by 50% or more (30% or more for issuers who have credit risk more than a certain level).
(b) Caution issuers: Fair value declined by 30% or more of the acquisition cost.
(c) Legally bankrupt, virtually bankrupt, and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2021 and 2020, were ¥149,876 million ($1,353,771 thousand) and ¥37,056 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥12,241 million ($110,568 thousand) and ¥1,203 million ($10,866 thousand), respectively, for the year ended March 31, 2021, and ¥5,077 million and ¥136 million, respectively, for the year ended March 31, 2020.

Unrealized gains on available-for-sale securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Valuation differences:			
Available-for-sale securities	**¥143,486**	¥78,690	**$1,296,052**
Available-for-sale money held in trust	**7,913**	919	**71,475**
Deferred tax liabilities	**(44,841)**	(23,401)	**(405,031)**
Unrealized gains on available-for-sale securities	**¥106,557**	¥56,207	**$ 962,487**

5. MONEY HELD IN TRUST

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2021 and 2020, were as follows:

	Millions of Yen			
	2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				**¥ 79,406**
Available-for-sale	**¥21,581**	**¥7,913**		**29,494**
Total	**¥21,581**	**¥7,913**		**¥108,901**

	Millions of Yen			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥59,843
Available-for-sale	¥21,581	¥919		22,500
Total	¥21,581	¥919		¥82,344

	Thousands of U.S. Dollars			
	2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				**$717,243**
Available-for-sale	**$194,932**	**$71,475**		**266,407**
Total	**$194,932**	**$71,475**		**$983,660**

Available-for-sale securities held in trust, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value.

No impairment loss was recognized for money held in trust for the years ended March 31, 2021 and 2020.

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Bills discounted	**¥ 6,321**	¥ 8,417	**$ 57,095**
Loans on bills	**112,595**	134,989	**1,017,026**
Loans on deeds	**4,369,410**	4,126,107	**39,467,166**
Overdrafts	**600,242**	616,705	**5,421,750**
Total	**¥5,088,570**	¥4,886,221	**$45,963,056**

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guideline No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥6,321 million ($57,095 thousand) and ¥8,417 million as of March 31, 2021 and 2020, respectively.

Loans and bills discounted as of March 31, 2021 and 2020, included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Loans to borrowers in bankruptcy	**¥ 3,291**	¥ 9,976	**$ 29,726**
Past due loans	**74,188**	65,808	**670,111**
Past due loans (three months or more)	**1,032**	867	**9,321**
Restructured loans	**33,476**	28,536	**302,375**
Total	**¥111,989**	¥105,188	**$ 1,011,552**

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as possibly bankrupt and virtually bankrupt.

Nonaccrual loans are defined as loans for which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as possibly bankrupt or virtually bankrupt under the Bank's self-assessment guidelines.

In addition to past due loans, certain other loans classified as caution under the Bank's self-assessment guidelines include past due loans (three months or more) which consist of loans for which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. FOREIGN EXCHANGES

Foreign exchange assets and liabilities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Assets			
Due from foreign correspondent accounts	**¥5,865**	¥9,528	**$52,976**
Total	**¥5,865**	¥9,528	**$52,976**
Liabilities			
Foreign exchange bills sold	**¥ 12**	¥ 38	**$ 108**
Foreign exchange bills payable	**142**	78	**1,282**
Total	**¥155**	¥116	**$1,400**

8. TANGIBLE FIXED ASSETS

The accumulated depreciation of tangible fixed assets as of March 31, 2021, and 2020, amounted to ¥86,972 million ($785,583 thousand) and ¥85,053 million, respectively.

As of March 31, 2021 and 2020, deferred gains for tax purposes of ¥7,695 million ($69,505 thousand) and ¥7,695 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

9. LONG-LIVED ASSETS

The Bank recognized impairment losses of ¥292 million ($2,637 thousand) and ¥126 million on certain operating branches, business premises, branches to be closed, and unused facilities for the years ended March 31, 2021 and 2020, respectively.

The impairment losses were composed of ¥107 million ($966 thousand) on buildings, ¥2 million ($18 thousand) on land and ¥182 million ($1,643 thousand) on other fixed assets for the year ended March 31, 2021, and ¥67 million on buildings and ¥59 million on other fixed assets for the year ended March 31, 2020.

For the purpose of testing for impairment, the Bank recognizes each individual branch office as a cash-generating unit for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not in operation are individually assessed for impairment. Subsidiaries recognize each company as a cash-generating unit. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the DCFs from the continued use and eventual disposition of the asset or the net selling price at disposition. The DCFs were calculated using discount rates of 6.6% and 5.7% for the years ended March 31, 2021 and 2020, respectively, and the net selling price was determined by quotation from a third-party vendor.

10. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as assets, representing the Bank's right to receive indemnity from the applicants.

The amount of guarantee obligations for privately placed corporate bonds included in securities as of March 31, 2021 and 2020, was ¥37,079 million ($334,920 thousand) and ¥25,859 million, respectively.

11. ASSETS PLEDGED

Assets pledged as collateral and their relevant liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Assets pledged as collateral:			
Investment securities	**¥977,812**	¥628,124	**$8,832,192**
Other assets	**144**	144	**1,300**
Relevant liabilities to above assets:			
Deposits	**51,968**	50,630	**469,406**
Payables under securities lending transactions	**25,869**	11,986	**233,664**
Borrowed money	**596,235**	279,189	**5,385,556**

In addition to the above, the following assets were offered as collateral for exchange settlement transactions, or as substitutes for future transaction initial margin and others:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Investment securities	**¥ 100**	¥ 100	**$ 903**
Other assets	**50,000**	50,000	**451,630**
Of which:			
Cash collateral paid for financial instruments	**9,375**	4,033	**84,680**
Guarantee deposits for leased tangible fixed assets	**93**	93	**840**

12. LOAN COMMITMENTS

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. As of March 31, 2021, the unused amount of such contracts totaled ¥1,671,011 million ($15,093,586 thousand), of which amounts with original agreement terms of less than one year were ¥1,551,636 million ($14,015,319 thousand). As of March 31, 2020, the unused amount of such contracts totaled ¥1,617,531 million, of which amounts with original agreement terms of less than one year were ¥1,512,502 million.

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

13. DEPOSITS

Deposits as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Current deposits	**¥ 240,917**	¥ 203,474	**$ 2,176,108**
Ordinary deposits	**5,748,476**	5,041,623	**51,923,728**
Deposits at notice	**13,538**	14,922	**122,283**
Time deposits	**2,077,491**	2,097,525	**18,765,161**
Negotiable certificates of deposit	**211,460**	289,000	**1,910,035**
Other deposits	**235,597**	219,445	**2,128,055**
Total	**¥8,527,481**	¥7,865,991	**$77,025,390**

14. BORROWED MONEY

As of March 31, 2021 and 2020, the weighted-average annual interest rates applicable to borrowed money were 0.006% and 0.056%, respectively.

Borrowed money consisted of borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	**¥446,865**	**$4,036,356**
2023	**1,707**	**15,418**
2024	**154,119**	**1,392,096**
2025	**870**	**7,858**
2026	**403**	**3,640**
2027 and thereafter	**712**	**6,431**
Total	**¥604,679**	**$5,461,828**

15. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank has severance payment plans as defined benefit plans consisting of corporate pension fund plans and lump-sum retirement payment plans for employees. In addition, the Bank has established corporate defined contribution pension plans as defined contribution plans. The Bank has also established a retirement benefit trust under the lump-sum retirement payment plan.

The consolidated subsidiaries have lump-sum retirement payment plans and calculate liability for retirement benefit and retirement benefit costs using a shortcut method.

(1) The changes in projected benefit obligations for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Balance at beginning of year	**¥69,248**	¥69,781	**$625,490**
Service cost	**1,658**	1,677	**14,976**
Interest cost	**440**	443	**3,974**
Actuarial losses	**1,989**	455	**17,965**
Benefits paid	**(3,768)**	(3,289)	**(34,034)**
Others	**180**	180	**1,625**
Balance at end of year	**¥69,749**	¥69,248	**$630,015**

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Balance at beginning of year	**¥43,708**	¥45,879	**$394,797**
Expected return on plan assets	**1,383**	1,455	**12,492**
Actuarial gains (losses)	**3,640**	(2,539)	**32,878**
Contributions from the employer	**5,760**	761	**52,027**
Benefits paid	**(2,026)**	(2,028)	**(18,300)**
Others	**180**	180	**1,625**
Balance at end of year	**¥52,647**	¥43,708	**$475,539**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligations and plan assets as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Funded projected benefit obligations	**¥ 69,602**	¥ 69,110	**$ 628,687**
Plan assets	**(52,647)**	(43,708)	**(475,539)**
Total	**16,955**	25,401	**153,147**
Unfunded projected benefit obligations	**147**	137	**1,327**
Net liability arising from projected benefit obligations	**¥ 17,102**	¥ 25,539	**$ 154,475**

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Liability for employees' retirement benefits	**¥17,102**	¥25,539	**$154,475**
Asset for employees' retirement benefits			
Net liability arising from projected benefit obligations	**¥17,102**	¥25,539	**$154,475**

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Service cost	**¥ 1,658**	¥ 1,677	**$ 14,976**
Interest cost	**440**	443	**3,974**
Expected return on plan assets	**(1,383)**	(1,455)	**(12,492)**
Recognized actuarial losses	**1,619**	1,196	**14,623**
Net periodic retirement benefit costs	**¥ 2,335**	¥ 1,861	**$ 21,091**

Note: Employees' contribution to corporate pension funds is deducted.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Actuarial gains (losses)	**¥3,270**	¥(1,798)	**$29,536**
Total	**¥3,270**	¥(1,798)	**$29,536**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Unrecognized actuarial losses	**¥7,565**	¥10,836	**$68,331**
Total	**¥7,565**	¥10,836	**$68,331**

(7) Plan assets as of March 31, 2021 and 2020

a. Components of plan assets

Plan assets consisted of the following:

	2021	2020
Debt investments	**41%**	23%
Equity investments	**33**	23
Cash and cash equivalents	**1**	11
Life insurance company accounts (general accounts)	**20**	24
Call loans, etc.	**5**	19
Others	**0**	0
Total	**100%**	100%

Note: Total plan assets as of March 31, 2021 and 2020, include retirement benefit trust established under lump-sum payment plans by 20% and 22%, respectively.

b. Method of determining the long-term expected rate of return on plan assets

The expected rate of return on plan assets is determined considering allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	**0.6%**	0.6%
Long-term expected rate of return on plan assets	**3.2**	3.2
Expected rate of salary increase	**4.5**	4.5

(9) Defined contribution

The amount required to be contributed to the defined contribution plan of the Bank was ¥263 million ($2,375 thousand) and ¥268 million for the fiscal years ended March 31, 2021 and 2020, respectively.

16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations which were recognized on the consolidated balance sheet as of March 31, 2021 and 2020, were as follows:

a. Overview of asset retirement obligations

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

b. Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available periods of 16 to 31 years depending on the expected useful lives of buildings using discount rates from 0.139% to 2.324%.

c. The changes in asset retirement obligations for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Balance at beginning of year	**¥661**	¥662	**$5,970**
Increase due to acquisition of tangible assets		17	
Reconciliation associated with passage of time	**5**	5	**45**
Decrease due to execution of asset retirement obligations		(15)	
Other		(9)	
Balance at end of year	**¥667**	¥661	**$6,024**

17. PERFORMANCE-LINKED STOCK COMPENSATION SYSTEM

The Bank has introduced a performance-linked stock compensation system (the "System") based on the Board Incentive Plan ("BIP") trust from the perspective of enhancing motivation to make contributions to improving the medium- to long-term performance and corporate value by further clarifying the linkage between compensation to directors, etc. and stock value of the Bank.

Under the System, the Bank's shares are acquired using the funds contributed by the Bank as compensation to directors, etc. through the trust and such shares are granted to directors, etc. through the trust according to their ranks and achievement of management plans. Said transactions are related to the System.

The Bank's shares remaining in the trust are recorded as treasury stock under "Equity" and the carrying amount of such treasury stock was ¥1,019 million ($9,204 thousand) and ¥1,089 million and the number of shares was 371 thousand shares and 396 thousand shares as of March 31, 2021 and 2020, respectively.

18. EQUITY

Japanese banks are subject to the Banking Law and to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of stockholders. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Bank can do so because it stipulates this in its articles of incorporation. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

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

Under the Companies Act and the Banking Law, the aggregate amount of additional paid-in capital and the legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to retained earnings in accordance with the Companies Act. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gain on sales and redemption of bonds and other securities	¥ 404	¥ 110	$ 3,649
Lease receipts	7,363	7,341	66,507
Other	6,222	4,573	56,200
Total	¥13,990	¥12,025	$126,366

20. OTHER INCOME

Other income for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gains on sales of tangible fixed assets	¥ 29	¥ 12	$ 261
Other	1,133	1,497	10,233
Total	¥1,163	¥1,510	$10,504

21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Losses on sales, redemption and devaluation of bonds and other securities	¥13,137	¥ 2,595	$118,661
Lease costs	6,754	6,746	61,006
Other	2,216	4,869	20,016
Total	¥22,107	¥14,211	$199,683

22. OTHER EXPENSES

Other expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Bad debt losses	¥ 58	¥ 60	$ 523
Losses on dispositions of money held in trust	856	1,546	7,731
Losses on sales of loans	249	452	2,249
Losses on impairments and disposals of fixed assets	393	188	3,549
Provision for reserve for reimbursement of deposits	126	118	1,138
Other	1,373	701	12,401
Total	¥3,057	¥3,066	$27,612

23. INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Reserve for loan losses	¥ 15,396	¥14,388	$ 139,066
Liability for employees' retirement benefits	8,183	10,746	73,913
Fixed assets (depreciation)	5,139	5,850	46,418
Losses on devaluation of stocks and other securities	3,039	3,264	27,450
Other	5,916	6,406	53,436
Less valuation allowance (see Note below)	(13,571)	(12,754)	(122,581)
Total	24,104	27,903	217,721
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	44,841	23,401	405,031
Fixed assets (deferred gain on sales and replacements)	300	309	2,709
Other	15	17	135
Total	45,157	23,729	407,885
Net deferred tax (liabilities) assets	¥(21,053)	¥ 4,173	$(190,163)

Note: Valuation allowance for the fiscal year ended March 31, 2021, increased by ¥817 million ($7,379 thousand). This increase was mainly due to an increase of ¥886 million ($8,002 thousand) in valuation allowance on reserve for loan losses at the Bank and consolidated subsidiaries.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2021, was as follows, whereas a reconciliation for the year ended March 31, 2020, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

	2021
Normal effective statutory tax rate	30.5%
Expenses not deductible for income tax purposes	0.2
Nontaxable dividend income	(1.1)
Inhabitants taxes	0.3
Valuation allowance	3.3
Other—net	0.5
Actual effective tax rate	33.7%

24. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gains (losses) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 72,116	¥(65,730)	$ 651,395
Reclassification adjustment to profit or loss	(326)	(12,263)	(2,944)
Amount before income tax effect	71,790	(77,994)	648,450
Income tax effect	(21,440)	23,092	(193,659)
Total	¥ 50,350	¥(54,901)	$ 454,791
Deferred gains on derivatives under hedge accounting:			
(Loss) gain arising during the year	¥ (53)	¥ 25	$ (478)
Reclassification adjustment to profit or loss	701	871	6,331
Amount before income tax effect	647	897	5,844
Income tax effect	(196)	(272)	(1,770)
Total	¥ 450	¥ 624	$ 4,064
Defined retirement benefit plans:			
Gain (loss) arising during the year	¥1,650	¥ (2,994)	$ 14,903
Reclassification adjustment to profit or loss	1,619	1,196	14,623
Amount before income tax effect	3,270	(1,798)	29,536
Income tax effect	(994)	546	(8,978)
Total	¥ 2,276	¥ (1,251)	$ 20,558
Total other comprehensive income (loss)	¥ 53,077	¥(55,528)	$ 479,423

25. LEASES

Finance Leases

Lessor

A subsidiary leases certain equipment and other assets to various customers.

The net investments in leases as of March 31, 2021 and 2020, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Gross lease receivables	¥19,739	¥19,744	$178,294
Estimated residual values	1,549	1,310	13,991
Unearned interest income	(1,856)	(1,901)	(16,764)
Investments in leases	¥19,433	¥19,153	$175,530

Maturities of lease receivables for finance leases as of March 31, 2021, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 51	$ 460
2023	44	397
2024	30	270
2025	28	252
2026	22	198
2027 and thereafter	44	397
Total	¥223	$2,014

Maturities of investment in leases for finance leases as of March 31, 2021, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 6,096	$ 55,062
2023	4,956	44,765
2024	3,777	34,116
2025	2,466	22,274
2026	1,288	11,633
2027 and thereafter	1,154	10,423
Total	¥19,739	$178,294

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Companies provide financial services such as credit card business and leasing operations in addition to banking operations. In the course of these operations, the Companies raise funds principally through deposit taking and invest funds in loans, securities, and others. As such, the Bank holds financial assets and liabilities which are subject to fluctuation in interest rates and conducts comprehensive Asset and Liability Management ("ALM") to avoid unfavorable effects from interest rate fluctuations. Derivatives are also employed by the Bank as part of ALM.

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by the Companies mainly consist of loans to domestic corporations, local government agencies, and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of borrowers and interest rate risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities, and investment trusts are held to maturity and for other purposes and also certain debt securities are held for the purpose of selling to customers. These securities are exposed to credit risk of issuers and market risks of fluctuations in interest rates and market prices. In addition, they are exposed to market liquidity risk that the Companies may suffer from losses resulting from difficulties in executing financial transactions in certain environments such as market turmoil.

Financial liabilities, mainly consisting of liquid deposits or time deposits taken from corporate and individual customers, are exposed to cash flow risk that the Bank may experience a situation where unexpected cash flows are incurred in certain environments where the credit rating of the Bank may be lowered and, accordingly, necessary funding may become difficult.

Foreign currency denominated assets and liabilities are exposed to foreign exchange risk that the Bank may suffer from losses resulting from fluctuations in foreign exchange rates.

Derivatives mainly include interest rate swaps and bond futures, which are used to manage exposure to market risks from changes in interest rates of loans and investment securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risk associated with foreign currency-denominated assets and liabilities. Hedge accounting is applied to certain hedging activities related to loans and investment securities as hedged items.

(3) Risk Management for Financial Instruments

Credit risk management

The Bank has established the "Credit Risk Control Policy" as a basic policy for credit risk management and various rules concerning credit risk management. Based on these policies and rules, the Companies clarify fundamental approaches to secure the soundness of assets and control procedures for identifying, monitoring, and controlling credit risk. Additionally, the Bank utilizes the “Credit Rating System” applied to counterparties granted with credit from the viewpoint of identifying credit risk objectively and enhancing credit risk control.

In addition, as an organization responsible for credit risk management, credit risk control functions and review functions have been established to secure the effectiveness of credit risk management.

The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risk and the status of credit concentration in major borrowers through measurement of the level of credit risk and analysis of credit portfolios.

The Credit Supervision Division, as a review control function, is engaged in reviewing lending operations based on strict examination standards, system development for strengthening the daily control of loan receivables, and appropriate maintenance of operational procedures.

Market risk management

a. Market Risk Management System

The Bank has established the “Market Risk Control Policy” as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for appropriate market risk control operations and control procedures for identifying, monitoring and controlling market risk.

As an organization responsible for market risk management, a market risk control function (middle office) has been established and furthermore, the operating function (front office) and the administration function (back office) have been separated. Additionally, market risk control function staffs are assigned to the operating function to secure the effectiveness of market risk management.

The Risk Management Division, as a market risk control function, measures the level of market risk of the Bank as a whole using Value-at-Risk (“VaR”) approach models and other models and regularly monitors the status of compliance with position limits and loss limits established according to the type and characteristics of transactions to control the level of market risk within a certain range.

In addition, an ALM and Income Control Committee was established for the purpose of analyzing flexible investment strategies in order to prevent risks resulting from fluctuations in interest rates and market prices, while forecasting future interest rates, market prices, and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also improving profitability at the same time based on appropriate asset and liability management through the unification of risk management and earnings control.

b. Quantitative Information about Market Risk

The Bank adopts the variance-covariance method (holding period: 125 business days for strategic equity securities and 60 business days for others; confidence interval: 99.0%; observation period: 250 business days) in computing the VaR with respect to money held in trust, securities, Japanese yen deposits and loans, and Japanese yen money market funds. The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2021, amounts to ¥107,453 million ($970,580 thousand) (¥146,420 million in 2020) as a whole. However, the risk under certain abnormal market fluctuations may not be captured since, under the VaR method, the volume of market risk under a definite probability of statistically computed incidence is measured based on historical market fluctuations.

The Bank implements back testing to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision.

Liquidity risk management

The Bank has established the “Liquidity Risk Control Policy” as a basic policy for liquidity risk management and various rules concerning liquidity risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for stable funding of operations and control procedures for identifying, monitoring and controlling liquidity risk. In addition, the Bank has established the “Contingency Plan for Liquidity” to enable it to make quick and correct responses to unexpected events.

Furthermore, as an organization responsible for liquidity risk management, a liquidity risk control function has been established and a cash management function and a settlement control function have been established to control daily cash management and settlement related to cash and securities.

The Risk Management Division, as a liquidity risk control function, manages the liquidity risk of the Bank as a whole by identifying, monitoring and controlling liquidity risk.

The Treasury Administration and International Division, as a cash management control function and settlement control function, prepares daily or monthly cash flow projections and conducts cash management by identifying possible funds and liquidity of assets and verifying the concentration of settlement of major account funds to a certain date. The Division also controls settlement by identifying the status of settlement through systems such as the BOJ-NET and among financial institutions.

Risk management system of subsidiaries

The subsidiaries have a risk management system similar to that of the Bank.

(4) Supplementary Explanation about Fair Values of Financial Instruments

The fair values of financial instruments include, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Since certain assumptions are used in calculating the value, the outcome of such calculation may vary if different assumptions are used.

(5) Fair Values of Financial Instruments

The carrying amount, fair value, and unrealized gain/loss of the financial instruments as of March 31, 2021 and 2020, are disclosed below. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (see Note 2 below) and insignificant accounts in terms of the carrying amount are omitted:

	Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	¥1,371,871	¥1,371,871	
(2) Money held in trust	108,901	108,901	
(3) Investment securities	3,099,235	3,099,234	¥ (1)
Held-to-maturity securities	1,014	1,012	(1)
Available-for-sale securities	3,098,221	3,098,221	
(4) Loans and bills discounted	5,088,570		
Reserve for loan losses*	(59,707)		
	5,028,862	5,052,277	23,415
Total assets	¥9,608,871	¥9,632,285	¥23,413
(1) Deposits	¥8,527,481	¥8,527,629	¥ 148
(2) Borrowed money	604,679	604,670	(8)
Total liabilities	¥9,132,160	¥9,132,300	¥ 140

March 31, 2020			
(1) Cash and due from banks	¥ 747,105	¥ 747,105	
(3) Investment securities	2,896,163	2,896,164	
Held-to-maturity securities	1,000	1,000	
Available-for-sale securities	2,895,163	2,895,163	
(4) Loans and bills discounted	4,886,221		
Reserve for loan losses*	(61,450)		
	4,824,770	4,860,491	¥35,720
Total assets	¥8,468,039	¥8,503,760	¥35,721
(1) Deposits	¥7,865,991	¥7,866,162	¥ 171
(2) Borrowed money	285,901	285,903	1
Total liabilities	¥8,151,893	¥8,152,066	¥ 173

	Thousands of U.S. Dollars		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	$12,391,572	$12,391,572	
(2) Money held in trust	983,660	983,660	
(3) Investment securities	27,994,173	27,994,164	$ (9)
Held-to-maturity securities	9,159	9,140	(9)
Available-for-sale securities	27,985,014	27,985,014	
(4) Loans and bills discounted	45,963,056		
Reserve for loan losses*	(539,309)		
	45,423,737	45,635,236	211,498
Total assets	$86,793,162	$87,004,651	$211,480
(1) Deposits	$77,025,390	$77,026,727	$ 1,336
(2) Borrowed money	5,461,828	5,461,746	(72)
Total liabilities	$82,487,218	$82,488,483	$ 1,264

*General and specific reserves for loan loss corresponding to loans and bills discounted are deducted.

Notes:

1. Calculation method for the fair value of financial instruments

Assets

(1) Cash and due from banks

For due from banks, the carrying amount is presented as the fair value since the carrying amount approximates the fair value.

(2) Money held in trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose to manage securities, the fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors.

See Note 5, “Money Held in Trust” for information on money held in trust by holding purpose.

(3) Investment securities

The fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors. With respect to privately placed guaranteed bonds, the fair value is determined using the future cash flows (coupons, redemption of principal, guarantee fees) discounted at an interest rate considering the market interest rates and issuers’ credit risk.

(4) Loans and bills discounted

With respect to loans with floating interest rates, the carrying amount is presented as the fair value since the carrying amount approximates the fair value as they reflect the market interest rates over a short period, unless the creditworthiness of the borrower has changed significantly since the loan origination. With respect to loans with fixed interest rates, for each category of loan based on the type of loan, internal ratings, and maturity length, the fair value is determined based on the present value of expected cash flows of aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new loan was made, or market interest rate, which is adjusted by the standard spread (including overhead ratio) by credit rating. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the carrying amount approximates the fair value.

For receivables from “legally bankrupt,” “virtually bankrupt,” and “possibly bankrupt” borrowers, loan loss is estimated based on the DCF method or factors such as the expected amounts to be collected from collateral and guarantees. Since the carrying amount approximates the fair value, net of the currently expected loan losses, such carrying amount is presented as the fair value.

For loans for which the repayment due date is not defined because of the characteristics that the loan amount is limited within the pledged assets, the carrying amount is presented as the fair value since the carrying amount approximates the fair value considering the expected repayment schedule and terms of the interest rates.

Liabilities

(1) Deposits

Regarding demand deposits, the amount payable as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits and negotiable certificates of deposit are grouped by maturity length, and the fair value is determined using the present value of the aggregate amounts of principal and interest discounted at an interest rate that would be applied to newly accepted deposits. For deposits with maturities within a short time period (less than one year) and whose carrying amount approximates the fair value, the carrying amount is presented as the fair value.

(2) Borrowed money

For each type of borrowed money financed, the fair value is determined based on the present value of the aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new financing was made. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the carrying amount approximates the fair value.

2. The financial instruments whose fair value is extremely difficult to determine are as follows. These items are not included in (3) “Available-for-sale securities” under “Assets” in the above table of fair value information of financial instruments.

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
Category	2021	2020	2021
Unlisted equity securities*1,*2	¥1,765	¥1,868	$15,942
Capital subscription in investment business partnerships*3	5,541	5,600	50,049
Total	¥7,306	¥7,469	$65,992

**1 Unlisted equity securities are not treated as instruments whose fair value is required to be disclosed since there is no market price and it is extremely difficult to determine the fair value.*

**2 Impairment losses in the amount of ¥1 million ($9 thousand) and ¥57 million were recognized for unlisted equity securities for the years ended March 31, 2021 and 2020, respectively.*

**3 Capital subscription in investment business partnerships, whose assets (i.e., unlisted equity securities) consist of those whose fair values are extremely difficult to determine, is not treated as instruments whose fair value is required to be disclosed.*

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2021

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥1,315,243					
Investment securities	331,265	¥ 634,312	¥ 706,128	¥316,223	¥ 733,240	¥ 52,800
Held-to-maturity securities				500	500	
National government bonds						
Local government bonds				500	500	
Available-for-sale securities with contractual maturities	331,265	634,312	706,128	315,723	732,740	52,800
National government bonds	103,700	96,000	12,000		9,000	51,500
Local government bonds	10,000	81,500	224,100	159,700	425,648	300
Corporate bonds	159,216	318,160	249,889	111,523	178,100	1,000
Other	58,349	138,652	220,139	44,500	119,991	
Loans and bills discounted*	1,095,656	823,645	768,329	504,267	528,587	1,251,888
Total	¥2,742,165	¥1,457,958	¥1,474,458	¥820,491	¥1,261,828	¥1,304,688

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	$11,880,074					
Investment securities	2,992,186	$ 5,729,491	$ 6,378,177	$2,856,318	$ 6,623,069	$ 476,921
Held-to-maturity securities				4,516	4,516	
National government bonds						
Local government bonds				4,516	4,516	
Available-for-sale securities with contractual maturities	2,992,186	5,729,491	6,378,177	2,851,802	6,618,552	476,921
National government bonds	936,681	867,130	108,391		81,293	465,179
Local government bonds	90,326	736,157	2,024,207	1,442,507	3,844,711	2,709
Corporate bonds	1,438,135	2,873,814	2,257,149	1,007,343	1,608,707	9,032
Other	527,043	1,252,389	1,988,429	401,951	1,083,831	
Loans and bills discounted*	9,896,630	7,439,662	6,940,014	4,554,845	4,774,519	11,307,813
Total	$24,768,900	$13,169,162	$13,318,200	$7,411,173	$11,397,597	$11,784,734

** Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to “legally bankrupt” borrowers, loans to “virtually bankrupt” borrowers, and loans to “possibly bankrupt” borrowers, amounting to ¥77,480 million ($699,846 thousand) is not included in the above table. Loans that do not have a contractual maturity, amounting to ¥38,713 million ($349,679 thousand), are not included either.*

4. Repayment schedule of bonds, borrowed money, and other interest-bearing liabilities subsequent to March 31, 2021

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	¥8,144,814	¥334,683	¥47,983			
Borrowed money	446,865	155,827	1,273	¥123	¥172	¥416
Total	¥8,591,679	¥490,511	¥49,257	¥123	¥172	¥416

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	$73,568,909	$3,023,060	$433,411			
Borrowed money	4,036,356	1,407,524	11,498	$1,111	$1,553	$3,757
Total	$77,605,266	$4,430,593	$444,919	$1,111	$1,553	$3,757

** Demand deposits included in deposits are presented under “Due in 1 year or less.”*

27. DERIVATIVES

It is the Bank’s policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities while entering into interest rate swaps and interest rate swaptions to meet the needs of its clients.

The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty’s failure to perform its obligations under a contract.

The Bank sets limits on credit risk for those derivatives by limiting the counterparties to major financial institutions and securities companies and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches for each type of risk. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank’s market risks. In this manner, an internal control system is effectively secured.

The Bank’s positions, gain and loss, risk amount, and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding as of March 31, 2021 and 2020:

Derivative Transactions to Which Hedge Accounting Is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract or notional amount, fair value, and unrealized gains/losses, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to credit or market risk.

	Millions of Yen								Thousands of U.S. Dollars			
	2021				2020				**2021**			
	Contract or Notional Amount				Contract or Notional Amount				Contract or Notional Amount			
	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses
Interest rate-related over-the-counter ("OTC") transactions:												
Interest rate swaps:												
Fixed rate receipt/ floating rate payment	**¥ 10,624**	**¥10,624**	**¥ 343**	**¥ 343**	¥ 10,431	¥10,431	¥375	¥375	**$ 95,962**	**$ 95,962**	**$ 3,098**	**$ 3,098**
Floating rate receipt/ fixed rate payment	**10,748**	**10,748**	**(254)**	**(254)**	10,638	10,636	(284)	(284)	**97,082**	**97,082**	**(2,294)**	**(2,294)**
Currency-related OTC transactions:												
Currency swaps	**36,184**	**2,214**	**(189)**	**(189)**	46,908	10,295	104	104	**326,835**	**19,998**	**(1,707)**	**(1,707)**
Foreign exchange forward contracts:												
Selling	**200,656**	**40,716**	**(6,093)**	**(6,093)**	101,751		14	14	**1,812,446**	**367,771**	**(55,035)**	**(55,035)**
Buying	**46,127**	**40,716**	**(822)**	**(822)**	2,170		(16)	(16)	**416,647**	**367,771**	**(7,424)**	**(7,424)**
Currency option:												
Selling	**29,631**	**22,900**	**(168)**	**344**	19,738	15,147	(271)	365	**267,645**	**206,846**	**(1,517)**	**3,107**
Buying	**29,631**	**22,900**	**168**	**(26)**	19,738	15,147	271	(148)	**267,645**	**206,846**	**1,517**	**(234)**

Notes:
1. The above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2021 and 2020, are recognized in the consolidated statement of income.
2. The fair value of interest rate-related OTC transactions is determined using the discounted present value or option-pricing models, and the fair value of currency-related OTC transactions is determined using the discounted present value.

Derivative Transactions to Which Hedge Accounting Is Applied

With respect to derivatives to which hedge accounting is applied, contract or notional amount, fair value, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to market risk.

At March 31, 2021

			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	**¥92,361**	**¥40,324**	**¥(623)**
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	**44,872**	**31,410**	**(310)**
	Other– Buying	Loans	**250**	**250**	
Total					**¥(933)**

At March 31, 2020

			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	¥224,744	¥94,777	¥(1,341)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	54,965	48,135	(636)
	Other– Buying	Loans	416	416	(1)
Total					¥(1,979)

At March 31, 2021

			Thousands of U.S. Dollars		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	**$834,260**	**364,230**	**(5,627)**
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	**405,311**	**283,714**	**(2,800)**
	Other– Buying	Loans	**2,258**	**2,258**	
Total					**$(8,427)**

Notes:
1. These are principally accounted for under the deferral hedge method in accordance with the JICPA Industry Committee Practical Guideline No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."
2. Fair value is determined using the discounted present value, option-pricing models, etc.

28. RELATED-PARTY TRANSACTIONS

Related-party transactions for the years ended March 31, 2021 and 2020, were as follows:

a. Transactions between the Bank and Its Related Parties

		Transactions for the Year*3			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification*2	**2021**	2020	**2021**	**2021**	2020	**2021**
Department Store Fujisaki Co., Ltd.*1	Loans and bills discounted	**¥4,728**	¥4,731	**$42,706**	**¥3,660**	¥4,827	**$33,059**
	Investment securities (corporate bonds)	**211**		**1,905**	**1,300**		**11,742**
	Customers' liabilities for acceptances and guarantees	**349**	437	**3,152**	**364**	437	**3,287**
Fuji Styling Co., Ltd.*1	Loans and bills discounted	**204**	151	**1,842**	**217**	143	**1,960**
Fujisaki Agency Co., Ltd.*1	Customers' liabilities for acceptances and guarantees	**1,069**	1,000	**9,655**	**1,190**	1,000	**10,748**
Mr. Minokichi Akaizawa*4	Loans and bills discounted		538			538	

Notes: *1 *Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)*
*2 *Terms are substantially the same as for similar transactions with third parties.*
*3 *Amounts of transactions were reported at the average balance for the period.*
*4 *Mr. Minokichi Akaizawa, a close relative of a director, passed away on November 14, 2018. Since the inheritance procedures are underway, the transaction in the above table is shown in the name of the deceased.*

b. Transactions between Consolidated Subsidiaries and Their Related Parties

		Transactions for the Year			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification*2	2021	2020	2021	2021	2020	2021
Department Store Fujisaki Co., Ltd.*1	Fees and commissions	**¥29**	¥30	**$261**			
	Lease receivables and investments in leases	**4**	2	**36**	**¥13**	¥15	**$117**

*Notes:*1 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)*
**2 Terms are substantially the same as for similar transactions with third parties.*

29. SEGMENT INFORMATION

Description of Reportable Segments
The Companies are principally engaged in the banking business and also leasing business and other financial services. The reportable segments of the Bank are the segments for which separate financial information is available, and are subject to periodic review by the chief operating decision maker to determine the allocation of management resources and assess performance.

Since the reportable segments of the Companies consist only of the “Banking” segment and since the “Other” segment is immaterial, segment information is omitted.

Related Information for the Years Ended March 31, 2021 and 2020
Information by Service Line

	Millions of Yen				
	2021				
	Loan	Securities Investment	Lease	Other	Total
External customers	**¥41,609**	**¥45,225**	**¥9,085**	**¥24,055**	**¥119,976**

	Millions of Yen				
	2020				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥41,944	¥43,501	¥8,706	¥22,773	¥116,926

	Thousands of U.S. Dollars				
	2021				
	Loan	Securities Investment	Lease	Other	Total
External customers	**$375,837**	**$408,499**	**$82,061**	**$217,279**	**$1,083,696**

Information about Geographical Area
Information about geographical areas is omitted because the Companies conduct banking and other related activities only in Japan and do not have foreign subsidiaries or foreign branches.
Information about Major Customers
Information about major customers is not presented because there are no customers who account for over 10% of ordinary income.
Information about Asset Impairment Losses
Information about asset impairment losses for the years ended March 31, 2021 and 2020, is omitted because the only reportable segment is “Banking” and “Other” is immaterial.

30. NET INCOME PER SHARE

Basic net income per share (“EPS”) for the years ended March 31, 2021 and 2020, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2021	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income attributable to common stockholders	**¥16,468**	**73,885**	**¥222.89**	**$2.01**
Year Ended March 31, 2020				
Basic EPS—Net income attributable to common stockholders	¥18,261	73,941	¥246.97	

The Bank’s shares held by the directors’ compensation BIP trust that are recorded as treasury stock under “Equity” are included in the treasury stock to be deducted when computing the average number of shares during the fiscal year for the calculation of basic net income per share.
The average number of shares of the treasury stock deducted in computing basic EPS was 378 thousand shares and 412 thousand shares, for the years ended March 31, 2021 and 2020, respectively.
Diluted EPS for the years ended March 31, 2021 and 2020, is not shown because there were no potential shares.

31. SUBSEQUENT EVENTS

Cash Dividends
At the Bank’s general meeting of stockholders held on June 29, 2021, the Bank’s stockholders approved the following appropriations of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 ($0.225) per share	**¥1,856**	**$16,764**

Note: Above total amount of cash dividends includes dividends for the Bank’s shares held by BIP trust in an amount of ¥9 million ($81 thousand).

Disposal of Treasury Stock through a Third-Party Allotment
The Bank resolved at its Board of Directors’ meeting held on July 30, 2021, to dispose of its treasury stock through a third-party allotment (the “disposal of treasury stock”), as follows:

a. Overview of the disposal of treasury stock

(1) Disposal date	August 25, 2021
(2) Type and number of shares to be disposed of	446,900 shares of common stock
(3) Disposal amount	¥1,149 ($10.37) per share
(4) Total disposal amount	¥513,488,100 ($4,638 thousand)
(5) Planned subscriber	The Master Trust Bank of Japan, Ltd. (BIP trust account: 76097 account) The Master Trust Bank of Japan, Ltd. (BIP trust account: 76137 account)
(6) Other	The disposal of treasury stock is subject to the effectuation of the notification pursuant to the Financial Instruments and Exchange Act.

b. Purpose and reason of disposal
The Bank has resolved at its Board of Directors’ meeting held on May 14, 2021, to continue and make additional contributions to the performance-linked stock compensation system (the “System”), which was introduced for the Bank’s executive directors and executive officers (“directors, etc.”) for the purpose of enhancing motivation to make contributions to improving the medium- to long-term performance and corporate value by further clarifying the linkage between compensation to directors, etc. and stock value of the Bank.

In line with the continuation of the System, the disposal of treasury stock will be conducted by way of allotment to The Master Trust Bank of Japan, Ltd., which is a co-trustee of the two BIP trust agreements concluded between the Bank and Mitsubishi UFJ Trust and Banking Corporation.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The 77 Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of The 77 Bank, Ltd. and its consolidated subsidiaries (the "Companies"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Companies as of March 31, 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Companies in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Appropriateness of Classification of Debtor Categories for Large Debtors in Determination of Reserve for Loan Losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Companies recognized a reserve for loan losses of ¥61.3 billion corresponding to loans and bills discounted of ¥5,088.5 billion in the consolidated balance sheet as of March 31, 2021. As described in Note 2, "Summary of Significant Accounting Policies—Reserve for loan losses" to the consolidated financial statements, the reserve for loan losses is determined for each debtor category classified by the debtor's status of credit risk (the "debtor classification") in accordance with its predetermined internal rules for write-offs and provisions. For loans to debtors that are classified as "Legal bankrupt" or "Virtual bankrupt," the Companies provide a full reserve for the carrying amount of loans less estimated collectible amounts through collateral or guarantees. Regarding loans to debtors that are classified as "Possible bankrupt," a specific reserve is provided to the extent necessary for the net amount of loans and estimated collectible amounts through collateral or guarantees. For large debtors that are classified as "Possible bankrupt" or "Special attention," a reserve for loan losses is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans (the "DCF method") if the cash flows from collection of the principal and interest can be reasonably estimated. The reserve for other loan losses is recorded principally at the amount of estimated losses over the next two or three years. Estimated losses are determined by calculating a loss rate based on the average actual loss ratio over a specific past period, which is calculated considering credit loss experience over two or three years. Adjustments are made as necessary considering future outlook and other factors. As a result, if a debtor category is not appropriately classified according to the credit risk, there is a risk that the reserve for loan losses, which should be separately determined with the estimated collectible amounts through collateral or guarantees, or the cash flows, would be determined instead with the expected loss rate, and thus understated. Among others, the classification of debtor for large debtors may have a material impact on the reserve for loan losses.	Our audit procedures related to this key audit matter included the following, among others: We tested the effectiveness of internal controls, including the review and approval over the appropriate classification of debtor for large debtors in accordance with the internal rules. We also tested the effectiveness of internal controls over the accuracy of debtors' financial information used in these internal controls. We selected a sample of borrowers and performed the following: • Inquired of the Credit Supervision Division regarding debtors' future outlooks, such as the earnings forecast and the feasibility of cost-cutting measures. • Evaluated the reasonableness of underlying assumptions, such as debtors' industrial outlook and the effects of the spread of novel coronavirus infection, by comparing them with available external information.

In addition, as described in Note 2, "Significant Accounting Estimates—Reserve for loan losses" to the consolidated financial statements, debtor classification is assessed by comprehensively taking into account profitability projections, reasonableness of management improvement plans, status of support from financial institutions, etc., after verifying the debtor's ability to repay the debts based on the financial position, cash management, cash flows, etc. of the debtor and confirming the lending conditions and the status of its fulfilment. As a result, the debtor classification reflects future outlooks and involves estimation uncertainty and management's judgments associated with the determination of the reserve for loan losses. In particular, when the debtor classification is highly dependent on future outlooks such as the earnings forecast and the feasibility of cost-cutting measures, it is affected by changes in business environments, including the spread of novel coronavirus infection, and thus, the estimation has a high degree of uncertainty and requires significant judgments made by management. Therefore, we identified the appropriateness of the debtor classification for certain large debtors as a key audit matter as such classifications are highly dependent upon the earnings forecasts and the feasibility of cost-cutting measures of debtors.	

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Companies' ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Companies or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Companies' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Companies to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Companies to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Companies which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2021
(October 15, 2021 as to Note 31)

— Capital Adequacy Ratios —

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
Consolidated (Domestic standard)	**2021**	2020	**2021**
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	**10.39**	10.31	
Capital: (A)	**438,988**	422,268	**3,965,206**
Risk-adjusted assets: (B)	**4,224,922**	4,095,358	**38,162,063**

	Millions of Yen		Thousands of U.S. Dollars
Non-Consolidated (Domestic standard)	**2021**	2020	**2021**
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	**10.14**	10.14	
Capital: (A)	**425,215**	412,272	**3,840,800**
Risk-adjusted assets: (B)	**4,190,814**	4,062,387	**37,853,978**

— Non-Consolidated Balance Sheet (Parent Company) —

THE 77 BANK, LTD.
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets:			
Cash and due from banks	¥1,371,811	¥ 747,051	$12,391,030
Call loans and bills bought		429	
Debt purchased	4,000	4,000	36,130
Trading account securities	20,627	18,873	186,315
Money held in trust	108,901	82,344	983,660
Investment securities	3,116,003	2,913,386	28,145,632
Loans and bills discounted	5,097,480	4,894,634	46,043,537
Foreign exchange assets	5,865	9,528	52,976
Tangible fixed assets:			
Buildings	7,862	8,187	71,014
Land	19,313	19,315	174,446
Lease assets	46	73	415
Construction in progress	259	282	2,339
Other tangible fixed assets	5,474	4,053	49,444
Intangible fixed assets	258	259	2,330
Customers' liabilities for acceptances and guarantees	43,735	45,258	395,041
Other assets	73,142	62,405	660,662
Reserve for possible loan losses	(56,855)	(58,226)	(513,548)
Total	¥9,817,924	¥8,751,857	$88,681,456
Liabilities:			
Deposits	¥8,551,689	¥7,888,480	$77,244,052
Call money		8,706	
Payables under securities lending transaction	25,869	11,986	233,664
Borrowed money	597,205	280,257	5,394,318
Foreign exchange liabilities	155	116	1,400
Liability for retirement benefits	9,389	14,565	84,807
Reserve for stock compensation	817	735	7,379
Reserve for reimbursement of deposits	311	337	2,809
Reserve for contingent losses	804	860	7,262
Deferred tax liabilities	24,330	229	219,763
Acceptances and guarantees	43,735	45,258	395,041
Other liabilities	61,818	60,434	558,377
Total liabilities	9,316,127	8,311,967	84,148,920
Equity:			
Common stock	24,658	24,658	222,726
Capital surplus	8,937	8,937	80,724
Retained earnings	368,623	357,402	3,329,626
Treasury stock	(6,132)	(6,200)	(55,387)
Total stockholders' equity	396,087	384,798	3,577,698
Unrealized gains on available-for-sale securities	106,085	55,917	958,224
Deferred losses on derivatives under hedge accounting	(375)	(826)	(3,387)
Total valuation adjustments	105,709	55,091	954,827
Total equity	501,797	439,889	4,532,535
Total	¥9,817,924	¥8,751,857	$88,681,456

— Non-Consolidated Statement of Income (Parent Company) —

THE 77 BANK, LTD.
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Income:			
Interest income:			
Interest on loans and discounts	¥ 41,569	¥ 41,881	$375,476
Interest on dividends on trading account and investment securities	29,834	28,732	269,478
Other	406	242	3,667
Fees and commissions	17,251	16,968	155,821
Other operating income	1,194	113	10,784
Other income	16,856	16,935	152,253
Total income	107,113	104,873	967,509
Expenses:			
Interest expense:			
Interest on deposits	325	764	2,935
Interest on call money	67	277	605
Other	916	1,284	8,273
Fees and commissions	7,431	7,279	67,121
Other operating expenses	13,709	6,181	123,828
General and administrative expenses	52,137	55,016	470,933
Other expenses	10,139	9,532	91,581
Total expenses	84,727	80,335	765,305
Income before income taxes	22,385	24,538	202,194
Income taxes:			
Current	4,891	7,408	44,178
Deferred	2,559	(188)	23,114
Total income taxes	7,451	7,220	67,301
Net income	¥ 14,934	¥ 17,317	$134,892

— Loan Portfolio —

Loan Portfolio by Industry

	Billions of Yen	Millions of U.S. Dollars
	2021	**2021**
Domestic offices *(Excluding Japan offshore banking accounts)*	**¥5,088**	**$46,043**
Manufacturing	**443**	**4,007**
Agriculture and forestry	**6**	**61**
Fisheries	**4**	**37**
Mining and quarrying of stone and gravel	**3**	**27**
Construction	**166**	**1,503**
Electricity, gas, heat supply and water	**215**	**1,946**
Information and communications	**20**	**187**
Transport and postal activities	**123**	**1,115**
Wholesale and retail trade	**408**	**3,687**
Finance and insurance	**368**	**3,327**
Real estate and goods rental and leasing	**1,105**	**9,988**
Services, N.E.C.	**363**	**3,285**
Government, except elsewhere classified	**655**	**5,922**
Other	**1,211**	**10,945**
Japan's offshore banking accounts		
Financial institutions	**—**	**—**
Total	**¥5,097**	**$46,043**

Loan Portfolio by Industry

	Billions of Yen
	2020
Domestic offices *(Excluding Japan offshore banking accounts)*	¥4,894
Manufacturing	445
Agriculture and forestry	6
Fisheries	5
Mining and quarrying of stone and gravel	3
Construction	146
Electricity, gas, heat supply and water	203
Information and communications	21
Transport and postal activities	121
Wholesale and retail trade	398
Finance and insurance	360
Real estate and goods rental and leasing	1,041
Services, N.E.C.	340
Government, except elsewhere classified	623
Other	1,176
Japan's offshore banking accounts	
Financial institutions	—
Total	¥4,894

Loans by Collateral

	Billions of Yen		Millions of U.S. Dollars
	2021	2020	**2021**
Securities	**¥ 5**	¥ 5	**$ 46**
Commercial claims	**17**	19	**158**
Real estate	**844**	826	**7,629**
Subtotal	**867**	851	**7,834**
Guaranteed	**1,368**	1,283	**12,364**
Unsecured	**2,861**	2,759	**25,844**
Total	**¥5,097**	¥4,894	**$46,043**

Reserve for Loan Losses

	Billions of Yen		Millions of U.S. Dollars
	2021	2020	**2021**
General reserve for loan losses	**¥30**	¥28	**$274**
Specific reserve for estimated loan losses on certain doubtful loans	**26**	29	**239**
Total	**¥56**	¥58	**$513**