



The Awa Bank, Ltd

Consolidated Financial Statements

The Awa Bank, Ltd. and its Consolidated Subsidiaries

Years Ended March 31, 2023 and 2024



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of The Awa Bank, Ltd. (the “Bank”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Estimates of reserve for possible loan losses for loans including loans and bills discounted

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet for the year ended March 31, 2024, the Group recognized the balance of loans and bills discounted of ¥2,342,731 million, which accounted for a significant portion, representing 59.72% of total assets of ¥3,922,560 million. For credit balances including the loans and bills	<p>The primary procedures we performed to assess whether the Bank's estimates of reserve for possible loan losses for loans including loans and bills discounted were reasonable included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of the Bank's internal controls relevant to determining the</p>

discounted, the reserve for possible loan losses of ¥19,397 million was recorded.

As described in Note 2. Significant Accounting Policies (4) Reserve for possible loan losses and (18) Significant accounting estimates ① Reserve for possible loan losses to the consolidated financial statements, the Bank assessed loan quality based on the internal rules on self-assessment of loan quality and recognized reserve for possible loan losses for each borrower category based on the internal rules on write-offs and provisions.

The Bank classifies borrowers into categories based on quantitative factors such as financial indicators and information related to qualitative factors such as performance outlook and expected future cash flows. Determining the classification of a borrower into a relevant borrower category based on qualitative factors specifically requires industry expertise and involves significant management judgment including assessment of the achievement status of business improvement plans of the borrowers.

The Bank has promoted loans to small and medium-sized enterprises (“SMEs”) based on a vision of “Eitai-torihiki”, which is a traditional business policy of the Bank to contribute to continuous development of customers through long-lasting transactions over generations. The balance of loans and bills discounted to SMEs of ¥1,839,659 million (representing 78.62% of the total balance of loans and bills discounted) was recognized, which accounted for a significant portion of the balance of loans and bills discounted.

Generally, SMEs are more susceptible to changes in economic conditions such as the cost of living and increases in personnel costs than medium to large-sized companies and tend to incur a net loss and/or a net capital deficiency due to temporary adverse factors.

In particular, there are concerns in the “Road freight forwarding” industry regarding further increases in costs due to rising fuel

classification of borrowers in the self-assessment of loan quality.

In this assessment, we focused our testing on the following controls:

- controls to validate whether the internal rules on self-assessment of loan quality and write-offs and provisions in compliance with relevant accounting standards;
- controls to ensure the reliability of the financial information of borrowers that was entered into the IT system for self-assessment;
- IT application controls over the credit rating; and
- controls relevant to the verification by the credit supervision department in determining the classification of borrowers.

(2) Substantive procedures relevant to determining the classification of borrowers

① With respect to large borrowers that required caution, in order to evaluate appropriateness of the classification of the borrowers, we selected specific borrowers whose credit balance exceeded a certain amount, and we primarily:

- inspected the relevant materials and inquired of the relevant personnel of the credit supervision department to examine that the information of borrowers such as financial data used as the basis for determining the classification of the borrowers was based on sufficient and up-to-date information;
- inspected the relevant materials and inquired of the personnel of the credit supervision department, in case the borrowers had developed their business improvement plans, to examine whether the reasonableness and feasibility of the plans had been thoroughly examined in the self-assessment processes; and
- inspected the relevant materials and inquired of the personnel of the credit supervision department to examine that significant changes in the credit status of the borrowers, which occurred after ad-hoc self-assessments made in the year, were reflected in determining the classification of the borrowers at the fiscal year end.

② With respect to borrowers in the “Road freight forwarding” industry for which there was concern of deterioration in business performance, in order to evaluate the appropriateness of the classification of the borrowers, we selected specific borrowers whose credit balances exceeded a certain amount, and we primarily:

and labor costs, which might affect the business performance as well as further increases in costs due to introduction of maximum number of working hours for drivers from FY2024 onward, etc. Therefore, as described in Note 2 (18), “Significant Accounting Policies, Significant accounting estimates,” the Bank recognized ¥1,106 million of additional reserve for possible loan losses for loans to borrowers in the “Road freight forwarding” industry that meet certain criteria in the consolidated financial statements of the current period.

In determining the classification of a borrower, it is necessary to reflect its actual business conditions by comprehensively considering various factors such as the enterprise’s technologies, sales capabilities, growth potentials, individual income and assets of its representatives, guarantee status and capacities of the individuals.

The vision of “Eitai-torihiki” represents a business model in which the Bank continuously supports SMEs through guidance to, development and restoration of borrowers assuming that their business performances are vulnerable to economic conditions and other factors. Gaining a deep understanding of a borrower’s conditions through guidance to, development and restoration of the borrower, the Bank can appropriately determine the classification of the borrower based on an accurate understanding of its actual business conditions.

Determination of the classification of borrowers, however, requires more careful judgment especially for the following borrowers:

(1) Large borrowers that require caution
Loans to SMEs consist of low-volume accounts, but included therein are loans to large borrowers whose credit balance exceeded a certain amount. The Bank aims to support borrowers including large borrowers even when their business performances deteriorate, based on its business model under “Eitai-torihiki”. Accordingly, there is a concern that reserve for possible loan losses for large borrowers will significantly increase

- inspected the relevant materials and inquired of the relevant personnel of the credit supervision department to examine whether the information of borrowers such as financial data used as the basis for determining the classification of the borrowers was based on sufficient and up-to-date information;
- inspected the relevant materials and inquired of the personnel of the credit supervision department regarding the business performance outlook and cash flows considering the effects of rising fuel and labor costs; and
- inspected the relevant materials and inquired of the personnel of the credit supervision department to examine that significant changes in the credit status of the borrowers, which occurred after ad-hoc self-assessments made in the year, were reflected in determining the classification of the borrowers at the fiscal year end.

when they are downgraded to the borrower category in which the borrowers have a high probability of becoming insolvent.

(2) Borrowers in the “Road freight forwarding” industry for which there is concern of deterioration in business performance
SMEs tend to incur a net loss and/or net capital deficiency due to temporary adverse factors, and there is particular concern of deterioration in business performance of borrowers in the “Road freight forwarding” industry due to rising fuel and labor costs, among other factors.

We, therefore, determined that our assessment of the estimates of reserve for possible loan losses for loans including loans and bills discounted to large borrowers that require caution and borrowers in the “Road freight forwarding” industry for which there is concern of deterioration in business performance was of most significance in our audit of the consolidated financial statements for the year ended March 31, 2024, and accordingly, a key audit matter.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor’s report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory committee are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s 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 our 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, and 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's 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 Group's 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 Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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 Group 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, 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 them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied. 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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Bank and its subsidiaries for the current year are 64 million yen and 1 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kanda Masashi

Designated Engagement Partner

Certified Public Accountant

Mitsui Takaaki

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

October 11, 2024

Consolidated Balance Sheets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
As of March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
Assets			
Cash and due from banks (Notes 3 and 4)	¥ 482,868	¥ 402,273	\$ 2,656,845
Call loans and bills purchased (Note 4)	140,894	–	–
Commercial paper and other debt purchased (Notes 4 and 5)	817	720	4,755
Securities (Notes 4, 5, 6 and 9)	935,370	1,050,522	6,938,260
Loans and bills discounted (Notes 4, 6, 7 and 8)	2,172,312	2,342,731	15,472,762
Foreign exchange (Notes 6 and 7)	8,879	7,247	47,863
Lease receivables and investment assets (Notes 4 and 6)	30,057	32,469	214,444
Other assets (Notes 6, 9 and 12)	46,019	54,057	357,023
Tangible fixed assets (Notes 10 and 11)	38,438	38,346	253,259
Intangible fixed assets	4,515	3,992	26,365
Deferred tax assets (Note 17)	212	293	1,935
Customers' liabilities for acceptances and guarantees (Notes 6 and 18)	8,924	9,302	61,435
Reserve for possible loan losses	(18,981)	(19,397)	(128,109)
Total assets	<u>¥ 3,850,329</u>	<u>¥ 3,922,560</u>	<u>\$ 25,906,875</u>
Liabilities			
Deposits (Notes 4 and 9)	¥ 3,250,619	¥ 3,197,431	\$ 21,117,700
Negotiable certificates of deposit (Note 4)	130,006	134,458	888,039
Call money and bills sold (Note 4)	–	4,996	32,996
Payables under securities lending transactions (Notes 4 and 9)	–	4,315	28,498
Borrowed money (Notes 4, 9 and 20)	128,110	158,036	1,043,761
Foreign exchange	2	11	72
Bonds payable (Note 19)	–	487	3,216
Other liabilities (Note 20)	40,016	46,800	309,094
Accrued employees' bonuses	22	25	165
Accrued directors' bonuses	50	52	343
Accrued directors' retirement benefits	15	12	79
Accrued stock compensation program for directors	290	313	2,067
Reserve for reimbursement of deposits	193	141	931
Reserve for contingent liabilities	1,314	1,398	9,233
Deferred tax liabilities (Note 17)	9,454	29,638	195,746
Deferred tax liabilities for land revaluation account (Note 11)	2,545	2,514	16,603
Acceptances and guarantees (Note 18)	8,924	9,302	61,435
Total liabilities	<u>3,571,566</u>	<u>3,589,938</u>	<u>23,710,045</u>
Net Assets			
Common stock			
Authorized – 100,000,000 shares			
Issued – 41,040,000 shares in 2024 and 2023	23,452	23,452	154,890
Capital surplus	20,106	20,106	132,791
Retained earnings	189,153	197,890	1,306,981
Treasury stock	(846)	(2,541)	(16,782)
— Issued 927,780 shares in 2024 and 273,664 shares in 2023			
Total shareholders' equity	231,866	238,908	1,577,887
Net unrealized holding gains (losses) on securities (Note 5)	42,401	86,523	571,448
Net deferred gains (losses) on derivatives under hedge accounting	(297)	2,430	16,049
Land revaluation account (Note 11)	4,792	4,759	31,431
Total accumulated other comprehensive income	46,896	93,713	618,935
Total net assets	<u>278,763</u>	<u>332,622</u>	<u>2,196,829</u>
Total liabilities and net assets	<u>¥ 3,850,329</u>	<u>¥ 3,922,560</u>	<u>\$ 25,906,875</u>

See Notes to Consolidated Financial Statements.

Consolidated Income Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 24,786	¥ 25,806	\$ 170,437
Interest and dividends on securities	15,279	16,032	105,884
Other interest income	4,013	2,849	18,816
Trust fees	2	2	13
Fees and commissions	9,461	10,001	66,052
Other operating income	18,843	17,513	115,666
Other income (Note 14)	15,695	3,914	25,850
Total income	88,081	76,119	502,734
Expenses:			
Interest expense:			
Interest on deposits and certificates of deposit	835	936	6,181
Interest on borrowings, rediscounts and bonds	393	763	5,039
Other interest expense	6,369	6,848	45,228
Fees and commissions	1,288	1,298	8,572
Other operating expenses	32,857	15,353	101,400
General and administrative expenses (Note 13)	29,403	30,478	201,294
Other expenses:			
Provision for loan losses	956	2,647	17,482
Other expenses (Note 15)	1,335	1,821	12,026
Total expenses	73,439	60,146	397,239
Income before income taxes	14,642	15,973	105,495
Income taxes (Note 17):			
Current	3,527	4,956	32,732
Deferred	907	(246)	(1,624)
Net income	10,207	11,263	74,387
Net income attributable to owners of the parent company	¥ 10,207	¥ 11,263	\$ 74,387

Per share of common stock	Yen		U.S. dollars (Note 1)
	2023	2024	2024
Net income per share – basic	¥ 248.21	¥ 277.28	\$ 1.831
Dividends	50.00	75.00	0.495

For the years ended March 31, 2023 and 2024, diluted net income per share of common stock was not disclosed because no dilutive securities were outstanding.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
Net income	¥ 10,207	¥ 11,263	\$ 74,387
Other comprehensive income:			
Net unrealized holding gains (losses) on securities	(15,973)	44,121	291,400
Net deferred gains (losses) on derivatives under hedge accounting	(272)	2,727	18,010
Total other comprehensive income (Note 16)	(16,245)	46,849	309,418
Comprehensive income	¥ (6,038)	¥ 58,113	\$ 383,812
Comprehensive income attributable to:			
Owners of the parent company	¥ (6,038)	¥ 58,113	\$ 383,812

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

	Number of shares of common stock issued	Millions of yen Stockholders' equity					Total shareholders' equity
		Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at March 31, 2022	43,240,000	¥ 23,452	¥ 20,106	¥ 185,469	¥ (4,100)	¥	224,927
Changes during the accounting period							
Dividends	-	-	-	(1,876)	-		(1,876)
Net income attributable to owners of the parent company	-	-	-	10,207	-		10,207
Purchase of treasury stock	-	-	-	-	(2,067)		(2,067)
Disposal of treasury stock	-	-	-	(0)	342		342
Cancellation of treasury stock	(2,200,000)	-	-	(4,980)	4,980		-
Reversal of land revaluation account	-	-	-	333	-		333
Changes other than changes in stockholders' equity (net)	-	-	-	-	-		-
Total changes during the accounting period	(2,200,000)	-	-	3,684	3,254		6,938
Balance at March 31, 2023	41,040,000	¥ 23,452	¥ 20,106	¥ 189,153	¥ (846)	¥	231,866
Changes during the accounting period							
Dividends	-	-	-	(2,559)	-		(2,559)
Net income attributable to owners of the parent company	-	-	-	11,263	-		11,263
Purchase of treasury stock	-	-	-	-	(1,747)		(1,747)
Disposal of treasury stock	-	-	-	-	51		51
Cancellation of treasury stock	-	-	-	-	-		-
Reversal of land revaluation account	-	-	-	33	-		33
Changes other than changes in stockholders' equity (net)	-	-	-	-	-		-
Total changes during the accounting period	-	-	-	8,736	(1,695)		7,041
Balance at March 31, 2024	41,040,000	¥ 23,452	¥ 20,106	¥ 197,890	¥ (2,541)	¥	238,908

	Millions of yen Accumulated other comprehensive income					Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Total accumulated other comprehensive income		
Balance at March 31, 2022	¥ 58,375	¥ (24)	¥ 5,126	¥ 63,476	¥	288,404
Changes during the accounting period						
Dividends	-	-	-	-		(1,876)
Net income attributable to owners of the parent company	-	-	-	-		10,207
Purchase of treasury stock	-	-	-	-		(2,067)
Disposal of treasury stock	-	-	-	-		342
Cancellation of treasury stock	-	-	-	-		-
Reversal of land revaluation account	-	-	-	-		333
Changes other than changes in stockholders' equity (net)	(15,973)	(272)	(333)	(16,579)		(16,579)
Total changes during the accounting period	(15,973)	(272)	(333)	(16,579)		(9,640)
Balance at March 31, 2023	¥ 42,401	¥ (297)	¥ 4,792	¥ 46,896	¥	278,763
Changes during the accounting period						
Dividends	-	-	-	-		(2,559)
Net income attributable to owners of the parent company	-	-	-	-		11,263
Purchase of treasury stock	-	-	-	-		(1,747)
Disposal of treasury stock	-	-	-	-		51
Cancellation of treasury stock	-	-	-	-		-
Reversal of land revaluation account	-	-	-	-		33
Changes other than changes in stockholders' equity (net)	44,121	2,727	(33)	46,816		46,816
Total changes during the accounting period	44,121	2,727	(33)	46,816		53,858
Balance at March 31, 2024	¥ 86,523	¥ 2,430	¥ 4,759	¥ 93,713	¥	332,622

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

	Number of shares of common stock issued	Thousands of U.S. dollars (Note 1)				
		Stockholders' equity				Total shareholders' equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2023	41,040,000	\$ 154,890	\$ 132,791	\$ 1,249,276	\$ (5,587)	\$ 1,531,378
Changes during the accounting period						
Dividends	-	-	-	(16,901)	-	(16,901)
Net income attributable to owners of the parent company	-	-	-	74,387	-	74,387
Purchase of treasury stock	-	-	-	-	(11,538)	(11,538)
Disposal of treasury stock	-	-	-	-	336	336
Cancellation of treasury stock	-	-	-	-	-	-
Reversal of land revaluation account	-	-	-	217	-	217
Changes other than changes in stockholders' equity (net)	-	-	-	-	-	-
Total changes during the accounting period	-	-	-	57,697	(11,194)	46,502
Balance at March 31, 2024	41,040,000	\$ 154,890	\$ 132,791	\$ 1,306,981	\$ (16,782)	\$ 1,577,887

	Thousands of U.S. dollars (Note 1)				
	Accumulated other comprehensive income				Total net assets
	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Total accumulated other comprehensive income	
Balance at April 1, 2023	\$ 280,040	\$ (1,961)	\$ 31,649	\$ 309,728	\$ 1,841,113
Changes during the accounting period					
Dividends	-	-	-	-	(16,901)
Net income attributable to owners of the parent company	-	-	-	-	74,387
Purchase of treasury stock	-	-	-	-	(11,538)
Disposal of treasury stock	-	-	-	-	336
Cancellation of treasury stock	-	-	-	-	-
Reversal of land revaluation account	-	-	-	-	217
Changes other than changes in stockholders' equity (net)	291,400	18,010	(217)	309,200	309,200
Total changes during the accounting period	291,400	18,010	(217)	309,200	355,709
Balance at March 31, 2024	\$ 571,448	\$ 16,049	\$ 31,431	\$ 618,935	\$ 2,196,829

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2024	2024
Cash flows from operating activities:			
Income before income taxes	¥ 14,642	¥ 15,973	\$ 105,495
Depreciation	3,062	3,294	21,755
Impairment loss	701	553	3,652
Increase (decrease) in reserve for possible loan losses	(432)	415	2,740
Net change in provision for contingent liabilities	108	84	554
Increase (decrease) in accrued employees' bonuses	0	2	13
Increase (decrease) in accrued directors' bonuses	(3)	1	6
Net change in reserve for retirement payments to directors	0	(3)	(19)
Net change in accrued stock compensation program for directors	32	23	151
Net change in reserve for claims on dormant accounts	(78)	(51)	(336)
Interest and dividend income	(44,079)	(44,688)	(295,145)
Interest expense	7,598	8,547	56,449
Securities losses (gains), net	3,524	(2,283)	(15,078)
Losses (gains) on investments in money held in trust, net	(0)	(0)	(0)
Foreign exchange losses (gains), net	(25,320)	(10,147)	(67,016)
Losses (gains) on disposal of tangible fixed assets, net	83	97	640
Net decrease (increase) in loans and bills discounted	(55,279)	(170,419)	(1,125,546)
Net increase (decrease) in deposits	83,575	(53,187)	(351,277)
Net increase (decrease) in certificates of deposit	(3,497)	4,451	29,397
Net increase (decrease) in borrowed money (except for subordinated borrowed money)	(138,265)	29,926	197,648
Net decrease (increase) in due from banks (except for deposits with the Bank of Japan)	(24,743)	232	1,532
Net decrease (increase) in call loans, bills purchased, commercial paper and other debt purchased	(121,955)	140,991	931,186
Net increase (decrease) in call money	(12,850)	4,996	32,996
Net increase (decrease) in payables under securities lending transactions	(40,945)	4,315	28,498
Net decrease (increase) in foreign exchange (assets)	(4,722)	1,540	10,171
Net increase (decrease) in foreign exchange (liabilities)	(16)	8	52
Increase (decrease) in straight bonds – issuance and redemption	–	487	3,216
Interest and dividends received	43,107	43,087	284,571
Interest paid	(7,553)	(8,517)	(56,251)
Other	7,496	1,727	11,406
Subtotal	(315,808)	(28,536)	(188,468)
Income taxes paid	(5,947)	(2,927)	(19,331)
Net cash provided by (used in) operating activities	(321,755)	(31,464)	(207,806)
Cash flows from investing activities:			
Payments for purchases of securities	(318,540)	(299,041)	(1,975,041)
Proceeds from sales of securities	294,509	156,481	1,033,491
Proceeds from maturities of securities	121,322	101,091	667,663
Payments for increases in money held in trust	(1,004)	(1,507)	(9,953)
Proceeds from decreases in money held in trust	1,004	1,507	9,953
Payments for purchases of tangible fixed assets	(2,435)	(1,906)	(12,588)
Payments for disposals of tangible fixed assets	(77)	(103)	(680)
Proceeds from sales of tangible fixed assets	29	29	191
Purchases of intangible fixed assets	(1,558)	(1,196)	(7,899)
Net cash provided by (used in) investing activities	93,250	(44,644)	(294,855)
Cash flows from financing activities:			
Dividends paid	(1,876)	(2,559)	(16,901)
Payments for purchases of treasury stock	(2,067)	(1,747)	(11,538)
Proceeds from sales of treasury stock	342	51	336
Net cash provided by (used in) financing activities	(3,601)	(4,254)	(28,095)
Foreign currency translation adjustments	(3)	0	0
Net increase (decrease) in cash and cash equivalents	(232,110)	(80,362)	(530,757)
Cash and cash equivalents at beginning of year	688,605	456,494	3,014,952
Cash and cash equivalents at end of year (Note 3)	¥ 456,494	¥ 376,132	\$ 2,484,195

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Awa Bank, Ltd. (the “Bank”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and the Japanese Banking Law, generally conform with the Japanese Uniform Rules for Bank Accounting and the guidelines of Japanese regulatory authorities and are in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

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

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S.\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

2. Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2023 and 2024 include the accounts of the Bank and the following seven subsidiaries:

- The Awagin Guaranty Company Limited
- The Awagin Card Company Limited
- The Awagin Consulting Company Limited
- The Awagin Connect Company Limited
- The Awagin Capital Company Limited (for 2024)
- The Awagin Lease Company Limited
- The Awagin Growth Companies Investment Limited Partnership

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to noncontrolling shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

(Change in scope of consolidation)

The Awagin Capital Company Limited is included in the scope of consolidation for the year ended March 31, 2024 due to its establishment.

The following three subsidiaries of the Bank were excluded from the scope of consolidation for the years ended March 31, 2023 and 2024 because the exclusion did not affect the reasonable interpretation of the financial condition and operating results of the enterprise group in terms of assets and the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

- The Awagin AFFrinnovation Investment Limited Partnership
- The Awagin Business Succession Investment Limited Partnership (for 2024)
- The Awagin Future Creation Investment Limited Partnership (for 2024)

The following three subsidiaries of the Bank were also not accounted for using the equity method for the years ended March 31, 2023 and 2024 because the exclusion did not have a material impact on the consolidated financial statements in terms of the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

- The Awagin AFFrinnovation Investment Limited Partnership
- The Awagin Business Succession Investment Limited Partnership (for 2024)
- The Awagin Future Creation Investment Limited Partnership (for 2024)

The following three affiliates of the Bank were not accounted for using the equity method for the years ended March 31, 2023 and 2024 because the exclusion did not have a material impact on the consolidated financial statements in terms of the Bank's ownership percentage of net income, retained earnings or accumulated other comprehensive income.

- Shikoku Alliance Capital Company Limited
- Shikoku Brand Company Limited
- The Awagin Regional Revitalization Investment Limited Partnership (for 2023)

The Awagin Regional Revitalization Investment Limited Partnership was liquidated on May 31, 2023.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

2. Significant Accounting Policies (cont'd)

(2) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities of nonconsolidated subsidiaries and affiliates which are not accounted for using the equity method are stated at moving average cost. Available-for-sale securities are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity or net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with no available fair market values are stated at moving average cost.

(3) Depreciation method for fixed assets

① Tangible fixed assets (except for leased assets)

Tangible fixed assets are generally stated at cost, less the accumulated depreciation. Depreciation of tangible fixed assets owned by the Bank and its consolidated subsidiaries is recorded using the straight-line method. At March 31, 2023 and 2024, the estimated useful life for buildings and equipment was 19 to 50 years and 4 to 8 years, respectively.

② Intangible fixed assets

Depreciation for intangible fixed assets of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of 5 years. Goodwill is expensed when incurred.

③ Leased assets

Leased assets are business equipment included in tangible fixed assets. Leased assets in tangible fixed assets capitalized under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated using the straight-line method over the lease period. The residual value of a leased asset with a residual value guarantee clause is the guaranteed amount. For a leased asset without such a clause, the residual value is zero.

2. Significant Accounting Policies (cont'd)

(4) Reserve for possible loan losses

The Bank writes off loans and makes provisions for possible loan losses based on the financial circumstances of the borrower and the status of the loan.

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings (“bankrupt obligors”) or who are in a similar financial condition (“substantially bankrupt obligors”), the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided in the full amount, excluding write-off amounts and the portion that is estimated to be recoverable due to the existence of security interests or guarantees.

For loans to customers not presently in the above circumstances but who have a high probability of becoming insolvent (“intensively controlled obligors”), the reserve for possible loan losses is provided at estimated future loss amounts for the portions of the loans that are neither secured nor guaranteed in the amounts estimated to be unrecoverable after an evaluation of the customer’s overall financial condition (“non-secured amount”). Estimated future loss amounts are calculated using an estimated loss ratio obtained from an average of the actual default ratio based on actual defaults for the past three years. The estimated loss ratio is set at a lower limit that the Bank deems necessary.

For “Capital subordinated loans (Special early business improvement type)” and “Loans with adequate capital characteristics,” the reserve for possible loan losses is provided in accordance with “Auditing Treatment for Calculation of Estimated Loan Losses on Capital Eligible Loans and Accounting for Conversion of Loans Held by Banks and Other Financial Institutions into Capital Eligible Loans” (The Japanese Institute of Certified Public Accountant (“JICPA”) Industry Committee Report No. 32, September 9, 2020).

For other loans, the reserve for possible loan losses is provided based on the estimated future loss amounts mainly for one year or three years, which is calculated using an estimated loss ratio obtained from the average of the actual default ratio for the past one year or three years. However, for customers in the “Road freight forwarding” industry of which financial conditions are stagnant or unstable, the estimated future loss is recorded at an amount calculated by multiplying the loan amounts by an expected loss ratio which takes into account of the increase in credit risk expected to be incurred in the future.

Assessments and classifications regarding possible loan losses are made by each business department and credit supervision department and are audited by the independent Credit Administration Department. The reserve for possible loan losses is provided based on the audit results.

For the fiscal years ended March 31, 2023 and 2024, the Bank wrote off portions of loans that were estimated to be unrecoverable from insolvent customers who were undergoing bankruptcy or other collection proceedings. The estimated unrecoverable amounts were determined after excluding estimated recoverable amounts due to the existence of security interests or guarantees. As of March 31, 2023 and 2024, the write-off of the estimated unrecoverable amounts was ¥16,548 million and ¥16,170 million (\$106,796 thousand), respectively.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are estimated and a reserve for possible loan losses is provided based on the estimation.

(5) Accrued employees’ bonuses

Accrued employees’ bonuses were recorded to pay bonuses to employees of the consolidated subsidiaries for the fiscal years ended March 31, 2023 and 2024.

(6) Accrued directors’ bonuses

Accrued directors’ bonuses were recorded to provide for the payment of bonuses to directors in an estimated payment amount attributable to the current period.

2. Significant Accounting Policies (cont'd)

(7) Accrued directors' retirement benefits

A provision is made for accrued retirement benefits of directors and corporate auditors of the consolidated subsidiaries in the amount deemed accrued at the end of the reporting period.

(8) Accrued stock compensation program for directors

A provision is made for the accrued stock compensation program for directors, etc., based on the internal regulations for the distribution of shares to directors in the amount deemed accrued at the end of the reporting period.

(9) Reserve for reimbursement of deposits

A provision is made in an amount deemed necessary for losses on future reimbursements of deposits, taking into account the Bank's estimated refund amount.

(10) Reserve for contingent liabilities

A provision is made in an estimated amount for future payments to credit guarantee associations on loan-loss burden sharing.

(11) Accounting for retirement benefits

The Bank and its consolidated subsidiaries provide risk sharing pension plans and defined contribution pension plans. The amount of required contribution was recorded as expense.

(12) Translation of foreign currencies

Foreign currency denominated assets and liabilities held by the Bank at the year end are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

(13) Recognition of revenue and expense

① Recognition of revenue and expense from finance lease transactions

Income and expenses related to finance lease transactions are recognized when lease payments are received.

② Recognition of revenue from transactions with customers

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) have been adopted, and revenues are recognized at the time of the transfer of promised goods or services to customers in an amount to which the Bank expects to be entitled in exchange for those goods or services.

The Bank and its consolidated subsidiaries recognize revenues by applying the following 5 steps:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from transactions with customers of the Bank and its consolidated subsidiaries relates mainly to transaction services for which revenue is recognized at the time the services are provided to customers. This revenue include fees and commissions for exchange services, funding transaction services, securities related services, agency services, and other banking services.

2. Significant Accounting Policies (cont'd)

(14) Derivatives and hedge accounting

Derivative financial instruments are carried at market value.

① Hedging against interest rate risk

In order to hedge against the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method stipulated in Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry (JICPA Industry Committee Report No. 24, March 17, 2022; hereinafter, the "Industry Committee Report No. 24").

The effectiveness of hedging is assessed for each identified group of hedged deposits, loans and similar items and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket. In assessing the effectiveness of cash flow hedges, the correlation between the interest rate sensitivities of the hedged items and the hedging instruments is examined.

② Hedging against foreign currency risk

The Bank applies the deferred method of hedge accounting to hedge against foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry (JICPA Industry Committee Report No. 25, October 8, 2020; hereinafter, the "Industry Committee Report No. 25"). Assessment of the effectiveness of these hedge transactions is conducted by confirming whether the notional amounts of the hedging foreign exchange swaps, etc., correspond to the hedged foreign currency denominated receivables or payables.

(15) Cash flow statements

In preparing consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(16) Income taxes

The tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(17) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective year.

The Bank's own shares held by the Directors Compensation BIP Trust and the Awagin Group Employee Shareholding Association Dedicated Trust are recorded as treasury stock in the net assets section and are deducted from the weighted average number of shares outstanding during the year for the purpose of calculating net income per share.

2. Significant Accounting Policies (cont'd)

(18) Significant accounting estimates

Items for which the amount has been recorded in the consolidated financial statements for the year ended March 31, 2024 based on accounting estimates that may affect the consolidated financial statements for the year ending March 31, 2025 are as follows:

Reserve for possible loan losses

① The amount of reserve for possible loan losses recorded in the consolidated financial statements for the years ended March 31, 2023 and 2024 were ¥18,981 million and ¥19,397 million (\$128,109 thousand), respectively.

② Information that contributes to understanding significant accounting estimates for certain identified items

(i) Calculation method

The calculation method of reserve for possible loan losses is described in Note 2. (4), "Significant Accounting Policies- Reserve for possible loan losses."

(ii) Major assumptions

Major assumptions include the "Customer's future financial outlook," determined by the evaluation of each customer's ability to generate profits individually.

In addition, in the "Road freight forwarding" industry, there are concerns of regarding further increases in costs due to rising fuel and labor costs, which might affect the business performance as well as further increases in costs due to introduction of maximum number of working hours for drivers from FY2024 onward, etc.

Accordingly, an additional reserve for possible loan losses for loans to certain customers in such industry is recorded on the assumption that these customers would have higher credit risk. The amount of additional reserve for possible loan losses as of March 31, 2024 was ¥1,106 million (\$7,304 thousand).

(iii) Effects on the consolidated financial statements for the year ending March 31, 2025

If changes in a customer's business performance or the circumstance of the "Road freight forwarding" industry are significantly different from the projections made with assumptions used in the estimates as of March 31, 2024, there may be significant effects on the reserve for possible loan losses in the consolidated financial statements for the year ending March 31, 2025.

2. Significant Accounting Policies (cont'd)

(19) Changes in accounting estimates

Change in recording method of reserve for possible loan losses

Regarding reserve for possible loan losses of the Bank, of loans other than loans to bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors, for loans to customers in certain industries such as the “Hotel” and “Restaurant” industries on which COVID-19 has had a significant effect and who meet certain conditions, estimated future loss amounts were calculated as follows.

- ① For customers whose loan terms have not been amended, the estimated future loss is recorded at an amount calculated by multiplying the loan amount by an expected loss ratio which takes into account the increase in credit risk expected to be incurred when the terms are amended.
- ② For customers whose loan terms have been amended, the estimated future loss is recorded at an amount calculated by multiplying the non-secured amount by a certain loss ratio, in addition to the estimated future loss amount based on the customer's classification.

However, the classification of “Infectious Diseases” under the “Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases” has been shifted to “Class 5 Infectious Disease” and the impact is expected to ease in industries such as “Hotel” and “Restaurant”. Accordingly, no additional provision was recorded as of March 31, 2024 and as a result, the amount of reserve for possible loan losses decreased by ¥583 million (\$3,850 thousand).

On the other hand, in the “Road freight forwarding” industry, there are concerns regarding further increases in costs due to rising fuel and labor costs, which might affect the business performance as well as further increases in costs due to introduction of maximum number of working hours for drivers from FY2024 onward, etc.

Accordingly, an additional reserve for possible loan losses for loans to certain customers in such industry is recorded on the assumption that these customers would have higher credit risk. The amount of additional reserve for possible loan losses as of March 31, 2024 was ¥1,106 million (\$7,304 thousand).

As a result, reserve for possible loan losses increased by ¥522 million (\$3,447 thousand) as of March 31, 2024 and income before income taxes decreased by ¥522 million (\$3,447 thousand) for the fiscal year ended March 31, 2024.

(20) Accounting standards and guidance not yet adopted

Following accounting standards and guidance are those issued but not yet adopted.

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

① Overview

The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

② Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

③ Effects of application of the standards and guidance

The effects of application of Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements are currently under evaluation.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

2. Significant Accounting Policies (cont'd)

(21) Additional information

Executive Compensation BIP (Board Incentive Plan) Trust

The Bank introduced a performance linked stock compensation program using a scheme referred to as the “Executive Compensation BIP (Board Incentive Plan) Trust” (the “BIP”) for directors of the Bank (excluding members of the Audit and Supervisory Committee and outside directors) and executive officers (together the “Directors, etc.”) to motivate them to contribute to the improvement of the Bank’s mid- to long-term business performance and its corporate value. Based on the resolution of the Directors’ meeting held on July 24, 2023, the Bank extended the trust period of the BIP for five years from August 31, 2023 to August 31, 2028. In addition, the Bank made an additional contribution of ¥224 million (\$1,479 thousand) and acquired 112 thousand of its own shares from the stock market.

① Overview of the transaction

Based on internal regulations for the distribution of shares, the Bank’s shares and the cash equivalent of the market value of the Bank’s shares will be delivered and paid to the Directors, etc., according to points granted based on business performance and the individual’s position among Directors, etc., at the time of retirement.

② The remaining balance of the Bank’s own stock in the trusts

- (i) The Bank records the remaining balance of the Bank’s own stock in the BIP as treasury stock in the section of net assets
- (ii) The carrying amount and the number of shares of such treasury stock as of March 31, 2023 and 2024 were ¥648 million and ¥840 million (\$5,547 thousand) and 186 thousand shares and 283 thousand shares, respectively.

3. Cash and Cash Equivalents

A reconciliation between “Cash and due from banks” in the consolidated balance sheets and “Cash and cash equivalents at end of year” in the consolidated statements of cash flows at March 31, 2023 and 2024 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and due from banks -----	¥ 482,868	¥ 402,273	\$ 2,656,845
Due from banks (excluding deposits with the Bank of Japan) -----	(26,374)	(26,141)	(172,650)
Cash and cash equivalents -----	<u>¥ 456,494</u>	<u>¥ 376,132</u>	<u>\$ 2,484,195</u>

4. Financial Instruments

(1) Overview of financial instruments

① Policy on financial instruments

The Bank and its consolidated subsidiaries (the “Group”) provide mainly banking services and other financial services, including leasing. The Group holds financial assets such as loans and securities raised by deposits. In order to effectively manage its assets and liabilities, the Bank works on asset and liability management (ALM) and conducts derivative transactions as part of this ALM.

② Descriptions and risks of financial instruments

The financial assets of the Bank consist mainly of loans to domestic customers. They are subject to credit risk arising from changes in the domestic economy and the financial status of the borrowers. The Group reduces its total credit risk by holding a well-diversified portfolio of loans and not concentrating its lending with certain customers.

Also the Bank holds securities that consist mainly of stocks, bonds and mutual funds for investment and trading purposes. They are subject to credit risk, interest rate risk and market price risk. The Group’s portfolio consists mainly of government bonds and municipal bonds, which are low risk.

The financial liabilities of the Bank consist mainly of the deposits of domestic customers, which create liquidity risk in connection with the raising of necessary funds in case of unexpected withdrawal. To manage this risk, the Group tries to maintain and improve the soundness and reliability of its assets and ensure stable cash management.

Derivative transactions include interest rate swaps, currency swaps, forward foreign exchange contracts, currency options and bond futures contracts. The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest rates, market prices and exchange rates related to assets and liabilities. These transactions are also executed in order to provide various services to customers.

For interest rate risk, the Bank applies hedge accounting based on “Industry Committee Report No. 24.” The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying hedged items such as deposits and loans and hedging instruments such as interest rate swaps by incidence and remaining period. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the interest rate fluctuation between the hedged items and the hedging instruments.

For exchange rate risk, the Bank applies hedge accounting based on “Industry Committee Report No. 25.” The Bank uses currency swaps and other methods to hedge exchange rate risk and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign currency denominated monetary assets or liabilities being hedged.

Derivative transactions are subject to market risk and credit risk, but the Bank does not engage in complicated or speculative transactions.

③ Risk management systems for financial products

The Bank and its consolidated subsidiaries manage risk as follows:

4. Financial Instruments (cont'd)

(i) Credit risk management

The Bank prescribes “Credit Risk Management Standards” and carries out its credit risk management by division, maintains an appropriate portfolio and seeks to improve on the soundness of its assets. In addition, the Bank reviews the system for credit risk management periodically and works to improve it.

The Credit Division functions independently from the Business Promotion Division to maintain and improve the soundness of assets. The Risk Management Division verifies credit ratings, conducts self assessments, administers the credit portfolio and exerts influence on the system of internal checks to branches and the Credit Division while trying to further enhance the credit rating and self-assessment.

(ii) Market risk management

(Management for interest rate risks, market price risks and foreign exchange risks)

The Bank has set its market risk policy “to take adequate market risk within the Bank’s management vitality, assess market risk accurately and execute policy and controls that corresponds to that vitality and the scale and characteristics of the business to earn a profit.” In this way, the Bank enhances its system of management and optimizes its market risk management.

The Trading Division of the Bank, in addition to maintaining the Trade Execution Section (front office), maintains the Market Risk Management Section (middle office) and the Administrative Processing Section (back office) to confirm and monitor the transactions of the Trade Execution Section, sets the tolerance levels for risk, measures profit and loss on market risks. The middle office reports these risks to the Board of Directors regularly.

The Risk Management Division, which is independent from the divisions above, monitors risk and profit and loss and reports the information to the ALM Committee regularly. The Group strives to improve risk management, in part, by discussing future measures. The Bank uses the VaR (Value at Risk) method for calculations of interest rate risk, foreign exchange risk and market price risk. For interest rate risk denominated in Japanese yen, the Bank analyzes the gaps in risk, including the deposits and loans of the entire Bank, and uses the BPV (Basis Point Value) method and present value method for detailed management.

4. Financial Instruments (cont'd)

(Quantitative information on market risk)

The Bank measures market risk based on the VaR method. The variance-covariance model is applied in the measurement (holding period: 60 business days (cross-shareholdings: 120 business days), confidence interval: 99% and historical observation period: 250 business days). The amount of market risk (estimated amount of loss) of the Group as of March 31, 2023 and 2024 was ¥68,301 million and ¥76,579 million (\$505,772 thousand), respectively.

The Bank identifies the interest rate risk sorted by an internal model for liquid deposits which have had no incoming or outgoing movement to or from the Bank for a considerable period of time as core deposits and categorizing these using maturity periods of up to 10 years.

The Bank periodically performs back-testing to compare VaR measured by the model with the hypothetical profit and loss which are assumed to have been incurred when the portfolio was fixed, as it was at the point the risk amount was measured. The bank believes that the model estimates market risk with sufficient accuracy. As VaR represents the market risk arising with a certain probability using a statistical methodology based on historical market volatilities, however, risks arising from drastic market movements beyond normal estimation may not be captured by this method.

(iii) Liquidity risk management related to fund procurement

The Bank maintains the soundness and reliability of its assets and makes daily analysis of fund procurement and asset management for the stable supply of funds and maintains a sound level of highly negotiable debt securities, such as government bonds. In addition, the Bank sets risk management policies and organizes liquidity risk management to maximize its assurance.

④ Supplementary explanation for the fair value of financial instruments

Since certain assumptions are used in the calculation of the fair value of financial instruments, the results of the calculations may vary if different assumptions are used.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

4. Financial Instruments (cont'd)

(2) Fair value of financial instruments

The following table summarizes book values, fair values and any differences between the book value and fair value as of March 31, 2023 and 2024. Stocks with no available fair market values and investments in partnerships were excluded from the table (see Note 1). Notes to “Cash” have been omitted, and notes to deposits with the Bank of Japan in “Due from banks,” “Call loans and bills purchased,” “Foreign exchange (assets and liabilities),” “Call money and bills sold” and “Payables under securities lending transactions” have been omitted since their book values approximate the fair value because of their short maturities.

	Millions of yen		
	2023		
	Book value	Fair value	Difference
(1) Due from banks (excluding deposits with the Bank of Japan)	¥ 26,374	¥ 26,259	¥ (115)
(2) Commercial paper and other debt purchased	817	817	–
(3) Securities			
Held-to-maturity debt securities	–	–	–
Available-for-sale securities	917,942	917,942	–
(4) Loans and bills discounted	2,172,312		
Reserve for possible loan losses (*1)	(18,227)		
	2,154,085	2,158,734	4,648
(5) Lease receivables and investment assets	30,057		
Reserve for lease losses (*1)	(670)		
	29,386	31,372	1,986
Total assets:	¥ 3,128,606	¥3,135,125	¥ 6,519
(1) Deposits	¥ 3,250,619	¥3,250,725	¥ 106
(2) Negotiable certificates of deposit	130,006	130,008	1
(3) Borrowed money	128,110	128,071	(38)
Total liabilities:	¥ 3,508,735	¥3,508,805	¥ 69
Derivative transactions (*2)			
Hedge accounting not applied	¥ (564)	¥ (564)	¥ –
Hedge accounting applied (*3)	(10,214)	(10,214)	–
Total derivative transactions:	¥ (10,778)	¥ (10,778)	¥ –

(*1) “General and specific reserves for loan losses related to loans and bills discounted” and “General and specific reserves for loan losses related to lease receivables and investment assets” are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.

Net claims and debts that arise from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(*3) Deferred hedging is applied mainly to interest rate swaps and other designated as hedging instruments in offsetting movement in the fair value from changes in interest rates. The “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40, March 17, 2022) is applied to these hedging relationships.

Notes to Consolidated Financial Statements
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4. Financial Instruments (cont'd)

	Millions of yen			Thousands of U.S. dollars		
	2024			2024		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Due from banks (excluding deposits with the Bank of Japan)	¥ 26,141	¥ 26,053	¥ (87)	\$ 172,650	\$ 172,069	\$ (574)
(2) Commercial paper and other debt purchased	720	720	–	4,755	4,755	–
(3) Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Available-for-sale securities	1,031,900	1,031,900	–	6,815,269	6,815,269	–
(4) Loans and bills discounted	2,342,731			15,472,762		
Reserve for possible loan losses (*1)	(18,593)			(122,799)		
	2,324,137	2,326,354	2,216	15,349,957	15,364,599	14,635
(5) Lease receivables and investment assets	32,469			214,444		
Reserve for lease losses (*1)	(731)			(4,827)		
	31,737	33,804	2,066	209,609	223,261	13,645
Total assets:	¥ 3,414,638	¥3,418,833	¥ 4,195	\$22,552,262	\$22,579,968	\$ 27,706
(1) Deposits	¥ 3,197,431	¥3,197,602	¥ 171	\$21,117,700	\$21,118,829	\$ 1,129
(2) Negotiable certificates of deposit	134,458	134,460	2	888,039	888,052	13
(3) Borrowed money	158,036	157,981	(54)	1,043,761	1,043,398	(356)
Total liabilities:	¥ 3,489,926	¥3,490,045	¥ 119	\$23,049,507	\$23,050,293	\$ 785
Derivative transactions (*2)						
Hedge accounting not applied	¥ 103	¥ 103	¥ –	\$ 680	\$ 680	\$ –
Hedge accounting applied (*3)	(9,909)	(9,909)	–	(65,444)	(65,444)	–
Total derivative transactions:	¥ (9,805)	¥ (9,805)	¥ –	\$ (64,757)	\$ (64,757)	\$ –

(*1) “General and specific reserves for loan losses related to loans and bills discounted” and “General and specific reserves for loan losses related to lease receivables and investment assets” are excluded.

(*2) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.

Net claims and debts that arise from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(*3) Deferred hedging is applied mainly to interest rate swaps and other designated as hedging instruments in offsetting movement in the fair value from changes in interest rates.

(Note 1) Stocks with no available fair market value and investments in partnerships were not included in Available-for-sale securities in “(2) Fair value of financial instruments” above. These financial instruments were as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unlisted stocks (*1)(*2)	¥ 7,899	¥ 7,934	\$ 52,400
Investments in partnerships (*3)	¥ 9,528	¥ 10,687	\$ 70,583

(*1) Unlisted stocks are not included in the disclosure of fair value in accordance with Paragraph 5 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020).

(*2) The amount of unlisted stocks impaired during the years ended March 31, 2023 and 2024 was ¥29 million and ¥39 million (\$257 thousand), respectively.

(*3) Investments in partnerships are not included in the disclosure of fair value in accordance with Paragraph 24–16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021).

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
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4. Financial Instruments (cont'd)

(Note 2) Expected collection of monetary claims and securities with maturities:

	Millions of yen					
	2023					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥416,431	¥ 25,000	¥ -	¥ -	¥ -	¥ -
Call loans and bills purchased	140,894	-	-	-	-	-
Commercial paper and other debt purchased	816	-	-	-	-	-
Securities						
Held-to-maturity debt securities	-	-	-	-	-	-
Japanese government bonds	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-
Short-term corporate bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Others	-	-	-	-	-	-
Available-for-sale securities with maturities	82,375	131,741	123,496	59,351	69,134	183,921
Japanese government bonds	18,700	23,700	8,700	10,500	19,500	64,000
Municipal bonds	19,478	44,171	31,064	19,198	14,767	41,035
Short-term corporate bonds	-	-	-	-	-	-
Corporate bonds	30,112	46,218	62,268	18,665	28,736	77,551
Others	14,083	17,651	21,463	10,987	6,130	1,335
Loans and bills discounted (*1)	416,333	419,848	355,061	266,098	255,816	396,543
Lease receivables and investment assets (*2)	8,514	12,423	6,574	1,517	499	47
Total	¥1,065,365	¥589,013	¥485,132	¥326,967	¥325,451	¥580,513

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥43,230 million and those without terms in the amount of ¥19,379 million are not included.

(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥480 million are not included. There are no monetary claims or securities without maturities.

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4. Financial Instruments (cont'd)

	Millions of yen					
	2024					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥347,425	¥ 25,000	¥ -	¥ -	¥ -	¥ -
Call loans and bills purchased	-	-	-	-	-	-
Commercial paper and other debt purchased	720	-	-	-	-	-
Securities						
Held-to-maturity debt securities	-	-	-	-	-	-
Japanese government bonds	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-
Short-term corporate bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Others	-	-	-	-	-	-
Available-for-sale securities with maturities	85,276	80,901	171,945	72,296	88,687	193,138
Japanese government bonds	13,000	5,000	40,500	7,500	24,800	70,000
Municipal bonds	26,865	36,756	23,737	13,231	16,146	43,905
Short-term corporate bonds	-	-	-	-	-	-
Corporate bonds	33,118	26,100	69,018	39,303	32,514	73,816
Others	12,292	13,044	38,690	12,260	15,226	5,417
Loans and bills discounted (*1)	445,010	452,000	417,903	269,484	289,912	406,649
Lease receivables and investment assets (*2)	8,835	13,276	7,432	1,922	469	26
Total	¥887,268	¥571,178	¥597,281	¥343,703	¥379,069	¥599,815

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
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4. Financial Instruments (cont'd)

	Thousands of U.S. dollars					
	2024					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	\$2,294,597	\$ 165,114	\$ –	\$ –	\$ –	\$ –
Call loans and bills purchased	–	–	–	–	–	–
Commercial paper and other debt purchased	4,755	–	–	–	–	–
Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Available-for-sale securities with maturities	563,212	534,317	1,135,625	477,484	585,740	1,275,596
Japanese government bonds	85,859	33,022	267,485	49,534	163,793	462,320
Municipal bonds	177,432	242,758	156,773	87,385	106,637	289,974
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	218,730	172,379	455,835	259,579	214,741	487,523
Others	81,183	86,150	255,531	80,972	100,561	35,777
Loans and bills discounted (*1)	2,939,105	2,985,271	2,760,075	1,779,829	1,914,748	2,685,747
Lease receivables and investment assets (*2)	58,351	87,682	49,085	12,694	3,097	171
Total	\$5,860,035	\$3,772,392	\$3,944,792	\$2,270,015	\$2,503,592	\$3,961,528

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥42,712 million (\$282,094 thousand) and those without terms in the amount of ¥19,058 million (\$125,870 thousand) are not included.

(*2) Lease receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥507 million (\$3,348 thousand) are not included. There are no monetary claims or securities without maturities.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
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4. Financial Instruments (cont'd)

(Note 3) Amount payable for borrowed money and other interest-bearing liabilities:

	Millions of yen					
	2023					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥ 3,107,960	¥ 121,558	¥ 18,676	¥ 867	¥ 1,556	¥ -
Negotiable certificates of deposit	130,006	-	-	-	-	-
Call money and bills sold	-	-	-	-	-	-
Payables under securities lending transactions	-	-	-	-	-	-
Borrowed money	65,373	6,261	55,260	854	143	217
Total	¥ 3,303,340	¥ 127,819	¥ 73,936	¥ 1,722	¥ 1,700	¥ 217

	Millions of yen					
	2024					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥ 3,037,623	¥ 126,918	¥ 27,231	¥ 754	¥ 4,903	¥ -
Negotiable certificates of deposit	134,458	-	-	-	-	-
Call money and bills sold	4,996	-	-	-	-	-
Payables under securities lending transactions	4,315	-	-	-	-	-
Borrowed money	40,240	58,751	58,043	688	143	169
Total	¥ 3,221,634	¥ 185,669	¥ 85,275	¥ 1,442	¥ 5,046	¥ 169

	Thousands of U.S. dollars					
	2024					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	\$ 20,062,234	\$ 838,240	\$ 179,849	\$ 4,979	\$ 32,382	\$ -
Negotiable certificates of deposit	888,039	-	-	-	-	-
Call money and bills sold	32,996	-	-	-	-	-
Payables under securities lending transactions	28,498	-	-	-	-	-
Borrowed money	265,768	388,025	383,349	4,543	944	1,116
Total	\$ 21,277,551	\$ 1,226,266	\$ 563,205	\$ 9,523	\$ 33,326	\$ 1,116

(*) Demand deposits are included in "Within 1 year."

(Note) Please refer to "19.Bonds Payable" for the scheduled repayment amounts of bonds payable after the consolidated balance sheet date.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
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4. Financial Instruments (cont'd)

(3) Fair value of financial instruments and classification by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, the fair value of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 : fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 : fair value measured using observable inputs other than Level 1.

Level 3 : fair value measured using unobservable inputs.

When multiple inputs from different levels were used in measuring fair value, the Bank and its subsidiaries classified the fair values into the level from which the lowest level of inputs were used.

① Financial instruments measured at fair value in the consolidated balance sheet

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Commercial paper and other debt purchased	¥ -	¥ -	¥ 103	¥ 103
Securities				
Available-for-sale securities				
Japanese government bonds and municipal bonds	147,591	170,687	-	318,279
Corporate bonds	-	245,380	18,448	263,829
Equity securities	108,216	-	-	108,216
Others	77,217	150,398	-	227,616
Derivative transactions (*1):				
Interest rate related	-	1,124	-	1,124
Currency related	-	7,300	-	7,300
Total assets	¥ 333,026	¥ 574,892	¥ 18,552	¥ 926,471
Derivative transactions (*1):				
Interest rate related	¥ -	¥ 1,843	¥ -	¥ 1,843
Currency related	-	17,360	-	17,360
Total liabilities	¥ -	¥ 19,204	¥ -	¥ 19,204

(*1) Derivative transactions are interest rate swaps designated as hedging instruments in offsetting market fluctuations of loans and bills discounted, etc., and deferred hedging is mainly applied. The Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No. 40, March 17, 2022) is applied to these hedging relationships.

Notes to Consolidated Financial Statements
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4. Financial Instruments (cont'd)

Millions of yen				
2024				
	Level 1	Level 2	Level 3	Total
Commercial paper and other debt purchased	¥ -	¥ -	¥ 5	¥ 5
Securities				
Available-for-sale securities				
Japanese government bonds and municipal bonds	157,058	158,531	-	315,589
Corporate bonds	-	254,055	16,742	270,798
Equity securities	163,687	-	-	163,687
Others	103,536	178,288	-	281,825
Derivative transactions (*1):				
Interest rate related	-	3,884	-	3,884
Currency related	-	8,072	-	8,072
Total assets	¥ 424,282	¥ 602,833	¥ 16,747	¥ 1,043,863
Derivative transactions (*1):				
Interest rate related	¥ -	¥ 404	¥ -	¥ 404
Currency related	-	21,358	-	21,358
Total liabilities	¥ -	¥ 21,763	¥ -	¥ 21,763

Notes to Consolidated Financial Statements
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4. Financial Instruments (cont'd)

	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Commercial paper and other debt purchased	\$ -	\$ -	\$ 33	\$ 33
Securities				
Available-for-sale securities				
Japanese government bonds and municipal bonds	1,037,302	1,047,031	-	2,084,333
Corporate bonds	-	1,677,927	110,573	1,788,508
Equity securities	1,081,084	-	-	1,081,084
Others	683,812	1,177,517	-	1,861,336
Derivative transactions (*1):				
Interest rate related	-	25,652	-	25,652
Currency related	-	53,312	-	53,312
Total assets	<u>\$ 2,802,205</u>	<u>\$ 3,981,460</u>	<u>\$ 110,606</u>	<u>\$ 6,894,280</u>
Derivative transactions (*1):				
Interest rate related	\$ -	\$ 2,668	\$ -	\$ 2,668
Currency related	-	141,060	-	141,060
Total liabilities	<u>\$ -</u>	<u>\$ 143,735</u>	<u>\$ -</u>	<u>\$ 143,735</u>

(*1) Derivative transactions are interest rate swaps designated as hedging instruments in offsetting market fluctuations of loans and bills discounted, etc., and deferred hedging is mainly applied.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
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4. Financial Instruments (cont'd)

② Financial instruments other than those measured at fair value in the consolidated balance sheet

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Due from banks (excluding deposits with the Bank of Japan)	¥ -	¥ 26,259	¥ -	¥ 26,259
Commercial paper and other debt purchased	-	-	713	713
Loans and bills discounted	-	-	2,158,734	2,158,734
Lease receivables and investment assets	-	-	31,372	31,372
Total assets	¥ -	¥ 26,259	¥ 2,190,820	¥ 2,217,079
Deposits	¥ -	¥ 3,250,725	¥ -	¥ 3,250,725
Negotiable certificates of deposit	-	130,008	-	130,008
Borrowed money	-	114,558	13,512	128,071
Total liabilities	¥ -	¥ 3,495,292	¥ 13,512	¥ 3,508,805

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

4. Financial Instruments (cont'd)

Millions of yen				
2024				
	Level 1	Level 2	Level 3	Total
Due from banks (excluding deposits with the Bank of Japan)	¥ -	¥ 26,053	¥ -	¥ 26,053
Commercial paper and other debt purchased	-	-	715	715
Loans and bills discounted	-	-	2,326,354	2,326,354
Lease receivables and investment assets	-	-	33,804	33,804
Total assets	¥ -	¥ 26,053	¥ 2,360,874	¥ 2,386,927
Deposits	¥ -	¥ 3,197,602	¥ -	¥ 3,197,602
Negotiable certificates of deposit	-	134,460	-	134,460
Borrowed money	-	144,336	13,645	157,981
Total liabilities	¥ -	¥ 3,476,400	¥ 13,645	¥ 3,490,045

Thousands of U.S. dollars				
2024				
	Level 1	Level 2	Level 3	Total
Due from banks (excluding deposits the Bank of Japan)	\$ -	\$ 172,069	\$ -	\$ 172,069
Commercial paper and other debt purchased	-	-	4,722	4,722
Loans and bills discounted	-	-	15,364,599	15,364,599
Lease receivables and investment assets	-	-	223,261	223,261
Total assets	\$ -	\$ 172,069	\$ 15,592,589	\$ 15,764,658
Deposits	\$ -	\$ 21,118,829	\$ -	\$ 21,118,829
Negotiable certificates of deposit	-	888,052	-	888,052
Borrowed money	-	953,279	90,119	1,043,398
Total liabilities	\$ -	\$ 22,960,174	\$ 90,119	\$ 23,050,293

4. Financial Instruments (cont'd)

(Note 1) Valuation techniques and inputs used in measuring fair value

Assets

Due from banks (excluding deposits with the Bank of Japan)

The fair value of due from banks (excluding deposits with the Bank of Japan) with no maturity or short contractual terms (within 1 year) is considered to be the book value because the fair value approximates the book value. Those with maturities and long contractual terms (over 1 year) are deposits with embedded derivatives, and their fair values are based on values provided by financial institutions using observable inputs such as interest rates and implied volatilities. The fair value is categorized as Level 2.

Commercial paper and other debt purchased

The fair value of trust beneficial rights in other debt purchased is based on the price quoted for corresponding securities. For factoring, these transactions have short contractual terms (within 1 year). Therefore, the fair value is considered to be the book value because the fair value of these items approximates the book value. The fair value is categorized as Level 3.

Securities

When quoted unadjusted prices in active markets are available, fair values are categorized as Level 1. This includes mainly listed equity securities and Japanese government bonds.

When quoted prices are available but not considered to be in active markets, fair values are categorized as Level 2. This includes mainly municipal bonds, corporate bonds and other securities. For mutual funds for which no quoted market prices exist, net asset value is used as fair value if there are no significant constraints that would require risk compensation from market participants with respect to cancellation or repurchase request, and the fair value is categorized as Level 2.

When quoted market prices are not available, fair values are determined by using valuation techniques such as the discounted present value method of future cash flows. The valuation is based on the maximum use of observable inputs, which are TIBOR, swap rates, etc. Of corporate bonds, the inputs for bank-guaranteed private placed bonds include credit spreads, with interest rates assumed for similar new underwritings of the total amount of principal and interest for each category based on the issuer's internal rating and term. The fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts. When significant unobservable inputs are used for valuation, the fair value is categorized as Level 3.

Loans and bills discounted

The fair value of loans and bills discounted with floating interest rates is considered to be equal to the book value since the rate reflects the market rate in a short period and the fair value of these items approximates the book value, unless the creditworthiness of the borrower changes significantly from the inception date. The fair value of loans and bills discounted with a fixed rate is calculated as the present value, discounting future cash flow at credit spread with a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts. The fair value of loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed to be the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions. The fair value is categorized as Level 3.

4. Financial Instruments (cont'd)

Lease receivables and investment assets

The fair value of lease receivables and investment assets takes into consideration the loan loss ratio of each category of borrower and the discounted market interest rate on the consolidated balance sheet date. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts. The fair value is categorized as Level 3.

Liabilities

Deposits and negotiable certificates of deposit

The fair value of demand deposits is considered to be the payable amount as of the consolidated balance sheet date (the book value). The fair value of floating interest rate deposits, time deposits (matured), nonresident Japanese yen deposits and foreign currency time deposits is considered less important and is expected to approximate the book value. The fair value of fixed-term deposits and negotiable certificates of deposit is calculated as the present value, discounting the future cash flow at a rate that reflects when the Bank received the new deposit. The fair value of deposits with short terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value. The fair value is categorized as Level 2.

Borrowed money

The fair value of borrowed money with floating interest rates is considered to be the book value since the rate reflects the market rate in a short period and the fair value of these items approximate the book value, unless the creditworthiness of the Bank and its consolidated subsidiaries changes significantly from the inception date. The fair value of borrowed money with short contractual terms (within 1 year) is considered to be the book value because the fair value of these items approximates the book value. The fair value is categorized as Level 2.

The fair value of borrowed money with a fixed rate is calculated as the present value by discounting the total amount of principal and interest at an interest rate for similar new loans. The fair value is categorized as Level 3.

Derivative Transactions

Derivative transactions for which unadjusted quoted market prices in active markets are available are categorized as Level 1. This mainly includes bond futures contracts and interest rate futures contracts.

However, since most derivative transactions are over-the-counter transactions and there are no published quoted market prices, fair values are calculated using valuation techniques such as the discounted present value method or the Black-Scholes model, depending on the type of transaction and the period to maturity. The main inputs used in these valuation techniques are interest rates, exchange rates, volatility, etc. When unobservable inputs are not used or when they are used but their effect is not material, the fair values are categorized as Level 2. This includes Plain Vanilla interest rate swaps, currency swaps, currency options, and foreign exchange forward contracts.

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4. Financial Instruments (cont'd)

(Note 2) Description of the fair value of Level 3 financial instruments carried on the consolidated balance sheet at fair value

① Quantitative information on significant unobservable inputs

2023				
Category	Valuation methodology	Significant unobservable inputs	Input range	Weighted average of inputs
Securities				
Available-for-sale securities				
Corporate bonds	Discounted present value technique	Credit spread	0.059% – 5.997%	0.828%
2024				
Category	Valuation methodology	Significant unobservable inputs	Input range	Weighted average of inputs
Securities				
Available-for-sale securities				
Corporate bonds	Discounted present value technique	Credit spread	0.160% – 4.533%	0.657%

② Reconciliation from the beginning balance to the ending balance, valuation gains (losses) recognized for the period

Millions of yen																
2023																
		Income (expenses) or other comprehensive income						Net of purchases, sales, issuance and settlement	Reclassification to Level 3 fair value		Reclassification from Level 3 fair value		Ending balance	Valuation gains (losses) on financial assets and liabilities (*1)		
		Beginning balance	Recorded in income (expenses) (*1)	Recorded in other comprehensive income (*2)												
Commercial paper and other debt purchased	¥	201	¥	–	¥	(0)	¥	(97)	¥	–	¥	–	¥	103	¥	–
Securities																
Available-for-sale securities																
Corporate bonds		18,912		(18)		127		(572)		–		–		18,448		–

(*1) The valuation gains (losses) are included in “other operating income” and “other operating expenses” in the consolidated income statements.

(*2) The valuation gains (losses) are included in “net unrealized holding gains (losses) on securities” in the consolidated statements of comprehensive income.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2024

4. Financial Instruments (cont'd)

Millions of yen													
2024													
	Beginning balance	Income (expenses) or other comprehensive income				Net of purchases, sales, issuance and settlement	Reclassification to Level 3 fair value	Reclassification from Level 3 fair value	Ending balance	Valuation gains (losses) on financial assets and liabilities (*1)			
		Recorded in income (expenses) (*1)	Recorded in other comprehensive income (*2)										
Commercial paper and other debt purchased	¥ 103	¥ -	¥ (0)	¥ (97)	¥ -	¥ -	¥ 5	¥ -					
Securities Available-for-sale securities													
Corporate bonds	18,448	21	42	(1,770)	-	-	16,742	-					
Thousands of U.S. dollars													
2024													
	Beginning balance	Income (expenses) or other comprehensive income				Net of purchases, sales, issuance and settlement	Reclassification to Level 3 fair value	Reclassification from Level 3 fair value	Ending balance	Valuation gains (losses) on financial assets and liabilities (*1)			
		Recorded in income (expenses) (*1)	Recorded in other comprehensive income (*2)										
Commercial paper and other debt purchased	\$ 680	\$ -	\$ (0)	\$ (640)	\$ -	\$ -	\$ 33	\$ -					
Securities Available-for-sale securities													
Corporate bonds	121,841	138	277	(11,690)	-	-	110,573	-					

(*1) The valuation gains are included in “other operating income” in the consolidated income statements.

(*2) The valuation gains (losses) are included in “net unrealized holding gains (losses) on securities” in the consolidated statements of comprehensive income.

③ Description of the fair value valuation process

The Group has established policies and procedures for the calculation of fair value in the risk management division, and each trading division calculates fair value in accordance with these policies and procedures. The Group verifies the validity of the valuation techniques and inputs used to calculate fair value and the appropriateness of the level classification of the fair value in the valuation division.

In calculating fair value, the Group uses valuation models that most appropriately reflect the nature, characteristics, and risks of individual assets. When the Group uses quoted prices obtained from third parties, the Group also verifies the appropriateness of the prices by confirming the valuation techniques and inputs used, comparing them with the market prices of similar financial instruments, and by other appropriate methods.

4. Financial Instruments (cont'd)

④ Description of the effect on fair value when significant unobservable inputs are changed

The most significant unobservable input used in the calculation of the fair value of bank-guaranteed private placements of bonds is the credit spread. A significant increase (decrease) in this input, by itself, will result in a significant decrease (increase) in the fair value.

5. Securities

Unsecured securities that have been loaned and that allow the borrowers to sell the borrowed securities amounted to ¥52,863 million and ¥64,560 million (\$426,391 thousand) as of March 31, 2023 and 2024, respectively, and are included in Japanese government bonds in Securities.

(1) Acquisition costs, book values and fair values of securities with market values

The following tables summarize acquisition costs, book values and fair values of securities with market values as of March 31, 2023 and 2024. The amounts in the following tables include trust beneficiary interests in commercial paper and other debt purchased as well as securities.

① Trading securities for the years ended March 31, 2023 and 2024:

Not applicable.

② Held-to-maturity debt securities for the years ended March 31, 2023 and 2024:

Not applicable.

Notes to Consolidated Financial Statements
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5. Securities (cont'd)

③ Available-for-sale securities:

※ Book value exceeded acquisition cost.

Millions of yen				
2023				
	Book (fair) value	Acquisition Cost	Difference	
Equity securities -----	¥ 103,147	¥ 40,574	¥	62,572
Bonds:				
Japanese government bonds -	98,061	94,321		3,740
Municipal bonds -----	70,904	69,675		1,228
Corporate bonds -----	89,341	88,288		1,052
Other -----	101,340	91,191		10,149
Total -----	¥ 462,795	¥ 384,052	¥	78,743

※ Book value did not exceed acquisition cost.

Equity securities -----	¥ 5,069	¥ 5,748	¥	(678)
Bonds:				
Japanese government bonds -	49,530	51,797		(2,267)
Municipal bonds -----	99,783	101,580		(1,797)
Corporate bonds -----	174,488	179,065		(4,577)
Other -----	126,379	133,342		(6,963)
Total -----	¥ 455,250	¥ 471,533	¥	(16,283)
Grand total -----	¥ 918,046	¥ 855,585	¥	62,460

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5. Securities (cont'd)

※ Book value exceeded acquisition cost.

Millions of yen			
2024			
	Book (fair) value	Acquisition cost	Difference
Equity securities -----	¥ 161,945	¥ 49,302	¥ 112,642
Bonds:			
Japanese government bonds -	55,045	53,194	1,850
Municipal bonds -----	29,465	28,997	467
Corporate bonds -----	52,313	51,718	595
Other -----	177,096	146,424	30,671
Total -----	<u>¥ 475,866</u>	<u>¥ 329,637</u>	<u>¥ 146,228</u>

※ Book value did not exceed acquisition cost.

Equity securities -----	¥ 1,742	¥ 1,905	¥ (163)
Bonds:			
Japanese government bonds -	102,012	108,345	(6,332)
Municipal bonds -----	129,066	132,197	(3,131)
Corporate bonds -----	218,484	224,633	(6,148)
Other -----	104,733	109,371	(4,637)
Total -----	<u>¥ 556,039</u>	<u>¥ 576,453</u>	<u>¥ (20,414)</u>
Grand total -----	<u>¥ 1,031,905</u>	<u>¥ 906,091</u>	<u>¥ 125,814</u>

Notes to Consolidated Financial Statements
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5. Securities (cont'd)

※ Book value exceeded acquisition cost.

Thousands of U.S. dollars			
2024			
	Book (fair) value	Acquisition cost	Difference
Equity securities -----	\$ 1,069,579	\$ 325,619	\$ 743,953
Bonds:			
Japanese government bonds --	363,549	351,324	12,218
Municipal bonds -----	194,604	191,513	3,084
Corporate bonds -----	345,505	341,575	3,929
Other -----	1,169,645	967,069	202,569
Total -----	<u>\$ 3,142,896</u>	<u>\$ 2,177,115</u>	<u>\$ 965,775</u>

※ Book value did not exceed acquisition cost.

Equity securities -----	\$ 11,505	\$ 12,581	\$ (1,076)
Bonds:			
Japanese government bonds --	673,746	715,573	(41,820)
Municipal bonds -----	852,427	873,106	(20,678)
Corporate bonds -----	1,442,995	1,483,607	(40,604)
Other -----	691,717	722,349	(30,625)
Total -----	<u>\$ 3,672,406</u>	<u>\$ 3,807,232</u>	<u>\$ (134,825)</u>
Grand total -----	<u>\$ 6,815,302</u>	<u>\$ 5,984,353</u>	<u>\$ 830,949</u>

④ Held-to-maturity debt securities sold for the years ended March 31, 2023 and 2024:

Not applicable.

Notes to Consolidated Financial Statements
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5. Securities (cont'd)

⑤ Available-for-sale securities sold in the years ended March 31, 2023 and 2024:

Millions of yen			
2023			
	Amount sold	Gains	Losses
Equity securities -----	¥ 29,508	¥ 14,079	¥ 161
Bonds:			
Japanese government bonds --	49,563	599	1,638
Municipal bonds -----	17,606	0	400
Corporate bonds-----	13,593	44	309
Other -----	184,237	1,207	16,879
Total -----	¥ 294,509	¥ 15,931	¥ 19,388

Millions of yen			
2024			
	Amount sold	Gains	Losses
Equity securities -----	¥ 3,021	¥ 1,306	¥ 154
Bonds:			
Japanese government bonds -	83,061	1,176	170
Municipal bonds -----	20,007	10	420
Corporate bonds-----	33,911	68	306
Other -----	17,904	1,616	608
Total -----	¥ 157,905	¥ 4,178	¥ 1,660

Thousands of U.S. dollars			
2024			
	Amount sold	Gains	Losses
Equity securities -----	\$ 19,952	\$ 8,625	\$ 1,017
Bonds:			
Japanese government bonds -	548,583	7,766	1,122
Municipal bonds -----	132,137	66	2,773
Corporate bonds-----	223,968	449	2,021
Other -----	118,248	10,673	4,015
Total -----	\$ 1,042,896	\$ 27,593	\$ 10,963

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
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5. Securities (cont'd)

⑥ Securities reclassified for the years ended March 31, 2023 and 2024:

Not applicable.

⑦ Available-for-sale securities with market values are considered impaired if the market value decreases materially below the acquisition cost and the decline is not considered recoverable. The market value is used for the balance sheet amount, and the amount of write-down is accounted for as an impairment loss for the fiscal year. Impairment loss for the fiscal year ended March 31, 2023 was ¥39 million, including ¥18 million of equity securities and ¥21 million of corporate bonds. Impairment loss for the fiscal year ended March 31, 2024 was ¥198 million (\$1,307 thousand), including ¥198 million (\$1,307 thousand) of equity securities.

The market value is deemed to have decreased materially when it has fallen by 50% or more from the acquisition cost. In such cases, impairment accounting is applied uniformly. In cases in which the market value has fallen by 30% or more but less than 50%, historical price trends over a specific period and the recent business performance of the issuing company are taken into account to determine whether or not the acquisition cost can be recovered. Securities whose acquisition costs are deemed not to be recoverable are written down to the current market value.

(2) Net unrealized holding gains on securities stated at market value

Net unrealized holding gains on securities stated at market value at March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Available-for-sale securities -----	¥ 62,626	¥ 125,872	\$ 831,332
Deferred tax liabilities -----	(18,894)	(38,018)	(251,093)
Net unrealized holding gains on securities (before adjustment for noncontrolling interests)-----	43,731	87,853	580,232
Noncontrolling interests-----	(1,329)	(1,329)	(8,777)
Net unrealized holding gains on securities ---	¥ 42,401	¥ 86,523	\$ 571,448

(*) Net unrealized holding gains for the years ended March 31, 2023 and 2024 included net unrealized gains of ¥165 million and ¥57 million (\$376 thousand), respectively, on available-for sales securities which are components of partnerships, etc.

(3) Guarantee obligations for privately placed bonds

At March 31, 2023 and 2024, the amount of guarantee obligations for privately placed bonds (Securities and Exchange Law, Article 2, Item 3) included in corporate bonds amounted to ¥18,626 million and ¥16,856 million (\$111,326 thousand), respectively.

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6. Loans and Bills Discounted

Claims under the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions are those recorded in the following accounts in the consolidated balance sheets: the corporate bonds in “securities” (limited to those for which redemption of the principal and payment of interest is guaranteed in whole or in part and for which the bonds were issued through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), “loans and bills discounted,” “foreign exchange,” accrued interest and suspense payments in “other assets,” “customers’ liabilities for acceptances and guarantees,” and “lease receivables and investment assets,” and those securities as noted as securities on loan (limited to those under a loan-for-use or a lease agreement).

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Legal bankruptcy and de facto bankruptcy ---	¥ 16,163	¥ 18,563	\$ 122,600
Bankruptcy risk-----	27,815	24,952	164,797
Loans past due three months or more-----	1,491	807	5,329
Restructured loans -----	5,303	4,720	31,173
Total -----	¥ 50,773	¥ 49,043	\$ 323,908

“Legal bankruptcy and de facto bankruptcy” are claims against borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings, the commencement or petition for commencement of rehabilitation proceedings and claims equivalent thereto.

“Bankruptcy risk” are loans to borrowers who are not currently in bankruptcy but are in difficult financial situations and with a high possibility that the principal and interest cannot be collected according to the contract, excluding “legal bankruptcy and de facto bankruptcy.”

“Loans past due three months or more” are loans for which the payment of the principal and/or interest is past due three months or more from the day following the contractual payment date, excluding “legal bankruptcy and de facto bankruptcy” and “bankruptcy risk.”

“Restructured loans” are loans for which the Bank has relaxed its lending conditions for borrowers in financial difficulties, such as by a reduction of the original interest rate, the forbearance of interest payments, the granting of a maturity date extension and/or the renunciation of claims in order to support the borrower’s financial recovery or restructuring. These loans exclude those in “legal bankruptcy and de facto bankruptcy,” “bankruptcy risk” and “loans past due three months or more.”

The above claim amounts are before deducting any reserve for possible loan losses.

7. Commercial Bills

Discounts of commercial bills are accounted for as financing transactions as stipulated in Industry Committee Report No. 24. The Bank has rights to use commercial bills discounted or foreign exchange purchased in the form of sale or use as (re)collateral. The total face value of commercial bills obtained as a result of discounting was ¥7,035 million and ¥7,818 million (\$51,634 thousand) at March 31, 2023 and 2024, respectively.

8. Commitment Lines

Loan agreements and commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to a certain limit agreed to in advance. The Bank and its consolidated subsidiaries lend the funds upon the request of the borrower to draw down funds under the agreement as long as there is no breach of the various terms and conditions stipulated in the agreement. The unused commitment balances related to these agreements at March 31, 2023 and 2024 amounted to ¥368,311 million and ¥383,343 million (\$2,531,820 thousand), respectively. Of these amounts, ¥356,570 million and ¥373,172 million (\$2,464,645 thousand), respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement expires without the loan ever being drawn down. In these cases, the unused loan commitment does not necessarily affect future cash flows. Conditions are also included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan drawdown or to reduce the agreed to limit when there is a reason such as a change in financial circumstances or necessity of credit risk management.

The Bank and its consolidated subsidiaries take various measures to manage credit risk. Such measures include having the obligor pledge collateral such as real estate or securities on signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

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9. Assets Pledged

At March 31, 2023 and 2024, assets and future receipts pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Securities -----	¥ 134,231	¥ 179,631	\$ 1,186,387

The above pledged amounts secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deposits -----	¥ 12,476	¥ 6,641	\$ 43,861
Payables under securities lending transactions -----	—	4,315	28,498
Borrowed money -----	112,800	142,600	941,813

At March 31, 2023 and 2024, certain investment securities amounting to ¥1,593 million and ¥1,391 million (\$9,186 thousand), respectively, and other assets of ¥20,042 million including deposits with the central counterparty of ¥20,000 million and other of ¥42 million and other assets of ¥20,042 million (\$132,369 thousand) including deposits with the central counterparty of ¥20,000 million (\$132,091 thousand) and other of ¥42 million (\$277 thousand), respectively, were pledged as collateral for exchange settlement and handling and others of government funds or in substitution for clearing margins on futures and others.

At March 31, 2023 and 2024, other assets included cash collateral paid for financial instruments of ¥8,510 million and ¥9,668 million (\$63,853 thousand), respectively, and guarantee deposits of ¥292 million and ¥288 million (\$1,902 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2023 and 2024 amounted to ¥33,225 million and ¥32,013 million (\$211,432 thousand), respectively. Accumulated capital gains that directly offset acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2023 and 2024 amounted to ¥696 million and ¥673 million (\$4,444 thousand), respectively. No such offset was newly recorded for the years ended March 31, 2023 and 2024.

11. Land Revaluation Account

In accordance with the Land Revaluation Law, the Bank revalued land used in the ordinary course of business as of March 31, 1999. The revaluation excess, net of deferred taxes, is shown as land revaluation account, a separate component of shareholders' equity. At March 31, 2023 and 2024, the market values of the revalued land decreased from the revalued amount by ¥6,967 million and ¥6,713 million (\$44,336 thousand), respectively.

12. Other Assets

As of March 31, 2023 and 2024, other assets included receivables from contracts with customers of ¥452 million and ¥540 million (\$3,566 thousand), respectively.

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13. General and Administrative Expenses

For the years ended March 31, 2023 and 2024, general and administrative expenses included salaries and allowances of ¥9,420 million and ¥9,772 million (\$64,539 thousand), respectively, depreciation expenses of ¥3,062 million and ¥3,294 million (\$21,755 thousand), respectively, and outsourcing expenses of ¥3,668 million and ¥3,721 million (\$24,575 thousand), respectively.

14. Other Income

For the years ended March 31, 2023 and 2024, other income included gain on sale of securities of ¥15,283 million and ¥2,802 million (\$18,506 thousand), respectively.

15. Other Expenses

(1) Loss on loans and securities

For the years ended March 31, 2023 and 2024, other expenses included loans written off of ¥18 million and ¥11 million (\$72 thousand), respectively, losses on the sale of securities of ¥161 million and ¥636 million (\$4,200 thousand), respectively, and securities written off of ¥48 million and ¥237 million (\$1,565 thousand), respectively.

(2) Impairment loss

For the year ended March 31, 2023, the Bank reduced the book value of business use assets whose operating cash flows had decreased and real estate values had declined and assets that were to be disposed of due to relocation and rebuilding to the recoverable amounts and recognized impairment loss of ¥701 million.

					Impairment loss	
					Millions of yen	
					2023	
Operating assets	Tokushima area	Branches and others	9 locations	Land and buildings	¥	671
				(Land)		565
				(Buildings)		106
Idle assets	Other area Tokushima area	Branch Idle assets	1 location 4 locations	Buildings		23
				Land		6
Total				Land and buildings	¥	701
				(Land)		572
				(Buildings)		129

The Bank allocates its assets to each branch (or group of branches if the management is in a group), which is the smallest unit of an asset group, and the consolidated subsidiaries regard each entity as a unit in a group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on Real Estate Appraisal Standards less the expected disposal cost or zero for assets to be disposed of due to relocation or rebuilding.

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15. Other Expenses (cont'd)

(2) Impairment loss (cont'd)

For the year ended March 31, 2024, the Bank reduced the book value of business use assets whose operating cash flows had decreased and real estate values had declined and assets that were to be disposed of due to relocation and rebuilding to the recoverable amounts and recognized impairment loss of ¥553 million (\$3,652 thousand).

	Area	Purpose of use	Type	Impairment loss	
				Millions of yen	Thousands of U.S. dollars
				2024	
Operating assets	Tokushima area	Branches and others	14 locations Land and buildings (Land) (Buildings)	¥ 539	\$ 3,559
				266	1,756
				272	1,796
Idle assets	Tokushima area	Idle assets	3 locations Land	14	92
Total				¥ 553	\$ 3,652
				¥ 281	\$ 1,855
				272	1,796

The Bank allocates its assets to each branch (or group of branches if the management is in a group), which is the smallest unit of an asset group, and the consolidated subsidiaries regard each entity as a unit in a group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on Real Estate Appraisal Standards less the expected disposal cost or zero for assets to be disposed of due to relocation or rebuilding.

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16. Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year -----	¥ (26,395)	¥ 65,548	\$ 432,917
Reclassification adjustments -----	3,517	(2,303)	(15,210)
Subtotal, before tax -----	(22,878)	63,245	417,706
Tax (expense) benefit -----	6,905	(19,123)	(126,299)
Subtotal, net of tax -----	(15,973)	44,121	291,400
Net deferred gains (losses) on derivatives under hedge accounting			
Increase (decrease) during the year -----	(6,762)	(2,926)	(19,325)
Reclassification adjustments -----	6,370	6,849	45,234
Subtotal, before tax -----	(392)	3,922	25,903
Tax (expense) benefit -----	119	(1,194)	(7,885)
Subtotal, net of tax -----	(272)	2,727	18,010
Total other comprehensive income -----	¥ (16,245)	¥ 46,849	\$ 309,418

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17. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, including corporation tax, inhabitants tax and enterprise tax.

A reconciliation of the statutory tax rate and effective tax rate for the years ended March 31, 2023 and 2024 was not disclosed because the difference between the statutory tax rate and effective tax rate was less than 5% of the statutory tax rate.

Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred tax assets:			
Excess reserve for possible loan losses -----	¥ 9,909	¥ 9,748	\$ 64,381
Excess depreciation -----	756	710	4,689
Tax loss carryforwards -----	4	9	59
Net deferred gains (losses) on derivatives under hedge accounting -----	130	-	-
Others -----	2,057	2,565	16,940
Valuation allowance -----	(2,958)	(3,049)	(20,137)
Total deferred tax assets -----	9,900	9,984	65,940
Deferred tax liabilities:			
Deferred gains on real property -----	(245)	(245)	(1,618)
Unrealized gains on securities -----	(18,894)	(38,018)	(251,093)
Net deferred gains (losses) on derivatives under hedge accounting -----	-	(1,064)	(7,027)
Others -----	(1)	(1)	(6)
Total deferred tax liabilities -----	(19,142)	(39,329)	(259,751)
Net deferred tax liabilities -----	¥ (9,241)	¥ (29,345)	\$ (193,811)

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18. Acceptances and Guarantees

All commitments and contingent liabilities arising in connection with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees" in Liabilities in the Consolidated Balance Sheets. A contra account, "Customers' liabilities for acceptances and guarantees," representing the Bank's right of indemnity from customers is shown in Assets.

19. Bonds Payable

Bonds payable at March 31, 2023 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2023	2024	U.S. dollars
Unsecured bonds(The Awagin Lease Company Limited)-----	¥ -	¥ 487	\$ 3,216
payable within 1 year-----	¥ -	¥ 50	\$ 330

The following is a summary of aggregate annual maturities of bonds payable within 5 years at March 31, 2024.

Year ending March 31:	Millions of yen	Thousands of
		U.S. dollars
2025-----	¥ 50	\$ 330
2026-----	50	330
2027-----	50	330
2028-----	50	330
2029-----	50	330

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20. Borrowed Money

Borrowed money at March 31, 2023 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Borrowings from banks and others(*)-----	¥ 128,110	¥ 158,036	\$ 1,043,761
Lease obligations (payable within 1 year)-----	¥ 57	¥ 55	\$ 363
Lease obligations (excluding those payable within 1 year)---	¥ 45	¥ 45	\$ 297

(Lease obligations are included in other liabilities.)

(*)The average interest rate applicable to the total balance of borrowed money as of March 31, 2024 is 0.04%.

The following is a summary of aggregate annual maturities of borrowings from banks and others and lease obligations within 5 years at March 31, 2024.

•Borrowings from banks and others:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2025-----	¥ 40,240	\$ 265,768
2026-----	3,528	23,300
2027-----	55,222	364,718
2028-----	56,945	376,098
2029-----	1,098	7,251

•Lease obligations:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2025-----	¥ 55	\$ 363
2026-----	25	165
2027-----	12	79
2028-----	5	33
2029-----	1	6

21. Employees' Severance and Retirement Benefits

(1) Overview of retirement benefit plan

The Bank and its consolidated subsidiaries apply risk sharing pension plans and defined contribution pension plans as their defined contribution plans.

Previously, the Bank and its consolidated subsidiaries applied funded contributory pension plans and lump-sum payment plans as their defined benefit plans as well as defined contribution pension plans. Of these defined benefit plans, the defined benefit pension plans have been transferred to risk sharing pension plans which are classified as defined contribution plans stipulated in Paragraph 4 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, December 16, 2016) on April 1, 2021. In addition, the retirement benefit trust established by the Bank has been cancelled on the same day.

Risk sharing pension plans are designed to maintain the financial balance of the pensions, because in addition to the standard contribution equivalent, a risk-taking contribution equivalent is stipulated in advance in the policies so that the amount of benefits increases or decreases according to the financial status of the risk sharing pension plan in each consolidated fiscal year.

(2) Defined benefit plans

Not applicable.

(3) Defined contribution plans

(i) The amount of retirement benefit expenses related to the defined contribution plans

The amount of required contribution to the defined contribution plans was ¥839 million and ¥841 million (\$5,554 thousand) as of March 31, 2023 and 2024, respectively.

(ii) Matters related to the amount of risk-taking contribution equivalent

The amount of risk-taking contribution equivalent required from the fiscal year ending March 31, 2025 and after is nil.

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22. Derivative Transactions

The Bank enters into various derivative contracts, including swaps, options, forwards and futures, that cover interest rates, foreign currencies and stocks and bonds in order to meet customers' needs and manage the risks of market fluctuations related to the assets, liabilities and interest rates of the Bank and its consolidated subsidiaries. In connection with these transactions, the Bank has established procedures and controls to minimize market and credit risk, including limits on transaction levels, hedging exposed positions, daily reporting to management and the outside review of trading department activities. At March 31, 2023 and 2024, outstanding derivatives were as follows:

Currency and foreign exchange transactions:

Millions of yen				
2023				
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Currency swaps	¥ 48,230	¥ 38,030	¥ (576)	¥ (568)
Forward exchange contracts				
Sell -----	49,275	27,015	(5,250)	(5,250)
Buy -----	57,421	27,024	5,262	5,262
Currency options				
Sell -----	14,806	—	(214)	(79)
Buy -----	14,806	—	214	106

Millions of yen					Thousands of U.S. dollars
2024					2024
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Currency swaps	¥ 24,002	¥ 22,947	¥ —	¥ —	\$ —
Forward exchange contracts					
Sell -----	68,745	35,199	(7,244)	(7,244)	(47,843)
Buy -----	44,552	35,559	7,348	7,348	48,530
Currency options					
Sell -----	18,541	—	(209)	(111)	(733)
Buy -----	18,541	—	209	108	713

The above transactions were recorded at fair values, and recognized gains and losses were included in the consolidated statements of income.

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23. Revenue Recognition

(1) Breakdown of revenue from contracts with customers

Millions of yen							
2023							
Reportable segment							
	Commercial banking	Leasing	Total	Adjustments	Consolidated total		
Service revenues	¥ 8,166	¥ -	¥ 8,166	¥ -	¥ 8,166		
Deposit services	997	-	997	-	997		
Exchange services	1,309	-	1,309	-	1,309		
Securities related services	1,777	-	1,777	-	1,777		
Agency services	1,600	-	1,600	-	1,600		
Others	2,482	-	2,482	-	2,482		
Ordinary income arising from contracts with customers	¥ 8,166	¥ -	¥ 8,166	¥ -	¥ 8,166		
Other ordinary income	¥ 64,657	¥ 15,257	¥ 79,915	¥ -	¥ 79,915		
Ordinary income from external customers	¥ 72,824	¥ 15,257	¥ 88,081	¥ -	¥ 88,081		

Millions of yen							
2024							
Reportable segment							
	Commercial banking	Leasing	Total	Adjustments	Consolidated total		
Service revenues	¥ 8,657	¥ -	¥ 8,657	¥ -	¥ 8,657		
Deposit services	1,001	-	1,001	-	1,001		
Exchange services	1,359	-	1,359	-	1,359		
Securities related services	2,359	-	2,359	-	2,359		
Agency services	1,288	-	1,288	-	1,288		
Others	2,648	-	2,648	-	2,648		
Ordinary income arising from contracts with customers	¥ 8,657	¥ -	¥ 8,657	¥ -	¥ 8,657		
Other ordinary income	¥ 51,380	¥ 16,069	¥ 67,449	¥ -	¥ 67,449		
Ordinary income from external customers	¥ 60,037	¥ 16,069	¥ 76,107	¥ -	¥ 76,107		

Thousands of U.S. dollars							
2024							
Reportable segment							
	Commercial banking	Leasing	Total	Adjustments	Consolidated total		
Service revenues	\$ 57,175	\$ -	\$ 57,175	\$ -	\$ 57,175		
Deposit services	6,611	-	6,611	-	6,611		
Exchange services	8,975	-	8,975	-	8,975		
Securities related services	15,580	-	15,580	-	15,580		
Agency services	8,506	-	8,506	-	8,506		
Others	17,488	-	17,488	-	17,488		
Ordinary income arising from contracts with customers	\$ 57,175	\$ -	\$ 57,175	\$ -	\$ 57,175		
Other ordinary income	\$ 339,343	\$ 106,129	\$ 445,472	\$ -	\$ 445,472		
Ordinary income from external customers	\$ 396,519	\$ 106,129	\$ 502,655	\$ -	\$ 502,655		

23. Revenue Recognition (cont'd)

(2) Understanding revenue from contracts with customers

Information that provides a basis for understanding revenue from contracts with customers is as described in Note 2(13), "Significant Accounting Policies –Recognition of revenue and expense."

24. Segment Information

(1) General information about reportable segments

The Group's reportable segments are components of the Group for which separate financial information is provided to and used by the ALM Committee and Management Meeting periodically to determine the allocation of resources and assess performance.

The Group is engaged mainly in commercial banking and leasing services. Therefore, the Bank and its consolidated subsidiaries recognize reportable segments by the financial services provided: 'Commercial banking' and 'Leasing.'

'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking services and the consolidated subsidiaries' credit guarantee services, credit card services, management consulting services, online mall operation services, establishment and operation of investment limited partnership and investment services to growing companies.

'Leasing' includes the leasing services of The Awagin Lease Company Limited, one of the consolidated subsidiaries.

(2) Reporting segment ordinary income, profit or loss, segment assets, segment liabilities and other material items

The accounting policies for the reportable segments are the same as the Group's accounting policies described in Note 2, "Significant Accounting Policies." Reportable segment profit is based on operating profit, and intersegment ordinary income is based on arm's length pricing.

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24. Segment Information (cont'd)

(3) Information about reported segment ordinary income, profit or loss and amounts of assets, liabilities and other material items

Segment information as of and for the years ended March 31, 2023 and 2024 was as follows:

	Millions of yen					
	2023					
	Reportable segment					Consolidated total
	Commercial banking	Leasing	Total	Adjustments		
Ordinary income						
Customers	¥ 72,824	¥ 15,257	¥ 88,081	¥ -	¥ 88,081	
Intersegment	693	171	865	(865)	-	
Total	¥ 73,517	¥ 15,429	¥ 88,947	¥ (865)	¥ 88,081	
Segment profit	¥ 15,144	¥ 806	¥ 15,951	¥ (522)	¥ 15,428	
Segment assets	¥ 3,818,209	¥ 47,240	¥ 3,865,450	¥ (15,120)	¥ 3,850,329	
Segment liabilities	¥ 3,555,703	¥ 30,978	¥ 3,586,681	¥ (15,115)	¥ 3,571,566	
Other items						
Depreciation	¥ 2,883	¥ 126	¥ 3,009	¥ 53	¥ 3,062	
Interest income received	44,566	71	44,638	(558)	44,079	
Interest expense paid	7,563	63	7,626	(28)	7,598	
Extraordinary income	0	0	0	-	0	
Gains on disposal of fixed assets	0	0	0	-	0	
Extraordinary losses	779	5	785	0	785	
Losses on disposal of fixed assets	83	-	83	0	83	
Impairment loss	695	5	701	-	701	
Tax expenses	4,190	244	4,435	0	4,435	
Increase in tangible fixed assets and intangible fixed assets	3,111	834	3,945	48	3,994	

(*1) Ordinary income is presented as the counterpart of sales of companies in other industries.

(*2) Adjustments are as below.

1. Adjustment of segment profit of negative ¥522 million is for the elimination of intersegment transactions.
2. Adjustment of segment assets of negative ¥15,120 million is for the elimination of intersegment transactions and others.
3. Adjustment of segment liabilities of negative ¥15,115 million is for the elimination of intersegment transactions and others.
4. Adjustment of depreciation of ¥53 million is due to intersegment transactions.
5. Adjustment of interest income received of negative ¥558 million is for the elimination of intersegment transactions.
6. Adjustment of interest expense paid of negative ¥28 million is for the elimination of intersegment transactions.
7. Adjustment of losses on disposal of fixed assets of ¥0 million is due to intersegment transactions.
8. Adjustment of tax expenses of ¥0 million is due to intersegment transactions.
9. Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥48 million is due to intersegment transactions.

(*3) Segment profit is reconciled to net income in the consolidated statements of income.

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24. Segment Information (cont'd)

Millions of yen								
2024								
	Reportable segment						Adjustments	Consolidated total
	Commercial banking		Leasing		Total			
Ordinary income								
Customers	¥	60,037	¥	16,069	¥	76,107	¥	–
Intersegment		591		167		759		(759)
Total	¥	60,628	¥	16,237	¥	76,866	¥	(759)
Segment profit	¥	16,431	¥	589	¥	17,020	¥	(396)
Segment assets	¥	3,886,412	¥	50,781	¥	3,937,193	¥	(14,632)
Segment liabilities	¥	3,570,721	¥	33,853	¥	3,604,574	¥	(14,636)
Other items								
Depreciation	¥	3,074	¥	165	¥	3,239	¥	54
Interest income received		45,060		68		45,128		(439)
Interest expense paid		8,499		87		8,587		(39)
Extraordinary income		12		0		12		–
Gains on disposal of fixed assets		12		0		12		–
Extraordinary losses		663		1		665		(1)
Losses on disposal of fixed assets		109		1		111		(1)
Impairment loss		553		–		553		–
Tax expenses		4,532		178		4,710		(0)
Increase in tangible fixed assets and intangible fixed assets		2,408		648		3,056		45

Notes to Consolidated Financial Statements
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24. Segment Information (cont'd)

Thousands of U.S. dollars						
2024						
	Reportable segment			Adjustments	Consolidated total	
	Commercial banking	Leasing	Total			
Ordinary income						
Customers	\$ 396,519	\$ 106,129	\$ 502,655	\$ –	\$ 502,655	
Intersegment	3,903	1,102	5,012	(5,012)	–	
Total	\$ 400,422	\$ 107,238	\$ 507,667	\$ (5,012)	\$ 502,655	
Segment profit	\$ 108,519	\$ 3,890	\$ 112,410	\$ (2,615)	\$ 109,794	
Segment assets	\$ 25,668,132	\$ 335,387	\$ 26,003,520	\$ (96,638)	\$ 25,906,875	
Segment liabilities	\$ 23,583,125	\$ 223,584	\$ 23,806,710	\$ (96,664)	\$ 23,710,045	
Other items						
Depreciation	\$ 20,302	\$ 1,089	\$ 21,392	\$ 356	\$ 21,755	
Interest income received	297,602	449	298,051	(2,899)	295,145	
Interest expense paid	56,132	574	56,713	(257)	56,449	
Extraordinary income	79	0	79	–	79	
Gains on disposal of fixed assets	79	0	79	–	79	
Extraordinary losses	4,378	6	4,392	(6)	4,378	
Losses on disposal of fixed assets	719	6	733	(6)	719	
Impairment loss	3,652	–	3,652	–	3,652	
Tax expenses	29,931	1,175	31,107	(0)	31,107	
Increase in tangible fixed assets and intangible fixed assets	15,903	4,279	20,183	297	20,487	

(*1) Ordinary income is presented as the counterpart of sales of companies in other industries.

(*2) Adjustments are as below.

1. Adjustment of segment profit of negative ¥396 million (\$2,615 thousand) is for the elimination of intersegment transactions.
2. Adjustment of segment assets of negative ¥14,632 million (\$96,638 thousand) is for the elimination of intersegment transactions and others.
3. Adjustment of segment liabilities of negative ¥14,636 million (\$96,664 thousand) is for the elimination of intersegment transactions and others.
4. Adjustment of depreciation of ¥54 million (\$356 thousand) is due to intersegment transactions.
5. Adjustment of interest income received of negative ¥439 million (\$2,899 thousand) is for the elimination of intersegment transactions.
6. Adjustment of interest expense paid of negative ¥39 million (\$257 thousand) is for the elimination of intersegment transactions.
7. Adjustment of losses on disposal of fixed assets of negative ¥1 million (\$6 thousand) is for the elimination of intersegment transactions.
8. Adjustment of tax expenses of negative ¥0 million (\$0 thousand) is for elimination of intersegment transactions.
9. Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥45 million (\$297 thousand) is due to intersegment transactions.

(*3) Segment profit is reconciled to net income in the consolidated statements of income.

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24. Segment Information (cont'd)

(4) Related information

For the years ended March 31, 2023 and 2024:

Information by service:

		Millions of yen				
		2023				
		Loans	Security investments	Leasing	Other businesses	Total
Ordinary income						
Customers	¥	25,096	¥ 33,620	¥ 15,257	¥ 14,107	¥ 88,081
		Millions of yen				
		2024				
		Loans	Security investments	Leasing	Other businesses	Total
Ordinary income						
Customers	¥	26,747	¥ 20,258	¥ 16,069	¥ 13,032	¥ 76,107
		Thousands of U.S. dollars				
		2024				
		Loans	Security investments	Leasing	Other businesses	Total
Ordinary income						
Customers	\$	176,652	\$ 133,795	\$ 106,129	\$ 86,070	\$ 502,655

(5) Impairment loss on tangible fixed assets by reportable segment

For the years ended March 31, 2023 and 2024:

		Millions of yen		
		2023		
		Reportable segments		
		Commercial banking	Leasing	Total
Impairment loss	¥	695	¥ 5	¥ 701
		Millions of yen		
		2024		
		Reportable segments		
		Commercial banking	Leasing	Total
Impairment loss	¥	553	¥ -	¥ 553
		Thousands of U.S. dollars		
		2024		
		Reportable segments		
		Commercial banking	Leasing	Total
Impairment loss	\$	3,652	\$ -	\$ 3,652

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25. Transactions with Related Parties

Transactions with related parties for the year ended March 31, 2023 were as follows:

(Directors and major individual shareholders)

Name	Location	Capital	Business	Percentage for possession of voting rights	Relationship	Transactions (*2), (*3)	Transaction amount	Account	Balance at end of year
Ooue Timber Industry Association (*1)	Kamikatsu-cho, Katsuura-gun	¥3 million	Lumbering	-	Lending and borrowing funds	Lending Interest received	¥- ¥0 million	Loans and bills discounted Unearned revenue	¥16 million ¥0 million

(*1) A member of Board of Directors, Masaki Hashizume's close relative has entire rights to make decisions on business execution.

(*2) The terms and conditions of the transactions are determined based on those of other general transactions.

(*3) Masaki Hashizume was appointed as a member of Board of Directors on June 29, 2022. Therefore, the above transaction amounts include transactions only after that date.

Transactions with related parties for the year ended March 31, 2024 were as follows:

(Directors and major individual shareholders)

Name	Location	Capital	Business	Percentage for possession of voting rights	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Hamao Woodworking Company Limited (*1)	Tokushima-city	¥10 million (\$66 thousand)	Furniture manufacturing	-	Lending and borrowing funds	Lending (*2), (*3) Interest received (*2), (*3)	¥(0) million (\$0 thousand) ¥1 million (\$6 thousand)	Loans and bills discounted Unearned revenue	¥81 million (\$534 thousand) ¥0 million (\$0 thousand)
Ooue Timber Industry Association (*4)	Kamikatsu-cho, Katsuura-gun	¥3 million (\$19 thousand)	Lumbering	-	Lending and borrowing funds	Lending (*2) Interest received (*2)	¥- (\$-) ¥0 million (\$0 thousand)	Loans and bills discounted Unearned revenue	¥16 million (\$105 thousand) ¥0 million (\$0 thousand)

(*1) A member of Board of Directors, Katsuya Hamao's close relative has all voting rights.

(*2) The terms and conditions of the transactions are determined based on those of other general transactions.

(*3) Katsuya Hamao was appointed as a member of Board of Directors on June 29, 2023. Therefore, the above transaction amounts include transactions only after that date.

(*4) A member of Board of Directors, Masaki Hashizume's close relative has entire rights to make decisions on business execution.

There were no related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2023 and 2024.

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26. Changes in Net Assets

(1) Type and number of shares

The type and number of shares issued and treasury stock for the years ended March 31, 2023 and 2024 were as follows:

For the year ended March 31, 2023:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	43,240	–	2,200	(*1) 41,040
Total	43,240	–	2,200	41,040
Treasury stock				
Common stock	1,603	1,000	2,330	(*2 and *3) 273
Total	1,603	1,000	2,330	273

(*1) The 2,200 thousand decrease in the number of shares of issued common stock was due to the cancellation of treasury stock (2,200 thousand shares).

(*2) The number of treasury stock as of March 31, 2022 and 2023 included the Bank's own shares of 202 thousand shares and 186 thousand shares, respectively, held by the BIP. The number of treasury stock as of March 31, 2022 included the Bank's own shares of 114 thousand shares held by the Trust.

(*3) The 1,000 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (0 thousand shares) and acquisition through the market (1,000 thousand shares). The 2,330 thousand decrease in the number of shares of treasury stock was due to the sale of fractional shares (0 thousand shares), the delivery of the Bank's own shares by the BIP (16 thousand shares), the sale of the Bank's own shares by the Trust (114 thousand shares) and the cancellation of treasury stock (2,200 thousand shares).

For the year ended March 31, 2024:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	41,040	–	–	41,040
Total	41,040	–	–	41,040
Treasury stock				
Common stock	273	669	14	(*1 and *2) 927
Total	273	669	14	927

(*1) The number of treasury stock as of March 31, 2023 and 2024 included the Bank's own shares of 186 thousand shares and 283 thousand shares, respectively, held by the BIP.

(*2) The 669 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (1 thousand shares), acquisition through the market (555 thousand shares) and acquisition by the BIP (112 thousand shares). The 14 thousand decrease in the number of shares of treasury stock was due to the delivery of the Bank's own shares by the BIP (14 thousand shares).

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26. Changes in Net Assets (cont'd)

(2) Dividends

The following dividends were paid in the years ended March 31, 2023 and 2024:

Year ended March 31, 2023:

Date of resolution	Type of shares	Amount of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Directors' meeting held on May 13, 2022	Common stock	¥ 943	¥ 22.50	March 31, 2022	June 10, 2022
Directors' meeting held on November 11, 2022	Common stock	¥ 932	¥ 22.50	September 30, 2022	December 5, 2022

Year ended March 31, 2024:

Date of resolution	Type of shares	Amount of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Directors' meeting held on May 12, 2023	Common stock	¥ 1,126	\$ 7,436	¥ 27.50	\$ 0.18	March 31, 2023	June 12, 2023
Directors' meeting held on November 10, 2023	Common stock	¥ 1,433	\$ 9,464	¥ 35.00	\$ 0.23	September 30, 2023	December 5, 2023

(*1) The amount of dividends resolved at the Directors' meeting held on May 12, 2023 includes ¥5 million (\$33 thousand) of dividends for the Bank's own shares held by the BIP.

(*2) The amount of dividends resolved at the Directors' meeting held on November 10, 2023 includes ¥9 million (\$59 thousand) of dividends for the Bank's own shares held by the BIP.

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26. Changes in Net Assets (cont'd)

The following dividends were recorded during the fiscal years ended March 31, 2023 and 2024 and became effective after March 31, 2023 and 2024:

For the fiscal year ended March 2023, the dividends became effective after March 31, 2023:

Date of resolution	Type of shares	Amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Directors' meeting held on May 12, 2023	Common stock	¥ 1,126	Retained earnings	¥ 27.50	March 31, 2023	June 12, 2023

For the fiscal year ended March 2024, the dividends became effective after March 31, 2024:

Date of resolution	Type of shares	Amount of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Directors' meeting held on May 10, 2024	Common stock	¥ 1,615	\$ 10,666	Retained earnings	¥ 40.00	\$ 0.26	March 31, 2024	June 10, 2024

(*) The amount of dividends includes ¥11 million (\$72 thousand) of dividends for the Bank's own shares held by the BIP.

27. Subsequent Events

Acquisition of treasury stock

Implementing its flexible financial management policy and furthering the return of profits to its shareholders in response to changes in the business environment, the Bank, at the Directors' meeting held on May 10, 2024 and pursuant to Article 156 of the Companies Act, which is applied by replacing Paragraph 3 of Article 165, resolved to acquire its own shares as follows:

Class of shares acquired:	Common stock of the Bank
Total number of shares to acquire:	180,000 shares (maximum)
Aggregate acquisition cost:	¥500 million (\$3,302 thousand) (maximum)
Acquisition period:	From May 20, 2024 to June 20, 2024

The Bank completed the acquisition based on the above resolution at the Directors' meeting during the acquisition period as follows:

Class of shares acquired:	Common stock of the Bank
Total number of shares acquired:	179,800 shares
Aggregate acquisition cost:	¥499 million (\$3,295 thousand)



The Awa Bank, Ltd.

24-1, Nishisemba-cho 2 chome, Tokushima 770-8601, Japan

Phone: 088(623)3131