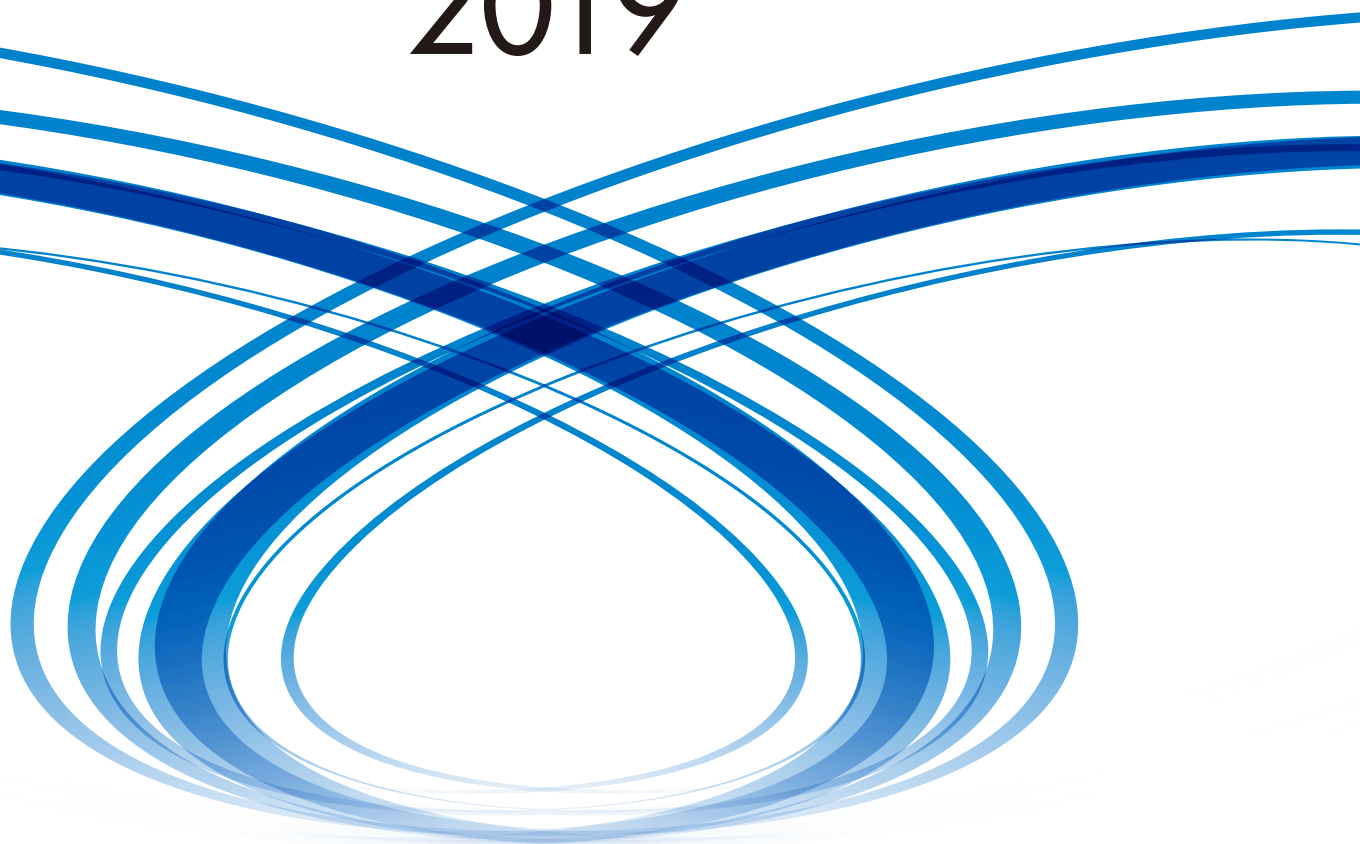


FINANCIAL STATEMENTS

2019



TOWA

THE TOWA BANK, LTD.

A Message from the President



We greatly appreciate your continued patronage of The Towa Bank, Ltd.

To assist further understanding of our current situation, we have completed the Bank's financial reports for fiscal 2018, ended March 31, 2019, which are presented hereunder.

The Japanese economy in fiscal 2018 continued to expand gradually from April to December due to an improvement in consumer spending on the back of improved employment and income, and demand for capital investment underpinned by strong corporate earnings, despite that factors such as disasters and unseasonable weather had a negative impact. However, the Japanese economy's recovery trend weakened from January to March. One key factor was deterioration in the export environment due to trade tensions between the United States and China. Another was sluggish domestic demand.

In addition, the financial landscape continued to be marked by extreme easing in monetary policies, with ongoing negative interest rates and Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control.

Under these economic conditions, we aimed for mutual sustainable development of the Bank and customers based on our business improvement plan, Plan Phoenix V. Thus, we supported customers' main business operations, management improvement and business rehabilitation, and asset formation as part of our TOWA Customer Support Activities that form the core of our business model with the following mottoes

in mind: "Supporting our customers when and where needed by meeting with them to collect information and accurately ascertain their situation" and "Never forgetting our modest origins." As a result, we created shared value with our customers and increased the Bank's earning capabilities. We believe that is what the Sustainable Development Goals (SDGs) are all about. Based on the theme of "Promoting customers' and the Bank's SDGs*," we strengthened and deepened our initiatives to support customers.

* We approach "Sustainable Development Goals" from the perspective of aiming for customers' and our sustainable development.

In supporting our customers' main business operations, we have provided business-matching services between customers, set up sessions with major corporations to match upstream and downstream enterprises, and fostered commercial negotiations individually with major manufacturing and food processing companies. We have also led other banks in being the first to offer assistance in applying for the Monozukuri Subsidy, where efforts by the Relationship Banking Promotion Department working with external coordinators to support application preparations resulted in our achieving the highest number of successful applications compared with other financial institutions in the prefectures of Gunma and Saitama for a third consecutive year. Moreover, we collaborated with the Kanto Bureau of Economy, Trade and Industry to bring together retired employees of major corporations who have specialist knowledge or expertise and customers who are struggling with shortages

of specialist human resources at Management Mentor Exchange Meetings, of which we have held a total of six in the prefectures of Gunma and Saitama since becoming the first regional bank to hold one in July 2014. As for cooperation with local universities, executives of the Towa Bank Group hold credit-eligible courses at Gunma University, Takasaki City University of Economics, and The Open University of Japan, offering their perspective from working on the ground in the financial sector on topics such as the social role of regional financial institutions and the current status of the global and domestic economy. We also support joint research with Gunma University and the Maebashi Institute of Technology to assist our customers with strong technological skills in further developing technology and products.

To assist customers interested in expansion overseas or import and export business, we proactively offered support by providing information through our overseas network of 38 institutions in 58 countries via the International Department. We also bolstered and broadened our collaborative frameworks with business partners to offer proactive support.

We strengthened our framework in an effort to support improvements to management and business rehabilitation. Specifically, we deployed six employees within the Credit Management Department's Business Rehabilitation Office in the headquarters. We also divided our sales offices into 10 groups with one main sales office for each group, and designated one employee working at each main sales office as a specialist in charge of management improvement and business rehabilitation activities. Under this reinforced framework, we are working to grasp the actual situation of our customers by visiting them directly and assist them in formulating business improvement plans. By having sales office employees accompany the designated specialists from the main sales offices when they visit other sales offices within their block, we aim to foster knowledge of management improvement and business rehabilitation methods, business feasibility assessments, and so forth throughout the Bank.

In support for customers' asset formation, we collaborated with investment advisory companies that are well-versed in regional financial institutions' investment trust businesses with an eye to establishing a new customer-centric style of investment trust


business, mainly entailing the provision of low-risk, low-return products to support asset formation in an age when people live to be 100. We also established a project team that conducted marketing on a trial basis to customers of the Head Office Sales Department.

As a result of these and other efforts to support our customers' main businesses, management improvement, business rehabilitation, and asset formation, our deposit balance as of the end of March 31, 2019 increased ¥8.1 billion year on year to ¥1,957.4 billion, while our loan balance increased ¥26.8 billion to ¥1,434.0 billion. Concerning earnings in fiscal 2018, we posted ordinary income of ¥5.9 billion and net income of ¥4.7 billion.

Moreover, we strove to bolster our earnings capabilities by steadily implementing our business improvement plan, which enabled us to build up retained earnings and repay ¥20.0 billion of ¥35.0 billion in public funds on May 11, 2018. Moving ahead, we will keep striving to enhance our capital with an eye to repaying early the remaining ¥15.0 billion in public funds through organization-wide, ongoing TOWA Customer Support Activities.

Going forward, we will also further strengthen and deepen our TOWA Customer Support Activities at the core of our business model, thereby contributing to sustainable development of the regional economy as well as the Bank. We would like to ask our shareholders for their continued support and encouragement in these endeavors.

November 2019



Kunimitsu Yoshinaga
Representative Director
President & Chief Executive Officer
The Towa Bank, Ltd.

Consolidated Balance Sheets

The Towa Bank, Ltd. and Consolidated Subsidiaries

March 31,	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
Assets:			
Cash and due from banks	¥ 166,070	¥ 276,679	\$ 1,496,263
Call loans and bills purchased	2,086	2,825	18,800
Trading account securities	35	38	317
Money held in trust	9,999	1,999	90,092
Securities	635,904	589,084	5,729,381
Loans and bills discounted	1,434,002	1,407,149	12,920,103
Foreign exchange	442	775	3,984
Other assets	29,989	28,326	270,196
Tangible fixed assets	23,445	24,702	211,243
Buildings	4,590	4,567	41,359
Land	16,954	18,147	152,756
Lease assets (tangible)	71	109	647
Other tangible assets	1,829	1,877	16,480
Intangible fixed assets	1,397	1,427	12,592
Software	1,020	1,202	9,192
Other intangible assets	377	225	3,399
Deferred tax assets	550	994	4,956
Customers' liabilities for acceptances and guarantees	4,069	3,869	36,660
Reserve for possible loan losses	(4,964)	(6,513)	(44,732)
Total assets	¥2,303,026	¥2,331,360	\$20,749,860

Notes: 1. Yen figures have been rounded omitting numbers below the million mark, in accordance with the Financial Instruments and Exchange Act of Japan and generally accepted accounting principles and practices in Japan.

2. The United States dollar amounts represent conversions of Japanese yen, for convenience only, at the exchange rate of ¥110.99 to US\$1.00, the rate prevailing on March 31, 2019.

<i>March 31,</i>	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
Liabilities:			
Deposits	¥1,957,497	¥1,949,336	\$17,636,705
Call money and bills sold	27,000	27,000	243,265
Borrowed money	163,519	171,222	1,473,276
Foreign exchange	32	51	289
Other liabilities	8,772	10,643	79,037
Accrued employee bonuses	428	448	3,863
Net defined benefit liability	2,385	8,531	21,491
Reserve for director retirement benefits	2	2	26
Reserve for reimbursement of dormant deposits	555	534	5,008
Reserve for contingent loss	591	648	5,325
Deferred tax liabilities	11	13	103
Deferred tax liability for land revaluation	2,201	2,493	19,833
Acceptances and guarantees	4,069	3,869	36,660
Total liabilities	2,167,067	2,174,793	19,524,887
Net assets:			
Shareholders' equity:			
Capital stock	38,653	38,653	348,263
Capital surplus	17,500	31,155	157,671
Retained earnings	64,384	69,562	580,089
Treasury stock, at cost	(272)	(290)	(2,457)
Total shareholders' equity	120,265	139,081	1,083,567
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	11,690	12,350	105,328
Land revaluation account	2,427	3,093	21,867
Remeasurements of defined benefit plans	864	1,382	7,785
Total accumulated other comprehensive income	14,981	16,826	134,981
Stock acquisition rights	294	255	2,657
Non-controlling interests	418	403	3,766
Total net assets	135,959	156,566	1,224,972
Total liabilities and net assets	¥2,303,026	¥2,331,360	\$20,749,860

Consolidated Statements of Income

The Towa Bank, Ltd. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
Income:			
Interest on loans and discounts	¥19,827	¥20,372	\$178,640
Interest and dividends on securities	5,295	6,733	47,714
Other interest income	114	116	1,034
Fees and commissions	6,654	6,485	59,957
Other operating income	156	6,988	1,405
Other income	5,703	7,609	51,385
Total income	37,751	48,305	340,137
Expenses:			
Interest on deposits	314	393	2,833
Interest on call money and bills sold	(21)	(5)	(194)
Interest on payables under securities lending transactions	0	0	1
Interest on borrowings and rediscounts	30	28	274
Other interest expenses	0	1	2
Fees and commissions	4,104	4,223	36,977
Other operating expenses	240	168	2,168
General and administrative expenses	20,860	22,180	187,946
Other expenses	5,989	5,840	53,962
Total expenses	31,518	32,829	283,972
Income before income taxes	6,233	15,475	56,165
Income taxes:			
Current	1,560	2,936	14,060
Deferred	(141)	1,171	(1,276)
Total income taxes	1,418	4,107	12,784
Profit	4,814	11,368	43,380
Profit attributable to non-controlling interests	17	58	157
Profit attributable to owners of parent	¥ 4,797	¥11,309	\$ 43,223
Profit attributable to owners of parent per share (in yen and U.S. dollars):			
Basic	¥124.78	¥294.53	\$ 1.12
Diluted	90.99	172.42	0.82

Note: Effective from October 1, 2017, the Company consolidated its shares of common stock and Type 2 preferred stock at the ratio of ten shares to one share, but calculations assume that the shares were consolidated at the beginning of the previous fiscal year.

Consolidated Statements of Comprehensive Income

The Towa Bank, Ltd. and Consolidated Subsidiaries

<i>For the years ended March 31,</i>	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
Profit	¥ 4,814	¥11,368	\$ 43,380
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities	(663)	(5,165)	(5,975)
Remeasurements of defined benefit plans	(518)	514	(4,667)
Total other comprehensive income	(1,181)	(4,651)	(10,643)
Total comprehensive income	¥ 3,633	¥ 6,716	\$ 32,737
Total comprehensive income attributable to:			
Owners of parent	¥ 3,619	¥ 6,661	\$ 32,607
Non-controlling interests	14	55	129

Consolidated Statements of Changes in Net Assets

The Towa Bank, Ltd. and Consolidated Subsidiaries

	Millions of yen (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	¥38,653	¥ 31,155	¥69,562	¥ (290)	¥139,081
Changes in items during the period:					
Profit attributable to owners of parent			4,797		4,797
Dividends from surplus			(1,553)		(1,553)
Purchase of treasury stock				(22,745)	(22,745)
Disposal of treasury stock		(0)		19	19
Retirement of treasury stock		(22,744)		22,744	—
Reversal of revaluation reserve for land			666		666
Transfer to capital surplus from retained earnings		9,088	(9,088)		—
Changes in items other than shareholders' equity during the period (net amount)					
Total changes in items during the period	—	(13,655)	(5,178)	17	(18,816)
Balance at March 31, 2019	¥38,653	¥ 17,500	¥64,384	¥ (272)	¥120,265

	Millions of yen (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized gains (losses) on available-for-sale securities	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥12,350	¥3,093	¥1,382	¥16,826	¥255	¥403	¥156,566
Changes in items during the period:							
Profit attributable to owners of parent							4,797
Dividends from surplus							(1,553)
Purchase of treasury stock							(22,745)
Disposal of treasury stock							19
Retirement of treasury stock							—
Reversal of revaluation reserve for land							666
Transfer to capital surplus from retained earnings							—
Changes in items other than shareholders' equity during the period (net amount)	(660)	(666)	(518)	(1,844)	39	14	(1,790)
Total changes in items during the period	(660)	(666)	(518)	(1,844)	39	14	(20,607)
Balance at March 31, 2019	¥11,690	¥2,427	¥ 864	¥14,981	¥294	¥418	¥135,959

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	\$348,263	\$ 280,706	\$626,749	\$ (2,619)	\$1,253,100
Changes in items during the period:					
Profit attributable to owners of parent			43,223		43,223
Dividends from surplus			(14,000)		(14,000)
Purchase of treasury stock				(204,934)	(204,934)
Disposal of treasury stock		(3)		176	173
Retirement of treasury stock		(204,919)		204,919	—
Reversal of revaluation reserve for land			6,004		6,004
Transfer to capital surplus from retained earnings		81,887	(81,887)		—
Changes in items other than shareholders' equity during the period (net amount)					
Total changes in items during the period	—	(123,034)	(46,659)	161	(169,533)
Balance at March 31, 2019	\$348,263	\$ 157,671	\$580,089	\$ (2,457)	\$1,083,567

	Thousands of U.S. dollars (Note 2)						
	Accumulated other comprehensive income						
	Net unrealized gains (losses) on available-for-sale securities	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2018	\$111,276	\$27,871	\$12,453	\$151,601	\$2,300	\$3,636	\$1,410,639
Changes in items during the period:							
Profit attributable to owners of parent							43,223
Dividends from surplus							(14,000)
Purchase of treasury stock							(204,934)
Disposal of treasury stock							173
Retirement of treasury stock							—
Reversal of revaluation reserve for land							6,004
Transfer to capital surplus from retained earnings							—
Changes in items other than shareholders' equity during the period (net amount)	(5,947)	(6,004)	(4,667)	(16,620)	357	129	(16,133)
Total changes in items during the period	(5,947)	(6,004)	(4,667)	(16,620)	357	129	(185,666)
Balance at March 31, 2019	\$105,328	\$21,867	\$ 7,785	\$134,981	\$2,657	\$3,766	\$1,224,972

Consolidated Statements of Cash Flows

The Towa Bank, Ltd. and Consolidated Subsidiaries

For the years ended March 31,	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	¥ 6,233	¥ 15,475	\$ 56,165
Depreciation and amortization	1,394	1,592	12,561
Loss on impairment of fixed assets	112	29	1,011
Increase (decrease) in reserve for possible loan losses	(1,548)	(808)	(13,948)
Increase (decrease) in reserve for employee bonuses	(19)	7	(172)
Increase (decrease) in reserve for reimbursement of dormant deposits	21	94	191
Increase (decrease) in reserve for contingent loss	(57)	19	(514)
Increase (decrease) in net defined benefit liabilities	(6,890)	(93)	(62,086)
Increase (decrease) in provision for directors' retirement benefits	0	1	5
Interest income	(25,237)	(27,221)	(227,389)
Interest expenses	323	417	2,917
Loss (gain) on disposal of tangible fixed assets	(424)	8	(3,820)
Loss (gain) on securities — net	(499)	(6,898)	(4,500)
Loss (gain) on money held in trust	—	0	—
Foreign exchange loss (gain) — net	(325)	285	(2,933)
Net (increase) decrease in loans	(26,853)	(25,200)	(241,941)
Net increase (decrease) in deposits	8,161	34,491	73,536
Net increase (decrease) in borrowings excluding subordinated debt	(7,703)	15,083	(69,402)
Net (increase) decrease in due from banks other than the Bank of Japan	34	90	312
Net (increase) decrease in call loans and others	739	(1,423)	6,661
Net increase (decrease) in call money and others	—	27,000	—
Net (increase) decrease in foreign exchange — assets	333	(253)	3,001
Net increase (decrease) in foreign exchange — liabilities	(19)	(23)	(173)
Interest received	25,719	27,654	231,724
Interest paid	(383)	(465)	(3,456)
Other	(775)	(9,520)	(6,987)
Subtotal	(27,662)	50,341	(249,238)
Income taxes paid	(3,753)	(1,223)	(33,814)
Net cash provided by (used in) operating activities	(31,415)	49,118	(283,052)
Cash flows from investing activities:			
Purchases of tangible fixed assets	(888)	(646)	(8,004)
Purchases of securities	(136,209)	(163,531)	(1,227,225)
Proceeds from sale of tangible fixed assets	1,509	—	13,597
Proceeds from sale of securities	12,576	51,843	113,307
Purchases of intangible fixed assets	(396)	(155)	(3,573)
Proceeds from redemption of securities	76,550	112,567	689,705
Payments for asset retirement obligations	(9)	(14)	(83)
Increase in money held in trust	(8,000)	(2,000)	(72,078)
Net cash provided by (used in) investing activities	(54,868)	(1,936)	(494,355)
Cash flows from financing activities:			
Proceeds from exercise of stock options	0	0	0
Purchases of treasury stock	(22,745)	(7)	(204,934)
Dividends paid	(1,553)	(1,572)	(14,000)
Net cash provided by (used in) financing activities	(24,299)	(1,579)	(218,934)
Effect of exchange rate changes on cash and cash equivalents	9	17	81
Net increase (decrease) in cash and cash equivalents	(110,574)	45,620	(996,259)
Cash and cash equivalents at beginning of year	275,878	230,257	2,485,613
Cash and cash equivalents at end of year	¥ 165,303	¥ 275,878	\$ 1,489,353

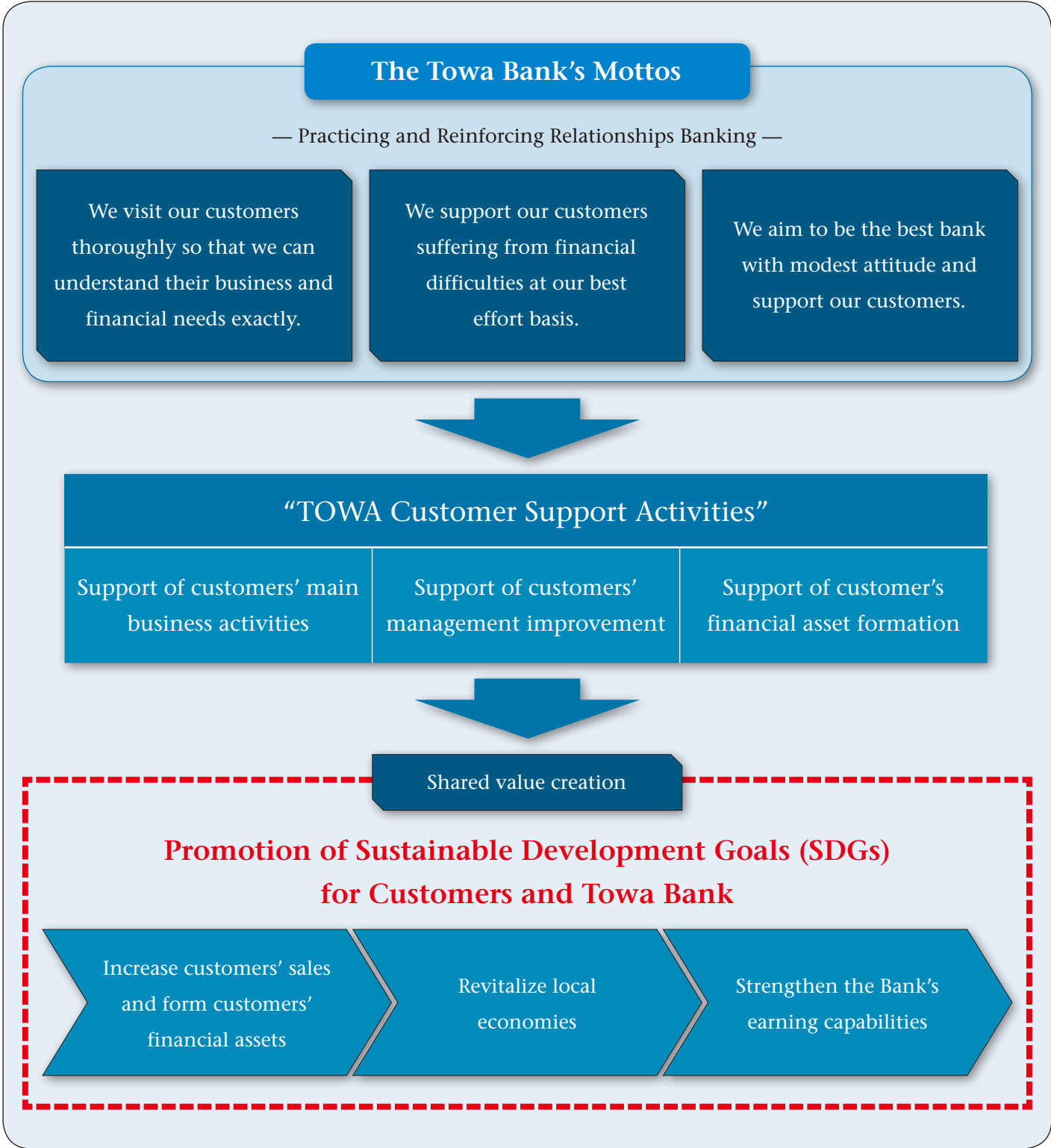
Supplementary Information

Consolidated Capital Ratio *(Domestic Standard)*

[Basel III]	Millions of yen (Note 1)	Thousands of U.S. dollars (Note 2)
<i>March 31,</i>	2019	2019
Core capital: instruments and reserves	¥ 122,902	\$ 1,107,333
Core capital: adjustment amount of instruments and reserves	1,480	13,336
Total qualifying capital	¥ 121,422	\$ 1,093,996
Risk-adjusted assets:		
On-balance-sheet assets	¥1,184,858	\$10,675,361
Off-balance-sheet assets	9,723	87,604
Credit value adjustment amount	242	2,188
Risk-weighted credit equivalent amount	1,194,824	10,765,154
Amount related to operational risk-equivalent assets	56,992	513,491
Total	¥1,251,816	\$11,278,646
Capital ratio	9.69%	

Business Model

The Towa Bank's entire management and staff work in unity with a business model of "Shared value creation" to revitalize local economies and enhance the Bank's earning capabilities by supporting customers' main business activities, management improvement, and asset formation.



Directors, Executive Officers, and Audit & Supervisory Board Members

(As of June 26, 2019)

**Representative Director
Chairman & Executive
Officer**

Kiyomi Osawa

**Representative Director
President & Chief
Executive Officer**

Kunimitsu Yoshinaga

**Director
Deputy President &
Executive Officer**

Hiroshi Ebara

**Director
Senior Managing
Executive Officer**

Hiroyuki Sakurai

**Director
Executive Officer**

Isao Kitazume

**Directors
(Non-Executive)**

Takeshi Mizuguchi

Rikako Onishi

**Senior Managing
Executive Officer**

Hitoshi Ito

**Managing Executive
Officers**

Kazuyoshi Shiraishi

Seiji Yamamoto

Toru Kobayashi

Masami Hashimoto

Executive Officers

Ichiro Takenouchi

Hiroshi Nagasawa

Shinichiro Suzuki

Takahisa Wasada

**Audit & Supervisory
Board Members**

Hideo Kabe*

Masahiro Sekine*

Shintaro Ando**

Shinichi Kato**

* Full-Time Audit & Supervisory Board Member

** Outside Audit & Supervisory Board Member

The Towa Bank Network

(As of March 31, 2019)

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