

Abstract graphic consisting of several overlapping, curved lines in various shades of blue and white, sweeping from the bottom left towards the top right.

FINANCIAL STATEMENTS

2021

**TOWA**

THE TOWA BANK, LTD.

# A Message from the President

**The Towa Bank will continue  
“Supporting our customers  
when and where needed by meeting  
with them to collect information  
and accurately ascertain their situation.”**



**Hiroshi Ebara**

Representative Director,  
President & Chief Executive Officer

We greatly appreciate your continued patronage of The Towa Bank, Ltd. Although the Japanese economy continued to suffer serious damage due to COVID-19 in fiscal 2020, ended March 31, 2021, we are just about to enter a new stage going forward. It is expected that economic activity will be invigorated with the progress of vaccinations and rapid advances toward DX (digital transformation) in society overall as well as in business fields.

We have prepared the disclosure magazine, Financial Statement 2021, to enable further understanding of the Bank's current situation, and hope this will serve as a reference.

Based on Plan Phoenix V (started on April 1, 2019 and ended on March 31, 2021), our business reinforcement plan, the Bank has implemented TOWA Customer Support Activities in which we work on essential cash flow support that creates an environment in which customers can commit themselves to main business operations without worrying about cash flow, support of customers' core business operations, management improvement and business rehabilitation, and asset formation. Thus, we have made efforts in line with our business model for shared value creation aiming to improve corporate value for

customers and the Bank's earning capabilities.

Under Plan Phoenix VI, our new business reinforcement plan running from April 1, 2021 to March 31, 2024, and looking ahead to the post-COVID-19 era, we will promote essential cash flow support, which shares managerial issues and demands, through the creation of annual cash flow charts in cooperation with regional small and medium-sized enterprise customers affected by management and cash flow problems. By supporting customers from finance and core business aspects, we will increase the sustainability of their business and strengthen the Bank's earning capabilities. The Bank's entire management and employees will work in unity on essential cash flow support to make sure that customers do not discontinue their businesses on which they work so earnestly. We will ask for your continued support.

November 2021

A handwritten signature in black ink, appearing to read 'H. Ebara'.

**Hiroshi Ebara**

Representative Director,  
President & Chief Executive Officer

# Profile

## Bases of Operation

Since the Bank's foundation in 1917, we have progressed as a regional bank alongside the development of local communities. Gunma Prefecture and Saitama Prefecture, which serve as the Bank's bases of operation, are successfully developing as bedroom towns of the Tokyo metropolitan area, and as industrial and tourist areas thanks to good public transport infrastructure.

Gunma Prefecture lies roughly in the middle of the Japanese islands, and is a popular "manufacturing prefecture" with an industry centered on transportation equipment. Gunma also has plentiful tourism resources such as beautiful nature and a great number of hot springs, and is visited by many vacationers and tourists throughout the year.

In Saitama Prefecture, commercial business is growing, backed by the fifth largest population in Japan. In industry, it is one of Japan's prime inland industrial prefectures, as the shipments of manufactured goods in the three industries of transportation equipment, food ingredients, and chemical engineering exceed ¥1 trillion.

We will continue to support active economic communications in the regional communities of each prefecture while building trust by helping to create affluent lives.

## Service Network:



### Head Office:

12-6, Honmachi 2-chome, Maebashi, Gunma  
371-8560, Japan

Phone: +81-27-234-1111

URL: <https://www.towabank.co.jp>

### International Department:

12-6, Honmachi 2-chome, Maebashi, Gunma  
371-8560, Japan

Phone: +81-27-234-1959

Fax: +81-27-230-1735

SWIFT: TOWA JPJT

## Corporate Data (As of March 31, 2021)

Established: June 11, 1917

Head Office: 12-6, Honmachi 2-chome, Maebashi, Gunma 371-8560, Japan

Phone: +81-27-234-1111

URL: <https://www.towabank.co.jp>

Capital: ¥38.6 billion

Total assets: ¥2,543.8 billion

Deposits: ¥2,105.3 billion

Loans: ¥1,505.4 billion

Number of branches: 94

Standalone ATMs: 84

Number of employees: 1,392

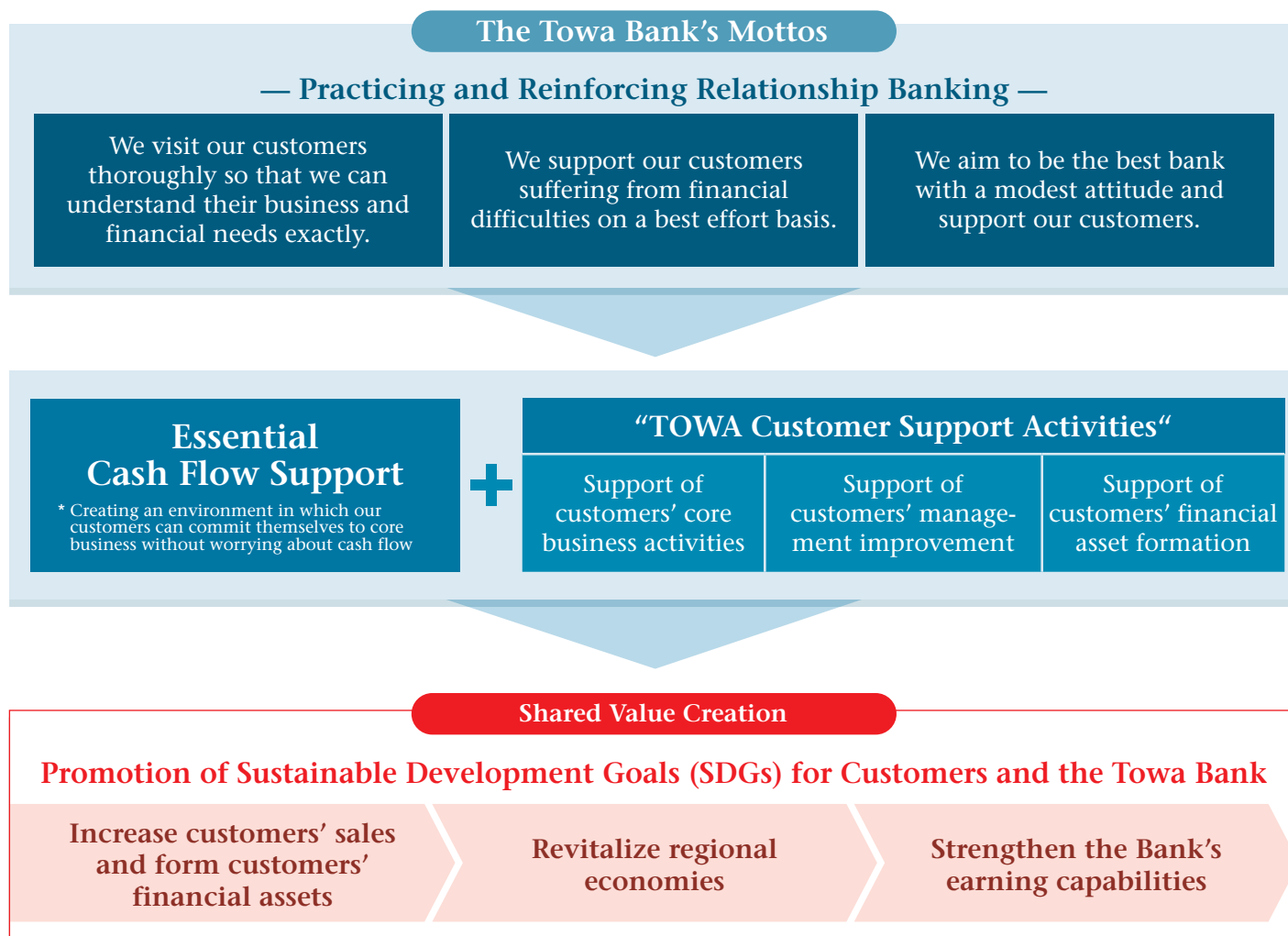


# Business Model

The Towa Bank's entire management and employees work in unity with a business model of "shared value creation" to create an environment in which customers can commit themselves to core business operations without worrying about cash flow, to revitalize regional economies and strengthen the Bank's earning capabilities by supporting customers' core business operations, management improvement and business rehabilitation, and asset formation with the following mottos 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."

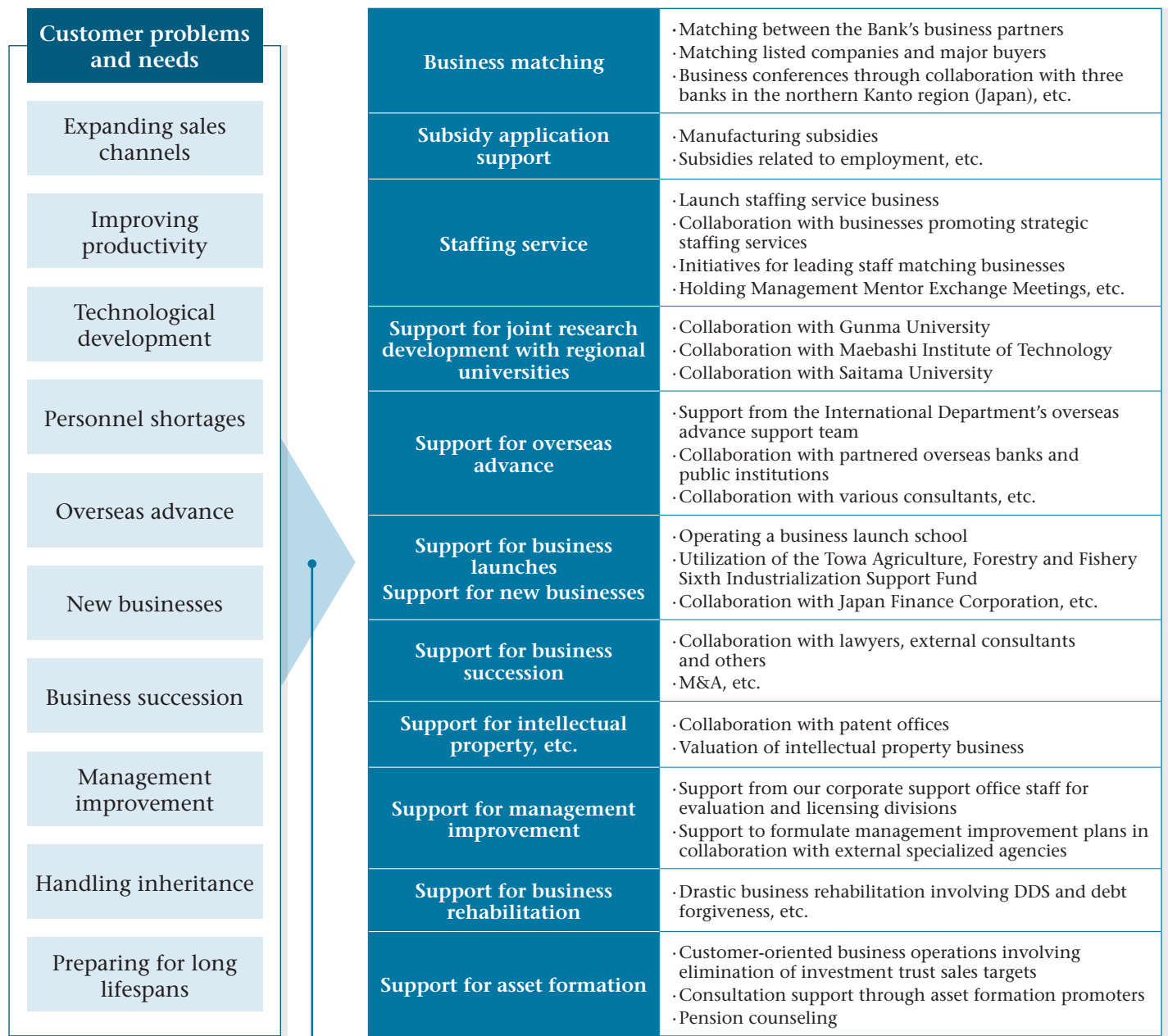
Beginning in October 2020, to create an environment in which customers can commit themselves to their core business operations without worrying about cash flow during the COVID-19 pandemic, we started essential cash flow support as accompanying support in which we create an annual cash flow chart in cooperation with our customers, and offer cash flow support on an annual basis. We also support core business operations to resolve the problems or address needs that are picked out during that process.

This support consists of business feasibility assessments through the creation of annual cash flow charts in cooperation with our customers, assessing cash flow and business contents, and sharing management problems and needs with customers. This helps to solve customers' problems from the aspects of finance and core business. With this support, we aim to increase the sustainability of the customer's business, and tie this to improvements in corporate value, while strengthening the Bank's earning capabilities and consequently allowing us to reduce credit costs. We also work to ensure that main and next-tier customers do not discontinue the businesses on which they work so earnestly.



# Initiatives for Customer Support Activities

After assessing and accumulating customers' problems through our daily activities, the Bank offers various kinds of support with the cooperation of the head office and branches and the collaboration with external specialized agencies. This includes increasing net sales through business matching; improving productivity through subsidy applications; supporting dispatches of specialized employees through Management Mentor Exchange Meetings; supporting joint research development with regional universities; supporting overseas advance; supporting business launches through measures such as operating business launch schools; supporting improvements of management for customers in difficult situations such as changes to lending conditions; and supporting asset formation through the Bank's promoters.



Assess and accumulate customer problems and needs through our daily activities



## ■ Business Communication Meetings

The Bank has so far held 16 occasions of the Towa Shinseikai Business Communication Meeting, sponsored by Towa Shinseikai, which is composed of customers from its business partners. Backed by various municipal bodies including Gunma Prefecture and various organizations, it is even attended by business partners of Tsukuba Bank and Tochigi Bank, which signed a regional collaborative agreement. The meetings have provided openings to expand business opportunities.

In February 2021, the Bank held the first online Business Communication Meeting from the perspective of preventing the spread of COVID-19, and conducted individual business meetings with major corporations and consultations for joint research with universities online, with participation by a total of 92 companies.

## ■ Management Mentor Exchange Meetings

We were the first regional bank to hold a Management Mentor Exchange Meeting, when we did so in July 2014 in collaboration with the Kanto Bureau of Economy, Trade and Industry, intermediate retired employees of major corporations who have specialist knowledge or expertise between customers who are struggling with shortages of specialist human resources. We have held the event every year since then, alternating between Gunma Prefecture and Saitama Prefecture.

The August 2020 Management Mentor Exchange Meeting was held online from the perspective of preventing the spread of COVID-19, and was attended by 20 companies.

## ■ Business Launch School

At the 4th Business Launch School held in January 2021 with co-sponsorship by Gunma University, Maebashi Institute of Technology, and Kyoai Gakuen University, 33 people (including 16 university students) interested in entrepreneurship participated in lectures featuring practical content. So far, it has led five people to start businesses, while another five are currently preparing to launch a business.

## ■ Towa Bank SBI Money Plaza

The Bank operates Towa Bank SBI Money Plaza as an intermediary operation for financial products in cooperation with the SBI Group to address customers' diverse asset management needs. The plaza was opened within the sales department of the head office in April 2019 and within the Iwatsuki branch in April 2021. The money plazas are fully supplied with a wide array of products such as foreign and domestic stocks not handled by the Bank, bonds (structured bonds), and stocks of newly listed companies.



16th Towa Shinseikai Business Communication Meeting



7th Management Mentor Exchange Meeting (held online)



A lecture at the Business launch school



Grand opening of the Towa Bank SBI Money Plaza Saitama in April 2021

# Initiatives for SDGs/ESG

The Bank works to support customers' core business operations, management improvement and business rehabilitation, and asset formation through TOWA Customer Support Activities, thereby striving toward the sustainable development of regional economies and local communities. We view these efforts toward customer support activities themselves as initiatives aimed at achieving the SDGs (Sustainable Development Goals). In particular, when supporting customers' core business operations, we offer support from financial and main business aspects with a focus on ESG (Environment, Social, and Governance).

We ourselves are continually implementing initiatives aligned with an SDGs perspective, such as initiating lectures at regional universities and promoting active roles for women.



In April 2019, the Bank formulated the Towa Bank SDGs Declaration, which laid out our view and the segments in which to work proactively. We will continue to implement various measures aimed at achieving the SDGs based on this declaration.

Furthermore, to help achieve carbon neutrality by 2050, we will assist business partners in their transition to a decarbonized society and proactively support the creation of new business opportunities.

## Towa Bank SDGs Declaration

### Segments in which the Towa Bank works proactively

#### 1. Promotion of TOWA Customer Support Activities

- |  |   |  |
|--|---|--|
|  <p><b>6. Ensure availability and sustainable management of water and sanitation for all</b></p> <ul style="list-style-type: none"> <li>Supporting joint research development with regional universities (Gunma University and Maebashi Institute of Technology)</li> <li>Conducting activities in Oze National Park to make sure trash is not left behind</li> </ul> |  <p><b>7. Ensure access to affordable, reliable, sustainable and modern energy for all</b></p> <ul style="list-style-type: none"> <li>Certified as a supported regional financial institution for the ESG Regional Finance Promotion Program by the Ministry of the Environment (MOE) (fiscal 2019 and fiscal 2020)</li> <li>Certified by the MOE as a designated institution involved with decarbonization project subsidies (fiscal 2019 and fiscal 2020)</li> </ul> |  <p><b>8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b></p> <ul style="list-style-type: none"> <li>Supporting expanding sales channels (upstream/downstream matching businesses, etc.)</li> <li>Supporting subsidy applications (manufacturing subsidies)</li> <li>Supporting dispatch of specialized employees (Management Mentor Exchange Meetings, fee-based career introduction businesses, etc.)</li> <li>Supporting business succession (establishing a consulting office)</li> <li>Supporting overseas advance</li> <li>Donating to schools, child welfare facilities and environmental organizations, etc. through SDGs private placement bonds</li> <li>Asset formation support based on our customer-oriented business operation policy</li> </ul> |
|  <p><b>9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b></p> <ul style="list-style-type: none"> <li>Utilization of the Towa Regional Vitalization Fund</li> <li>Utilization of the Towa Agriculture, Forestry and Fishery Sixth Industrialization Support Fund</li> </ul>                              |  <p><b>11. Make cities and human settlements inclusive, safe, resilient and sustainable</b></p> <ul style="list-style-type: none"> <li>Investment in a fund for wide-area reconstruction of regions affected by typhoons or other disasters in 2019</li> </ul>   |  <p><b>17. Strengthen the means of implementation and revitalize the global partnership for sustainable development</b></p> <ul style="list-style-type: none"> <li>Three-way collaboration with Tochigi Bank and Tsukuba Bank (Business Communication Meetings, etc.)</li> <li>Collaboration with municipalities, etc.</li> </ul>   |



## SUSTAINABLE DEVELOPMENT GOALS



#### 2. Contributions to Regional Communities

- |  |   |
|--|---|
|  <p><b>4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b></p> <ul style="list-style-type: none"> <li>Holding lectures at local universities (Gunma University and Takasaki City University of Economics)</li> <li>Opening business launch schools</li> <li>Co-sponsoring the Sakutaro Hagiwara Award for poetry</li> </ul> |  <p><b>15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt the reverse land degradation and halt biodiversity loss</b></p> <ul style="list-style-type: none"> <li>Reducing paper usage through BPR (business process reengineering)</li> <li>Reducing paper usage for items like bank books and application forms by using FinTech</li> </ul> |
|--|---|

#### 3. Expansion of Fields for Employees to Play Active Roles

- |  |  |
|--|--|
|  <p><b>5. Achieve gender equality and empower all women and girls</b></p> <ul style="list-style-type: none"> <li>Promoting active roles for women and support for balancing work and childcare (active promotion of women to executives, branch managers, and key roles)</li> <li>Promoting balancing work and childcare</li> </ul> |  <p><b>10. Reduce inequalities within and among countries</b></p> <ul style="list-style-type: none"> <li>Promoting diversity</li> <li>Strengthening corporate governance</li> </ul> |
|--|--|

## ■ Towa SDGs Private Placement Bonds

We handle Towa SDGs Private Placement Bonds as a means of fluid financing to companies that aid the sustainable development of regional economies and society. With this bond, the companies can select either a donation or endowment equivalent to 0.2% of the issued amount to places such as schools, child welfare facilities, or environmental organizations. So far, 40 bonds have been issued for a total of ¥5,165 million.

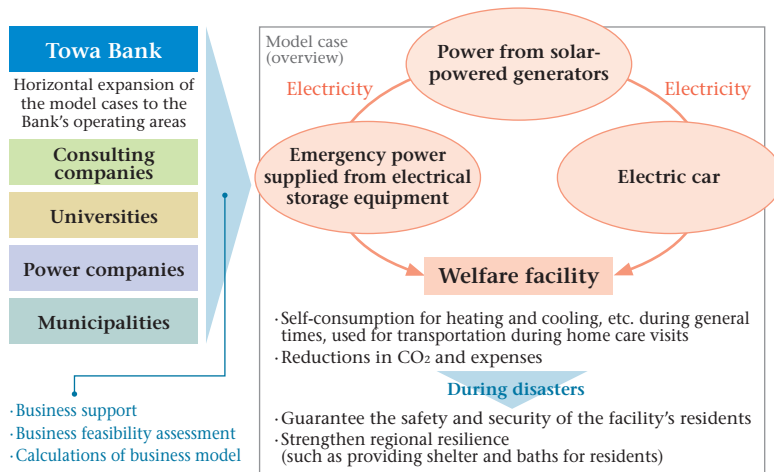


Endowment ceremony at an intensive care nursing home in Gunma Prefecture

## ■ ESG Regional Finance Promotion Projects

In June 2020, the Bank was selected as an institute to support the fiscal 2020 ESG regional finance promotion projects (11 institutions selected).

In fiscal 2020, the Bank supported a model project to supply electricity to medical and welfare facilities through solar-powered generators and storage batteries in response to disasters. This project involves placing solar-powered generators and storage batteries for disasters and electric cars, etc. at welfare facilities, and aims to reduce CO<sub>2</sub> by using clean energy during general operating times, while enabling a self-contained supply of electricity during disasters. In this way, the project aims to improve the resilience (disaster response capabilities) of local communities by sheltering neighbors fleeing from disasters while guaranteeing the safety and security of the facility's residents. Based on this model project, industry, academia, government and finance collaborate and survey the target facilities to calculate electricity and heat demand at different times of the day. They calculate the size of solar-powered generators and storage batteries needed for installation to meet demand, and make proposals to facilities on how to utilize renewable energy to contribute to local communities. Additionally, based on the preliminary calculations in this project, it aims to horizontally expand the model cases to the Bank's operating areas.



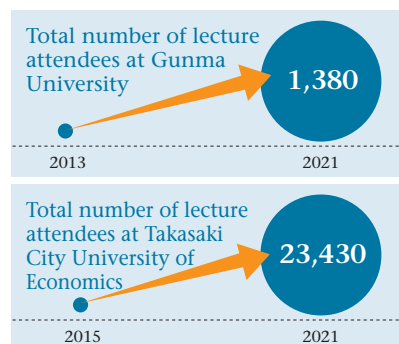
Aim to reduce CO<sub>2</sub> by using electric cars during home care visits

## ■ Educational Activities through Collaboration with Regional Universities

As part of social contribution activities, we conduct lectures at Gunma University and Takasaki City University of Economics, at which the Bank's executives and employees, including the president, serve as instructors. Furthermore, due to the impact of COVID-19, all lectures that began in fiscal 2020 were held online through a remote learning format from the perspective of preventing the spread of infection among students and securing opportunities to learn.



A lecture at Takasaki City University of Economics

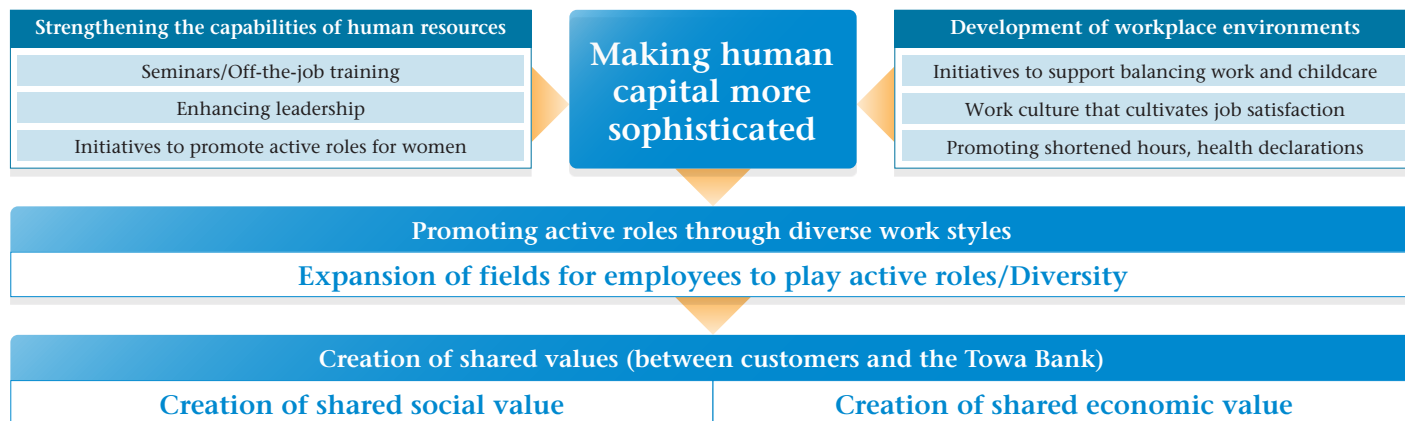




# Promoting Active Roles and Creating Environments for Human Resources

## For sophistication of human capital, the source of value creation

The Towa Bank views bank employees as one key form of capital (human capital) that serves as a source of value creation, and works on making this human capital more sophisticated. To be concrete, we view strengthening the capabilities of human resources and development of workplace environments as inseparable, and are working on developing human resources who can play active roles in our business models of TOWA Customer Support Activities and essential cash flow support. We will continue to work on creating shared values between customers and the Towa Bank by cultivating human resources with high ambitions and abilities.



## 1. Strengthening the Capabilities of Human Resources

### ■ Enhancing off-the-job training including seminars

Based on our human resource development program, we hold seminars such as a practical training seminar for public relations and a seminar to strengthen relationship banking skills, and work on the rapid development of young employees. Additionally, we broadcast training videos related to cash flow support for public relations officers through our credit administration department, incorporate topics such as cash flow support into various seminars for young employees, and aim to develop employees who can practically implement TOWA Customer Support Activities and essential cash flow support, which are the Bank's business models.

### ■ Enhancing leadership

In each year we select around 15 employees to acquire advanced practical lending abilities, and hold a seminar to develop leaders to practice lending over a total of 18 days. During that time, we strive to improve abilities to assess business feasibility and support business rehabilitation, which are necessary for cash flow support and core business operation support, and work on developing leading employees with leadership skills, which will become the admiration of young employees.

### ■ Initiatives to promote active roles for women

We assign women with ambition and abilities to core business operations such as screening and corporate planning departments, while actively promoting them to public relations positions and asset formation promoters.

|   |  |   |
|---|--|---|
| Strengthening the capabilities of human resources | Results of Action Plan (Phase Two) based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace   |   |
|   | Target 1: Increase the percentage of women in positions of deputy branch manager or higher by 50% compared to the fiscal 2017 year-end   | Target 2: Actively appoint women to asset formation promoters |
|   | Result: <b>50% increase (4 → 6 people)</b>   | Result: <b>300% increase (6 → 24 people)</b>                  |
|   | Ratio of women in executive roles <b>24.2%</b> (Number of women in executive roles: 180 out of 743)<br>Ratio of women in key roles <b>18.1%</b> (Number of women in key roles: 101 out of 559) |   |

Fiscal 2020 results

## 2. Development of Workplace Environments

### ■ Initiatives to support balancing work and childcare

As a means to support balancing work and childcare, we work on creating an environment in which it is easy to use various systems such as childcare holiday (a maximum period of 7 days starting from the first day of childcare holiday given as paid holiday), shortened work hours for childcare, and paid half-day holidays.

### ■ Creating a work culture that cultivates job satisfaction

We work on developing human resources, developing environments, and providing opportunities so that all employees, regardless of age, sex, academic background, or place of origin can play active roles and be satisfied with their jobs.

### ■ Initiative to promote shortened work hours

We work to promote shortened work hours by, for example, setting targets for leaving times and improving awareness of working hours at branch manager meetings and seminars for managerial staff, etc.

| Development of workplace environments | Rate of paid holiday taken<br>(average number of days taken) | Average overtime work hours  | Support for balancing work and childcare                                       |  |
|---------------------------------------|--|--|--|--|
|                                       | 66.8%<br>(Average: 12.1 days)                                | All employees:<br>6:28 hours per month<br>General employees:<br>4:04 hours per month | Rate of childcare holiday taken by women<br>(number of people)<br>100%<br>(36) | Rate of childcare holiday taken by men<br>(number of people)<br>100%<br>(36) |

### Health Declaration

The Towa Bank implements TOWA Customer Support Activities with the following three mottos 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." We believe that maintaining and improving the health of employees is indispensable to continuing these initiatives, and are carrying out the initiatives listed below. In addition, we have been certified as a Health and Productivity Management Organization.



Certified as a Health and Productivity Management Organization

- Conduct health check-ups for all employees
- Assess employees' health issues and evaluate necessary measures
- Work on improving eating habits
- Work on increasing opportunities for exercise
- Work on measures against passive smoking
- Work on infectious disease prevention
- Work on measures against long working hours
- Work on measures to support mental health

## 3. Targets of Action Plan (Phase Three) based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace

Target 1

**Increase the percentage of women in positions of branch manager or higher by 50% compared to the fiscal 2020 year-end.**

Target 2

**Achieve an average period of employment for female employees of 12 years or higher.**



# Consolidated Balance Sheets

The Towa Bank, Ltd. and Consolidated Subsidiaries

| March 31,   | Millions of yen (Note 1) |            | Thousands of<br>U.S. dollars (Note 2) |
|---|--------------------------|------------|---------------------------------------|
|   | 2021                     | 2020       | 2021                                  |
| <b>Assets:</b>  |                          |            |                                       |
| Cash and due from banks .....                               | ¥ 383,664                | ¥ 240,661  | \$ 3,465,494                          |
| Call loans and bills purchased .....                        | 3,708                    | 4,647      | 33,500                                |
| Trading account securities .....                            | 0                        | 14         | 4                                     |
| Money held in trust .....                                   | 9,990                    | 9,998      | 90,237                                |
| Securities .....  | 596,874                  | 561,280    | 5,391,329                             |
| Loans and bills discounted .....                            | 1,502,820                | 1,456,130  | 13,574,389                            |
| Foreign exchange .....                                      | 1,928                    | 551        | 17,419                                |
| Other assets .....  | 28,990                   | 29,844     | 261,855                               |
| Tangible fixed assets .....                                 | 22,864                   | 22,666     | 206,522                               |
| Buildings .....   | 4,574                    | 4,418      | 41,323                                |
| Land .....  | 16,386                   | 16,482     | 148,013                               |
| Lease assets (tangible) .....                               | 53                       | 55         | 483                                   |
| Construction in progress .....                              | 4                        | 3          | 43                                    |
| Other tangible assets .....                                 | 1,844                    | 1,706      | 16,658                                |
| Intangible fixed assets .....                               | 2,881                    | 1,657      | 26,027                                |
| Software .....  | 1,072                    | 1,156      | 9,685                                 |
| Other intangible assets .....                               | 1,809                    | 500        | 16,341                                |
| Retirement benefit asset .....                              | 345                      | —          | 3,121                                 |
| Deferred tax assets .....                                   | 2,265                    | 3,731      | 20,461                                |
| Customers' liabilities for acceptances and guarantees ..... | 3,853                    | 4,156      | 34,810                                |
| Reserve for possible loan losses .....                      | (8,707)                  | (5,872)    | (78,656)                              |
| Total assets .....  | ¥2,551,480               | ¥2,329,468 | \$23,046,518                          |

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 ¥110.71 to US\$1.00, the rate prevailing on March 31, 2021.

| March 31,   | Millions of yen (Note 1) |            | Thousands of<br>U.S. dollars (Note 2) |
|---|--------------------------|------------|---------------------------------------|
|   | 2021                     | 2020       | 2021                                  |
| <b>Liabilities:</b>   |                          |            |                                       |
| Deposits .....  | ¥2,104,845               | ¥1,981,811 | \$19,012,243                          |
| Call money and bills sold .....                             | —                        | 27,000     | —                                     |
| Borrowed money .....  | 298,715                  | 172,613    | 2,698,175                             |
| Foreign exchange .....                                      | 33                       | 19         | 299                                   |
| Other liabilities .....                                     | 5,724                    | 7,238      | 51,703                                |
| Accrued employee bonuses .....                              | 432                      | 441        | 3,909                                 |
| Net defined benefit liability .....                         | 38                       | 2,951      | 344                                   |
| Reserve for director retirement benefits .....              | 1                        | 1          | 17                                    |
| Reserve for reimbursement of dormant deposits .....         | 287                      | 368        | 2,601                                 |
| Reserve for contingent loss .....                           | 364                      | 493        | 3,290                                 |
| Deferred tax liabilities .....                              | 12                       | 8          | 114                                   |
| Deferred tax liability for land revaluation .....           | 2,066                    | 2,091      | 18,665                                |
| Acceptances and guarantees .....                            | 3,853                    | 4,156      | 34,810                                |
| Total liabilities .....                                     | 2,416,376                | 2,199,195  | 21,826,177                            |
| <b>Net assets:</b>  |                          |            |                                       |
| Shareholders' equity:                                       |                          |            |                                       |
| Capital stock .....   | 38,653                   | 38,653     | 349,144                               |
| Capital surplus .....                                       | 17,500                   | 17,501     | 158,070                               |
| Retained earnings .....                                     | 66,576                   | 65,703     | 601,362                               |
| Treasury stock, at cost .....                               | (304)                    | (235)      | (2,754)                               |
| Total shareholders' equity .....                            | 122,425                  | 121,623    | 1,105,824                             |
| Accumulated other comprehensive income:                     |                          |            |                                       |
| Net unrealized gains on available-for-sale securities ..... | 8,033                    | 5,765      | 72,561                                |
| Land revaluation account .....                              | 2,276                    | 2,334      | 20,563                                |
| Remeasurements of defined benefit plans .....               | 1,612                    | (191)      | 14,563                                |
| Total accumulated other comprehensive income .....          | 11,922                   | 7,908      | 107,688                               |
| Stock acquisition rights .....                              | 265                      | 311        | 2,400                                 |
| Non-controlling interests .....                             | 490                      | 429        | 4,427                                 |
| Total net assets .....                                      | 135,103                  | 130,273    | 1,220,340                             |
| Total liabilities and net assets .....                      | ¥2,551,480               | ¥2,329,468 | \$23,046,518                          |



# Consolidated Statements of Income

The Towa Bank, Ltd. and Consolidated Subsidiaries

| For the years ended March 31,  | Millions of yen (Note 1) |         | Thousands of<br>U.S. dollars (Note 2) |
|--|--------------------------|---------|---------------------------------------|
|  | 2021                     | 2020    | 2021                                  |
| <b>Income:</b>   |                          |         |                                       |
| Interest on loans and discounts .....  | ¥19,065                  | ¥19,239 | \$172,215                             |
| Interest and dividends on securities .....                                   | 3,835                    | 5,239   | 34,642                                |
| Other interest income .....  | 148                      | 102     | 1,338                                 |
| Fees and commissions .....   | 6,003                    | 6,468   | 54,226                                |
| Other operating income .....   | 1,368                    | 2,723   | 12,362                                |
| Other income .....   | 6,016                    | 4,956   | 54,345                                |
| Total income .....   | 36,437                   | 38,729  | 329,129                               |
| <b>Expenses:</b>   |                          |         |                                       |
| Interest on deposits .....   | 235                      | 287     | 2,130                                 |
| Interest on call money and bills sold .....                                  | (10)                     | (27)    | (93)                                  |
| Interest on payables under securities lending transactions .....             | —                        | 0       | —                                     |
| Interest on borrowings and rediscounts .....                                 | 35                       | 34      | 316                                   |
| Other interest expenses .....  | 0                        | 0       | 1                                     |
| Fees and commissions .....   | 3,448                    | 3,929   | 31,148                                |
| Other operating expenses .....   | 1,003                    | 190     | 9,067                                 |
| General and administrative expenses .....                                    | 20,210                   | 20,245  | 182,551                               |
| Other expenses .....   | 7,568                    | 8,993   | 68,361                                |
| Total expenses .....   | 32,491                   | 33,654  | 293,485                               |
| Income before income taxes .....   | 3,946                    | 5,075   | 35,643                                |
| <b>Income taxes:</b>   |                          |         |                                       |
| Current .....  | 1,463                    | 2,431   | 13,216                                |
| Deferred .....   | (68)                     | (266)   | (622)                                 |
| Total income taxes .....   | 1,394                    | 2,164   | 12,594                                |
| Profit .....   | 2,551                    | 2,910   | 23,049                                |
| Profit attributable to non-controlling interests .....                       | 56                       | 14      | 510                                   |
| Profit attributable to owners of parent .....                                | ¥ 2,495                  | ¥ 2,896 | \$ 22,538                             |
| Profit attributable to owners of parent per share (in yen and U.S. dollars): |                          |         |                                       |
| Basic .....  | ¥ 62.36                  | ¥ 73.19 | \$ 0.56                               |
| Diluted .....  | 42.04                    | 50.97   | 0.37                                  |

# Consolidated Statements of Comprehensive Income

The Towa Bank, Ltd. and Consolidated Subsidiaries

|  | Millions of yen (Note 1) |          | Thousands of<br>U.S. dollars (Note 2) |
|--|--------------------------|----------|---------------------------------------|
|  | 2021                     | 2020     | 2021                                  |
| <i>For the years ended March 31,</i>                                 |                          |          |                                       |
| Profit .....   | ¥2,551                   | ¥ 2,910  | \$23,049                              |
| Other comprehensive income:  |                          |          |                                       |
| Net unrealized gains (losses) on available-for-sale securities ..... | 2,271                    | (5,927)  | 20,516                                |
| Remeasurements of defined benefit plans .....                        | 1,803                    | (1,055)  | 16,292                                |
| Total other comprehensive income .....                               | 4,075                    | (6,982)  | 36,809                                |
| Comprehensive income (loss) .....                                    | ¥6,626                   | ¥(4,072) | \$59,858                              |
| Comprehensive income (loss) attributable to:                         |                          |          |                                       |
| Owners of parent .....   | ¥6,566                   | ¥(4,083) | \$59,312                              |
| Non-controlling interests .....                                      | 60                       | 11       | 545                                   |

# 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 |
| <b>Balance at April 1, 2020 .....</b>   | <b>¥38,653</b>           | <b>¥17,501</b>  | <b>¥65,703</b>    | <b>¥(235)</b>  | <b>¥121,623</b>            |
| Changes in items during the period:   |                          |                 |                   |                |                            |
| Profit attributable to owners of parent .....                                       |                          |                 | 2,495             |                | 2,495                      |
| Dividends from surplus .....  |                          |                 | (1,670)           |                | (1,670)                    |
| Purchase of treasury stock .....  |                          |                 |                   | (177)          | (177)                      |
| Disposal of treasury stock .....  |                          | (10)            |                   | 108            | 97                         |
| Increase/Decrease for other reasons .....   |                          | 9               | 48                |                | 57                         |
| Changes in items other than shareholders' equity during the period (net amount) ... |                          |                 |                   |                |                            |
| <b>Total changes in items during the period .....</b>                               | <b>—</b>                 | <b>(1)</b>      | <b>872</b>        | <b>(69)</b>    | <b>802</b>                 |
| <b>Balance at March 31, 2021 .....</b>  | <b>¥38,653</b>           | <b>¥17,500</b>  | <b>¥66,576</b>    | <b>¥(304)</b>  | <b>¥122,425</b>            |

|   | 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 |
| <b>Balance at April 1, 2020 .....</b>   | <b>¥5,765</b>  | <b>¥2,334</b>            | <b>¥ (191)</b>                          | <b>¥ 7,908</b>                               | <b>¥311</b>              | <b>¥429</b>               | <b>¥130,273</b>  |
| Changes in items during the period:   |  |                          |   |  |                          |                           |                  |
| Profit attributable to owners of parent .....                                       |  |                          |   |  |                          |                           | 2,495            |
| Dividends from surplus .....  |  |                          |   |  |                          |                           | (1,670)          |
| Purchase of treasury stock .....  |  |                          |   |  |                          |                           | (177)            |
| Disposal of treasury stock .....  |  |                          |   |  |                          |                           | 97               |
| Increase/Decrease for other reasons .....   |  |                          |   |  |                          |                           | 57               |
| Changes in items other than shareholders' equity during the period (net amount) ... | 2,267  | (57)                     | 1,803                                   | 4,013  | (46)                     | 60                        | 4,027            |
| <b>Total changes in items during the period .....</b>                               | <b>2,267</b>   | <b>(57)</b>              | <b>1,803</b>                            | <b>4,013</b>                                 | <b>(46)</b>              | <b>60</b>                 | <b>4,830</b>     |
| <b>Balance at March 31, 2021 .....</b>  | <b>¥8,033</b>  | <b>¥2,276</b>            | <b>¥1,612</b>                           | <b>¥11,922</b>                               | <b>¥265</b>              | <b>¥490</b>               | <b>¥135,103</b>  |

| Thousands of U.S. dollars (Note 2)  |                  |                  |                   |                  |                            |
|---|------------------|------------------|-------------------|------------------|----------------------------|
| Shareholders' equity  |                  |                  |                   |                  |                            |
|   | Capital stock    | Capital surplus  | Retained earnings | Treasury stock   | Total shareholders' equity |
| <b>Balance at April 1, 2020 .....</b>   | <b>\$349,144</b> | <b>\$158,082</b> | <b>\$593,478</b>  | <b>\$(2,131)</b> | <b>\$1,098,575</b>         |
| Changes in items during the period:   |                  |                  |                   |                  |                            |
| Profit attributable to owners of parent .....                                       |                  |                  | 22,538            |                  | 22,538                     |
| Dividends from surplus .....  |                  |                  | (15,090)          |                  | (15,090)                   |
| Purchase of treasury stock .....  |                  |                  |                   | (1,606)          | (1,606)                    |
| Disposal of treasury stock .....  |                  | (100)            |                   | 981              | 882                        |
| Increase/Decrease for other reasons .....   |                  | 86               | 434               |                  | 521                        |
| Changes in items other than shareholders' equity during the period (net amount) ... |                  |                  |                   |                  |                            |
| <b>Total changes in items during the period .....</b>                               | <b>—</b>         | <b>(13)</b>      | <b>7,884</b>      | <b>(624)</b>     | <b>7,248</b>               |
| <b>Balance at March 31, 2021 .....</b>  | <b>\$349,144</b> | <b>\$158,070</b> | <b>\$601,362</b>  | <b>\$(2,754)</b> | <b>\$1,105,824</b>         |

| 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   |
| <b>Balance at April 1, 2020 .....</b>   | <b>\$52,080</b>  | <b>\$21,085</b>          | <b>\$ (1,729)</b>                       | <b>\$ 71,436</b>                             | <b>\$2,816</b>           | <b>\$3,881</b>            | <b>\$1,176,710</b> |
| Changes in items during the period:   |  |                          |   |  |                          |                           |                    |
| Profit attributable to owners of parent .....                                       |  |                          |   |  |                          |                           | 22,538             |
| Dividends from surplus .....  |  |                          |   |  |                          |                           | (15,090)           |
| Purchase of treasury stock .....  |  |                          |   |  |                          |                           | (1,606)            |
| Disposal of treasury stock .....  |  |                          |   |  |                          |                           | 882                |
| Increase/Decrease for other reasons .....   |  |                          |   |  |                          |                           | 521                |
| Changes in items other than shareholders' equity during the period (net amount) ... | 20,481   | (522)                    | 16,292                                  | 36,252                                       | (416)                    | 545                       | 36,382             |
| <b>Total changes in items during the period .....</b>                               | <b>20,481</b>  | <b>(522)</b>             | <b>16,292</b>                           | <b>36,252</b>                                | <b>(416)</b>             | <b>545</b>                | <b>43,630</b>      |
| <b>Balance at March 31, 2021 .....</b>  | <b>\$72,561</b>  | <b>\$20,563</b>          | <b>\$14,563</b>                         | <b>\$107,688</b>                             | <b>\$2,400</b>           | <b>\$4,427</b>            | <b>\$1,220,340</b> |



# 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<br>U.S. dollars (Note 2) |
|---|--------------------------|-----------|---------------------------------------|
|   | 2021                     | 2020      | 2021                                  |
| <b>Cash flows from operating activities:</b>  |                          |           |                                       |
| Income before income taxes .....  | ¥ 3,946                  | ¥ 5,075   | \$ 35,643                             |
| Depreciation and amortization .....   | 1,355                    | 1,360     | 12,240                                |
| Loss on impairment of fixed assets .....  | 118                      | 605       | 1,067                                 |
| Increase (decrease) in reserve for possible loan losses .....                                       | 2,835                    | 1,316     | 25,608                                |
| Increase (decrease) in reserve for employee bonuses .....   | (8)                      | 12        | (75)                                  |
| Increase (decrease) in reserve for reimbursement of dormant deposits .....                          | (80)                     | (187)     | (730)                                 |
| Increase (decrease) in reserve for contingent loss .....  | (129)                    | (97)      | (1,171)                               |
| Increase (decrease) in net defined benefit liabilities .....  | (665)                    | (951)     | (6,013)                               |
| Increase (decrease) in provision for directors' retirement benefits .....                           | 0                        | (1)       | 8                                     |
| Interest income .....   | (23,049)                 | (24,581)  | (208,197)                             |
| Interest expenses .....   | 260                      | 294       | 2,356                                 |
| Loss (gain) on disposal of tangible fixed assets .....  | 26                       | 21        | 242                                   |
| (Increase) decrease in trading account securities .....   | 14                       | 20        | 126                                   |
| Loss (gain) on securities — net .....   | (1,653)                  | (1,683)   | (14,933)                              |
| Loss on sales of shares of subsidiaries .....   | —                        | 233       | —                                     |
| Loss (gain) on money held in trust .....  | 5                        | (2)       | 52                                    |
| Foreign exchange loss (gain) — net .....  | (166)                    | 228       | (1,505)                               |
| Net (increase) decrease in loans .....  | (46,689)                 | (22,152)  | (421,732)                             |
| Net increase (decrease) in deposits .....   | 123,034                  | 24,313    | 1,111,322                             |
| Net increase (decrease) in borrowings excluding subordinated debt .....                             | 126,102                  | 9,094     | 1,139,029                             |
| Net (increase) decrease in due from banks other than the Bank of Japan .....                        | (32)                     | (2,664)   | (294)                                 |
| Net (increase) decrease in call loans and others .....  | 938                      | (2,560)   | 8,474                                 |
| Net increase (decrease) in call money and others .....  | (27,000)                 | —         | (243,881)                             |
| Net (increase) decrease in foreign exchange — assets .....  | (1,376)                  | (109)     | (12,437)                              |
| Net increase (decrease) in foreign exchange — liabilities .....                                     | 13                       | (12)      | 122                                   |
| Interest received .....   | 23,144                   | 25,996    | 209,054                               |
| Interest paid .....   | (303)                    | (308)     | (2,745)                               |
| Other .....   | 136                      | (512)     | 1,233                                 |
| Subtotal .....  | 180,778                  | 12,746    | 1,632,898                             |
| Income taxes paid .....   | (2,560)                  | (741)     | (23,124)                              |
| Net cash provided by (used in) operating activities .....   | 178,218                  | 12,004    | 1,609,774                             |
| <b>Cash flows from investing activities:</b>  |                          |           |                                       |
| Purchases of tangible fixed assets .....  | (1,248)                  | (738)     | (11,279)                              |
| Purchases of securities .....   | (147,536)                | (120,436) | (1,332,639)                           |
| Proceeds from sale of tangible fixed assets .....   | 53                       | —         | 484                                   |
| Proceeds from sale of securities .....  | 47,524                   | 53,413    | 429,273                               |
| Purchases of intangible fixed assets .....  | (1,704)                  | (718)     | (15,396)                              |
| Proceeds from redemption of securities .....  | 69,591                   | 131,401   | 628,594                               |
| Payments for asset retirement obligations .....   | (81)                     | (5)       | (737)                                 |
| Increase in money held in trust .....   | —                        | —         | —                                     |
| Proceeds from decrease of money held in trust .....   | 1                        | 2         | 17                                    |
| Payments for sales of shares of subsidiaries resulting in change in<br>scope of consolidation ..... | —                        | 1,360     | —                                     |
| Net cash provided by (used in) investing activities .....   | (33,398)                 | 64,279    | (301,680)                             |
| <b>Cash flows from financing activities:</b>  |                          |           |                                       |
| Proceeds from exercise of stock options .....   | 0                        | 0         | 0                                     |
| Purchases of treasury stock .....   | (177)                    | (2)       | (1,606)                               |
| Dividends paid .....  | (1,670)                  | (1,669)   | (15,090)                              |
| Net cash provided by (used in) financing activities .....   | (1,848)                  | (1,671)   | (16,694)                              |
| <b>Effect of exchange rate changes on cash and cash equivalents .....</b>                           | <b>—</b>                 | <b>0</b>  | <b>—</b>                              |
| Net increase (decrease) in cash and cash equivalents .....  | 142,971                  | 74,613    | 1,291,401                             |
| Cash and cash equivalents at beginning of year .....  | 239,916                  | 165,303   | 2,167,075                             |
| Cash and cash equivalents at end of year .....  | ¥ 382,887                | ¥ 239,916 | \$ 3,458,476                          |

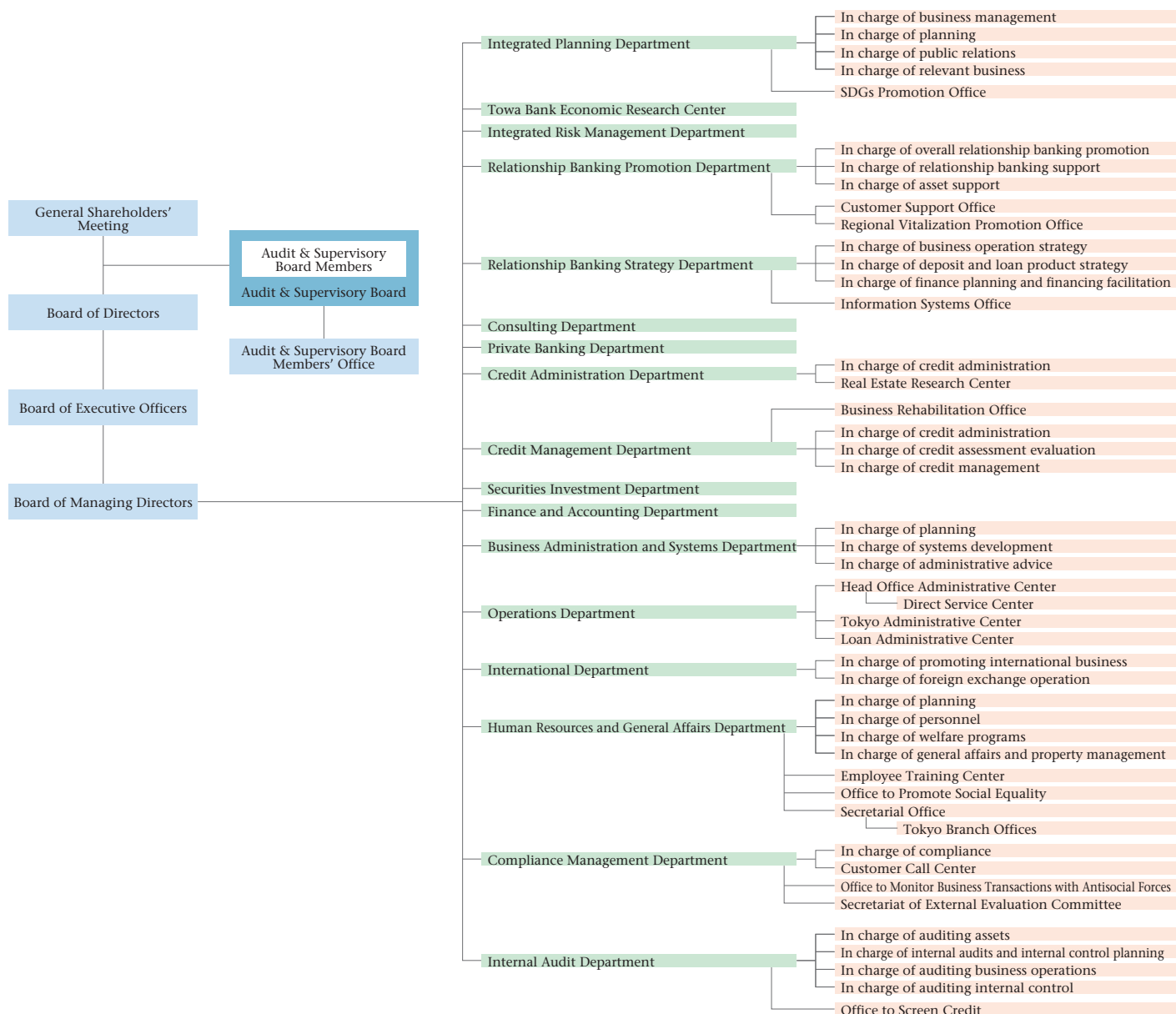
# Supplementary Information

## Consolidated Capital Ratio (Domestic Standard)

| [Basel III]   | Millions of yen (Note 1) | Thousands of<br>U.S. dollars (Note 2) |
|---|--------------------------|---------------------------------------|
|   | 2021                     | 2021                                  |
| March 31,   |                          |                                       |
| Core capital: instruments and reserves .....                      | ¥ 128,076                | \$ 1,156,866                          |
| Core capital: adjustment amount of instruments and reserves ..... | 3,192                    | 28,837                                |
| Total qualifying capital .....                                    | ¥ 124,884                | \$ 1,128,029                          |
| Risk-adjusted assets:   |                          |                                       |
| On-balance-sheet assets .....                                     | ¥1,116,949               | \$10,088,970                          |
| Off-balance-sheet assets .....                                    | 8,133                    | 73,465                                |
| Credit value adjustment amount .....                              | 182                      | 1,647                                 |
| Risk-weighted credit equivalent amount .....                      | 1,125,265                | 10,164,083                            |
| Amount related to operational risk-equivalent .....               | 50,222                   | 453,642                               |
| Total .....   | ¥1,175,488               | \$10,617,725                          |
| Capital ratio .....   | 10.62%                   |                                       |

# Business Organization Chart

(As of April 1, 2021)



## Directors, Executive Officers, and Audit & Supervisory Board Members

(As of June 24, 2021)

**Representative Director**  
**President & Chief Executive Officer**  
 Hiroshi Ebara

**Representative Director**  
**Vice President & Executive Officer**  
 Hiroyuki Sakurai

**Director**  
**Senior Managing Executive Officer**  
 Isao Kitazume

**Director**  
**Managing Executive Officer**  
 Shinichiro Suzuki

**Directors (Outside)**  
 Takeshi Mizuguchi  
 Rikako Onishi  
 Hideto Tago

**Managing Executive Officers**  
 Kazuyoshi Shiraishi  
 Toru Kobayashi  
 Takahisa Wasada

### Executive Officers

Ichiro Takenouchi  
 Hiroshi Nagasawa  
 Susumu Okabe  
 Yukihiro Tsukagoshi  
 Tatsuya Ishizeki  
 Hiroshi Iijima

### Audit & Supervisory Board Members

Kiyomi Osawa\*  
 Masami Hashimoto\*  
 Shintaro Ando\*\*  
 Shinichi Kato\*\*

\* Full-Time Audit & Supervisory Board Member  
 \*\* Outside Audit & Supervisory Board Member