

FINANCIAL STATEMENTS

2023

TOWA

THE TOWA BANK, LTD.



A Message from the President



Under the catchphrase “An Interactive Bank,” Towa Bank, Ltd. (“the Bank”) has been promoting TOWA Customer Support Activities based on the concept of “Relationship Banking” since 2012. At that time, in order to improve the business environments and regional economies of our customers, which had deteriorated due to the Great East Japan Earthquake and prolonged yen appreciation, we started making proposals to solve the various problems our customers were facing.

“Relationship Banking” is a business model in which we build close relationships with our customers to gain a deep understanding of their businesses and management conditions and then propose and provide optimal solutions, including those in non-financial areas. Although it is now a widespread practice, at the time, it was a pioneering initiative for Japan.

Our activities are based on the pillars of support for customers’ core business operations, management improvement and business rehabilitation, and asset formation. At present, we have started to offer essential cash flow support as well, to help our customers with long-term cash management.

Essential cash flow support creates an environment in which customers can commit themselves to core business operations without worrying about cash flow in a business environment undergoing dramatic upheavals such as the COVID-19 pandemic and soaring raw material prices. Our staff cooperates

with customers to create annual cash flow charts and helps them resolve not only financial but also non-financial issues that are identified in the process.

Gunma Prefecture, which serves as the Bank’s base of operation, has a thriving manufacturing industry centered on transportation equipment. It has established its position as a “manufacturing prefecture,” ranking seventh in Japan in terms of the value of manufactured goods shipped. At the same time, Gunma is also blessed with plentiful tourism resources, such as beautiful nature and a great number of hot springs, and is visited by many vacationers from all over Japan.

Saitama Prefecture, like Gunma Prefecture, is one of Japan’s prime inland industrial prefectures. Its population is highly concentrated due to its location in the suburbs of Tokyo, and commercial business, especially retail, is well developed. The prefecture is famous for having the fifth-largest gross prefectural product in Japan.

The COVID-19 pandemic has finally begun to settle down after three years, and both corporate production activities and personal consumption are continuing to recover in both prefectures. We must ensure that the business sentiment, which is finally improving, will lead to further regional revitalization. First of all, it is of utmost importance to energize companies and not reduce their numbers.

We will visit our customers as much as possible and always keep an eye out to see if there is anything we can do to help. When we identify a problem for our customer, we will do our best to help them solve it. By promoting these activities, we will contribute to the development of our customers and the revitalization of regional economies.

November 2023

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, 2023)

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: ¥2,381.5 billion

Deposits: ¥2,145.5 billion

Loans: ¥1,564.8 billion

Number of branches: 91

Standalone ATMs: 86

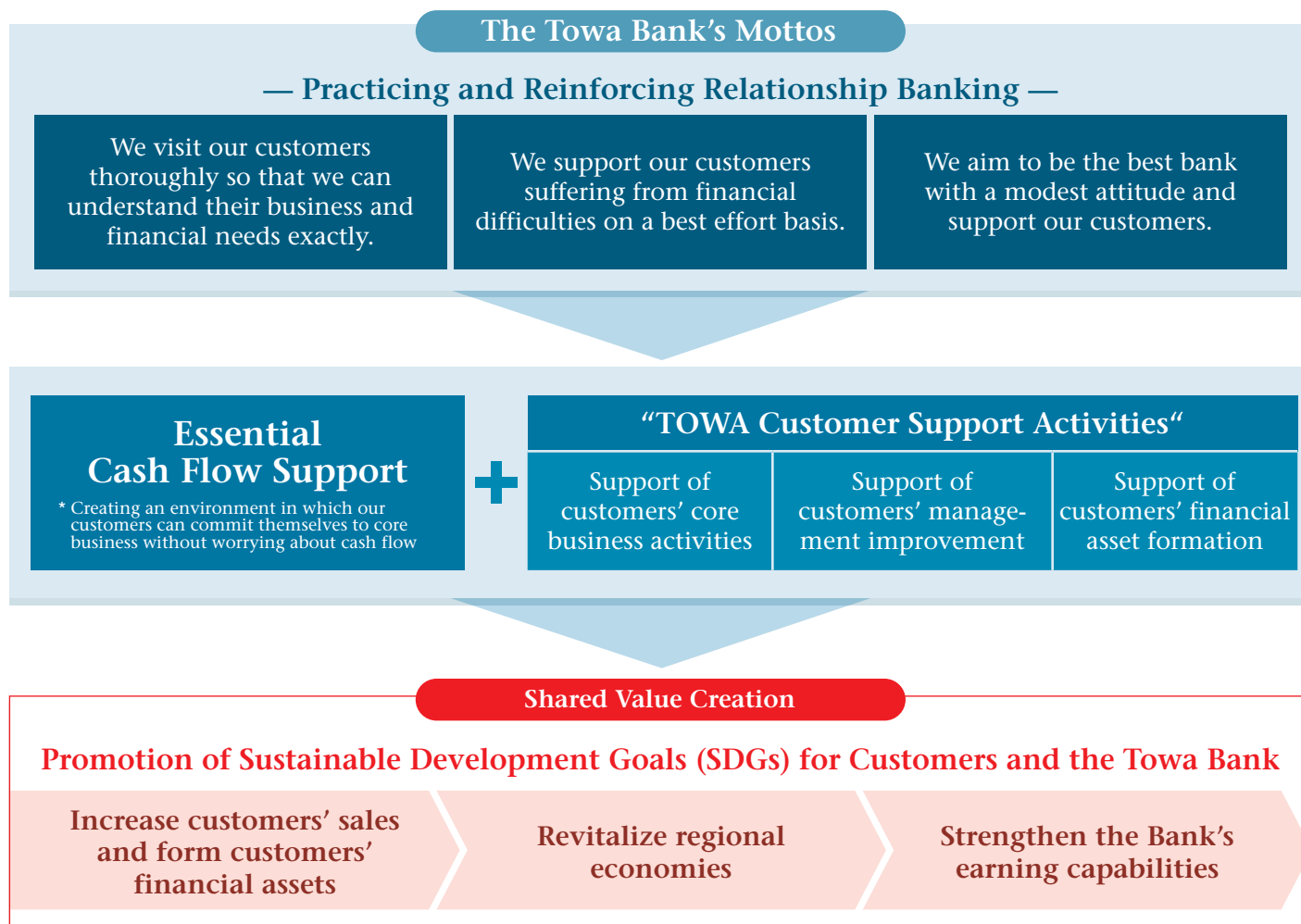
Number of employees: 1,267



Business Model

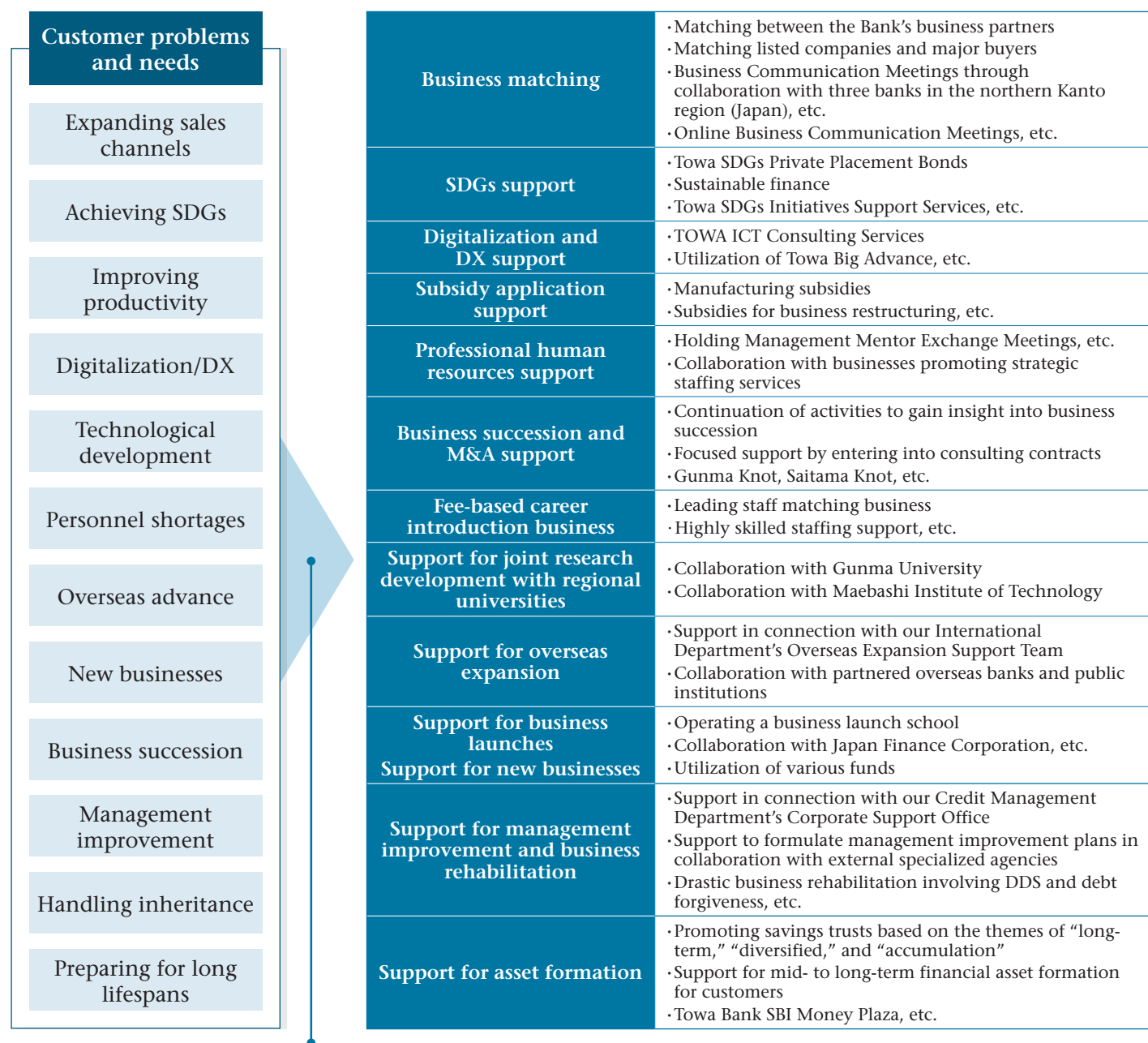
The Towa Bank's entire administration and employees work in unity with a business model of "shared value creation," which involves enhancing the corporate value of our customers, revitalizing regional economies, and strengthening the Bank's earning capabilities by practicing the TOWA Customer Support Activities which work to create an environment in which customers can commit themselves to core business operations without worrying about cash flow, and supporting customers' core business operations, management improvement and business rehabilitation, and asset formation with the following three mottos in mind: Supporting our customers when and where needed by "meeting with them to collect information," "accurately ascertaining their situation," and "never forgetting our modest origins." Beginning in October 2020, to create an environment in which customers can commit themselves to 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 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.



“TOWA Customer Support Activities”

The Bank will make every effort to support customers’ core business operations, which will lead to increased sales and the resolution of management problems, as well as support management improvement, business rehabilitation, and asset formation, and by working to enhance customers’ corporate value and revitalize regional economies, we aim to strengthen our earning power. These initiatives will be accomplished through proposal activities such as business matching, digitalization and DX support, subsidy application support, support for joint research development with regional universities, and support for overseas expansion, in order to expand customers’ sales channels.



Assess and accumulate customer problems and needs through our daily activities

■ Business Matching

■ Business matching between the Bank's business partners

As part of our efforts to support customers' core business operations to increase their sales, we conduct business matching between the Bank's business partners to connect their needs and the value they provide. In FY2022, the Bank conducted 5,790 business negotiations and concluded 490 contracts (closing rate: 8.4%). In the period since the launch of the "TOWA Customer Support Activities" (April 2012 to March 2023), the Bank conducted 44,262 business negotiations and concluded 4,430 contracts (closing rate: 10.0%).

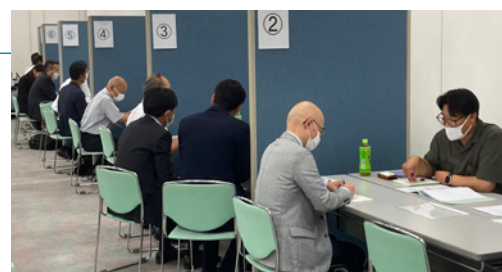


Business matching

■ Professional Human Resources Support

■ Management Mentor Exchange Meetings

We have been holding a Management Mentor Exchange Meeting every year since July 2014 in collaboration with the Kanto Bureau of Economy, Trade and Industry, intermediating between retired employees of major corporations who have specialist knowledge (management mentors) or expertise and customers who are struggling with shortages of specialist human resources. The July 2022 exchange meeting was attended by 20 companies and 77 management mentors.



Management Mentor Exchange Meeting

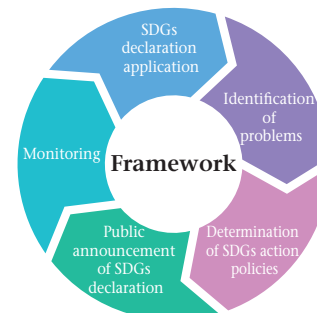
■ SDGs Support

■ Towa SDGs Initiatives Support Services

Under this initiative, which started in May 2022, we provide support for understanding non-financial information and identifying and resolving issues toward achieving the SDGs by educating customers about them and establishing SDGs declarations. In providing support, we have partnered with E-DASH Co. Ltd. and Zeroboard Inc. to create systems that allow us to provide professional support for customers to visualize and reduce their CO₂ emissions.

In February 2023, we began offering the "Towa SDGs Loan," which provides preferential interest rates based on the progress of the achievement of SDGs targets set under this initiative, contributing to further support.

Towa SDGs Initiatives Support Services



■ Support for Startups and New Businesses

■ Business Launch School

To support new businesses, we have held the 6th Business Launch School five times since December 2022. The school provides an opportunity to learn about how to prepare for starting a business, create a business plan, and receive support from government agencies for business startup efforts. In addition, the school is co-sponsored with local universities and government agencies that are actually involved in supporting business startups to help participants improve their entrepreneurial knowledge in a more practical manner.



Presentations by graduates of the Business Launch School

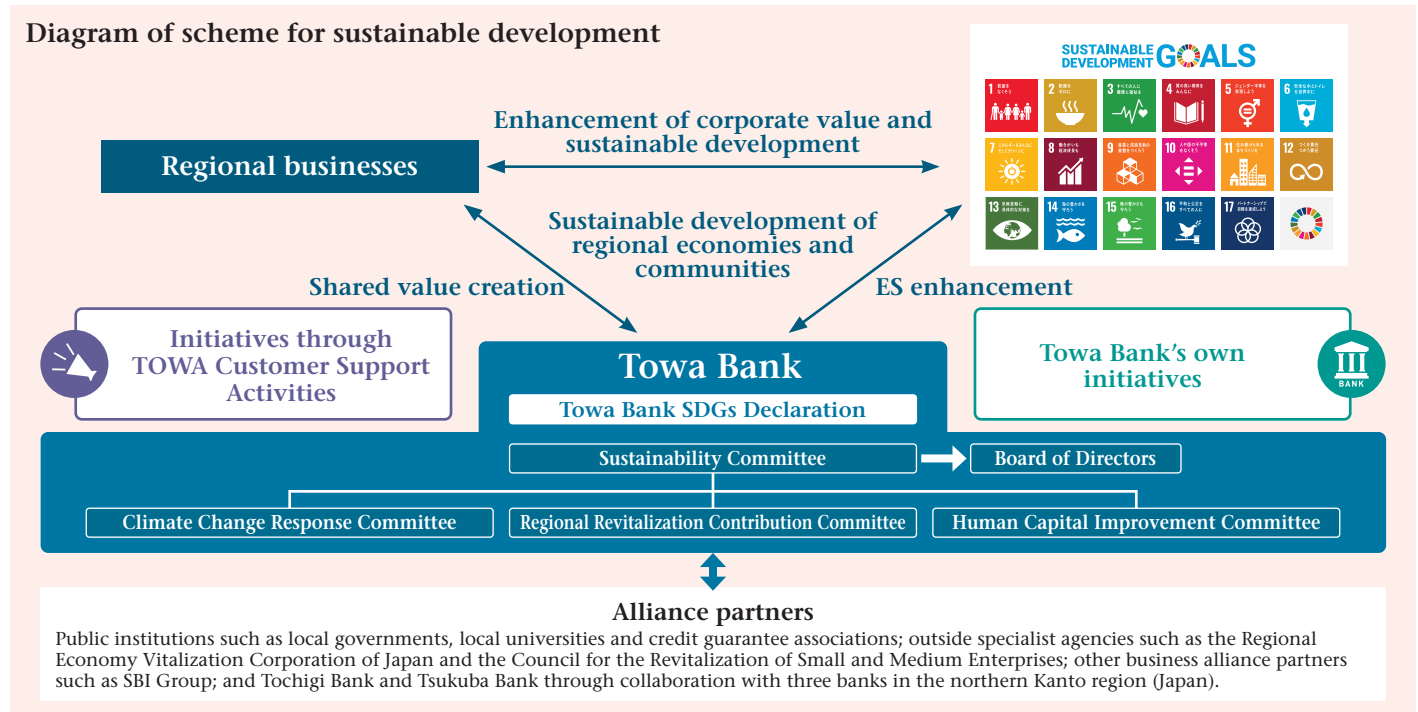
Sustainability Initiatives

Initiatives for SDGs/ESG

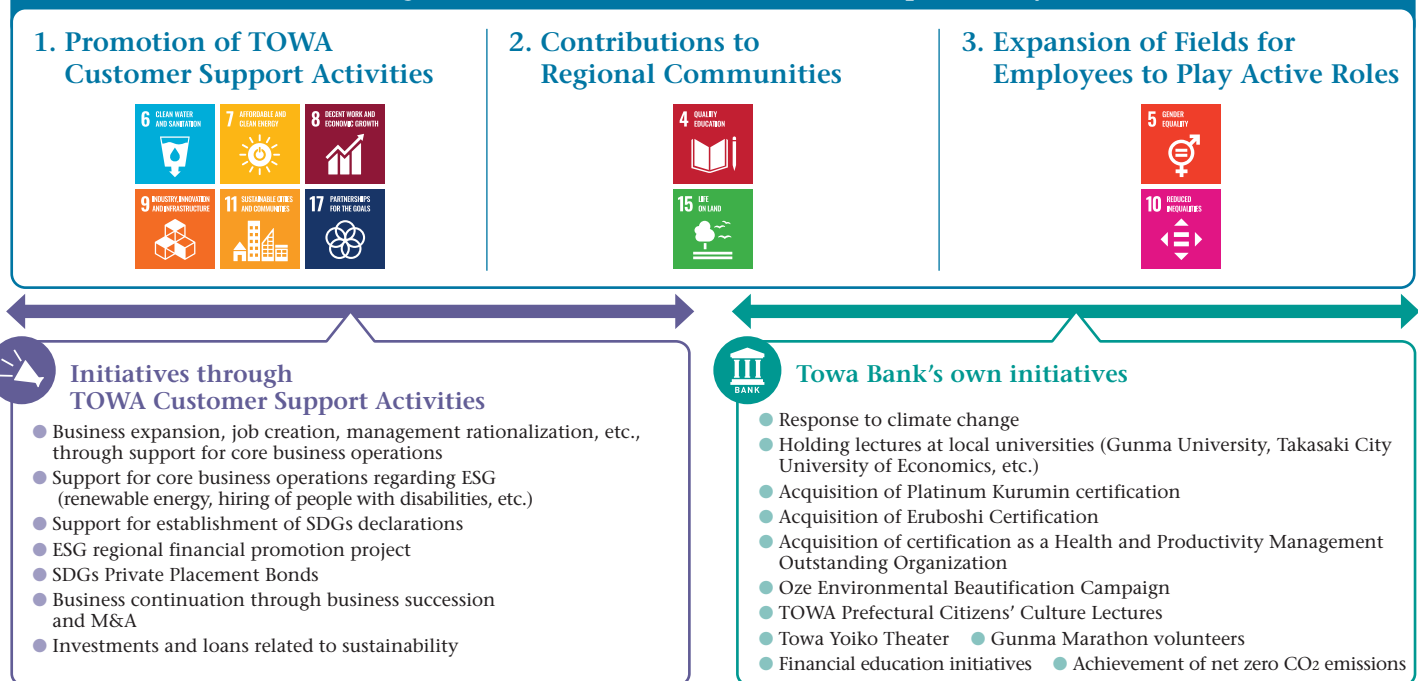
The Bank's business model is based on shared value creation and efforts to strengthen our earning capabilities by working to enhance the corporate value of our customers through TOWA Customer Support Activities, which include business expansion and regional job creation. We believe these efforts themselves represent the SDGs from the perspective of promoting the sustainable development of regional economies and communities.

In April 2019, the Bank formulated the Towa Bank SDGs Declaration, which laid out our approach to the SDGs and the segments in which we will work proactively. Based on this Declaration, we will continue to implement a variety of measures aimed at achieving the SDGs.

Diagram of scheme for sustainable development



Segments in which the Towa Bank works proactively





Initiatives through TOWA Customer Support Activities

The Towa Bank supports its customers' core business operations by focusing on ESG factors in their businesses and products, holds seminars to promote understanding and practice of SDGs/ESG, and supports schools, local governments, and nature conservation organizations, etc., through an SDGs Private Placement Bonds program that allows companies to select either a donation or endowment.

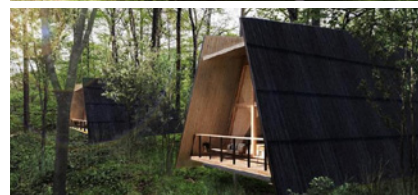
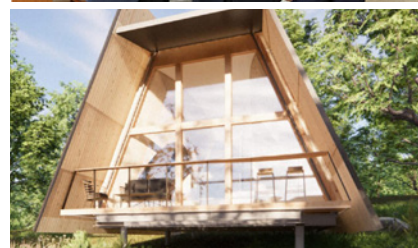
Towa SDGs Private Placement Bonds

We handle Towa SDGs Private Placement Bonds as a means of smooth financing to companies that aid the sustainable development of regional economies and society. With these bonds, the companies can select either a donation or endowment equivalent to 0.2% of the issued amount to bodies such as schools, child welfare facilities, or environmental organizations. As of March 31, 2023, 75 bonds have been issued for a total of ¥9,090 million.



Utilization of the Towa Regional Vitalization Fund

In October 2021, the Towa Regional Vitalization Fund made an investment in SANU Ouryo-chi Inc., its third investment deal. Sanu Inc., which is the parent company of SANU Ouryo-chi Inc., is a provider of a subscription service of wood cabins that it built in areas of abundant nature in the suburbs of central Tokyo and rents to registered members. Through this funding, the business will operate its service at "Forest of Ouryouji" in the Kita-Karuizawa region, a leading tourist resort area in Gunma Prefecture. This investment will not only contribute to improving the environment for accommodations in the Kita-Karuizawa area and the promotion of local attractions, but will also revitalize the region through collaboration with local food and beverage and activities businesses and the creation of employment opportunities. Through the Fund, the Bank is committed to providing growth capital that can aid in regional revitalization.

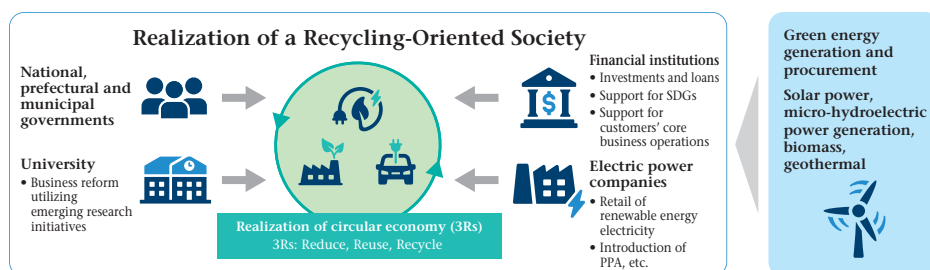


Initiatives for Regional Customers

The Bank aims to create shared value that enhances customers' corporate value and the Bank's earning capabilities. This will be achieved by conducting "TOWA Customer Support Activities" to enhance the corporate value of its customers and by working to expand their businesses and create jobs in the region. We believe these efforts themselves represent the SDGs from the perspective of promoting the sustainable development of regional economies and communities.

TOWA Decarbonization Consortium

In February 2022, we played a central role in establishing the "TOWA Decarbonization Consortium" with the aim of supporting customers wishing to engage in decarbonization efforts. In December 2022, we added the realization of a circular economy through the 3Rs (reduce, reuse, and recycle) and efforts to improve member companies' knowledge of decarbonization, and held two study sessions in February and May 2023. At the study sessions, the Director of the Carbon Neutrality Promotion Division, Natural Resources, Energy and Environment Department, Kanto Bureau of Economy, Trade and Industry, Ministry of Economy, Trade and Industry was invited to give a lecture ("National Trends and Support Measures to Achieve Carbon Neutrality") and share examples of member companies' efforts toward carbon neutrality.



Sustainability Approach and Initiatives

Initiatives to Address Climate Change and TCFD (Task Force on Climate-related Financial Disclosures) Recommendations

In recent years, climate change-related response has become an important issue as extreme weather conditions worldwide and damage from large-scale natural disasters are becoming increasingly severe. This response to climate change is becoming a factor that will have a significant impact on the business environment and management itself. In October 2021, the Bank expressed its support for the TCFD (Task Force on Climate-related Financial Disclosures) recommendations as part of its efforts to strengthen its response to climate change and environmental issues.

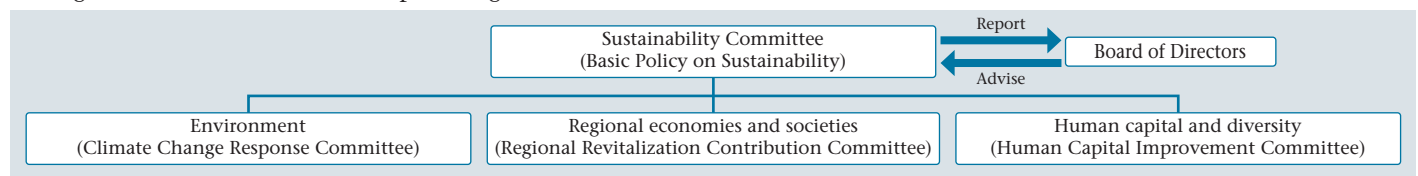


Governance

In addition to promoting disclosure in line with the TCFD recommendations, the Bank has adopted a structure under which deliberations related to climate change response and important matters are conducted in the Sustainability Committee and the content of these discussions is reported to the Board of Directors.

The Sustainability Committee is chaired by the President, with the director in charge of the Integrated Planning Department as deputy chair, and its members consist of directors attending Board of Managing Directors' meetings.

As a subcommittee of the Sustainability Committee, the Climate Change Response Committee discusses environmental issues including climate change, the Regional Revitalization Contribution Committee discusses regional economic and social issues including the promotion of regional industries, and the Human Capital Improvement Committee discusses human capital and diversity issues, including the strengthening of human resource capabilities. The Sustainability Committee convenes every six months in principle and whenever else necessary to deepen their discussions on sustainability-related matters through deliberation of issues and planning of measures.



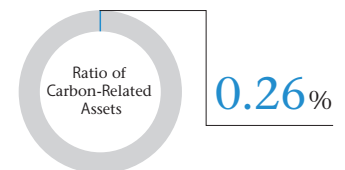
Strategy

The Bank is working under the Towa Bank SDGs Declaration and the Basic Policy on Sustainability (see page 10) to increase our customers' corporate value and revitalize regional economies, and to achieve shared value creation aiming to strengthen the Bank's earning capabilities.

Looking ahead, we will continue to position environmental preservation, including response to climate change, as an important management theme in order to realize a sustainable society, and promote initiatives from the perspectives of both opportunity and risk.

Carbon-Related Assets

The Bank's electric power and energy-sector exposures (*excluding water services business and renewable energy power generation business) accounted for 0.26% of its carbon-related assets as a percentage of its total credit balance as of March 31, 2023.



Opportunities and Risks

Classification	Envisaged impact	Timeline
Opportunities	By engaging in initiatives such as green finance for renewable energy projects and so forth, as well as transition finance for shifting to decarbonization or low carbon business models, we will support local communities and our customers.	Short term to long term (5-30 years)
Physical risks	The occurrence of natural disasters and so forth due to climate change is expected to increase credit risks for our customers whose assets or business activities are affected, and to create operational risks for the Bank's branches affected by disasters.	Medium term to long term (10-30 years)
Transition risks	With climate-related regulatory tightening and the advance of technological innovation for decarbonization, our customers whose business activities are affected are expected to present an increased credit risk.	Short term to long term (5-30 years)

Scenario Analysis

For physical risks, we have conducted scenario analysis up to 2050 based on representative climate change scenarios, with reference to the scenarios published by the Intergovernmental Panel on Climate Change (IPCC). Since the results of the analysis are estimates based on certain assumptions, we will continue to work on improving and refining scenario analysis and related methods. In addition, we will consider how to implement transition risks, such as by referring to scenarios published by the International Energy Agency (IEA) and other organizations.

Results for Analysis of Physical Risks

Risks	Damage to collateral real estate	Financial impact of business suspension
Scenario	IPCC (Intergovernmental Panel on Climate Change) RCP2.6 scenario (2°C scenario), RCP8.5 scenario (4°C scenario)	
Subjects of analysis	Real estate collateral collection location (buildings for business loans, excluding home loans, etc.)	Business regions of the bank, mainly in Gunma and Saitama prefectures
Analysis details	Analysis of increase in credit-related costs due to damage to collateral real estate (building) resulting from water-related disasters	Analysis of the increase in credit-related costs due to damage to production and business-related facilities and business suspensions as a result of water-related disasters
Analysis period	Calculation of expected cumulative damage amount due to a flood of a scale that occurs once in a century by 2050	
Risk indicators	Credit costs due to collateral damage	Credit costs due to deterioration of debtor classification as a result of declining sales
Analysis results	4°C scenario: Maximum increase of ¥1.6 billion	4°C scenario: Maximum increase of ¥1.4 billion

*1: Based on the Ministry of Land, Infrastructure, Transport and Tourism Hazard Map “Manual for Economic Survey of Flood Control Investment,” the depth of inundation of the property in question was measured, and the amount of damage was calculated according to the depth.

*2: IPCC is an organization established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) for the purpose of conducting comprehensive assessments of anthropogenic climate change, impacts, adaptation, and mitigation measures from scientific, technical, and socioeconomic perspectives.

*3: RCP stands for Representative Concentration Pathway scenario and is outlined below.

Scenario Name	Scenario summary
RCP2.6	Lowest emissions scenario developed with the goal of limiting future temperature increase to below 2°C
RCP8.5	Scenario corresponding to maximum GHG (greenhouse gas) emissions in 2100



Risk Management

The Bank recognizes climate change-related risks as important risks that have an impact on its business and financial position. We strive to build a system to manage them based on our Basic Policy on Risk Management.

The Bank has formulated the Basic Policy on Sustainability Conscious Investments and Loans (see page 11) for investments and loans that have the potential to impact the environment and society from a perspective of climate change countermeasures and realizing a sustainable society.



Metrics and Targets

The Bank is strengthening its initiatives to reduce greenhouse gas emissions by promoting local production of green energy for local consumption through the “TOWA Decarbonization Consortium.” We have adopted a CO₂ emissions reduction target of net-zero CO₂ emissions by FY2030.

CO₂ Emissions Reduction Target and Results

CO ₂ emissions reduction vs FY2013	Target	March 31, 2023
FY2030 (March 31, 2031)	Net zero	3,893 t-CO ₂ (35.90% reduction)

* Scope 1 (direct emissions) and Scope 2 (indirect emissions) standards aggregated in accordance with the periodic reporting standard of the Act on the Rational Use of Energy FY2013 results (base year): 6,074 t-CO₂ ⇒ March 31, 2023: 3,893 t-CO₂.

Targets for Investments and Loans Related to Climate Change and Other Sustainability Issues

Cumulative Execution Amount	Target	March 31, 2023
FY2030 (March 31, 2031)	¥200.0 billion	¥33.6 billion

Basic Policy on Sustainability

The Towa Bank Group will work to resolve various social issues, such as environmental issues including climate change, through the TOWA Customer Support Activities, which the Bank undertakes to increase customers' corporate value and revitalize regional economies and local communities. We will contribute to the realization of a sustainable society by creating shared value that aims both to develop regional economies, including the Bank, and increase environmental and social value.

Basic Policy on Sustainability Conscious Investments and Loans

The Towa Bank will implement TOWA Customer Support Activities, in which it works to increase corporate value and revitalize regional economies and local communities. Through these, we will proactively engage in investments and loans to help realize a sustainable environment and society by solving customer issues. Moreover, for investment and loans to businesses and other entities that are highly likely to have a significant impact on the environment and society, we will strive to mitigate and avoid negative impacts.

1. Development of regional economies

Our motto is “meeting with our customers to collect information,” and supporting them when and where needed. By carrying out both TOWA Customer Support Activities and Essential Cash Flow Support we provide investment and loans that are truly for the sake of the customer.

2. Realizing a decarbonized society

We will accurately respond to the physical risks associated with climate change acceleration, such as natural disasters, and to customers’ business risks associated with the transition to a decarbonized society. At the same time, we will utilize green energy produced locally for local consumption by the Gunma Decarbonization Consortium, and make investments and loans to actively encourage customers’ initiatives towards decarbonization.

3. Response to coal-fired thermal power plant businesses

Coal-fired thermal power has a high potential for much greater GHG emissions than other methods for generating power. Therefore, the Bank does not provide investment or loans where funds will be used to build new coal-fired thermal power plants, or extend existing plants.

4. Protection of biodiversity and ecosystems

Through communication with customers, the Bank conducts investment and loans with sufficient care to ensure that the recipient is making efforts in their business activities to protect biodiversity and ecosystems. In particular, as deforestation can have a negative impact on climate change and ecosystems, the Bank does not provide investment and loans for deforestation of high conservation value forests (HCVFs^{*1}), such as natural forests. We also make investment and loan decisions giving consideration first to the prevention of illegal deforestation, the status of acquisition of international certification (FSC^{*2}, PEFC^{*3}), and effective use of domestic lumber. In palm oil development, since there are concerns regarding ecosystem destruction, infringement of aboriginal people’s rights, and human rights issues such as child labor in the deforestation of natural forests and development of peat bogs, we give careful consideration to the status of acquisition of international certification (RSPO^{*4}) and trouble with local communities before making investment or loans.

5. Respect for human rights

Based on the UN Guiding Principles on Business and Human Rights,^{*5} we will actively support “human rights due diligence”^{*6}, including in customers’ supply chains, and conduct investments and loans that are sufficiently considerate of respect for human rights.

6. Elimination of development and manufacture of inhumane weapons

Regardless of the intended use of funds, the Bank will not provide investment and loans to companies engaged in the development and manufacture of inhuman weapons, such as nuclear weapons, biological, or chemical weapons, anti-personnel mines, and cluster munitions.

^{*1} High Conservation Value Forests: Forests whose protection is regarded as highly necessary from various perspectives, regardless of national or regional laws.

^{*2} Forest Stewardship Council: An international non-profit organization established for the purpose of spreading appropriate and responsible forest management globally with a view to environmental conservation.

^{*3} Programme for the Endorsement of Forest Certification Schemes: A non-profit organization for certifying that the individual forest certification systems formulated by each country are compatible internationally.

^{*4} Roundtable on Sustainable Palm Oil: An organization that aims to formulate globally trusted certification standards for promoting the production and use of sustainable palm oil.

^{*5} Under the UN’s 2008 “Protect, Respect and Remedy Framework” for human rights (Ruggie Report), the importance of human rights due diligence has been proposed, and in 2011 the “Guiding Principles on Business and Human Rights,” was established as an action guideline that companies worldwide should follow.

^{*6} This refers to companies apprehending the human rights risks associated with business activities and taking measures for prevention and mitigation, including forced labor and child labor in the supply chain.

Human Resource Development and Expansion of Fields for Employees to Play Active Roles

Towa's Human Resource Strategy

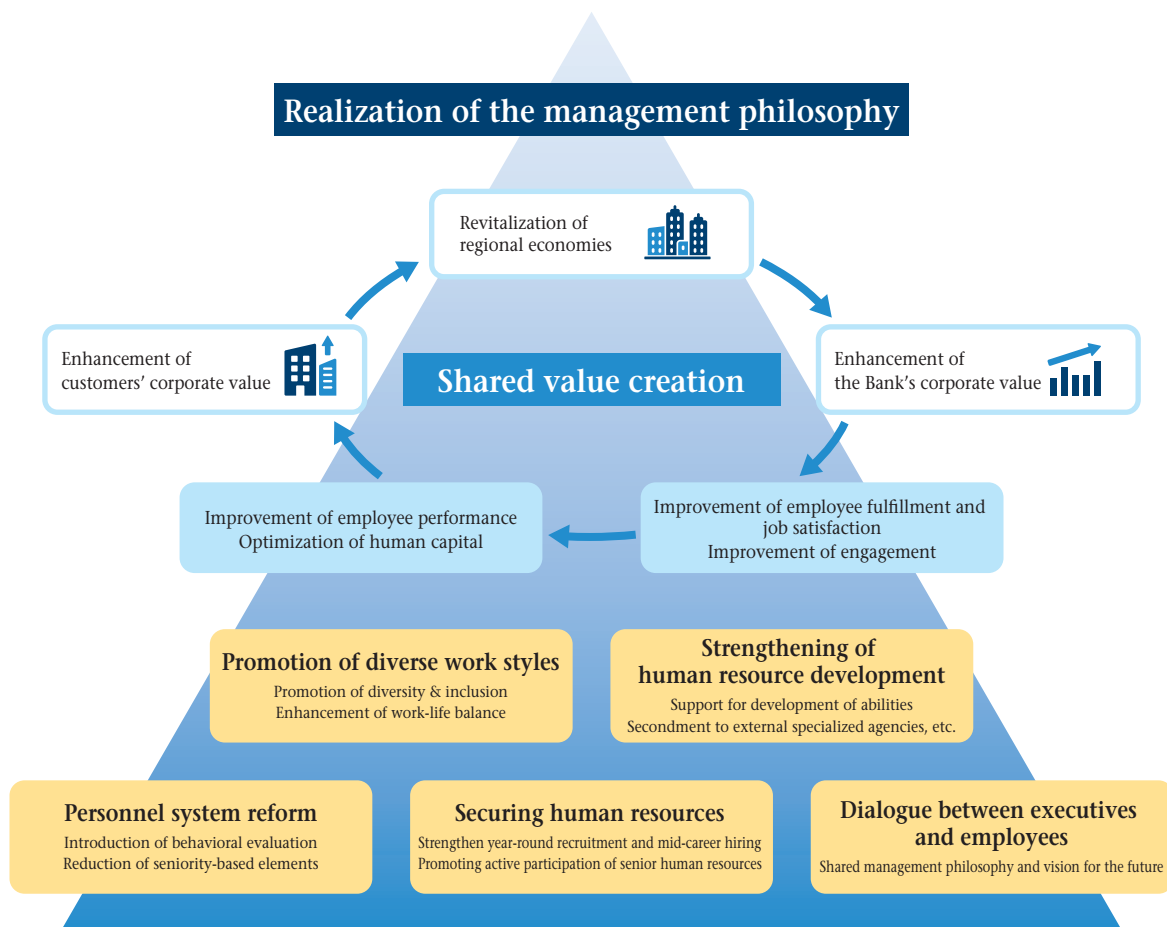
The Towa Bank views its employees as human capital that serves as a source of value creation, and works on making this human capital more sophisticated. At the same time, we aim to achieve sustainable development of regional communities as the selected financial institution in those communities. In the midst of changes of the market and surrounding environment, it is important for each employee to adapt their mindset and behavior to quickly resolve issues faced by customers and provide valuable services to them.

Based on this belief, we completely revised our personnel system in April 2023 to create a highly productive organization in which all executives and employees can think and act on their own initiative and maximize their individual capabilities. These revisions were aimed at improving employee performance and job satisfaction by abolishing generalist positions, converting all employees to career-track positions, reducing seniority-based elements, and introducing a wage structure that emphasizes roles and duties.

■ Overview of the Human Resource Strategy

We are working to promote diversity by expanding the range of positions for female employees and promoting diverse work styles, as well as “improving employee engagement” through strengthening reskilling and human resource development, as well as dialogue between executives and employees. By steadily advancing these initiatives and implementing a human resource strategy that is linked to our management strategy (business model), we will achieve sustainable enhancement of corporate value.

Initiatives to Improve Human Capital: Human Capital Model



Basic Policy on Human Resource Development

In order to become a bank that provides optimal solutions and contributes to the development of regional economies through support for customers' core business operations, management improvement, and asset formation by accurately grasping the issues and needs of customers, all executives and employees of the Bank will focus on developing human resources that will serve as a source of value creation and strive to build a corporate culture where people can thrive.

■ Strengthening of Human Resource Development

■ Strengthening of Human Resource Capabilities

As the issues and needs of our customers grow increasingly complex and diverse, we are working to strengthen our human resource capabilities. In order to develop human resources with the necessary consulting skills to meet customers' expectations, and in order to enhance the sustainability of our business model "TOWA Customer Support Activities," we encourage our employees to acquire high-level qualifications, offer them e-learning programs to deepen their knowledge in specialized areas, implement a trainee system in which branch employees are dispatched to the Head Office for a certain period of time, and send employees to external specialized agencies on dispatch or secondment assignments.

■ Career Support

While continuing our traditional Bank-led OJT and human resource development programs based on section-based practical training and rank-based training, we also promote independent learning through Saturday study sessions in which employees participate of their own volition, self-development, and web seminars. We combine traditional training with self-led career development to foster independent human resources who can think and act on their own initiative.

■ Rapid Development of Human Resources

In order to quickly resolve customer issues and provide valuable services, we are committed to the rapid development of our employees through extensive training programs for each rank based on our human resource development program.



■ Acquisition of Main Challenging Qualifications

In order to propose optimal solutions to customers' requests and issues, it is important to develop highly specialized human resources. We encourage our employees to acquire challenging qualifications and strive to secure highly skilled human resources.

	FY2022	Targets for FY2025
Holders of challenging qualifications	40	60 or more

* Challenging qualifications: Small and Medium sized Enterprise Consultants, Labor and Social Security Attorneys, Certified Public Tax Accountant, 1st grade Certified Skilled Workers of Financial Planning

Small and Medium sized Enterprise Consultants	Labor and Social Security Attorneys
9	8
1st grade Certified Skilled Workers of Financial Planning	Certified Public Tax Accountant
22	1

■ Personnel System Reform

In April 2023, the Towa Bank revised its personnel system for the first time in 12 years. The new system abolished generalist positions, which had been chosen by over 30% of regular full-time employees, and all employees will be converted to career-track positions. The Bank has prepared skill development training programs in areas such as lending, asset management, and corporate client transactions, so that employees in generalist positions, who were mainly engaged in internal operations, can improve their skills over time. We will encourage employees to reimagine their career paths as career-track employees and challenge themselves in more value-added operations to strive for self-realization and skill development.

Main Revisions to the Personnel System

- Expansion of fields for employees to play active roles through the abolition of generalist positions
- Early promotion of young employees through the setting of new qualification grades
- Abolition of age-based pay and reduction of seniority-based elements
- Introduction of role-based pay based on duties and responsibilities
- Revision of branch staff positions to enable employees to aim for higher positions in specific fields
- Introduction of an evaluation system and other measures to encourage employees to play more active roles

Increased employee engagement

Increased individual employee productivity
Advanced human capital

Basic Policy on Environmental Improvement

In order for each employee to reach his or her full potential, it is necessary to recognize diverse ways of thinking and create a workplace where employees can continue to work with peace of mind. We are committed to creating a workplace environment where employees can work with enthusiasm and a sense of job satisfaction, based on the pillars of “promotion of active roles for women” and “promotion of diverse work styles and enhancement of job satisfaction.”

■ Securing Human Resources – Promotion of Active Roles for Women

The ratio of women in management positions increased from 11.8% (63 employees) in FY2009 to 19.8% (102 employees) in FY2022, demonstrating significant strides in the advancement of women over the past 10 years. Under the revised personnel system, all female employees are now career-track employees and are able to take on the challenge of higher-level positions and expanding their fields of participation more than ever before, and we are actively committed to the career development of female employees.

We have set the following targets as metrics of women’s active participation.

■ Metrics of Women’s Activate Participation (Targets and Results)

	FY2020	FY2021	FY2022	Targets for FY2025
Average years of service for women	12.6 years	12.9 years	13.2 years	13.5 years
Percentage of female executives	24.2%	24.5%	25.5%	26.0%
Percentage of female employees	38.6%	40.1%	39.8%	45.0%



Obtained Stage Three of Eruboshi Certification

■ In the Event of Pregnancy of Female Employees Engaged in Customer Relations

We assign women with ambition to core business operations at the Head Office such as credit and corporate planning departments, while actively promoting them to the Customer Relations Division. In April 2022, we introduced a system that allows female employees engaged in customer relations to switch to less physically demanding work if they become pregnant, while remaining in the Customer Relations Division.

■ Promotion of Diverse Work Styles – Enhanced Job Satisfaction

■ Realization of Work-life Balance

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 leave (a maximum period of seven days starting from the first day of childcare leave given as paid leave), and hold childcare exchange meetings. In addition, we are working to improve the utilization rate of paid leave and reduce overtime hours by conducting efficient business operations, and received Gunma Prefecture's Iki Iki G Company Excellence Award (in the category of Promotion of Work Style Reform) in FY2022. We will continue to actively work toward the realization of work-life balance.

■ Health and Productivity Management Initiatives

Recognizing the importance of maintaining and improving the health of our employees in order to provide optimal solutions to our customers, we have established a system headed by the President to promote health and productivity management. In addition, with regard to mental health measures, we have formulated a “Mental Health Promotion Plan” that outlines a counseling system and support for returning to work, and we aim to promote the well-being of each and every employee by working to improve their physical and mental health.

Metrics of Health and Productivity Management	FY2020	FY2021	FY2022
Percentage of employees who received a regular health checkup	100.0%	100.0%	100.0%
Percentage of employees who received follow-up or specialized health checkups	69.0%	70.8%	84.0%
Percentage of employees who received a stress check	93.0%	94.9%	93.2%



■ Percentage of Male Employees Taking Childcare Leave

We have traditionally promoted awareness of the parental leave system among department heads and the employees themselves when employees' children are born, encouraging utilization of the system and confirming planned leave dates. As a result of these efforts, the percentage of male employees taking childcare leave in FY2022 was 111.1%, and we will continue our efforts to promote the utilization of childcare leave.

* Percentage of male employees taking childcare leave: the number of male employees who took childcare leave in FY2022 divided by the number of spouses who gave birth in FY2022.

■ Area Option System

We are creating an environment where diverse human resources can thrive by giving them the option to choose an assignment area that does not require relocation so that they can pursue career advancement while working in a way that suits their family situation and perspective on work.

■ Efforts to Introduce Business Casual Dress

We respect the diversity of our employees, and have been experimenting with a new style of work attire from June 2023 to September 2023 to promote creative thinking that is not bound by conventional values and embody a free and open corporate culture in the way we dress. Male employees are allowed to wear business suits (no neckties required throughout the year), and female employees may choose from uniforms, business suits, or business casual.



■ Dialogue between Executives and Employees

We are committed to dialogue between frontline employees and executives, and hold the annual Dialogue Session between the President and Employees for each rank of employees, from young employees to branch managers. The exchange of opinions at these Dialogue Sessions allows us to incorporate real voices from the front lines into our management, which in turn leads to improvements in the workplace environment and various measures.



Consolidated Balance Sheets

The Towa Bank, Ltd. and Consolidated Subsidiaries

March 31,	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Assets:			
Cash and due from banks	¥ 188,346	¥ 376,579	\$ 1,410,517
Call loans and bills purchased	1,108	0	8,300
Trading account securities	0	0	3
Money held in trust	3,998	9,985	29,944
Securities	568,660	595,291	4,258,668
Loans and bills discounted	1,562,298	1,525,600	11,699,983
Foreign exchange	663	832	4,965
Other assets	37,302	31,708	279,360
Tangible fixed assets	21,892	21,952	163,953
Buildings	4,487	4,248	33,605
Land	15,922	15,792	119,239
Lease assets (tangible)	56	50	426
Construction in progress	43	70	323
Other tangible assets	1,383	1,790	10,357
Intangible fixed assets	3,228	3,250	24,177
Software	2,625	3,016	19,664
Other intangible assets	602	234	4,512
Retirement benefit asset	1,807	1,544	13,538
Deferred tax assets	4,635	4,913	34,716
Customers' liabilities for acceptances and guarantees	3,447	3,598	25,817
Reserve for possible loan losses	(6,995)	(8,469)	(52,388)
Total assets	¥2,390,395	¥2,566,787	\$17,901,557

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 ¥133.53 to US\$1.00, the rate prevailing on March 31, 2023.

March 31,	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
Liabilities:			
Deposits	¥2,144,412	¥2,135,975	\$16,059,403
Call money and bills sold	0	0	0
Borrowed money	115,890	292,990	867,894
Foreign exchange	161	84	1,207
Other liabilities	5,736	5,776	42,958
Accrued employee bonuses	446	447	3,342
Net defined benefit liability	48	43	362
Reserve for director retirement benefits	0	1	0
Reserve for reimbursement of dormant deposits	124	216	934
Reserve for contingent loss	432	372	3,241
Deferred tax liabilities	9	7	69
Deferred tax liability for land revaluation	1,997	2,063	14,958
Acceptances and guarantees	3,447	3,598	25,817
Total liabilities	2,272,706	2,441,577	17,020,191
Net assets:			
Shareholders' equity:			
Capital stock	38,653	38,653	289,476
Capital surplus	17,500	17,500	131,056
Retained earnings	70,116	66,990	525,102
Treasury stock, at cost	(202)	(217)	(1,517)
Total shareholders' equity	126,068	122,927	944,118
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(12,243)	(2,341)	(91,692)
Land revaluation account	2,147	2,298	16,080
Remeasurements of defined benefit plans	935	1,584	7,006
Total accumulated other comprehensive income	(9,160)	1,541	(68,605)
Stock acquisition rights	250	219	1,873
Non-controlling interests	531	520	3,979
Total net assets	117,688	125,209	881,366
Total liabilities and net assets	¥2,390,395	¥2,566,787	\$17,901,557

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)
	2023	2022	2023
Income:			
Interest on loans and discounts	¥18,599	¥18,647	\$139,290
Interest and dividends on securities	3,568	4,213	26,723
Other interest income	140	237	1,054
Fees and commissions	6,227	6,081	46,638
Other operating income	173	1,399	1,296
Other income	5,843	6,391	43,758
Total income	34,552	36,970	258,761
Expenses:			
Interest on deposits	122	169	919
Interest on call money and bills sold	(0)	(1)	(0)
Interest on payables under securities lending transactions	0	0	0
Interest on borrowings and rediscounts	34	34	259
Other interest expenses	0	0	0
Fees and commissions	3,364	3,461	25,196
Other operating expenses	306	219	2,296
General and administrative expenses	19,603	19,751	146,807
Other expenses	6,128	9,912	45,892
Total expenses	29,559	33,548	221,367
Income before income taxes	4,993	3,422	37,394
Income taxes:			
Current	333	1,495	2,496
Deferred	556	133	4,166
Total income taxes	889	1,628	6,662
Profit	4,103	1,793	30,731
Profit attributable to non-controlling interests	8	47	65
Profit attributable to owners of parent	¥ 4,094	¥ 1,745	\$ 30,666
Profit attributable to owners of parent per share (in yen and U.S. dollars):			
Basic	¥105.58	¥ 42.01	\$ 0.79
Diluted	62.71	27.22	0.46

Consolidated Statements of Comprehensive Income

The Towa Bank, Ltd. and Consolidated Subsidiaries

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2023	2022	2023
<i>For the years ended March 31,</i>			
Profit	¥ 4,103	¥ 1,793	\$ 30,731
Other comprehensive income (loss):			
Valuation difference on available-for-sale securities	(9,900)	(10,380)	(74,141)
Remeasurements of defined benefit plans	(648)	(27)	(4,861)
Total other comprehensive income (loss)	(10,549)	(10,407)	(79,002)
Comprehensive income (loss)	¥ (6,445)	¥ (8,614)	\$(48,270)
Comprehensive income (loss) attributable to:			
Owners of parent	¥ (6,455)	¥ (8,657)	\$(48,349)
Non-controlling interests	10	42	79

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, 2022	¥38,653	¥17,500	¥66,990	¥(217)	¥122,927
Changes in items during the period:					
Profit attributable to owners of parent			4,094		4,094
Dividends from surplus			(1,118)		(1,118)
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(2)		16	14
Increase/Decrease for other reasons		1	149		151
Changes in items other than shareholders' equity during the period (net amount) ...					
Total changes in items during the period	0	(0)	3,126	15	3,140
Balance at March 31, 2023	¥38,653	¥17,500	¥70,116	¥(202)	¥126,068

	Millions of yen (Note 1)						
	Accumulated other comprehensive income (loss)						
	Valuation difference on available-for-sale securities	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥ (2,341)	¥2,298	¥1,584	¥ 1,541	¥219	¥520	¥125,209
Changes in items during the period:							
Profit attributable to owners of parent							4,094
Dividends from surplus							(1,118)
Purchase of treasury stock							(1)
Disposal of treasury stock							14
Increase/Decrease for other reasons							151
Changes in items other than shareholders' equity during the period (net amount) ...	(9,901)	(151)	(648)	(10,702)	30	10	(10,661)
Total changes in items during the period	(9,901)	(151)	(648)	(10,702)	30	10	(7,520)
Balance at March 31, 2023	¥(12,243)	¥2,147	¥ 935	¥ (9,160)	¥250	¥531	¥117,688

Thousands of U.S. dollars (Note 2)					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2022	\$289,476	\$131,062	\$501,689	\$(1,631)	\$920,598
Changes in items during the period:					
Profit attributable to owners of parent			30,666		30,666
Dividends from surplus			(8,378)		(8,378)
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		(16)		121	105
Increase/Decrease for other reasons		10	1,123		1,133
Changes in items other than shareholders' equity during the period (net amount) ...					
Total changes in items during the period	0	(6)	23,412	113	23,520
Balance at March 31, 2023	\$289,476	\$131,056	\$525,102	\$(1,517)	\$944,118

Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income (loss)						
	Valuation difference on available-for-sale securities	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2022	\$(17,538)	\$17,214	\$11,866	\$ 11,543	\$1,646	\$3,900	\$937,688
Changes in items during the period:							
Profit attributable to owners of parent							30,666
Dividends from surplus							(8,378)
Purchase of treasury stock							(8)
Disposal of treasury stock							105
Increase/Decrease for other reasons							1,133
Changes in items other than shareholders' equity during the period (net amount) ...	(74,155)	(1,134)	(4,861)	(80,148)	226	79	(79,843)
Total changes in items during the period	(74,155)	(1,134)	(4,861)	(80,148)	226	79	(56,323)
Balance at March 31, 2023	\$(91,692)	\$16,080	\$ 7,006	\$ 68,605	\$1,873	\$3,979	\$881,366

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)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥ 4,993	¥ 3,422	\$ 37,394
Depreciation and amortization	1,562	1,427	11,697
Loss on impairment of fixed assets	7	319	56
Increase (decrease) in reserve for possible loan losses	(1,474)	(238)	(11,041)
Increase (decrease) in reserve for employee bonuses	(1)	14	(10)
Increase (decrease) in reserve for reimbursement of dormant deposits	(91)	(71)	(688)
Increase (decrease) in reserve for contingent loss	60	8	452
Increase (decrease) in net defined benefit liabilities	(1,192)	(1,233)	(8,928)
Increase (decrease) in provision for directors' retirement benefits	(1)	(0)	(11)
Interest income	(22,308)	(23,098)	(167,069)
Interest expenses	156	203	1,173
Loss (gain) on disposal of tangible fixed assets	25	(29)	187
(Increase) decrease in trading account securities	0	0	0
Loss (gain) on securities — net	226	(2,576)	1,699
Loss (gain) on money held in trust	(0)	2	(2)
Foreign exchange loss (gain) — net	(650)	(609)	(4,872)
Net (increase) decrease in loans	(36,698)	(22,779)	(274,833)
Net increase (decrease) in deposits	8,436	31,129	63,181
Net increase (decrease) in borrowings excluding subordinated debt	(177,100)	(5,725)	(1,326,294)
Net (increase) decrease in due from banks other than the Bank of Japan	114	(129)	854
Net (increase) decrease in call loans and others	(1,108)	3,708	(8,300)
Net increase (decrease) in call money and others	0	0	0
Net (increase) decrease in foreign exchange — assets	169	1,096	1,268
Net increase (decrease) in foreign exchange — liabilities	76	51	573
Interest received	22,641	24,311	169,562
Interest paid	(197)	(243)	(1,476)
Other	(5,151)	(2,528)	(38,579)
Subtotal	(208,543)	6,432	(1,561,773)
Income taxes paid	(844)	(1,433)	(6,323)
Net cash provided by (used in) operating activities	(209,387)	4,998	(1,568,095)
Cash flows from investing activities:			
Purchases of tangible fixed assets	(1,080)	(598)	(8,089)
Purchases of securities	(69,180)	(150,418)	(518,091)
Proceeds from sale of tangible fixed assets	1,414	339	10,595
Proceeds from sale of securities	7,858	55,252	58,852
Purchases of intangible fixed assets	(758)	(899)	(5,683)
Proceeds from redemption of securities	78,158	85,409	585,327
Payments for asset retirement obligations	(11)	(3)	(86)
Proceeds from decrease of money held in trust	5,987	1	44,839
Net cash provided by (used in) investing activities	22,388	(10,915)	167,668
Cash flows from financing activities:			
Proceeds from exercise of stock options	0	0	0
Purchases of treasury stock	(1)	(0)	(8)
Dividends paid	(1,118)	(1,298)	(8,378)
Net cash provided by (used in) financing activities	(1,119)	(1,299)	(8,385)
Net increase (decrease) in cash and cash equivalents	(188,118)	(7,215)	(1,408,812)
Cash and cash equivalents at beginning of year	375,672	382,887	2,813,397
Cash and cash equivalents at end of year	¥ 187,554	¥ 375,672	\$ 1,404,585

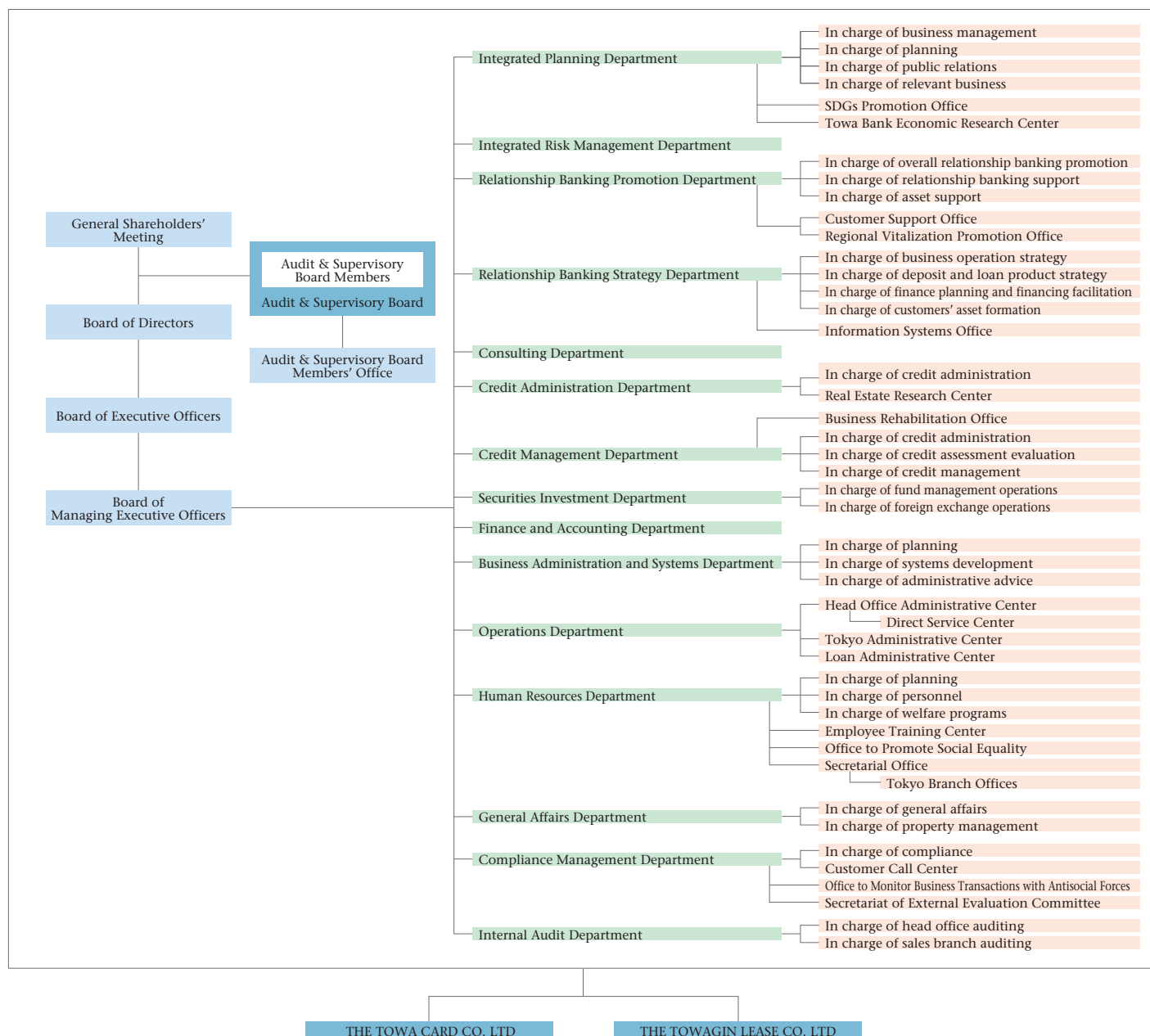
Supplementary Information

Consolidated Capital Ratio *(Domestic Standard)*

[Basel III]	Millions of yen (Note 1)	Thousands of U.S. dollars (Note 2)
	2023	2023
March 31,		
Core capital: instruments and reserves	¥ 129,517	\$ 969,953
Core capital: adjustment amount of instruments and reserves	4,492	33,647
Total qualifying capital	¥ 125,024	\$ 936,305
Risk-adjusted assets:		
On-balance-sheet assets	¥1,134,382	\$8,495,336
Off-balance-sheet assets	13,035	97,625
Credit value adjustment amount	2,765	20,706
Risk-weighted credit equivalent amount	1,150,183	8,613,669
Amount related to operational risk-equivalent	47,845	358,312
Total	¥1,198,028	\$8,971,981
Capital ratio	10.43%	10.43%

Business Organization Chart

(As of June 29, 2023)



Directors, Executive Officers, and Audit & Supervisory Board Members

(As of June 29, 2023)

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
 Takahisa Wasada
 Susumu Okabe

Executive Officers
 Tatsuya Ishizeki
 Hiroshi Iijima
 Masahiko Hijikata
 Takashi Sato
 Masaharu Matsumoto

Audit & Supervisory Board Members
 Kiyomi Osawa*
 Masami Hashimoto*
 Shinichi Kato**
 Junko Saito**

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