

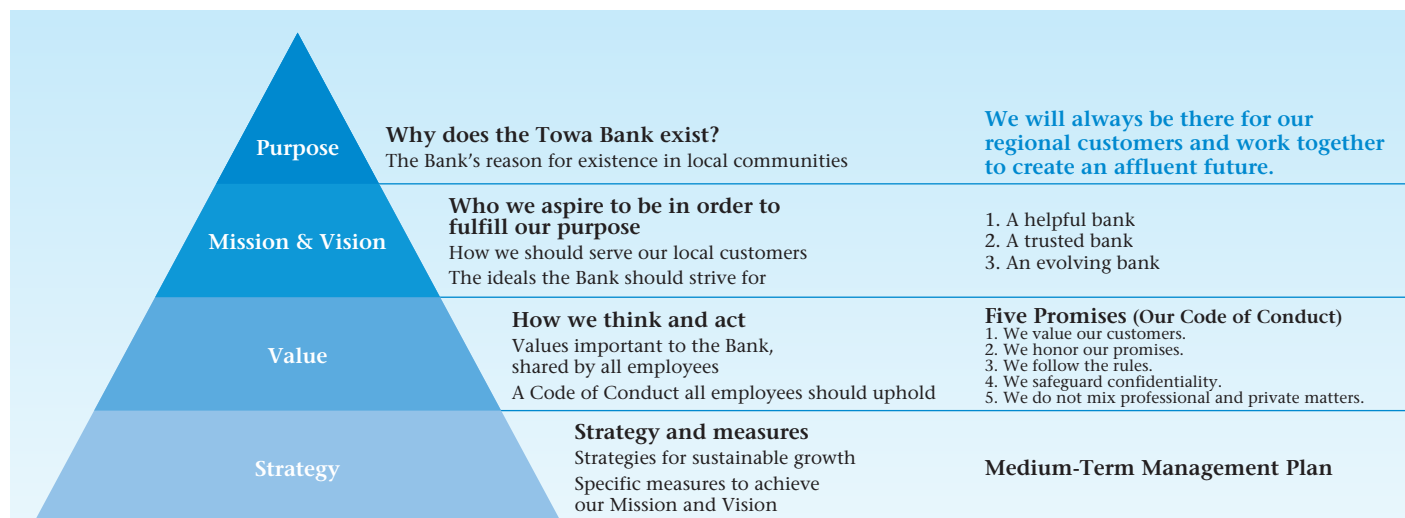
FINANCIAL STATEMENTS

2024

TOWA

THE TOWA BANK, LTD.

Profile



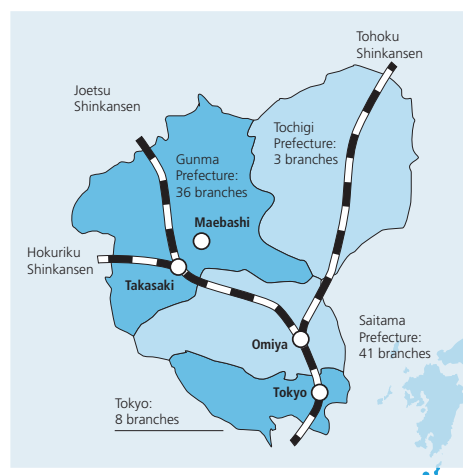
Formulation of Purpose and Contribution to Communities

In May 2024, in conjunction with its new medium-term management plan, the Towa Bank formulated its purpose to clearly define the Bank's reason for existence and to build consensus among all employees. The purpose was decided from the bottom up, taking into account the opinions of the entire workforce.

The Towa Bank has operational bases primarily in Gunma and Saitama prefectures, where it has developed alongside the regional economy. Gunma Prefecture is known as a "manufacturing prefecture" with a thriving transportation equipment industry. Saitama Prefecture boasts the fifth largest population in Japan and is home to well-developed commercial businesses and inland industries.

We remain committed to contributing to economic, social, and cultural development as a financial institution that supports our customers and the regional economy. Looking ahead, we will continue to support affluent living by deepening our relationships of trust with communities and society.

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, 2024)

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:	¥2,395.1 billion	Number of branches: 91
Deposits:	¥2,153.4 billion	Standalone ATMs: 75
Loans:	¥1,579.5 billion	Number of employees: 1,229



A Message from the President



In May 2024, the Towa Bank, Ltd. (“the Bank”) repaid ¥15.0 billion in public funds, one of management’s most urgent priorities, and started phase 1 of its medium-term management plan, called TOWA Future Plan I—Creating an

Affluent Future Together (hereafter, “the new medium-term plan”). Before I explain the new medium-term plan, I would like to review our previous business reinforcement plan, Plan Phoenix VI (FY2021–FY2023). Plan Phoenix VI was launched at a time when COVID-19 was spreading, and cash flow management was the most challenging for our small and medium-sized enterprise (SME) customers. During the three years covered by the plan, we, as a regional financial institution, focused on providing support to solve the issues faced by regional customers. This included creating an environment in which customers can commit themselves to their core business operations without worrying about cash flow. The COVID-19 pandemic strongly reminded us of the importance of sustainability. To help its customers improve their sustainability, the Bank established an execution target of ¥200.0 billion in sustainability-related investments and loans by the end of March 2031, thereby accelerating our support for clients in achieving the SDGs and implementing initiatives aimed at carbon neutrality. Meanwhile, amid a persistently low-interest rate environment, improving sustainability—i.e., strengthening profitability and enhancing operating efficiency—emerged as a major priority for the Bank. We made every effort to provide high-quality solutions to customers and improve non-interest income through measures such as creating the Consulting Department and offering TOWA Customer Support Activities as a fee-based service. In our efforts to raise operating efficiency, we also advanced digital

transformation (DX) within the Bank, such as by planning ¥5.0 billion in automation-related investments, including investments in digitalization, over 3 years. We switched to paperless processes and improved operating efficiency in many operations such as loan administration. As a result, under the new medium-term plan that began this fiscal year, we were able to plan the development of a sales structure that can focus on supporting regional customers and providing even stronger consulting services. Consequently, we can now expect to improve our earnings. I believe the conditions have come together for the Bank to make its next leap forward.

As I noted at the beginning, in May 2024, the Bank repaid ¥15.0 billion in public funds, marking the full repayment of ¥35.0 billion in total public funds. Since receiving government capital participation through public funds in 2009, the Bank has made TOWA Customer Support Activities central to its business model, steadfastly continuing activities to support local SMEs with both financial and non-financial assistance. As a result of these activities, our lending to SMEs has steadily increased, and the Bank has accumulated retained earnings of over ¥70.0 billion, which serves as a source for repaying public funds. The Bank has fully repaid the public funds on its own, maintaining a sound capital adequacy ratio of 8.76% as of the end of June 2024, even after repaying ¥15.0 billion, without relying on capital increases or other such measures. This full repayment was made possible only through the support of our regional customers and shareholders, as well as the hard work of all of the Bank’s officers and employees, including our senior colleagues over the years. I would like to take this opportunity to express my gratitude to all of the Bank’s stakeholders.

March 2024

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

Hiroshi Ebara

Representative Director,
President & Chief Executive Officer

Roles of the Long-Term Vision and Medium-Term Management Plan

About the Long-Term Vision

Vision realization: End of March 2033

The Towa Bank launched TOWA Customer Support Activities in 2012. Ever since, the Bank has been building relationships of trust with regional customers. In 2021, the Bank also began offering essential cash flow support, further strengthening and deepening these activities.

The Bank has adopted “Work together to create an affluent future” as a theme of its Long-Term Vision. While providing optimal solutions to regional customers, the Bank will aim for sustainable growth. All employees will work to drive further evolution in TOWA Customer Support Activities in one united effort.



Medium-Term Management Plan Phase 1 “Towa Future Plan I”

Concept

- By implementing TOWA Customer Support Activities, a customer-centric business model, the Bank aims to contribute to the sustainable growth of regional customers, while increasing the Bank’s corporate value.
- To realize a sustainable regional society, the Bank will work to solve various social issues by maximizing its financial intermediary functions and through TOWA Customer Support Activities. Additionally, to develop human resources capable of solving these issues, the Bank will strengthen its efforts to improve human capital.

Basic Strategies

Basic Strategy I Strengthen and deepen TOWA Customer Support Activities	<table> <tr> <td>Essential cash flow support</td><td>Support for customers’ management improvement and business rehabilitation</td></tr> <tr> <td>Support for customers’ core business operations</td><td>Support for customers’ asset formation</td></tr> </table>	Essential cash flow support	Support for customers’ management improvement and business rehabilitation	Support for customers’ core business operations	Support for customers’ asset formation
Essential cash flow support	Support for customers’ management improvement and business rehabilitation				
Support for customers’ core business operations	Support for customers’ asset formation				
Basic Strategy II Strengthen the platform supporting the business model	<table> <tr> <td>Selection and concentration of business operations</td><td>Promotion of DX</td></tr> <tr> <td>Efforts to improve human capital</td><td>SDGs measures</td></tr> </table>	Selection and concentration of business operations	Promotion of DX	Efforts to improve human capital	SDGs measures
Selection and concentration of business operations	Promotion of DX				
Efforts to improve human capital	SDGs measures				
Basic Strategy III Establish low-cost operations	<table> <tr> <td>Efficient branch management</td><td></td></tr> <tr> <td>Alliances with partners in different industries and other banks</td><td></td></tr> </table>	Efficient branch management		Alliances with partners in different industries and other banks	
Efficient branch management					
Alliances with partners in different industries and other banks					
Basic Strategy IV Establish a responsible management structure	<table> <tr> <td>Strengthen the governance structure</td><td>Enhance IR and integrated reports, etc.</td></tr> <tr> <td>Strengthen the risk management structure</td><td></td></tr> </table>	Strengthen the governance structure	Enhance IR and integrated reports, etc.	Strengthen the risk management structure	
Strengthen the governance structure	Enhance IR and integrated reports, etc.				
Strengthen the risk management structure					

Financial KPIs FY2027

Capital efficiency ROE (consolidated) 3.7%	Profitability Core net business profit ¥6.3 billion	Soundness Capital adequacy ratio 8.64%	Operating efficiency OHR 65.1%
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Basic Strategies and Sustainability KPIs

Measure	Main goals	KPI	Medium-term management plan target (April 2024 to March 31, 2027)
TOWA Customer Support Activities	Increase customers' sales, reduce their costs and meet related goals	Number of established business matches (3-year cumulative total)	1,450
		Number of business support proposals (3-year cumulative total)	6,100
	Create regional employment and offer related support	Number of staff referral matches (3-year cumulative total)	300
		Number of business succession and M&A support projects (3-year cumulative total)	360
	Stabilize cash flow and improve financial condition	Achievement rate of evaluation targets for key support recipients (final fiscal year)	70.0%
		Number of management plan formulation and support projects in collaboration with external specialized bodies (3-year cumulative total)	220
	Enhance assets owned by individuals	Increase in investment trust balance (3-year cumulative total)	¥10.0 billion
		Housing loan disbursed amount (3-year cumulative total)	¥77.0 billion

Roles as a Regional Financial Institution

The environment surrounding companies has entered a period of major upheaval, driven by factors such as the transition to a decarbonized society to achieve carbon neutrality, the need to address digitalization and digital transformation (DX), and a shrinking working population. The issues faced by companies have also become increasingly diverse and complex. The Bank provides financial intermediary functions that enhance the efficiency of regional economies, while offering both financial and non-financial support by implementing TOWA Customer Support Activities to solve the issues faced by companies.

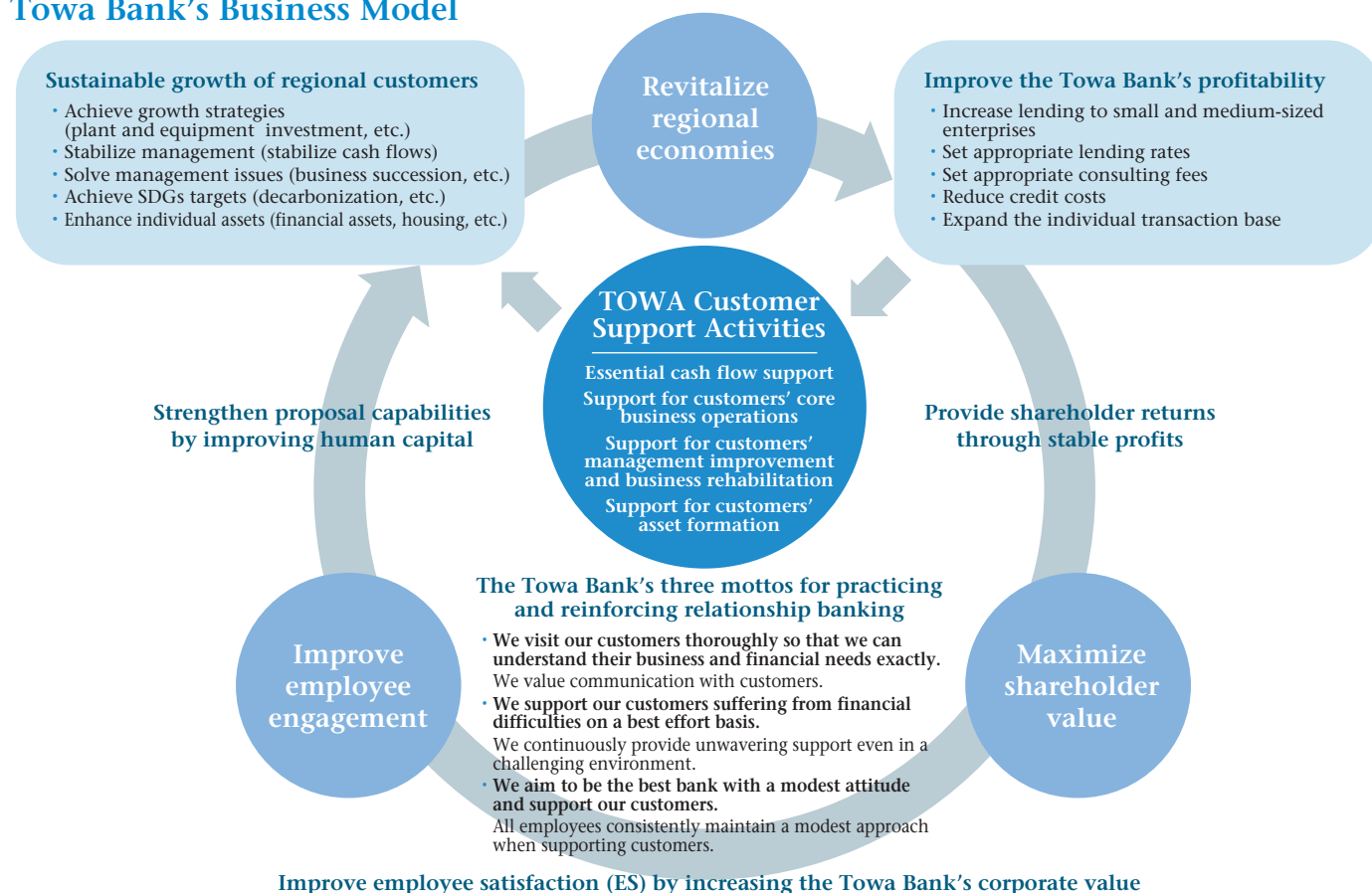
As we provide such support, we seek to deepen relationships with customers through attentive, in-person communication. These efforts have led to a better understanding of customers and support that meets their needs.

In addition, based on the belief that regional traditions and culture serve as the foundation for the region's development, we actively support regional culture and related priorities.

Looking ahead, the Bank will continue to serve communities as a regional financial institution that contributes to sustainable regional development.



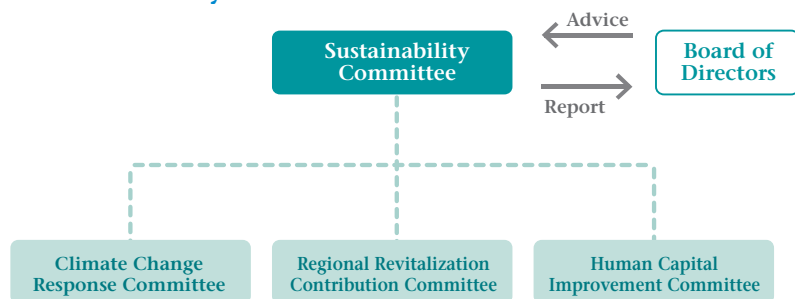
Towa Bank's Business Model



Promoting the SDGs

In accordance with the Towa Bank SDGs Declaration (issued in April 2019), the Basic Policy on Sustainability (issued in March 2022), and so forth, the Bank will establish a governance structure for sustainability and implement various measures for customers, as well as measures to achieve its own SDGs declarations, among other activities.

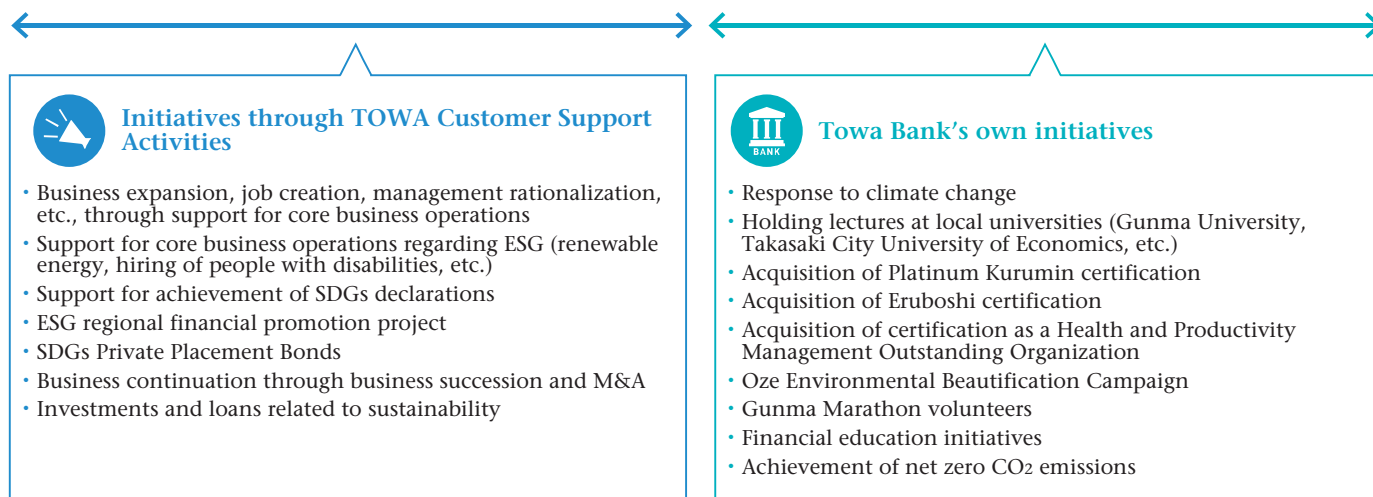
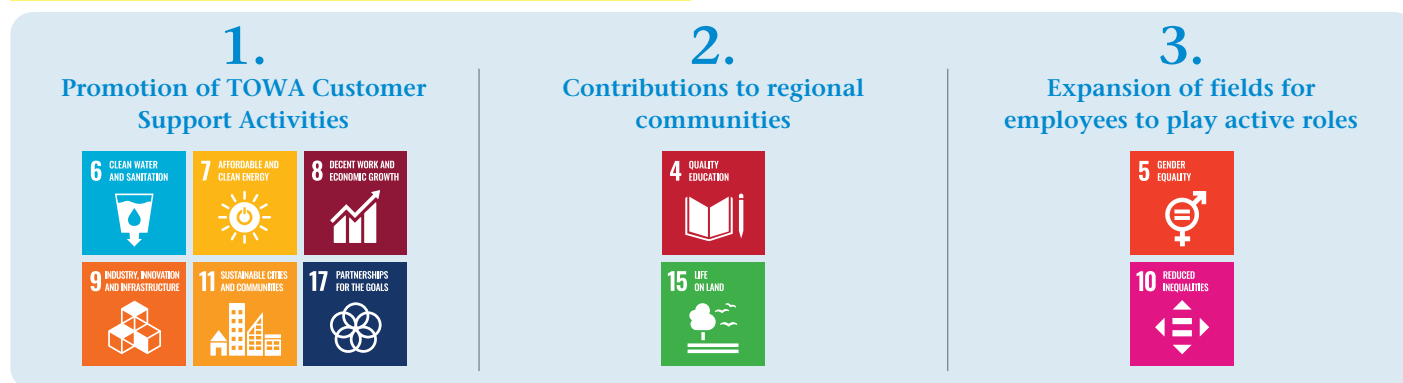
Sustainability Structure



Establishment of Structure

- ✓ Provide disclosure in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, while also establishing a governance system to address climate change responses and related issues
- ✓ Hold meetings of the Sustainability Committee every six months, in principle, and additional meetings as necessary; report on issues and progress of measures, etc., and incorporate advice from the Board of Directors to formulate various measures

Segments in which the Towa Bank works proactively



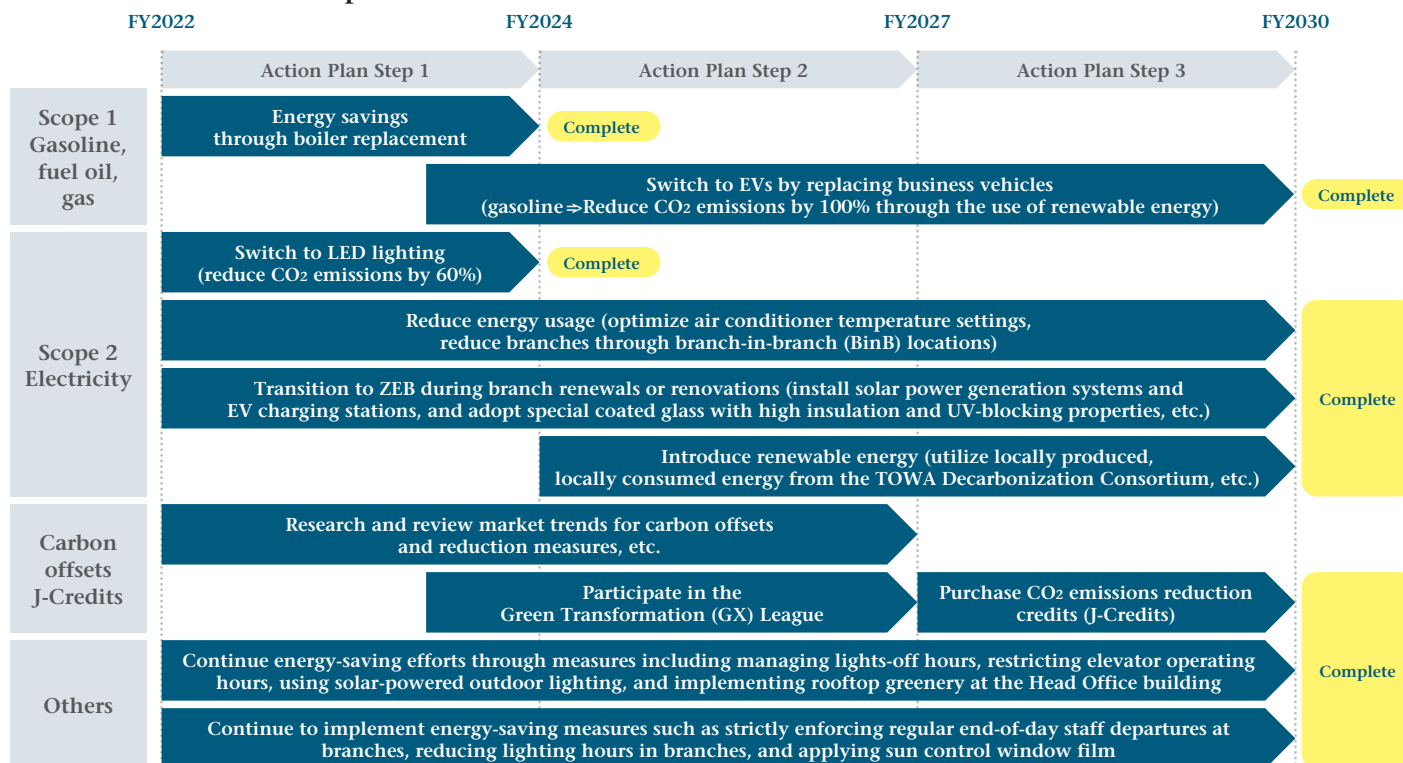
Sustainability KPIs

	Result	Target
	End of March 2024	End of March 2031
Investments and loans related to climate change and other sustainability issues	¥78.3 billion	¥300.0 billion
CO ₂ emissions reduction target	37.84%	Net zero

Formulation of Decarbonization Roadmap for Net Zero CO₂ Emissions

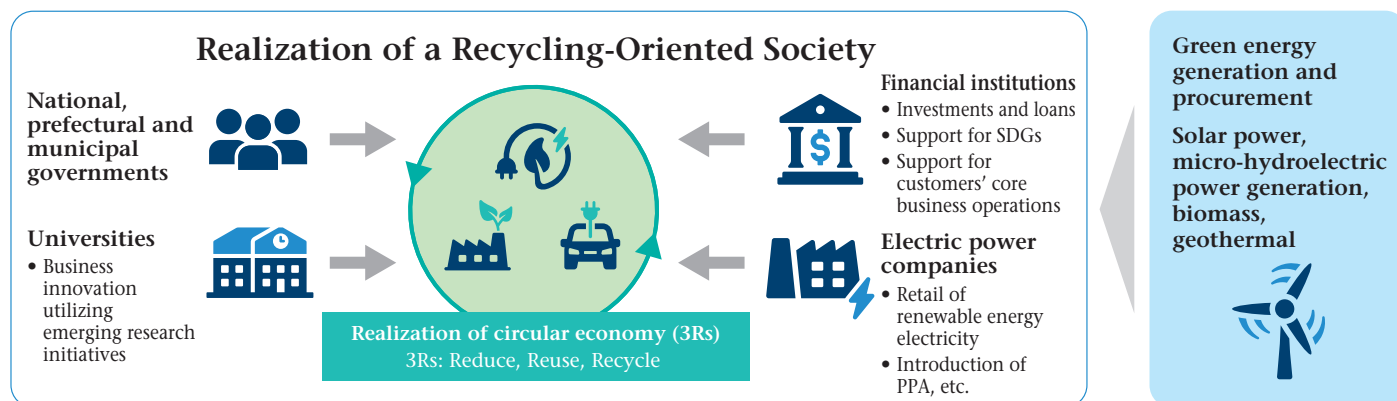
- ✓ The Bank has formulated a roadmap to reduce greenhouse gas (GHG) emissions and is planning various related measures.
- ✓ The Bank has established investment and loan targets related to climate change and other sustainability issues. It aims to achieve these targets by promoting sustainable finance and offering preferential interest rates for funds used to acquire eco-friendly housing and electric vehicles.

Decarbonization Roadmap



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, the realization of a circular economy through the 3Rs (reduce, reuse, and recycle) and efforts to improve member companies' knowledge of decarbonization were added to the consortium's activities. We have also been holding study sessions and other such events. Starting in FY2024, we began providing corporate CO₂ emissions visualization tools to members, thereby accelerating our support for management aimed at decarbonization.



Sustainability Approach and Initiatives

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

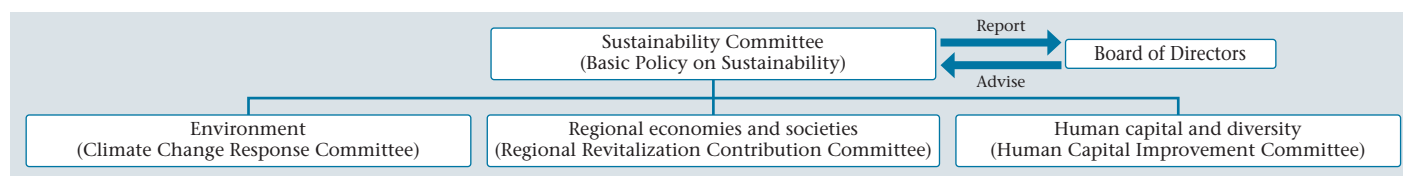
In recent years, climate change-related response has become an important issue as extreme weather conditions worldwide and damage from large-scale natural disasters are becoming increasingly severe. This response to climate change is becoming a factor that will have a significant impact on the business environment and management itself. In October 2021, the Bank expressed its support for the TCFD 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.

Our 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 Executive Officers' meetings.

As subcommittees 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.



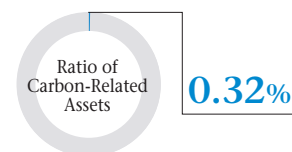
Strategy

The Bank is working under the Towa Bank SDGs Declaration and the Basic Policy on Sustainability 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 **0.32%** of its carbon-related assets as a percentage of its total credit balance as of March 31, 2024.



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 regional 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 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 result	4°C scenario: Maximum increase of ¥1.6 billion	4°C scenario: Maximum increase of ¥1.4 billion

Notes: 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 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 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 GHG 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, 2024
FY2030 (March 31, 2031)	Net zero	3,775 t-CO ₂ (37.84% reduction)

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

Cumulative execution amount	Target	March 31, 2024
FY2030 (March 31, 2031)	¥300.0 billion	¥78.3 billion

Note: 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, 2024: 3,775 t-CO₂.

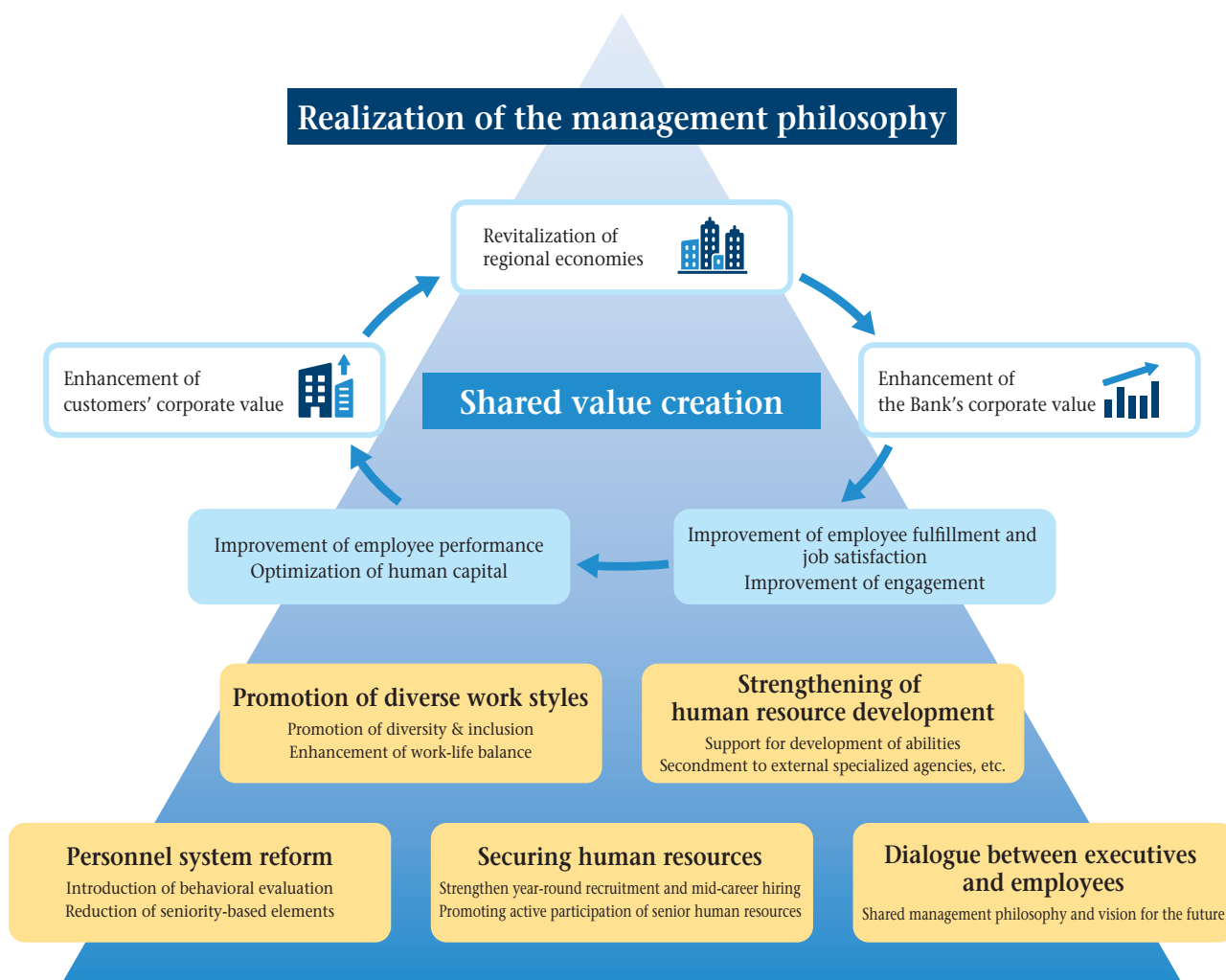
Efforts to Improve Human Capital

The Bank views its employees as human capital that serves as a source of value creation and works to strengthen human resource capabilities. 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 in the market and surrounding environment, it is important for each employee to adapt their mindset and behavior to quickly resolve issues faced by regional customers and provide valuable services to them. The Bank aims to improve employee performance and job satisfaction by encouraging all executives and employees to think and act on their own initiative.

Human Resource Strategy

- Promote diverse work styles by promoting diversity & inclusion and enhancing work-life balance
- Strengthen human resource development through secondment to external specialized agencies, etc., and support for development of abilities
- Strive to entrench the new personnel system and build an environment where everyone can play active roles
- Secure talented human resources by promoting active participation of senior human resources and strengthening year-round recruitment and mid-career hiring
- Provide opportunities for dialogue between executives and employees and make everyone aware of the management philosophy and vision

Initiatives to Improve Human Capital: Human Capital Model



Specific Human Resource Strategy Measures

We will strengthen human resource capabilities to meet increasingly complex customer needs and challenges. Furthermore, we are committed to fostering diversity and inclusion by creating an environment where women and senior employees can play active roles. Additionally, we will realize an environment that fosters well-being by strengthening our employee engagement efforts.

Diversity & Inclusion

Efforts to Promote Active Roles for Women

The ratio of women in management positions increased from 13.0% (70 employees) in FY2013 to 19.8% (102 employees) in FY2023, 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.

In the Event of Pregnancy of Female Employees Engaged in Business Promotion

The Bank assigns 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 familiar operational division.



Metrics of Women's Active Participation (Results)

	FY2022	FY2023	FY2024
Average years of service for women	12.9 years	13.2 years	13.3 years
Percentage of female employees in management positions	18.8%	19.8%	19.8%
Percentage of female employees	40.1%	39.8%	40.4%

Well-being

As a means to support balancing work and childcare, the Bank works 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. Through measures such as strengthening our employee engagement efforts, we will continue working to realize an environment that fosters well-being.



Metrics of health and productivity management	FY2022	FY2023	FY2024
Percentage of employees who received a regular health checkup	100%	100%	100%
Percentage of employees who received follow-up or specialized health checkups	70.8%	84.0%	82.8%
Percentage of employees who received a stress check	94.9%	93.2%	95.1%

Efforts to promote active roles for women

- Hold career advancement seminars
- Increase career options by enhancing the single-track personnel course and strengthening business specialization
- Improve ease of work through efficient management of business operations



Promotion of active roles for senior human resources

- Improve the treatment of contract employees
- Expand the fields of participation of senior employees

Improvement of employee engagement

- Identify and improve conditions through engagement surveys

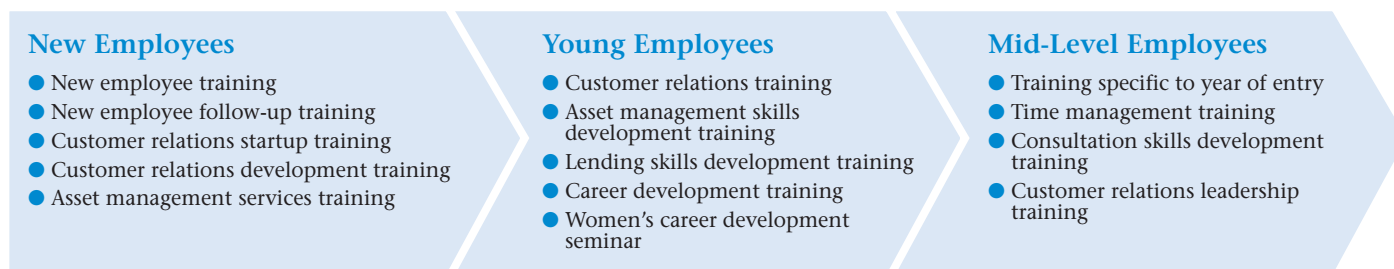
Strengthening of Human Resource Capabilities

Human Resource Development

As the issues and needs of our customers grow increasingly complex and diverse, the Bank is 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.

Rapid Development Based on Our Human Resource Development Program

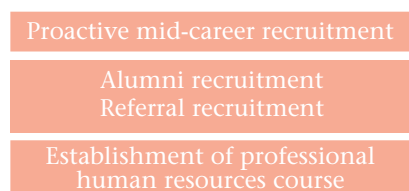
In order to quickly resolve customer issues and provide valuable services, we are committed to the rapid development of our employees through extensive training programs for each rank based on our human resource development program.



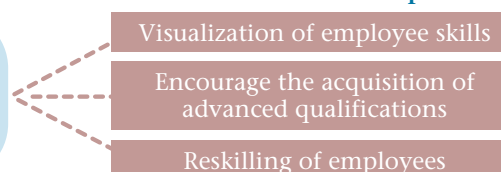
Diversification of Recruitment Methods

The Bank is diversifying its recruitment methods to secure talented human resources. In March 2024, as part of its new graduate recruitment activities, the Bank established a professional human resources course aimed at recruiting students with specialized knowledge as professional human resources. These recruits are expected to engage in system-related, securities investment, and consulting operations, among other fields. Furthermore, in August 2024, the Bank commenced referral recruitment to secure outstanding human resources who fit our culture through the connections of its executives and employees.

Diversification of recruitment methods



Human resource development



Sustainability KPIs	Result	Target
Diversity & inclusion items	End of March 2024	End of March 2027
Percentage of female employees in management positions	19.8%	22.0%
Average years of service for women	13.3 years	13.6 years
Percentage of male employees taking childcare leave	78.6%	100.0%
Well-being items	End of March 2024	End of March 2027
Gender wage gap (based on full-time employees)	60.4%	63.0%
Paid leave utilization rate	76.8%	78.0%
Human resource development items	End of March 2024	End of March 2027
Holders of advanced qualifications*	43	65 or more
Holders of decarbonization advisor qualification	2	100

* Advanced qualifications refer to Small and Medium sized Enterprise Consultants, 1st grade Certified Skilled Workers of Financial Planning, Labor and Social Security Attorneys, Certified Public Tax Accountants, and Securities Analysts.

Promoting DX

The DX Promotion Committee considers various aspects of measures related to digital transformation (DX), including planning and proposal as well as progress management. It is a cross-organizational body comprising members from different departments, such as customer support, systems, and planning. Under this committee, the Bank will advance the DX of customer services and internal operations.

Sustainability KPIs March 2027

Number of registered the Towa Bank app accounts (total number of accounts)	▶ 105,000
Share of transactions converted to EB	▶ 86.0%
IT Passport Certification Holders (total number of holders)	▶ 300

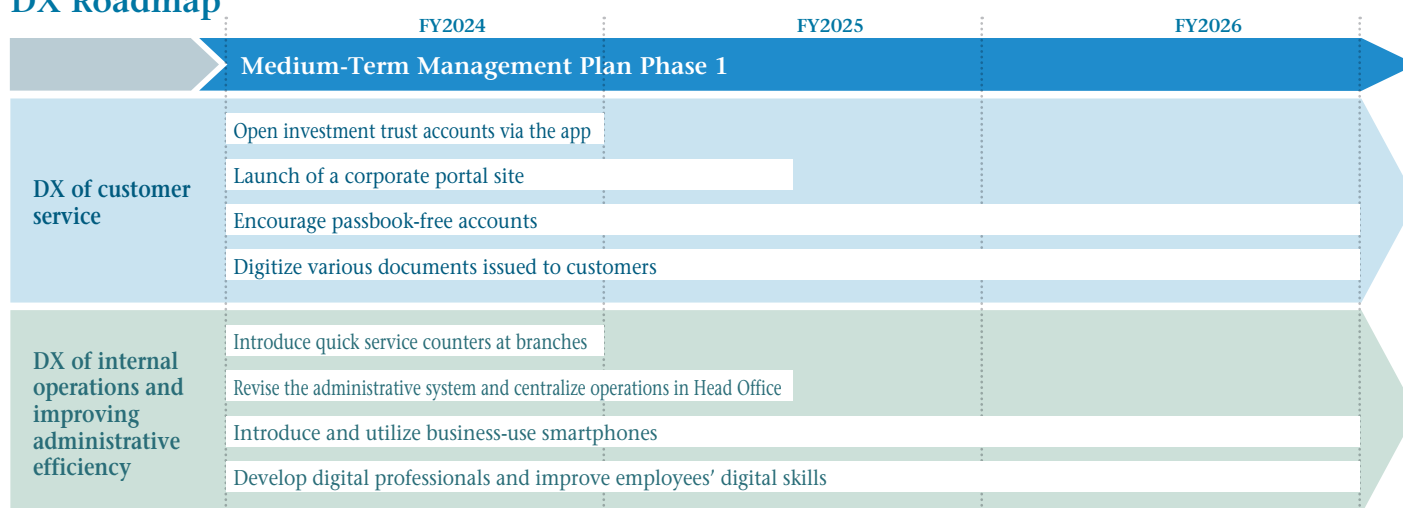
DX of customer services

- **Strengthen virtual channels**
Enhance customer convenience by providing the Towa Bank app and services that utilize Web functions
- **ICT consulting services**
Provide hands-on support for DX aimed at increasing customers' operating efficiency

DX of internal operations and raising administrative efficiency

- **Optimally allocate management resources**
Streamline Head Office and branch operations through measures such as a fundamental overhaul of administrative workflows and the use of AI
- **Develop digital professionals**
Develop digital professionals by leveraging external institutions, conduct mid-career recruitment and new graduate recruitment through a professional human resources career course, and encourage acquisition of IT Passport to enhance digital literacy

DX Roadmap



Key Initiatives and KPIs

• Enhance App Functions for Individuals

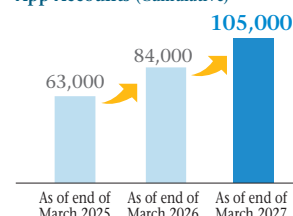
Discussions on enhancing the functions of the Towa Bank app are being held across Head Office departments in the DX Promotion Committee. Efforts are being made to steadily improve the convenience of these functions. Looking ahead, the Bank will continue striving to enhance the app's functions to strengthen the virtual channel, while continuing to expand functionality with the aim of making the app more user-friendly for customers.

• Direct Service for Companies

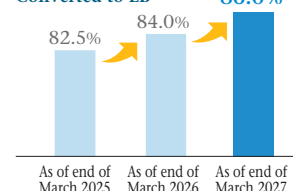
Towa Bank Direct Service, an electronic banking (EB) service available over the Internet, offers customers services such as balance and transaction history inquiries and external transfers, internal transfers, and bulk transfers of funds. Promoting the use of EB significantly enhances customer convenience and improves internal operating efficiency. For this reason, the Bank has been encouraging the adoption of EB by enhancing its functions and running various campaigns. Through these efforts, the Bank will work to increase the share of EB transactions in customer transaction activity.



Number of Registered Towa Bank App Accounts (Cumulative)



Share of Transactions Converted to EB



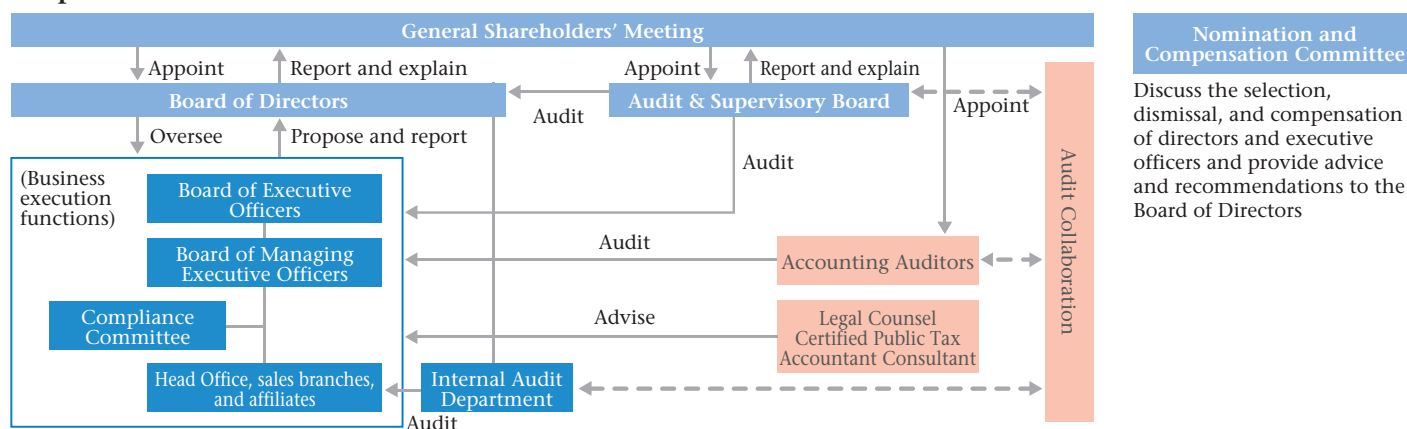
Corporate Governance

Based on TOWA Future Plan I, a new medium-term management plan that started in April 2024, the Bank aims to contribute to the sustainable development of regional customers while increasing its corporate value. This will be achieved by implementing TOWA Customer Support Activities, in which the Bank works to provide essential cash flow support, support for customers' management improvement and business rehabilitation, support for customers' core business operations, and support for customers' asset formation. In addition, to realize a sustainable regional society, the Bank will work to solve various social issues by maximizing its financial intermediary functions and through TOWA Customer Support Activities. To develop human resources capable of solving these issues, the Bank will strengthen its efforts to improve human capital. Along with this, the Bank views strengthening corporate governance, which serves as a platform supporting its business model, as one of its key priorities. Keeping this viewpoint in mind, the Bank will strive to continuously increase its corporate value.

The Bank has adopted the Company with an Audit & Supervisory Board system and has appointed four Audit & Supervisory Board members. The four Audit & Supervisory Board members consist of two full-time Audit & Supervisory Board members with extensive operational experience at the Bank, and two outside Audit & Supervisory Board members, comprising a certified public accountant and a certified public tax accountant. Meetings of the Board of Directors are attended by all Audit & Supervisory Board members, while meetings of the Board of Managing Executive Officers are attended by full-time Audit & Supervisory Board members. In these meetings, the Audit & Supervisory Board members oversee management's decision-making process and business execution. The Bank has determined that this oversight ensures audit transparency and effectiveness, as well as the effective operation of management audit functions.

Regarding outside directors, the Bank has had one outside director since June 2007, two outside directors since June 2010, and three outside directors since June 2020. These outside directors were appointed to ensure a transparent and appropriate decision-making process by allowing the Bank to obtain appropriate recommendations on management and business execution from an impartial and fair standpoint. Currently, all three individuals are independent outside directors.

Corporate Governance Structure Chart



Description of Governing Bodies

Board of Directors

Regarding directors, the Bank established the Executives' Ethics Guidelines as ethical standards for executives in October 2007 and made the Directors' Business Execution Declaration in November 2007, which affirms that statements made by all members of the Board of Directors are equal. The term length for directors was reduced from two years to one year at the General Shareholders' Meeting held in June 2008. Of the eight directors, three independent outside directors were appointed (including one woman). The Board of Directors has received appropriate recommendations on management and business execution from the outside directors based on their impartial and fair standpoint. In this manner, efforts are made to ensure a transparent and appropriate decision-making process within the Board of Directors.

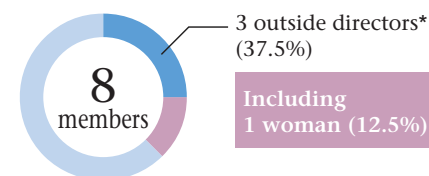
Audit & Supervisory Board

Regarding the Audit & Supervisory Board members, the Audit & Supervisory Board currently has four members (including two outside Audit & Supervisory Board members, one of whom is a woman), exceeding the statutory requirement for the number of members. Given the importance of ensuring the independence of Audit & Supervisory Board members, the appointed individuals include members with experience as executive directors and outside third parties who can appropriately express their opinions to the directors without hesitation. Of the two selected outside Audit & Supervisory Board members, one is a certified public accountant with expertise in finance and accounting, while the other is a certified public tax accountant with expertise in corporate accounting operations.

The Audit & Supervisory Board members conduct both accounting audits and operational audits appropriately. This includes attending meetings of the Board of Directors, Board of Managing Executive Officers, and other relevant forums, where they state their opinions as necessary. They also perform duties such as examining and reviewing various authorization documents. Through these efforts, the Audit & Supervisory Board members strive to fulfill their supervisory and checking roles in relation to management.

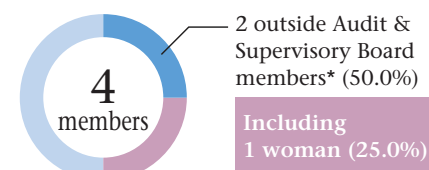
Furthermore, the Bank has established the Audit & Supervisory Board Members' Office to strengthen the management audit structure for the Audit & Supervisory Board members. One individual has been appointed as an assistant to the Audit & Supervisory Board members. Additionally, in case of a vacancy in the Audit & Supervisory Board members, the Bank has appointed a substitute Audit & Supervisory Board member since FY2012.

Composition of the Board of Directors



* All of the outside directors are independent outside directors.

Composition of the Audit & Supervisory Board



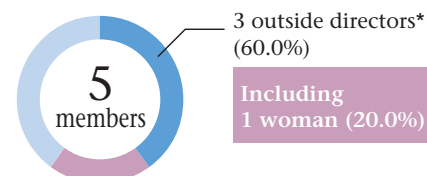
* All of the outside Audit & Supervisory Board members are independent outside Audit & Supervisory Board members.

Nomination and Compensation Committee

The Bank has established the Nomination and Compensation Committee, consisting of outside directors (three members) and representative directors (two members), as an advisory body to the Board of Directors. This committee was formed to strengthen the fairness, transparency, and objectivity of procedures related to the nomination, compensation, and other matters concerning directors and executive officers.

In the Nomination and Compensation Committee, an independent outside director serves as the committee chair, with independent outside directors comprising most of the members, thereby enhancing its independence and objectivity. Moreover, the Nomination and Compensation Committee assumes the role and has the authority to deliberate on matters such as the appointment and dismissal of directors (including outside directors) and executive officers, the selection and dismissal of representative directors, and the compensation of directors (including outside directors) and executive officers (includes stock options).

Composition of the Nomination and Compensation Committee



* All outside directors are independent outside directors.

Board of Executive Officers

The Bank has introduced an executive officer system to clearly establish the division of roles between management monitoring and oversight functions and business execution functions, aiming to accelerate decision-making and enhance management efficiency. As a result, the Board of Directors is structured to focus solely on management decision-making and oversight of business execution.

Board of Managing Executive Officers

The Bank has established the Board of Managing Executive Officers under the Board of Directors as a business execution body to ensure that directors execute their duties efficiently. The Board conducts business execution in a timely and appropriate manner in accordance with the provisions governing the division of duties for each operation and the job execution authority for each project.

Establishment of the Internal Control System

At the Bank, the Board of Directors decides on business execution and oversees the execution of directors' duties. To ensure the efficient execution of the directors' duties, the Board of Executive Officers and the Board of Managing Executive Officers have been established as business execution bodies under the Board of Directors. Audit & Supervisory Board members are permitted to attend important management meetings and briefing sessions, including those of the Board of Directors, Board of Executive Officers, Board of Managing Executive Officers, Branch Manager meetings, where they may express their opinions and provide recommendations.

Subsidiaries have also established boards of directors and appointed Audit & Supervisory Board members to ensure the appropriateness of business decisions and execution. The Internal Audit Department conducts audits from an independent standpoint to ensure that business operations are carried out appropriately in accordance with the division of duties and job authority, and it also conducts audits of subsidiaries from an independent standpoint.

Internal Audits and Audit & Supervisory Board Members' Audits

Through audits by the Internal Audit Department, the Bank seeks to strengthen its internal control system and enhance how the organization functions as a bank. The Internal Audit Department is structured with nine members in charge of auditing sales branches and eight members in charge of auditing the Head Office. It assesses each department's compliance status, risk management conditions, and related matters for consistency with various laws and regulations and internal rules, etc., and their effectiveness. Additionally, it evaluates, from a management perspective, whether business activities, operations, management, and so forth are structured to appropriately generate profits, reporting these findings to the Board of Directors. The Audit & Supervisory Board members, accounting auditors, and Internal Audit Department deepen their mutual collaboration through ongoing exchanges of information and opinions as needed, while striving to ensure the effectiveness of audits.

Status of Accounting Audits

The names of the certified public accountants who performed auditing duties and their audit corporation are listed in the table below.

Names of certified public accountants		Name of their audit corporation
Engagement Partner	Ryutaro Ohtsuji Naoko Mori	PricewaterhouseCoopers Japan LLC

The assistants involved in the Bank's accounting audit duties were 8 certified public accountants and 16 others.

Consolidated Balance Sheets

The Towa Bank, Ltd. and Consolidated Subsidiaries

March 31,	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2024	2023	2024
Assets:			
Cash and due from banks	¥ 195,486	¥ 188,346	\$ 1,291,109
Call loans and bills purchased	454	1,108	3,000
Trading account securities	–	0	–
Money held in trust	3,992	3,998	26,366
Securities	557,317	568,660	3,680,849
Loans and bills discounted	1,576,961	1,562,298	10,415,171
Foreign exchange	3,065	663	20,243
Other assets	37,367	37,302	246,793
Tangible fixed assets	22,466	21,892	148,378
Buildings	4,438	4,487	29,313
Land	15,878	15,922	104,870
Lease assets (tangible)	57	56	382
Construction in progress	536	43	3,543
Other tangible assets	1,554	1,383	10,269
Intangible fixed assets	3,564	3,228	23,544
Software	2,227	2,625	14,712
Other intangible assets	1,337	602	8,831
Retirement benefit asset	4,745	1,807	31,343
Deferred tax assets	3,470	4,635	22,922
Customers' liabilities for acceptances and guarantees	3,843	3,447	25,387
Reserve for possible loan losses	(7,080)	(6,995)	(46,764)
Total assets	¥2,405,654	¥2,390,395	\$15,888,346

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 ¥151.41 to US\$1.00, the rate prevailing on March 31, 2024.

March 31,	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 2)
	2024	2023	2024
Liabilities:			
Deposits	¥2,152,798	¥2,144,412	\$14,218,336
Borrowed money	120,390	115,890	795,125
Foreign exchange	139	161	920
Other liabilities	6,654	5,736	43,948
Accrued employee bonuses	449	446	2,967
Net defined benefit liability	53	48	350
Reserve for director retirement benefits	0	–	4
Reserve for reimbursement of dormant deposits	133	124	879
Reserve for contingent loss	580	432	3,832
Deferred tax liabilities	8	9	59
Deferred tax liability for land revaluation	1,997	1,997	13,191
Acceptances and guarantees	3,843	3,447	25,387
Total liabilities	2,287,048	2,272,706	15,105,004
Net assets:			
Shareholders' equity:			
Capital stock	38,653	38,653	255,292
Capital surplus	17,500	17,500	115,580
Retained earnings	72,512	70,116	478,911
Treasury stock, at cost	(139)	(202)	(921)
Total shareholders' equity	128,526	126,068	848,863
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(15,104)	(12,243)	(99,762)
Land revaluation account	2,147	2,147	14,181
Remeasurements of defined benefit plans	2,251	935	14,873
Total accumulated other comprehensive income	(10,705)	(9,160)	(70,707)
Stock acquisition rights	249	250	1,649
Non-controlling interests	535	531	3,534
Total net assets	118,605	117,688	783,342
Total liabilities and net assets	¥2,405,654	¥2,390,395	\$15,888,346

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)
	2024	2023	2024
Income:			
Interest on loans and discounts	¥18,527	¥18,599	\$122,368
Interest and dividends on securities	3,079	3,568	20,341
Other interest income	75	140	500
Fees and commissions	6,494	6,227	42,895
Other operating income	676	173	4,469
Other income	5,283	5,843	34,896
Total income	34,138	33,552	225,471
Expenses:			
Interest on deposits	105	122	696
Interest on call money and bills sold	(0)	(0)	(2)
Interest on borrowings and rediscounts	37	34	245
Other interest expenses	0	0	0
Fees and commissions	3,460	3,364	22,852
Other operating expenses	486	306	3,209
General and administrative expenses	19,735	19,603	130,347
Other expenses	6,015	6,128	39,727
Total expenses	29,839	29,559	197,078
Income before income taxes	4,298	4,993	28,392
Income taxes:			
Current	638	333	4,219
Deferred	124	556	825
Total income taxes	763	889	5,044
Profit	3,535	4,103	23,347
Profit attributable to non-controlling interests	4	8	29
Profit attributable to owners of parent	¥ 3,530	¥ 4,094	\$ 23,318
Profit attributable to owners of parent per share (in yen and U.S. dollars):			
Basic	¥ 89.84	¥105.58	\$ 0.59
Diluted	56.00	62.71	0.37

Consolidated Statements of Comprehensive 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)
	2024	2023	2024
Profit	¥ 3,535	¥ 4,103	\$ 23,347
Other comprehensive income (loss):			
Valuation difference on available-for-sale securities	(2,861)	(9,900)	(18,900)
Remeasurements of defined benefit plans	1,316	(648)	8,694
Total other comprehensive income (loss)	(1,545)	(10,549)	(10,206)
Comprehensive income (loss)	¥ 1,989	¥ (6,445)	\$ 13,142
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 1,985	¥ (6,455)	\$ 13,114
Non-controlling interests	4	10	27

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, 2023	¥38,653	¥17,500	¥70,116	¥(202)	¥126,068
Changes in items during the period:					
Profit attributable to owners of parent			3,530		3,530
Dividends from surplus			(1,119)		(1,119)
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(15)		64	48
Increase/Decrease for other reasons		15	(15)		-
Changes in items other than shareholders' equity during the period (net amount) ...					
Total changes in items during the period	-	-	2,395	63	2,458
Balance at March 31, 2024	¥38,653	¥17,500	¥72,512	¥(139)	¥128,526

	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, 2023	¥(12,243)	¥2,147	¥ 935	¥ (9,160)	¥250	¥531	¥117,688
Changes in items during the period:							
Profit attributable to owners of parent							3,530
Dividends from surplus							(1,119)
Purchase of treasury stock							(0)
Disposal of treasury stock							48
Increase/Decrease for other reasons							-
Changes in items other than shareholders' equity during the period (net amount) ...	(2,861)	-	1,316	(1,544)	(0)	3	(1,541)
Total changes in items during the period	(2,861)	-	1,316	(1,544)	(0)	3	916
Balance at March 31, 2024	¥(15,104)	¥2,147	¥2,251	¥(10,705)	¥249	¥535	¥118,605

Thousands of U.S. dollars (Note 2)					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2023	\$255,292	\$115,580	\$463,092	\$(1,338)	\$832,627
Changes in items during the period:					
Profit attributable to owners of parent			23,318		23,318
Dividends from surplus			(7,395)		(7,395)
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock		(105)		423	319
Increase/Decrease for other reasons		104	(105)		-
Changes in items other than shareholders' equity during the period (net amount) ...					
Total changes in items during the period	-	-	15,818	417	16,236
Balance at March 31, 2024	\$255,292	\$115,580	\$478,911	\$ (921)	\$848,863

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, 2023	\$(80,864)	\$14,181	\$ 6,178	\$(60,503)	\$1,651	\$3,509	\$777,285
Changes in items during the period:							
Profit attributable to owners of parent							23,318
Dividends from surplus							(7,395)
Purchase of treasury stock							(7)
Disposal of treasury stock							319
Increase/Decrease for other reasons							-
Changes in items other than shareholders' equity during the period (net amount) ...	(18,898)	0	8,694	(10,204)	(3)	25	(10,181)
Total changes in items during the period	(18,898)	0	8,694	(10,204)	(3)	25	6,056
Balance at March 31, 2024	\$(99,762)	\$14,181	\$14,873	\$(70,707)	\$1,649	\$3,534	\$783,342

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)
	2024	2023	2024
Cash flows from operating activities:			
Income before income taxes	¥ 4,298	¥ 4,993	\$ 28,392
Depreciation and amortization	1,626	1,562	10,740
Loss on impairment of fixed assets	12	7	79
Increase (decrease) in reserve for possible loan losses	85	(1,474)	563
Increase (decrease) in reserve for employee bonuses	2	(1)	19
Increase (decrease) in reserve for reimbursement of dormant deposits	8	(91)	55
Increase (decrease) in reserve for contingent loss	147	60	973
Increase (decrease) in net defined benefit liabilities	(1,040)	(1,192)	(6,873)
Increase (decrease) in provision for directors' retirement benefits	0	(1)	4
Interest income	(21,683)	(22,308)	(143,211)
Interest expenses	142	156	941
Loss (gain) on disposal/sales of tangible/intangible fixed assets	24	1,013	162
Loss (gain) on securities — net	(148)	226	(984)
Loss (gain) on money held in trust	6	(0)	41
Foreign exchange loss (gain) — net	(573)	(650)	(3,788)
Net (increase) decrease in loans	(14,662)	(36,698)	(96,839)
Net increase (decrease) in deposits	8,386	8,436	55,387
Net increase (decrease) in borrowings excluding subordinated debt	4,500	(177,100)	29,720
Net (increase) decrease in due from banks other than the Bank of Japan	105	114	699
Net (increase) decrease in call loans and others	654	(1,108)	4,319
Net (increase) decrease in foreign exchange — assets	(2,402)	169	(15,865)
Net increase (decrease) in foreign exchange — liabilities	(21)	76	(145)
Interest received	22,073	22,641	145,784
Interest paid	(154)	(197)	(1,018)
Other	(717)	(5,151)	(4,739)
Subtotal	670	(208,543)	4,428
Income taxes paid	270	(844)	1,789
Net cash provided by (used in) operating activities	941	(209,387)	6,217
Cash flows from investing activities:			
Purchases of tangible fixed assets	(1,358)	(1,080)	(8,973)
Purchases of securities	(122,970)	(69,180)	(812,170)
Proceeds from sale of tangible fixed assets	0	1,414	1
Proceeds from sale of securities	67,036	7,858	442,749
Purchases of intangible fixed assets	(1,190)	(758)	(7,865)
Proceeds from redemption of securities	65,926	78,158	435,416
Payments for asset retirement obligations	(17)	(11)	(118)
Proceeds from decrease of money held in trust	—	5,987	0
Net cash provided by (used in) investing activities	7,425	22,388	49,044
Cash flows from financing activities:			
Proceeds from exercise of stock options	0	0	0
Purchases of treasury stock	(0)	(1)	(6)
Dividends paid	(1,119)	(1,118)	(7,397)
Net cash provided by (used in) financing activities	(1,120)	(1,119)	(7,403)
Net increase (decrease) in cash and cash equivalents	7,246	(188,118)	47,859
Cash and cash equivalents at beginning of year	187,554	375,672	1,238,718
Cash and cash equivalents at end of year	¥ 194,800	¥ 187,554	\$1,286,577

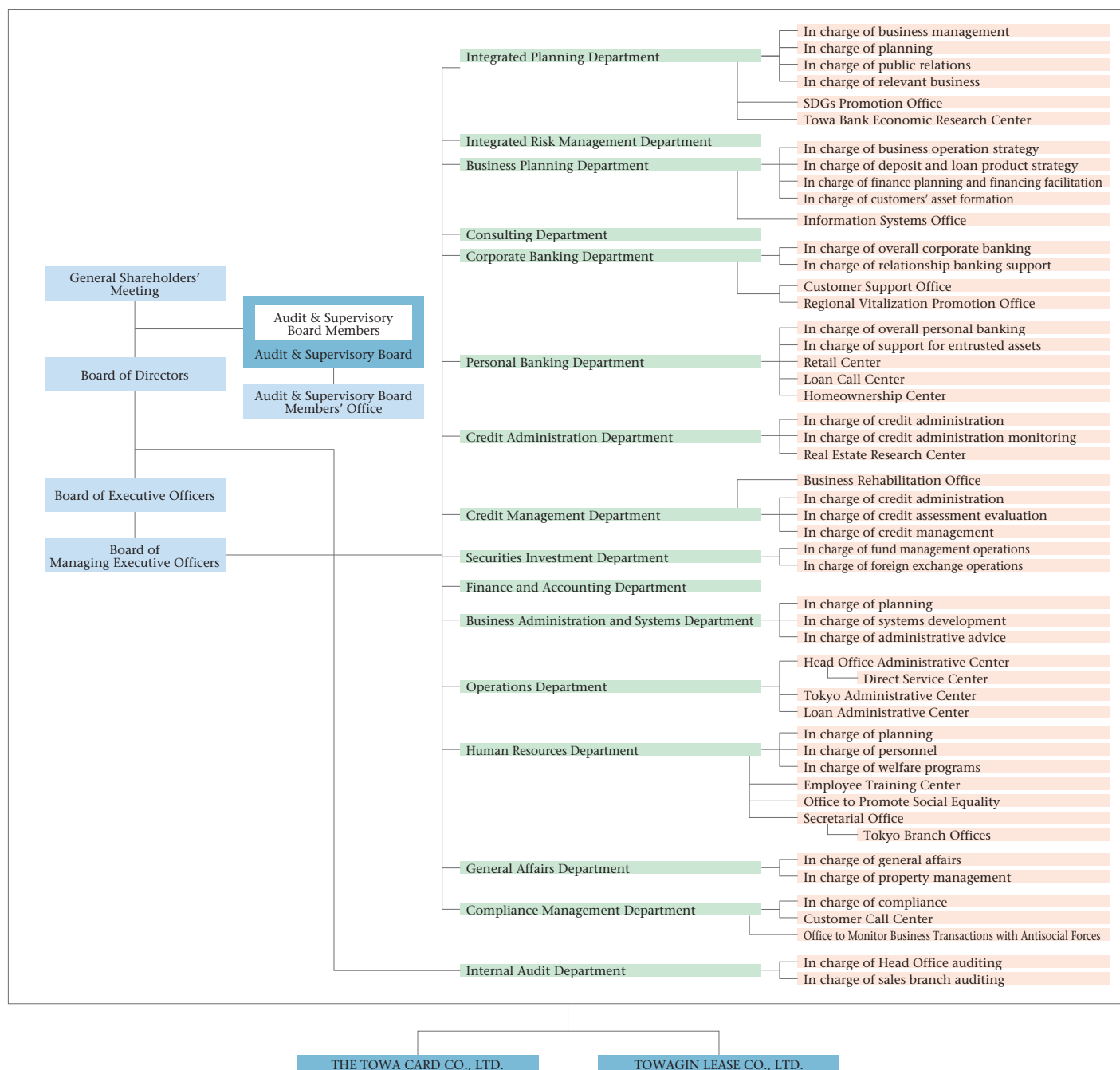
Supplementary Information

Consolidated Capital Ratio (Domestic Standard)

[Basel III]	Millions of yen (Note 1)	Thousands of U.S. dollars (Note 2)
	2024	2024
March 31,		
Core capital: instruments and reserves	¥ 131,943	\$ 871,431
Core capital: adjustment amount of instruments and reserves	6,876	45,419
Total qualifying capital	¥ 125,066	\$ 826,011
Risk-adjusted assets:		
On-balance-sheet assets	¥1,175,367	\$7,762,815
Off-balance-sheet assets	16,286	107,565
Credit value adjustment amount	3,547	23,429
Risk-weighted credit equivalent amount	1,195,201	7,893,809
Amount related to operational risk-equivalent	47,337	312,646
Total	¥1,242,539	\$8,206,456
Capital ratio	10.06%	10.06%

Business Organization Chart

(As of October 1, 2024)



Directors, Executive Officers, and Audit & Supervisory Board Members

(As of June 27, 2024)

**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

**Director
Managing Executive Officer**
Susumu Okabe

Directors (Outside)
Takeshi Mizuguchi
Rikako Onishi
Akira Maruyama

Managing Executive Officer
Takahisa Wasada

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

**Audit & Supervisory
Board Members**
Masami Hashimoto*
Nobuyuki Sakurada*
Shinichi Kato**
Junko Saito**

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