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March 13, 2026

Company: THE TOWA BANK, LTD.

Representative: Hiroshi Ebara, Representative Director,  
 President & Chief Executive Officer

(Securities code: 8558; Tokyo Stock Exchange Prime Market)

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**Notice Concerning the Revisions to Forecast of Financial Results for the Fiscal Year Ending  
 March 31, 2026**

THE TOWA BANK, LTD. (the “Bank”) hereby announces that it has revised its forecast of financial results for the fiscal year ending March 31, 2026, announced on November 4, 2025, as described below. No changes have been made to the forecast of the year-end cash dividend for the fiscal year ending March 31, 2026 (fiscal year-end dividend per share of ¥35 and annual dividend per share of ¥35).

1. Revision to forecast of financial results

- (1) Revisions to forecast of consolidated financial results for the fiscal year ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecasts (A)	Millions of yen 3,500	Millions of yen 3,500	Yen 98.17
Revised forecasts (B)	(30,000)	(26,000)	(729.27)
Change (B-A)	(33,500)	(29,500)	-
Change (%)	-	-	-
(Reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2025)	6,389	4,520	122.36

- (2) Revisions to forecast of non-consolidated financial results for the fiscal year ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

	Ordinary profit	Profit	Basic earnings per share
Previously announced forecasts (A)	Millions of yen 3,500	Millions of yen 3,500	Yen 98.17
Revised forecasts (B)	(30,000)	(26,000)	(729.27)
Change (B-A)	(33,500)	(29,500)	-
Change (%)	-	-	-
(Reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2025)	6,373	4,502	121.86

## 2. Reasons for the revisions to forecast of financial results

During the nine months ended December 31, 2025 (non-consolidated), deposits increased ¥5.2 billion year on year, loans and bills discounted increased ¥39.5 billion year on year, and profit increased ¥1.5 billion year on year to ¥3.5 billion, demonstrating steady performance in the Bank's core business operations. On the other hand, domestic interest rates have risen due to factors such as Japan's policy interest rate hike, leading to widening unrealized losses on securities. Meanwhile, due to prospects for improved yields on loans and higher returns from the reinvestment of funds obtained through the sale of securities, the Bank has decided to seize this opportunity to proactively reshuffle its investment portfolio on the operations side, with an eye to drastically reducing future interest rate risk, improving profitability, and enhancing corporate value.

As a result, for the fiscal year ending March 31, 2026 (consolidated), the Bank expects to record a loss on sales<sup>(note)</sup> of approximately ¥35.0 billion in the fiscal year ending March 31, 2026, in addition to a loss on sales<sup>(note)</sup> of approximately ¥1.0 billion recorded through the nine months ended December 31, 2025, resulting in a profit attributable to owners of parent of ¥(26.0) billion. The Bank projects a consolidated capital adequacy ratio of approximately 7%, and substantial improvement in valuation gains/losses on available-for-sale securities.

Note: Sum of net bond-related gains/losses, net equity-related gains/losses, and gains/losses on redemption of investment trusts.

## 3. Strategy going forward

The Bank intends to actively utilize the proceeds from the sale of securities for business loans and other purposes to promote the growth of regional customers and contribute to the revitalization of regional economies. Furthermore, given the improving reinvestment environment, bolstered by rising interest rates in Japan, the Bank will, under an appropriate risk management system, focus reinvestments on government bonds and other securities with maturities of two years or less in the near term, aiming to improve yields on securities and shorten asset duration.

Through these initiatives, the Bank expects to achieve the financial KPIs (for March 31, 2027) of ROE (consolidated), core net business profit, and OHR<sup>(note)</sup> set out in phase 1 of its medium-term management plan, TOWA Future Plan I, spanning FY2024 to FY2026.

Note: OHR is calculated by deducting mechanization-related expenses (depreciation, etc. on office equipment, etc.) from costs.

#### 4. Forecast of cash dividends

No changes have been made to the forecast of the year-end cash dividend for the fiscal year ending March 31, 2026.

	Annual dividends per share		
	Second quarter-end (Yen)	Fiscal year-end (Yen)	Total (Yen)
Fiscal year ending March 31, 2026 (Forecast)		35.00	35.00
Actual results for the current fiscal year (Fiscal year ending March 31, 2026)	0.00		
Actual results for the previous fiscal year (Fiscal year ended March 31, 2025)	0.00	35.00	35.00

#### 5. Reduction of executive compensation

Following the above revisions to the Bank's forecast of financial results, executive compensation will be reduced to clarify management responsibility.

- (1) Details of the reduction in executive compensation
 

Representative Director, President & Chief Executive Officer	30% reduction in monthly compensation
Representative Director, Vice President & Executive Officer	30% reduction in monthly compensation
Director, Senior Managing Executive Officer / Director, Managing Executive Officer	25% reduction in monthly compensation
Managing Executive Officer (based at headquarters)	20% reduction in monthly compensation
  
- (2) Applicable period
 

The three-month period spanning April to June 2026

End

\* The forecast of financial results, etc. contained in this document are based on information available to the Bank at the time of publication and on certain assumptions deemed to be reasonable. Actual financial results, etc. may differ substantially due to various factors.

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Fiscal Year Ending March 31, 2026

# Explanatory Materials for Revisions to Forecast of Financial Results for the Fiscal Year Ending March 31, 2026

Securities code: 8558

# Revisions to Forecast of Financial Results for the Fiscal Year Ending March 31, 2026 and Forecast of Cash Dividends

- Due to uptrend of domestic interest rates, we expect to see improved yields on loans and higher returns on securities reinvestment.
- We determined that the proactive reshuffling of investment portfolio on the operations side will drastically reduce future interest rate risk, and improve the Bank's profitability, leading to the enhancement of corporate value.

## Revisions to forecast of financial results for the fiscal year ending March 31, 2026 (100 millions of yen)

	Previously announced forecasts (November 4, 2025)	Revised forecasts	Change	
Consolidated	Ordinary profit	35	(300)	(335)
	Profit attributable to owners of parent	35	(260)	(295)
	Basic earnings per share	Yen 98.17	Yen (729.27)	-
Non-consolidated	Ordinary profit	35	(300)	(335)
	Profit	35	(260)	(295)
	Basic earnings per share	Yen 98.17	Yen (729.27)	-

## Forecast of cash dividends (no change)

	Annual dividends per share		
	Second quarter-end (Yen)	Fiscal year-end (Yen)	Total (Yen)
Fiscal year ended March 31, 2025	0.00	35.00	35.00
Fiscal year ending March 31, 2026(Forecast)	0.00	35.00	35.00

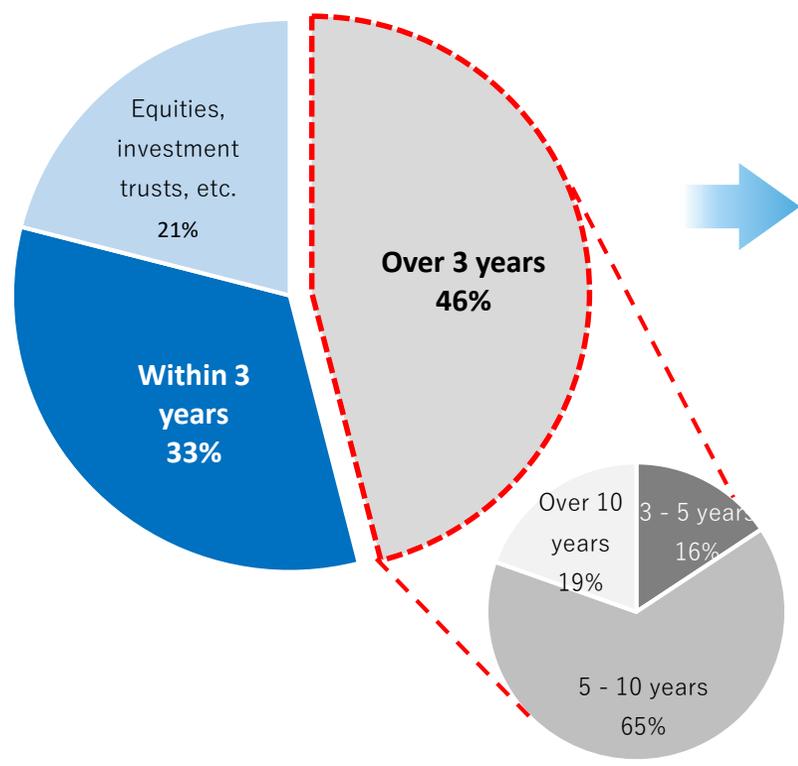
(Previously announced forecast: ¥35.00)

# Available-for-sale Securities Portfolio

- Among available-for-sale securities, in principle, we plan to sell securities with remaining maturities of more than three years.
- By reinvesting the proceeds from the sale of securities, we aim to improve yields on securities and shorten the average remaining maturity. For the time being, we plan to focus new investments on government bonds and other securities with maturities of two years or less.
- We will review our risk management system and strengthen our risk response capabilities.

## Portfolio by remaining maturity

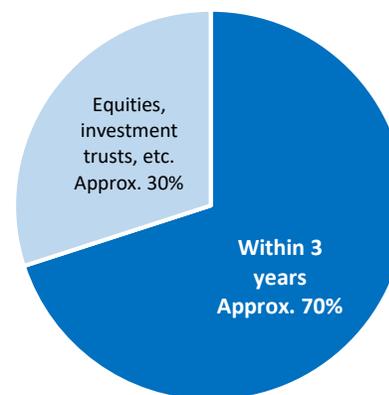
(End of February 2026)



(Breakdown for those with over 3 years remaining)

## Future portfolio (estimates)

(Estimates 2 - 3 years later)



	End of February 2026	2 - 3 years later
Yields (Average)	Approx. 0.5%	Approx. 1.2%
Remaining maturities (Average)	Approx. 5.2 years	Approx. 2 years

## Risk management system

The following measures will be implemented during FY2026 to enhance and strengthen our risk management system.

- Strengthen risk governance conducted by management
- Review risk management regulations

(including establishing new hard limits and tightening soft limits)

# Available-for-sale Securities Balance and Valuation Gains/Losses

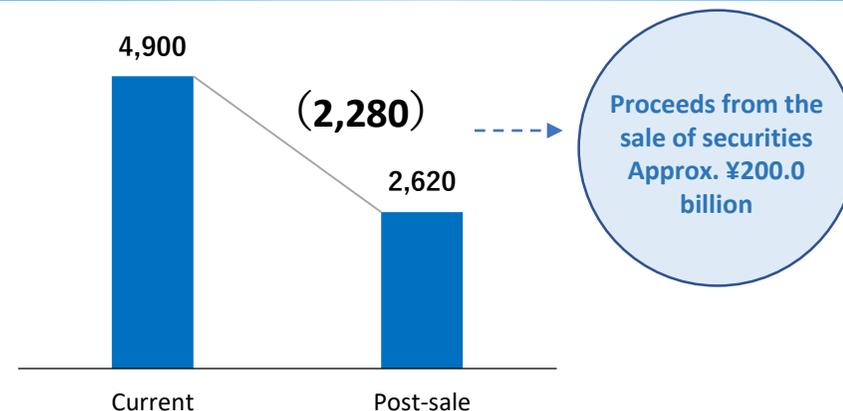
- The move to sell off securities in one go is expected to significantly improve valuation gains/losses on available-for-sale securities.
- The sale of securities will generate approximately ¥200.0 billion in investment capital.

## Sold securities, balance, and valuation gains/losses (100 millions of yen)

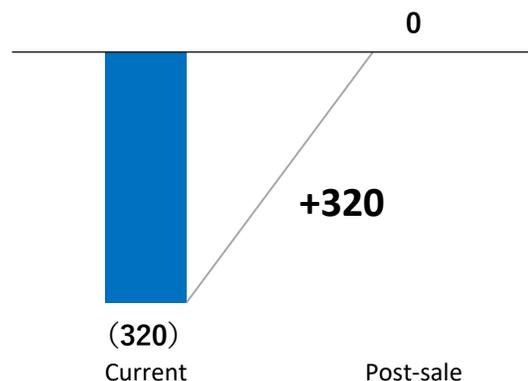
Available-for-sale securities	End of February 2026		Post-sale estimates	
	Balance	Valuation gains/losses	Balance	Valuation gains/losses
Government bonds	480	(40)	200	0
Local government bonds	1,000	(140)	70	0
Government-guaranteed bonds and public/corporate bonds	950	(170)	70	0
Straight bonds	860	(20)	750	(10)
Other	630	(10)	570	(10)
Equities	90	120	70	80
Investment trusts	820	(60)	820	(60)
Subscription certificates	70	0	70	0
<b>Other (Subtotal)</b>	<b>4,900</b>	<b>(320)</b>	<b>2,620</b>	<b>0</b>

**Significant improvement**

## Available-for-sale securities balance (100 millions of yen)



## Available-for-sale securities valuation gains/losses (100 millions of yen)

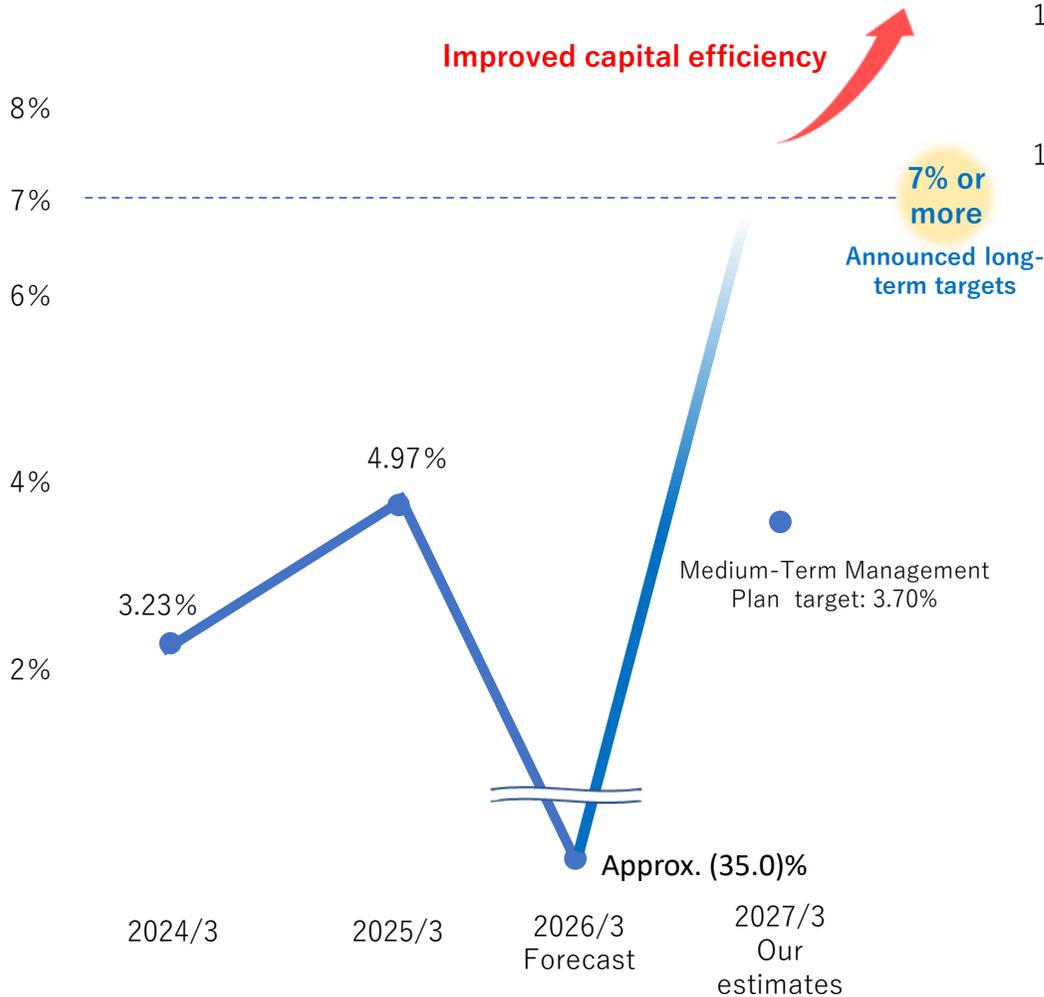


※ Excludes held-to-maturity securities.

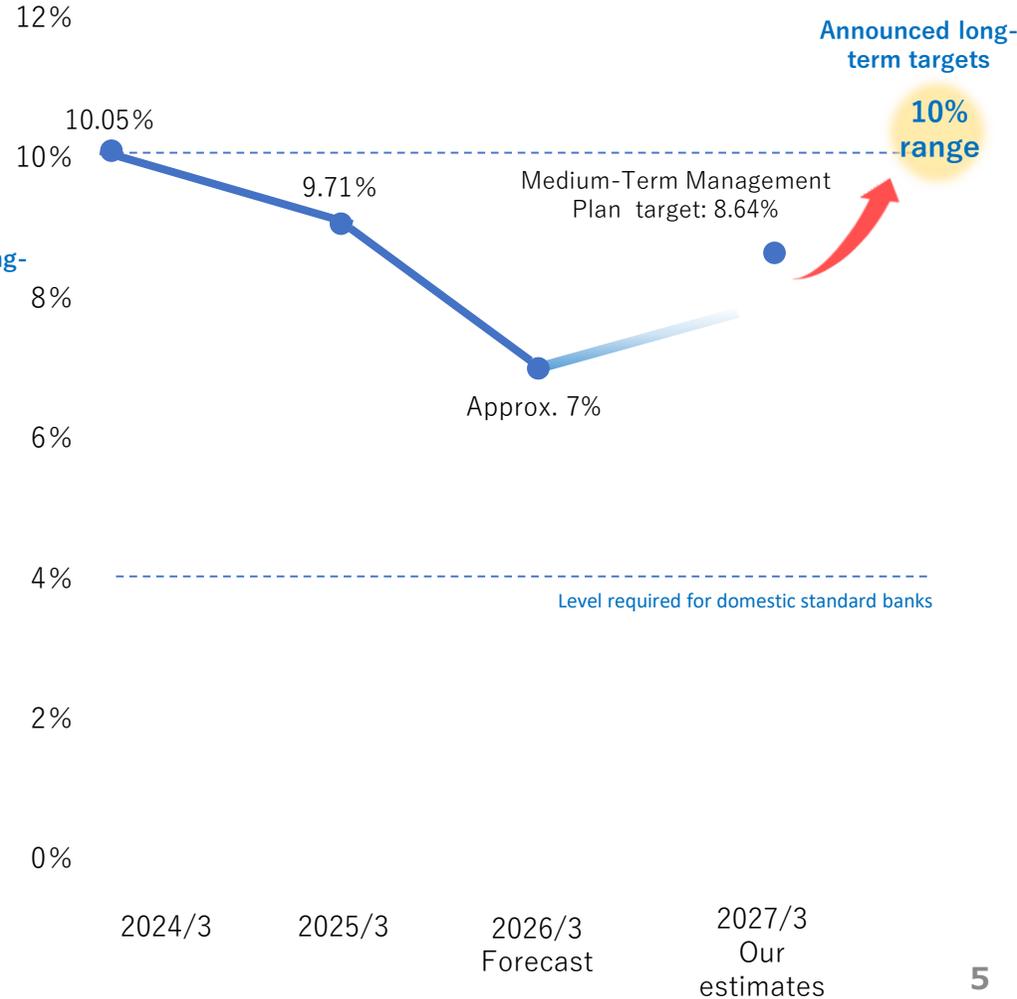
※ The figures in the above table are estimates. Calculated in table format.

- We expect a significant improvement in ROE (capital efficiency) due to the reshuffling of investment portfolio on the operations side.
- Although the capital adequacy ratio (soundness) will decline, it is still at a reasonable level, well above the 4% required for domestic standard banks.

**ROE (capital efficiency)**

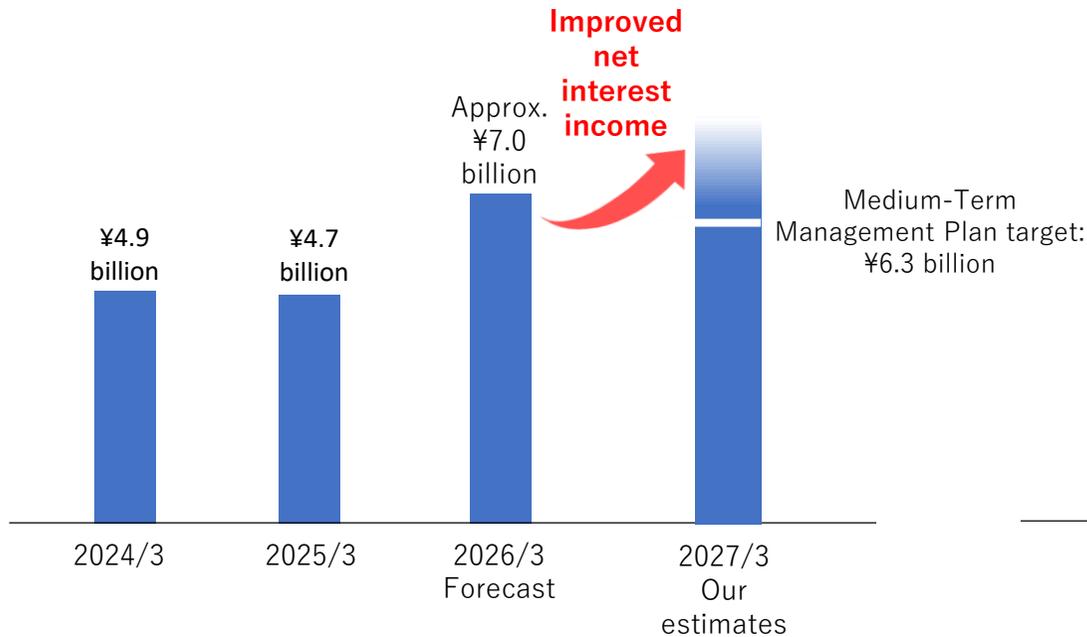


**Capital adequacy ratio (soundness)**

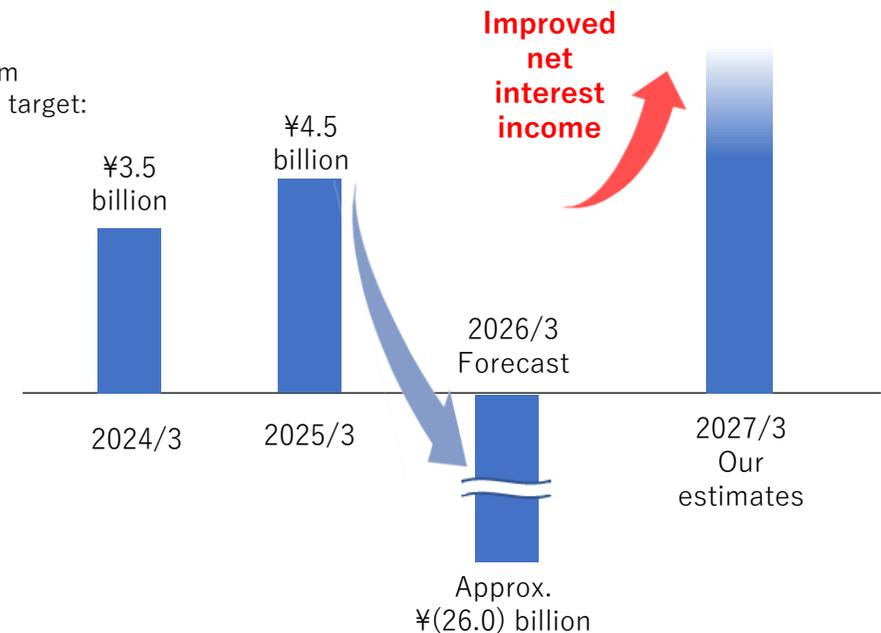


- Net interest income is expected to improve due to increased lending to regional customers and improvement in yields on securities through reinvestment.
- Core net business profit for the fiscal year ending March 31, 2027 is expected to exceed the target set in the medium-term management plan.
- Profit for the fiscal year ending March 31, 2027 is expected to increase significantly, marking a move back into the black.

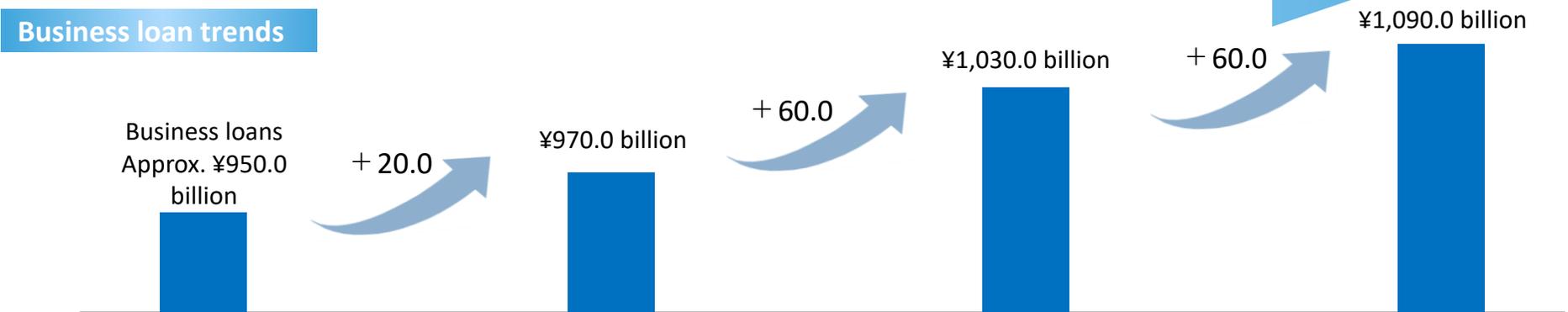
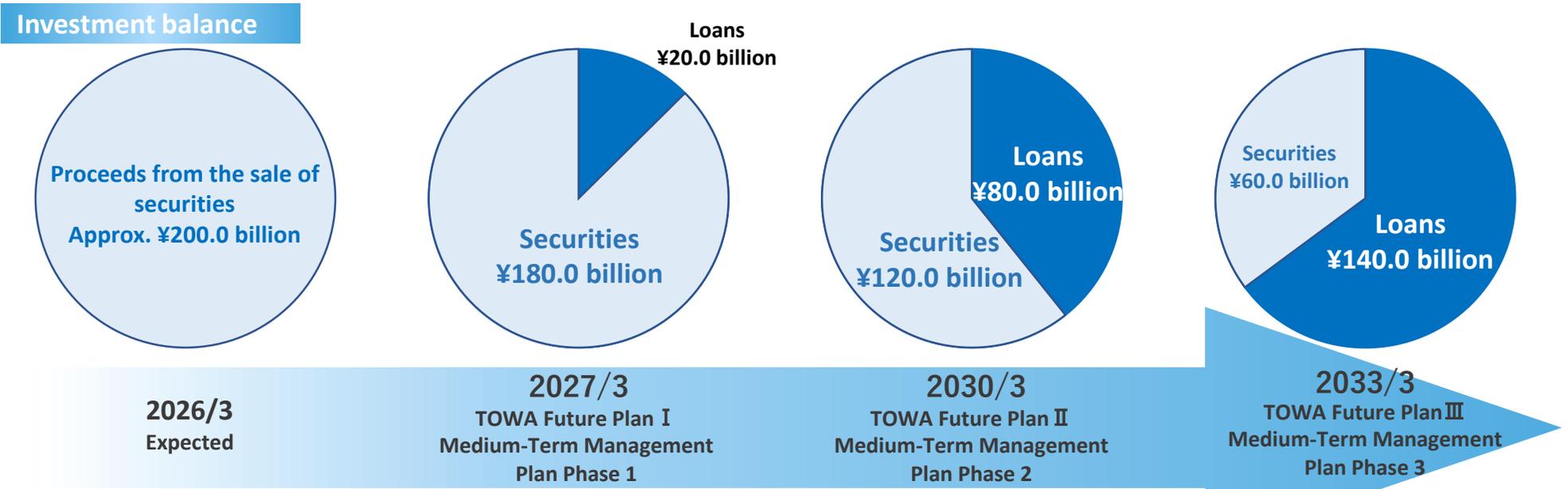
## Core net business profit



## Profit



- We will use the proceeds from the sale of securities to further strengthen our financial intermediary functions for regional customers.
- We plan to allocate roughly ¥20.0 billion per year to regional lending (business loans).

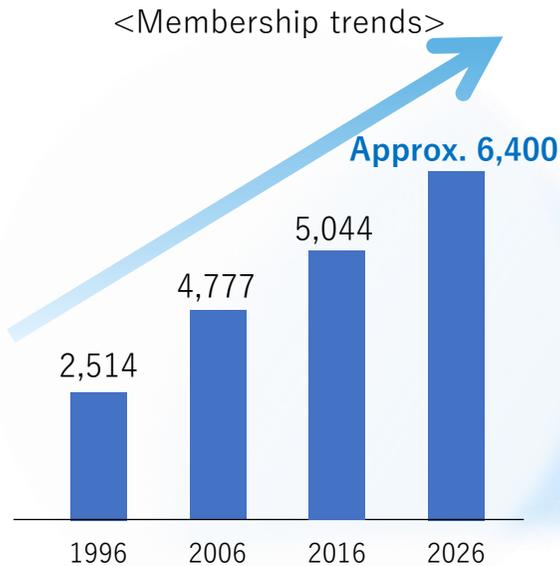




- Towa Shinseikai is an organization composed of customers with the goal of mutual growth among members.
- Since its establishment, the number of members has steadily increased, currently standing at 6,400 companies.
- We have established relationships with regional customers.

## Connecting with customers through Towa Shinseikai

<Percentage out of approx. 16,000 business loan recipients>



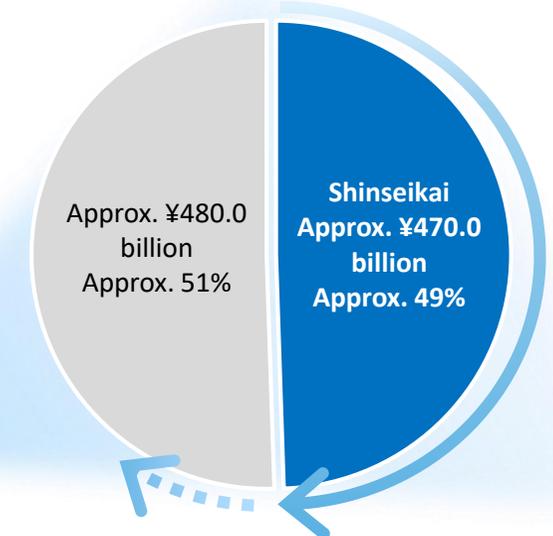
- As of the end of February 2026 -

Purpose



TOWA Customer Support  
 Activities

<Percentage out of approx. ¥950.0 billion of business loans>



- As of the end of February 2026 -

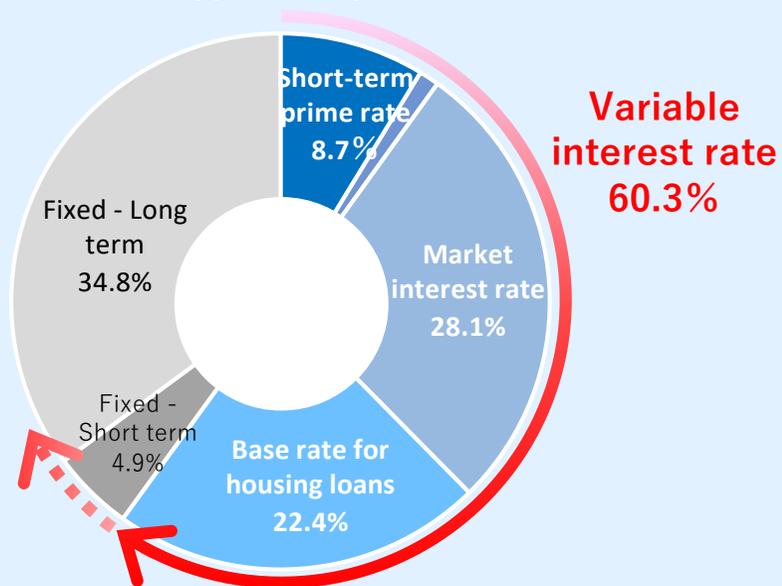
\*Of the approx. 6,400 member companies, approx. 5,000 are business loan recipients.

# Benefits of Our Customer Relationships

- By deepening our relationships with regional customers, we have further increased the proportion of loans with variable interest rates, achieving highly interest-rate-sensitive lending rates.
- We will continue to maintain appropriate loan yields and utilize the proceeds from the sale of securities to increase lending to regional customers.

## Composition of highly interest-rate-sensitive lending rates

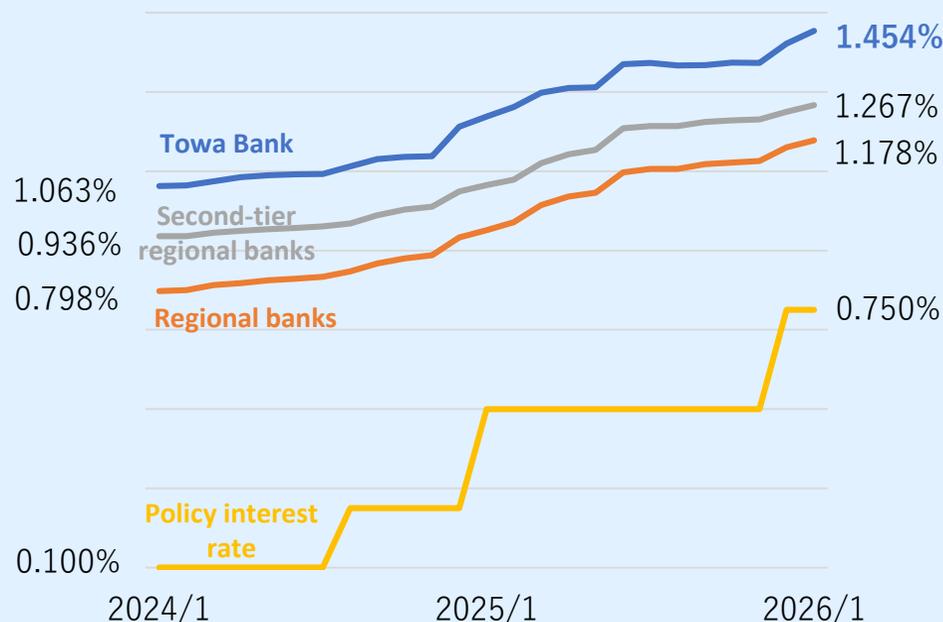
<Proportion of variable interest rates out of total loan balance of approximately ¥1,600.0 billion>



- As of the end of February 2026 -

## Favorable loan yields

<Loan yields trends>



Source: Compiled by Towa Bank based on data published by the Bank of Japan

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