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Financial Results Presentation for the Six Months Ended September 30, 2024

Friday, November 8, 2024

TOCHIGI BANK

Securities Code: 8550

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1. Overview of Consolidated Financial Results

- Ordinary income increased by 1.1 billion yen year on year 22.1 billion yen due in part to increases in interest income and fees and commissions, as well as gain on sale of securities.
- Ordinary expenses increased by 2.4 billion yen year on year to 20.0 billion yen due in part to increases in interest expenses and the recording of loss on sale of securities.
- As a result, the Bank posted ordinary profit of 2.0 billion yen and profit attributable to owners of parent of 1.4 billion yen.

○ Consolidated statement of income (excerpt)

(Billion yen)

	2023/9	2024/9	Change	% Change
Ordinary income	21.0	22.1	1.1	5.0%
Interest income	12.8	13.0	0.2	1.4%
Interest on loans and discounts	10.3	10.8	0.5	4.3%
Interest and dividends on securities	2.1	1.5	(0.6)	-28.3%
Fees and commissions income	4.9	5.0	0.1	1.9%
Gain on sale of securities	0.9	1.3	0.4	50.1%
Ordinary expenses	17.6	20.0	2.4	14.0%
Interest expenses	0.0	0.5	0.5	717.9%
Costs for loans written-off	0.8	0.8	0.0	4.5%
Loss on sale of securities	1.7	4.0	2.3	131.1%
Ordinary profit	3.4	2.0	(1.4)	-41.1%
Profit attributable to owners of parent	1.8	1.4	(0.4)	-20.2%

2. Overview of Non-consolidated Financial Results

- The Bank posted ordinary income of 19.7 billion yen, ordinary profit of 1.8 billion yen, and profit of 1.3 billion yen, chiefly due to the same factors as those for consolidated results.

○ Non-consolidated statement of income (excerpt)

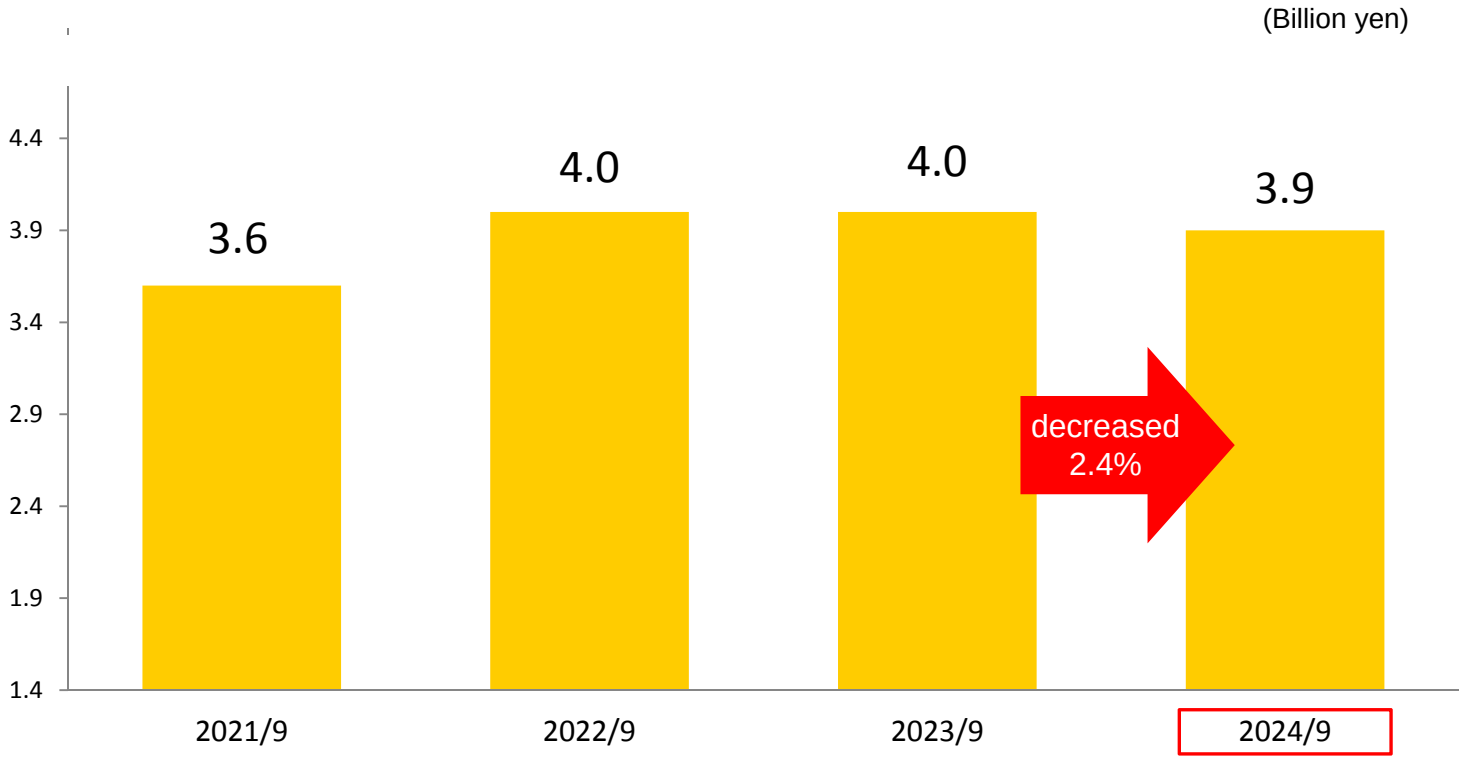
(Billion yen)

	2023/9	2024/9	Change	% Change
Ordinary income	18.6	19.7	1.1	5.9%
Interest income	12.9	13.0	0.1	1.3%
Interest on loans and discounts	10.3	10.7	0.4	4.3%
Interest and dividends on securities	2.1	1.5	(0.6)	−28.4%
Gain on sale of securities	0.9	1.3	0.4	48.7%
Ordinary expenses	15.5	17.9	2.4	14.8%
Interest expenses	0.0	0.4	0.4	−
Costs for loans written-off	0.8	0.8	0.0	3.7%
Loss on sale of securities	1.7	4.0	2.3	130.6%
Core net business profit (excluding gains (losses) from cancellation of investment	4.0	3.9	(0.1)	−2.4%
Substantial net business profit	3.1	3.2	0.1	2.5%
Net business profit	3.4	3.8	0.4	12.8%
Ordinary profit	3.0	1.8	(1.2)	−40.2%
Profit	1.6	1.3	(0.3)	−17.6%

3. Trends in Core Net Business Profit (Non-consolidated)

- Core net business profit represents the Bank's main business profitability, consisting of interest income (i.e., interest on loans and discounts and interest and dividends on securities) and fees and commissions income.

Trends in Core Net Business Profit
(Excluding Gains (Losses) from Cancellation of Investment Trusts)

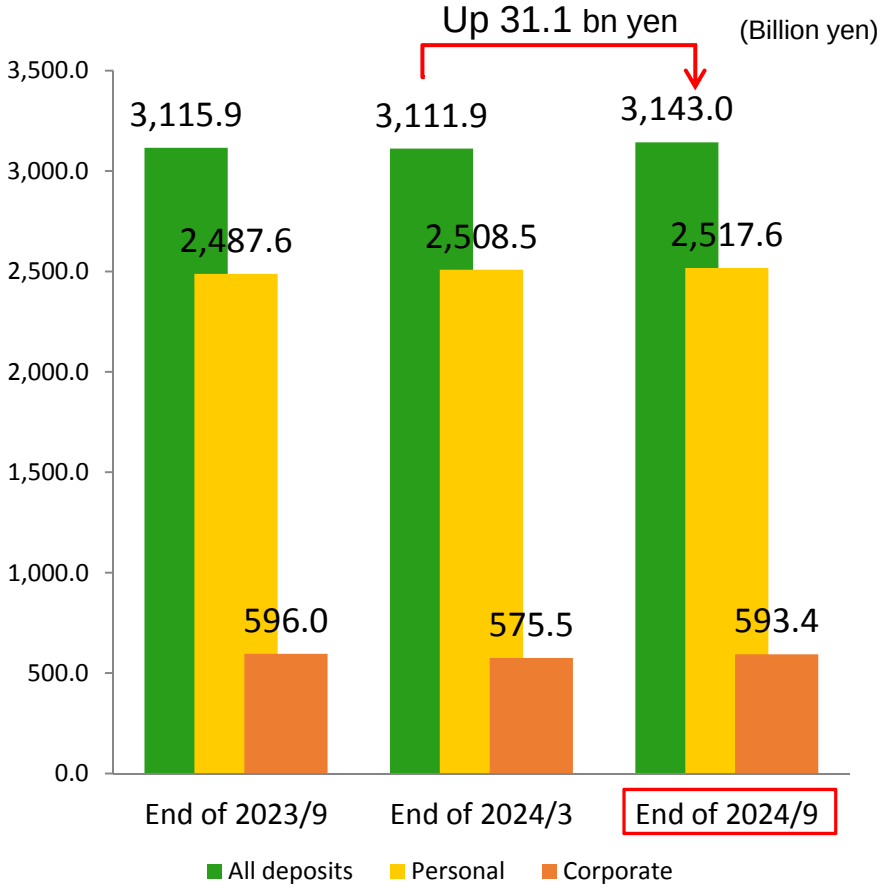


4. Balance of Deposits (Non-consolidated)

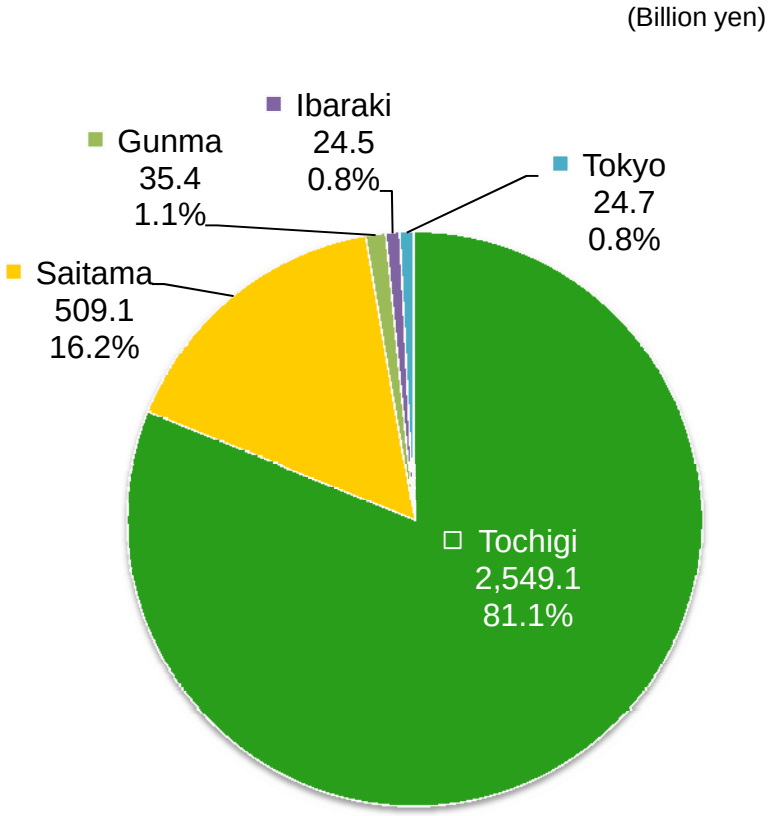
Deposits on a steady increase every fiscal year

- The Bank has the locally rooted business base with the balance of deposits, consisting mainly of personal deposits, having increased by 31.1 billion yen from the end of March 2024.
- In terms of the balance of deposits by prefecture, those from customers in Tochigi prefecture account for 81.1% of the total deposits.

Trends in Balance of Deposits (Non-consolidated)



Balance of Deposits by Prefecture (As of September , 2024)

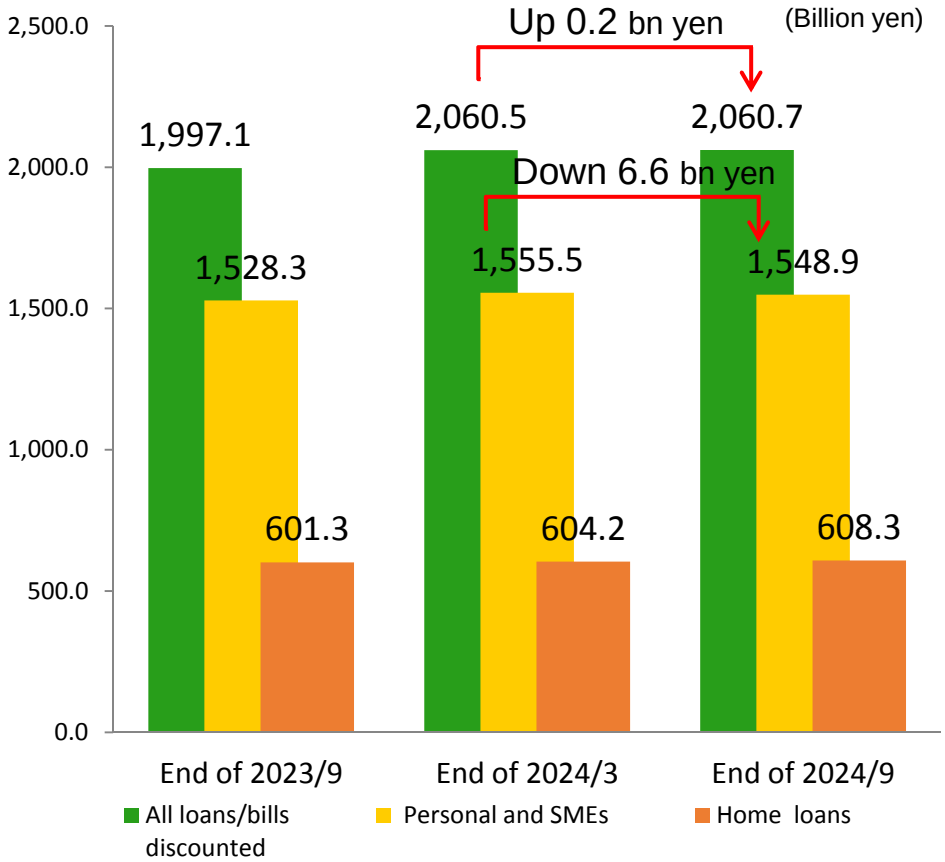


5. Balance of Loans and Bills Discounted (Non-consolidated)

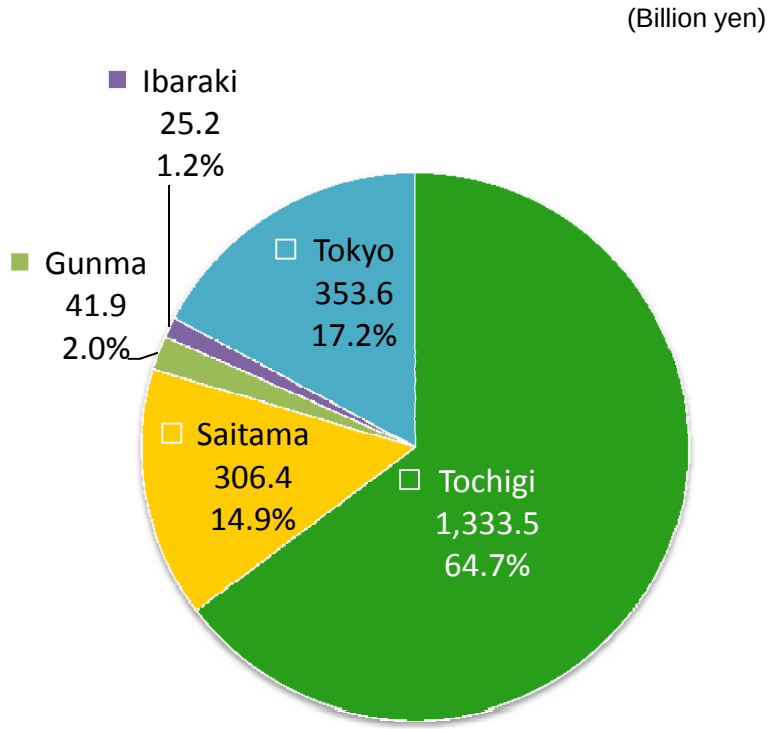
The loans and bills discounted mainly consisting of personal and SME loans

- The balance of loans and bills discounted increased by 0.2 billion yen from the end of March 2024.
- Personal and SME loans, among others, decreased by 6.6 billion yen from the end of March 2024.
- The loans extended to customers located in Tochigi prefecture account for 64.7% of the loans, mainly consisting of personal and SME loans in Tochigi prefecture.

Trends in Balance of Loans and Bills Discounted (Non-consolidated)



Balance of Loans and Bills Discounted by Prefecture (As of September 30, 2024)

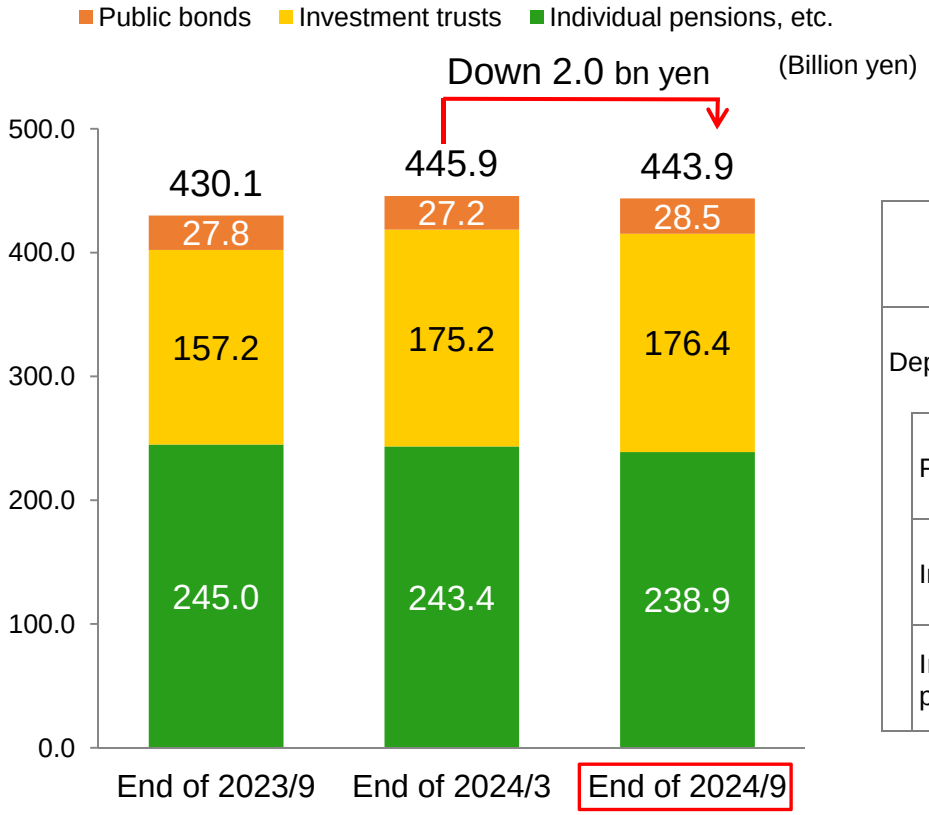


6. Deposit Assets (Non-consolidated)

Supporting customers' asset formation in the age of the 100-year lifespan

- The balance of deposit assets decreased by 2.0 billion yen from March 31, 2024, reflecting its commitment to providing customer-oriented financial services. The Bank will continue to offer proposals for "long-term, accumulated and diversified" investments, leading to customers' asset formation over the future.

Trends in Balance of Deposit Assets

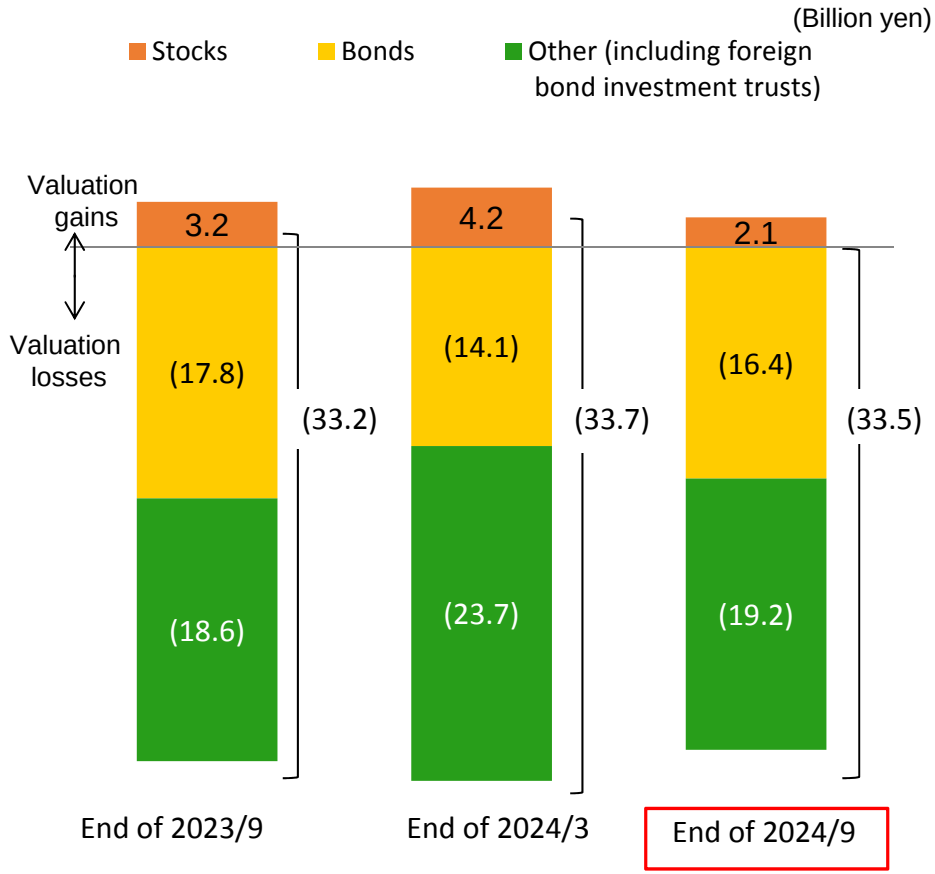


(Billion yen)	2024/3	**2024/9**	Change	% Change
Deposit assets	445.9	**443.9**	(2.0)	-0.4%
Public bonds	27.2	**28.5**	1.23	4.7%
Investment trusts	175.2	**176.4**	1.2	0.6%
Individual pensions, etc.	243.4	**238.9**	(4.5)	-1.8%

7. Securities (Non-Consolidated)

- In line with changes in the market conditions, the balance increased mainly in investments in domestic bonds. In addition, the Bank reduced the balance of assets incurring holding costs (including foreign bond investment trusts).

Valuation Gains (Losses) on Other Securities



Closing Balances of Securities

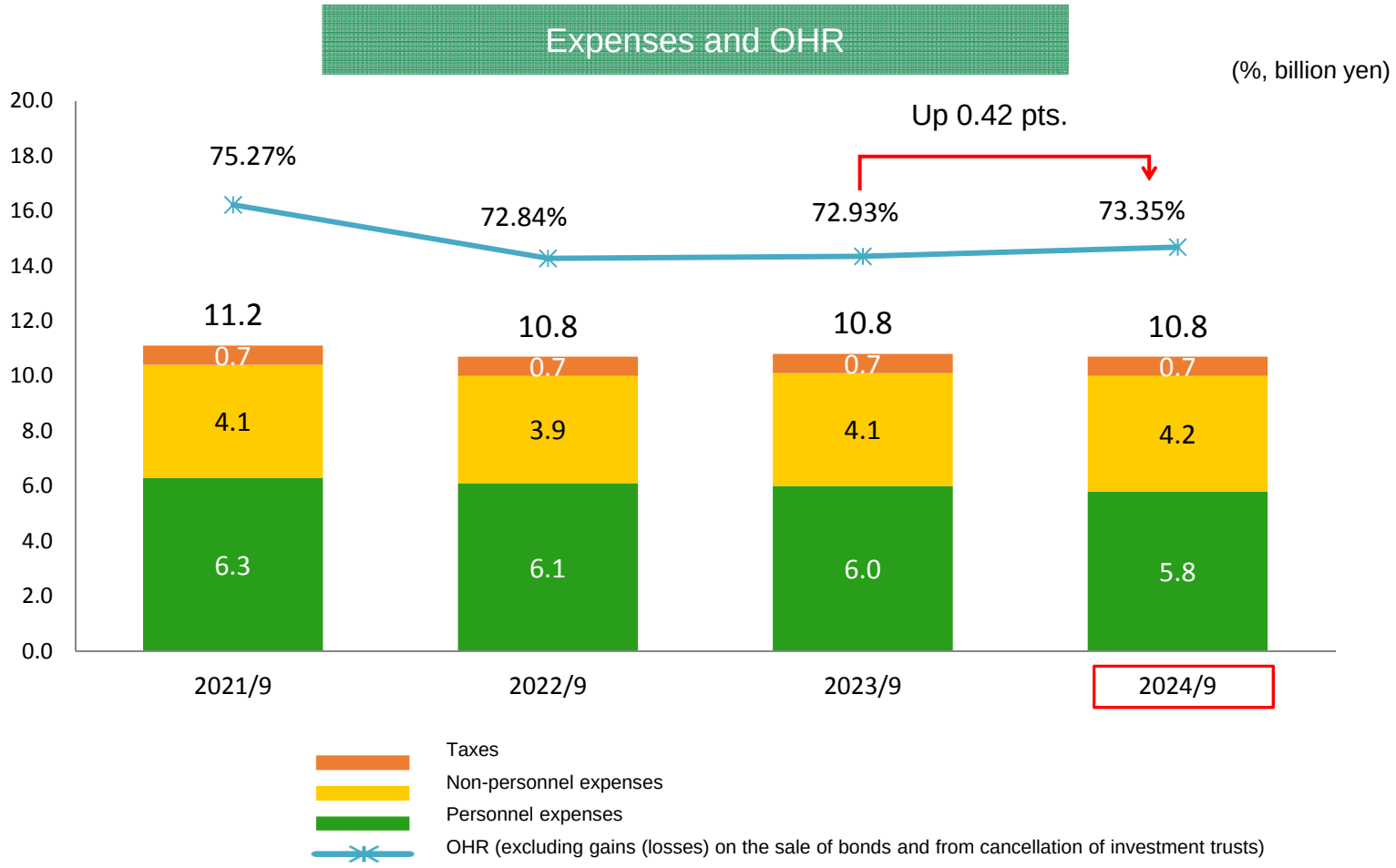
(Billion yen)	2024/3	**2024/9**	Change	% Change
Total securities	609.4	**619.8**	10.4	1.7%
Stocks	14.6	**12.0**	(2.6)	-17.7%
Bonds	330.1	**354.3**	24.2	7.3%
Other (including foreign bond investment trusts)	264.6	**253.4**	(11.2)	-4.2%

8. Expenses (Non-consolidated)

Initiatives to develop a sustainable operations under way

- To establish a sustainable management base that supports customers, the Bank has made investments for growth and other purposes, such as investments in human capital, DX and systems. For the six months ended September 30, 2024, OHR (based on core gross business profit) increased by 0.42 percentage points year on year.

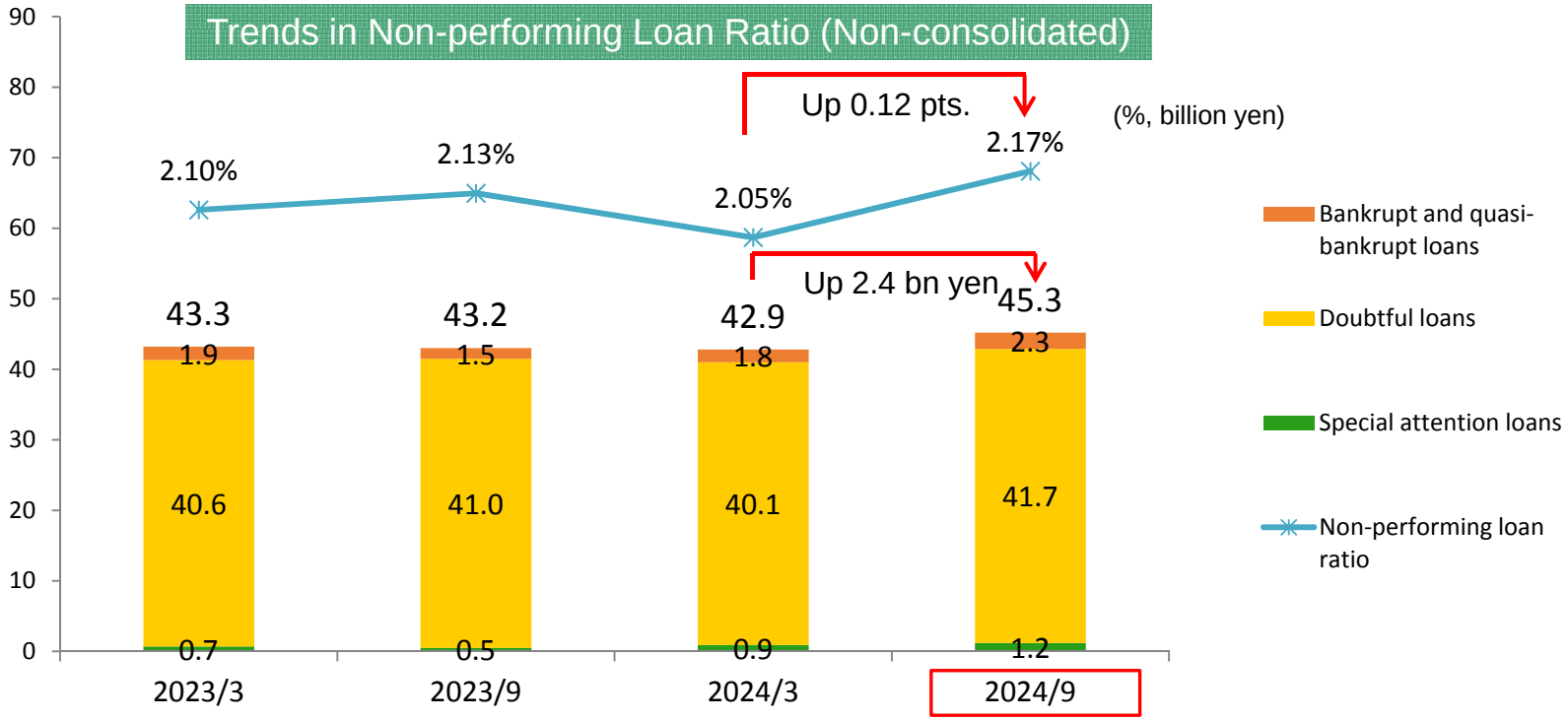
(Note) OHR (based on gross operating profit) = Expenses ÷ Gross operating profit (excluding gains (losses) on sale of bonds and from cancellation of investment trusts) × 100



9. Non-performing Loans and Capital Adequacy Ratio

- Loans based on the Banking Act and Financial Reconstruction Act increased by 2.4 billion yen and the non-performing loan ratio also rose by 0.12 percentage points from March 31, 2024, respectively, but both have remained relatively low. The Bank is committed to assisting customers and ensuring the soundness of its assets.

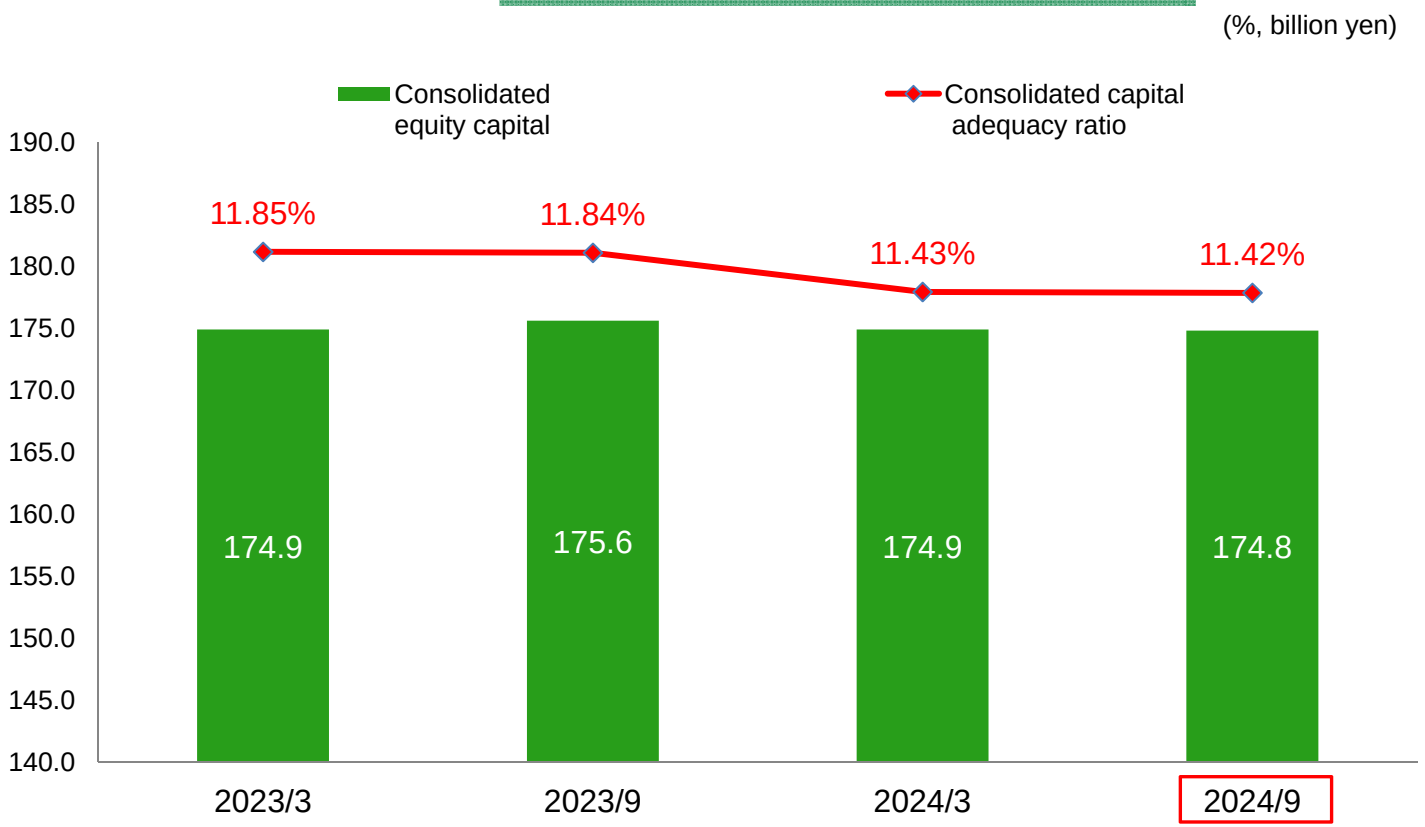
(Billion yen)	2024/3	**2024/9**	Change	% Change
Loans based on the Banking Act and Financial Reconstruction Act	42.9	**45.3**	2.4	5.5%
Bankrupt and quasi-bankrupt loans	1.8	**2.3**	0.5	27.8%
Doubtful loans	40.1	**41.7**	1.6	3.8%
Special attention loans	0.9	**1.2**	0.3	34.0%



9. Non-performing Loans and Capital Adequacy Ratio

- Given that banks subject to the domestic standard and the international standard are required to maintain a minimum capital adequacy ratio of 4% and 8%, respectively. The Bank is required to maintain a minimum capital adequacy ratio of 4% as a bank subject to the domestic standard.
- The Bank's consolidated capital adequacy ratio rose by 0.01 percentage points from March 31, 2024.
- We will utilize our equity capital to continue providing loans and services to individuals and small and medium-sized businesses.

Trends in Equity Capital (Consolidated)



(Reference)

Realize the Provision of New Value

1. Realize the Provision of New Value (Strengthening Consulting Capability)

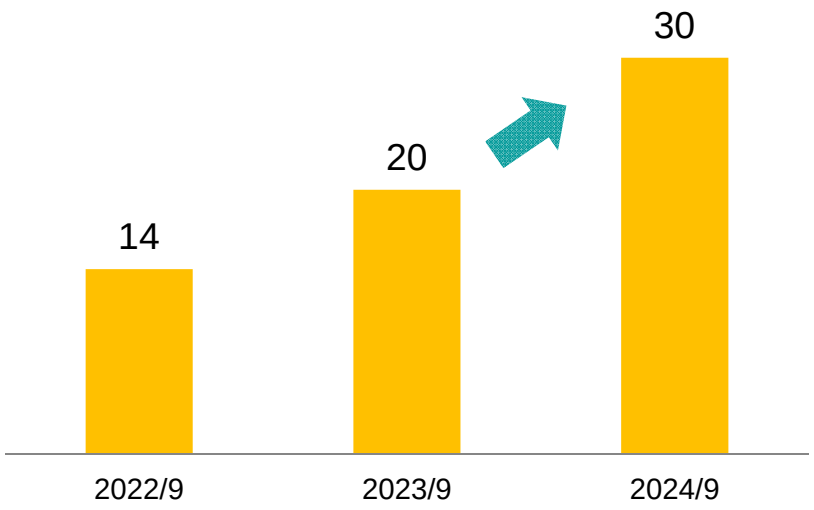
Based on the 11th Medium-term Management Plan started in April 2023, we are creating a sustainable future for the region together with all people in the region by making group-wide efforts to solve issues facing us. These efforts include gaining the region's trust and taking on a challenge of new business fields that go beyond our conventional framework of finance to realize new value creation.

In strengthening profitability, one of our basic strategies, we have developed a system to provide one-stop solutions to sole proprietors and small-sized businesses to assist them in their M&A activities. To this end, in a bid to provide highly professional solutions on business succession and M&A, the Bank has launched "Tochigi-no Musubime," a framework to assist in regional revitalization through M&A, and has collaborated with Tsukuba Bank and The Towa Bank through "Saitama-no Musubime," and with The Daito Bank through "Fukushima-no Musubime," as well as with The Taiko Bank through "Niigata-no Musubime."

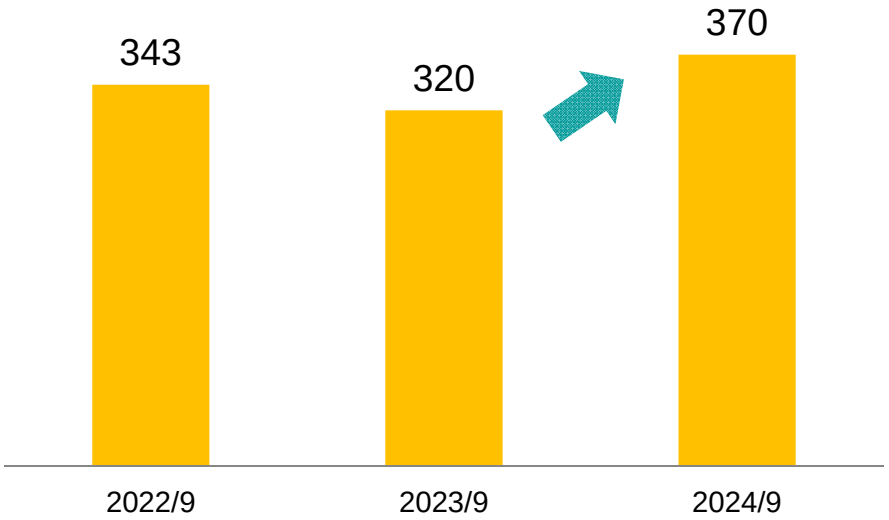
In addition, the Bank offers a business matching service to connect customers with potential business partners, providing information and services to meet diverse customer needs.

Furthermore, we continue to invest human resources in face-to-face business operations (in person and online channel) that are only possible for humans, thereby offering highly specialized solutions.

Number of Business Succession and M&A Contracts



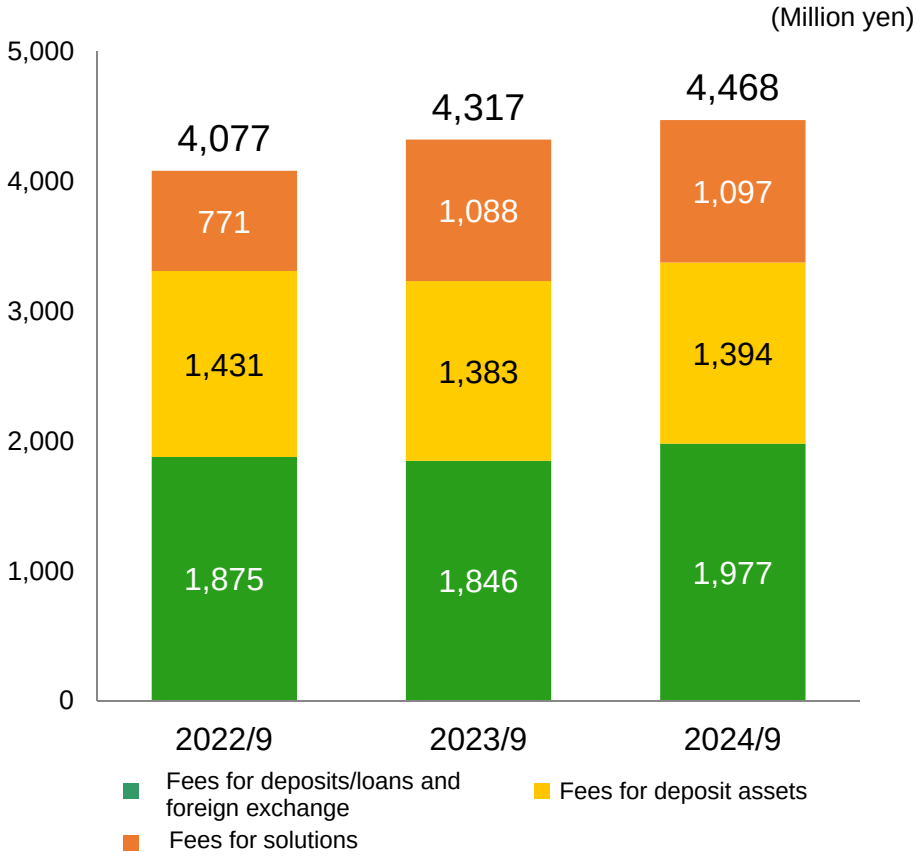
Number of Business Matching Contracts



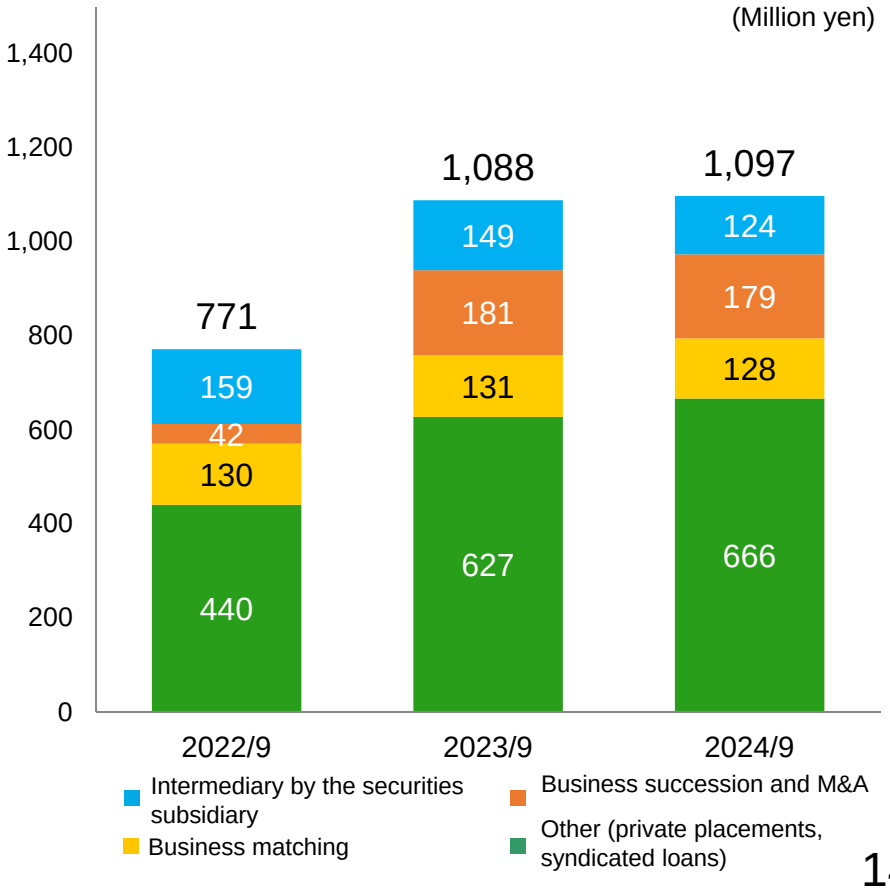
2. Realize the Provision of New Value (Trends in Fees and Commissions Income)

The Bank has been enhancing its customer support system to provide one-stop solutions to customers' issues. Income generated from fees and commissions income comprises various fees including banking fees such as fees for deposits and loans, fees for business solutions such as business matching, business succession, and M&A, and fees related to deposit assets, which we receive as a result of our assistance in helping customers from their asset formation.

Trends in Fees and Commissions Income



Breakdown of Fees for Solutions



TOCHIGI BANK

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