

# Financial Results Presentation

for the Fiscal Year Ended March 31, 2023

(June 6, 2023)



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# Overview of Financial Results

# Overview of Financial Results

(Billion yen)

Non-consolidated	2022/3	2023/3	Change	% Change
Gross operating profit	26.9	27.0	+0.1	+0.5%
Net interest income	25.4	29.0	+3.6	+14.2%
Fees and commissions income	4.2	4.4	+0.2	+3.3%
Other operating income	(2.8)	(6.4)	(3.6)	(127.8%)
Expenses	22.1	21.3	(0.8)	(3.6%)
Substantial net business profit (Note)	4.7	5.6	+0.9	+20.2%
Core net business profit	7.5	12.0	+4.5	+59.3%
Core net business profit (excluding gains (losses) from cancellation of investment trusts)	7.4	7.9	+0.5	+6.7%
Provision of general allowance for loan losses (1)	0.6	(0.7)	(1.3)	(225.0%)
Net business profit	4.1	6.4	+2.3	+56.4%
Losses on sale of bonds	(2.8)	(6.3)	(3.5)	(123.6%)
Unusual profits and losses	0.3	(2.0)	(2.3)	(760.4%)
Non-performing loan disposal (2)	1.4	3.4	+2.0	+137.5%
Ordinary profit	4.4	4.3	(0.1)	(1.1%)
Profit	3.0	2.2	(0.8)	(28.2%)

Costs for loans written-off (1) + (2)	2.0	2.7	+0.7	+31.1%
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Consolidated	2022/3	2023/3	Change	% Change
Ordinary profit	5.5	5.0	(0.5)	(9.2%)
Profit attributable to owners of parent	3.6	2.6	(1.0)	(26.9%)

## Main Points on Non-consolidated Financial Results

- Net interest income increased by 3.6 billion yen year on year. This was due to gains from the cancellation of investment trusts, such as bear funds, which more than offset losses from the sale of securities.
- Other operating income decreased by 3.6 billion yen year on year. This was due to realized losses from the sale of securities held, which suffered increased valuation losses as a result of rising interest rates in Japan and overseas.
- Profit decreased by 800 million yen year on year. This was due to an increase in non-performing loan disposal expenses (costs for loans written off) of 700 million yen, mainly resulting from the bankruptcy of a major borrower, as well as an increase in income taxes payable compared to the previous fiscal year.
- Profits related to our main business, which are core net business profit (excluding gains (losses) from cancellation of investment trusts) and substantial net business profit, increased year on year due to an increase in fees and commissions income and the effect of cost reductions.

(Note) Substantial net business profit = Net business profit (before provision to general allowance for loan losses)

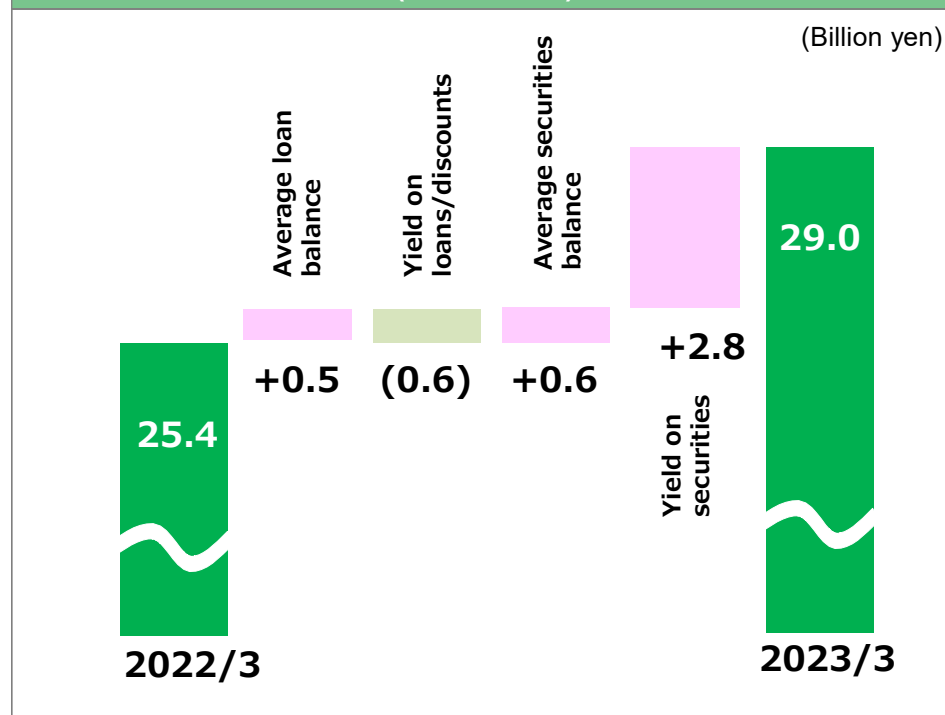
## Main Point on Consolidated Financial Results

- Consolidated ordinary profit and profit attributable to owners of parent for the fiscal year ended March 31, 2023 decreased year on year, primarily due to the same reasons as in the non-consolidated financial results.

# Net Interest Income

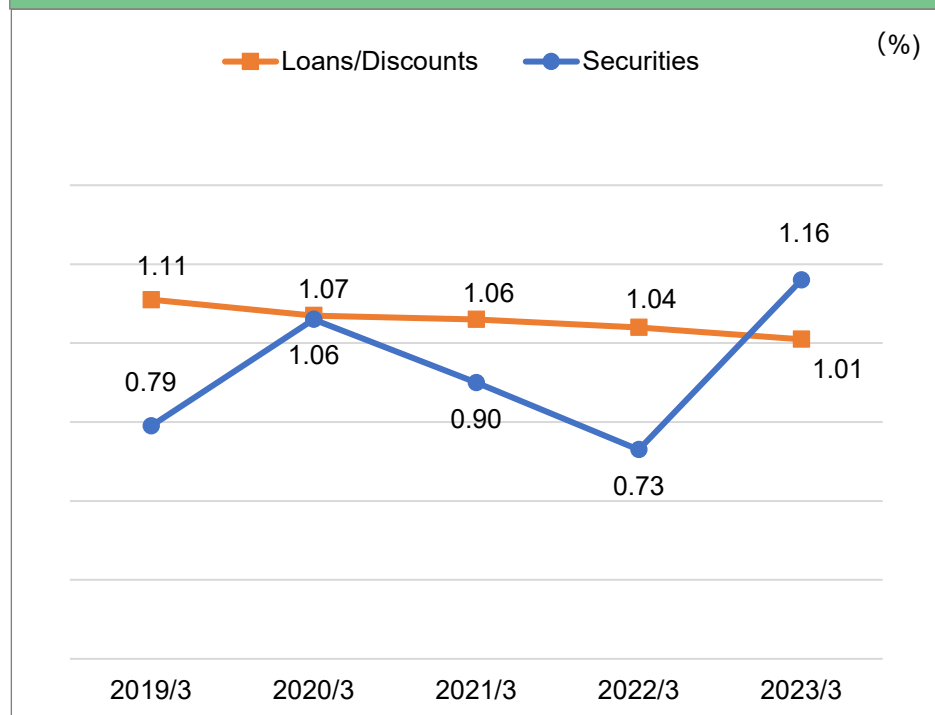
(Billion yen)	2022/3	2023/3	Change	% Change
Net interest income	25.4	29.0	+3.6	+14.2%
Interest on loans and discounts	20.4	20.3	(0.1)	(0.3%)
Interest and dividends on securities	4.3	7.8	+3.5	+81.8%
Interest on deposits with banks	0.8	0.8	+0.0	+1.3%
Interest on deposits (-)	0.2	0.1	(0.0)	(44.8%)

## Reasons for Increases (Decreases) in Net Interest Income



- Interest on loans and discounts decreased by 100 million yen year on year. This was due to lower yields, despite the increase in the average balance of loans and bills discounted, particularly for SME and personal loans.
- Interest and dividends on securities increased by 3.5 billion yen year on year. This was due to the inclusion of gains from the cancellation of investment trusts, such as bear funds, to cover losses from the sale of securities.
- Interest on deposits with banks and interest on deposits remained flat year on year. Overall net interest income increased by 3.6 billion yen year on year.

## Trend in Yields on Loans and Discounts and on Securities

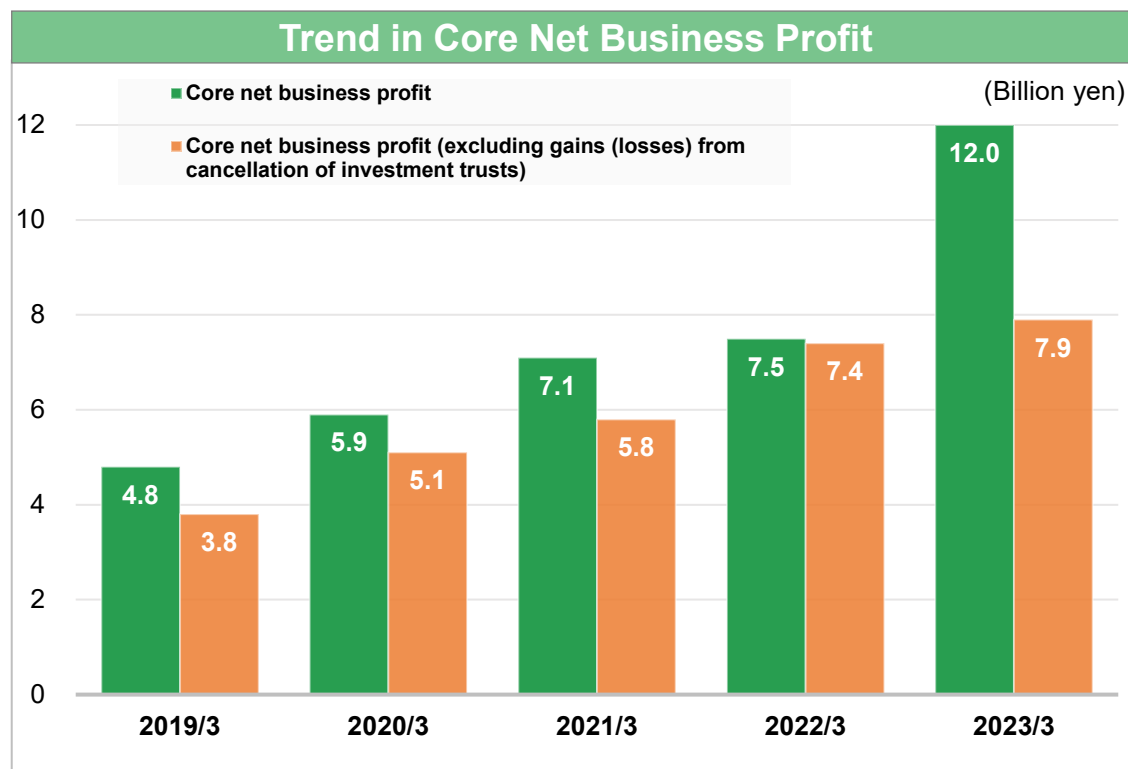


# Core Net Business Profit

(Billion yen)	2022/3	2023/3	Change	% Change
Substantial net business profit (Note 1)	4.7	5.6	+0.9	+20.2%
Core net business profit (Note 2)	7.5	12.0	+4.5	+59.3%
Core net business profit (excluding gains (losses) from cancellation of investment trusts)	7.4	7.9	+0.5	+6.7%

(Note 1) Substantial net business profit = Net business profit (before provision to general allowance for loan losses)

(Note 2) Core net business profit = Substantial net business profit - Gains (losses) on bonds



● Core net business profit for the fiscal year ended March 31, 2023 increased by 4.5 billion yen year on year due to gains from the cancellation of bear funds held for hedging purposes to cover losses on the sale of securities.

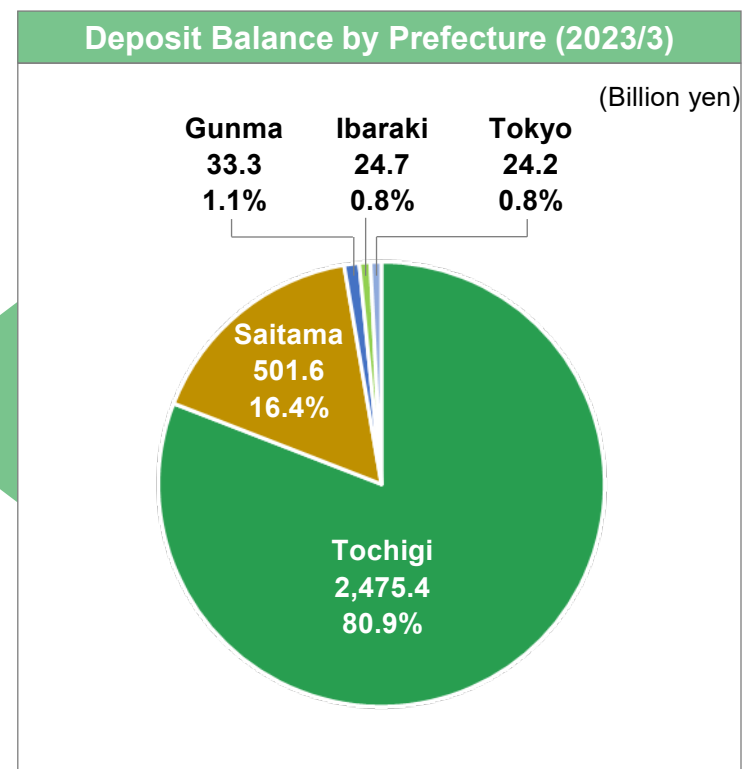
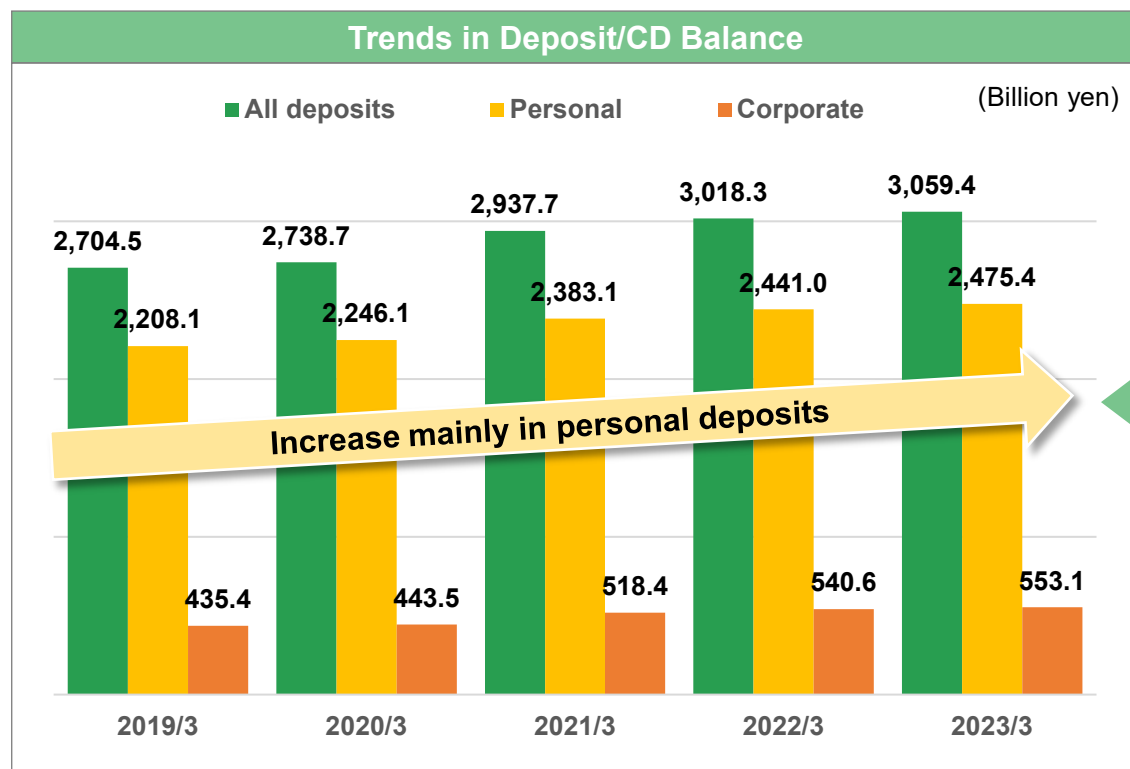
● Core net business profit (excluding gains (losses) from cancellation of investment trusts) increased by 500 million yen year on year mainly due to cost reductions.

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

# Deposits and CDs

(Billion yen)	2022/3	2023/3	Change	% Change
Deposits and CDs	3,018.3	<b>3,059.4</b>	+41.1	+1.3%
Personal	2,441.0	<b>2,475.4</b>	+34.4	+1.4%
Corporate	540.6	<b>553.1</b>	+12.5	+2.3%

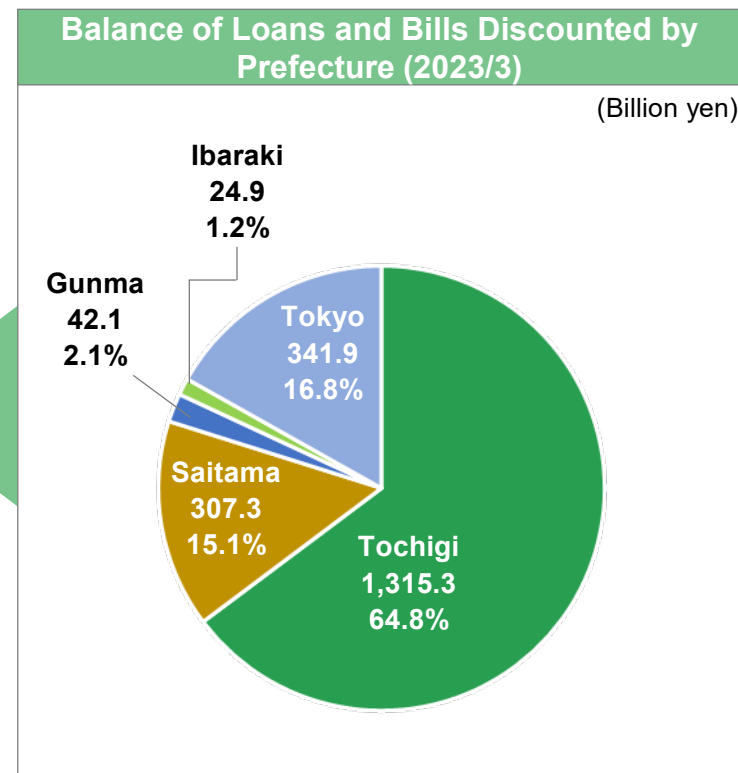
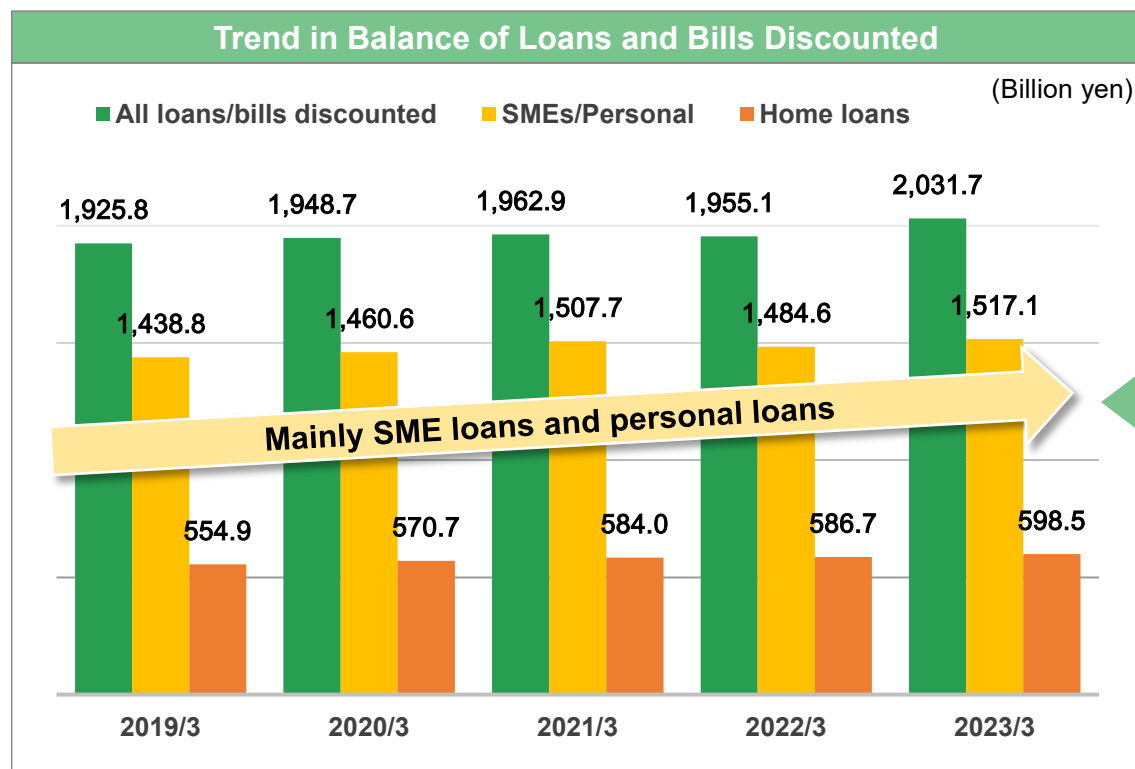
- Tochigi Bank deposits show an increase mainly in personal deposits from the locally rooted business base. Deposits as of March 31, 2023 increased by 41.1 billion yen from the end of the previous fiscal year.



# Loans and Bills Discounted

(Billion yen)	2022/3	2023/3	Change	% Change
Loans and bills discounted	1,955.1	<b>2,031.7</b>	+76.6	+3.9%
SMEs	842.0	<b>862.2</b>	+20.2	+2.4%
Personal	642.5	<b>654.9</b>	+12.4	+1.9%
Home loans	586.7	<b>598.5</b>	+11.8	+2.0%

- Loans and bills discounted as of March 31, 2023 increased by 76.6 billion yen from the end of the previous fiscal year mainly due to an increase in SME and home loans.
- Tochigi Bank loans and bills discounted consist mainly of SME and personal loans. The Bank provides a range of solution services for business operators facing many business challenges, such as labor shortages after the COVID-19 pandemic and an increase in material prices caused by a weakening yen, and also firmly meets their funding needs.



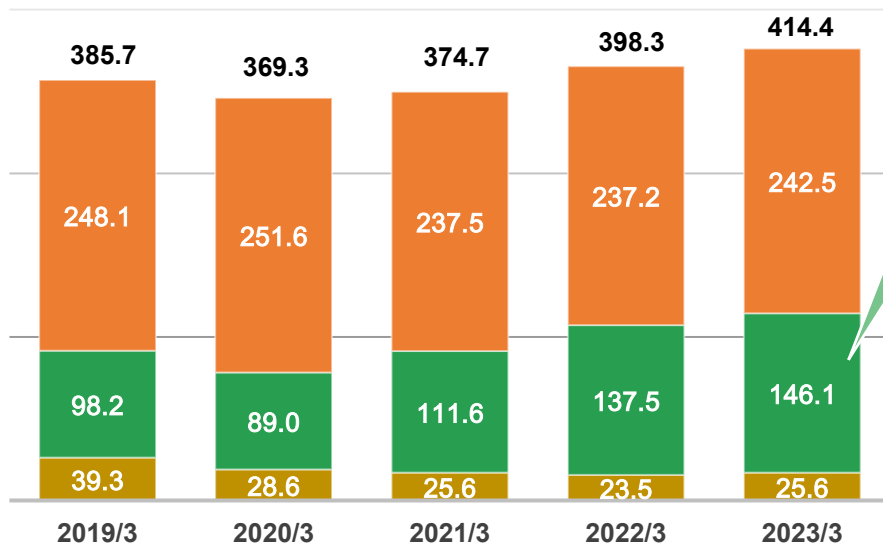


# Deposit Assets

(Billion yen)	2022/3	2023/3	Change	% Change
Deposit assets	398.3	<b>414.4</b>	+16.1	+4.0%
Public bonds	23.5	<b>25.6</b>	+2.1	+9.0%
Investment trusts	137.5	<b>146.1</b>	+8.6	+6.2%
Individual pensions, etc.	237.2	<b>242.5</b>	+5.3	+2.2%

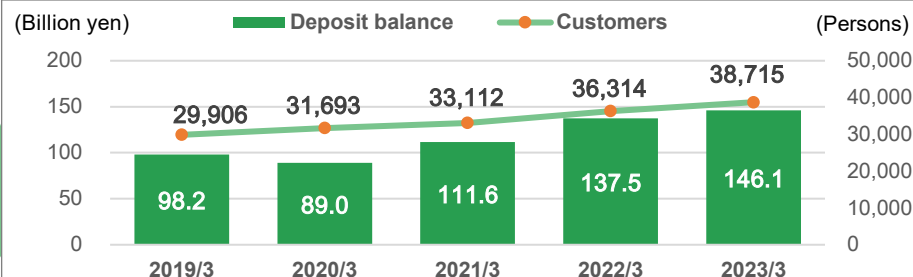
## Trend in Balance of Deposit Assets

Public bonds Investment trusts Individual pensions, etc. (Billion yen)

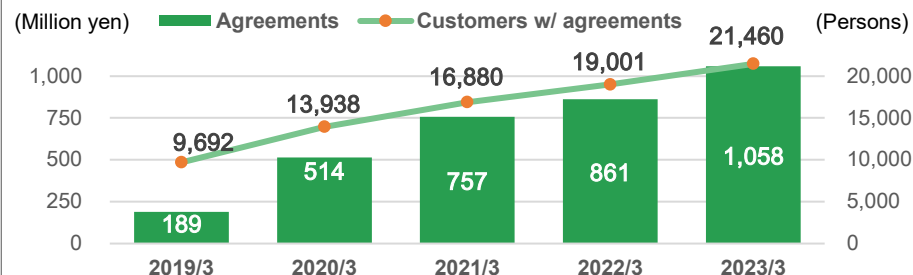


- The balance of deposit assets as of March 31, 2023 increased by 16.1 billion yen from the end of the previous fiscal year, as we have provided customer-oriented financial services, such as proposals for investment through long-term, diversified accumulation, leading to customers' asset formation.
- Automatic savings agreements are increasing, both in terms of amount and the number of customers with agreements.

## Trend in Investment Trust Deposit Balance and Number of Customers



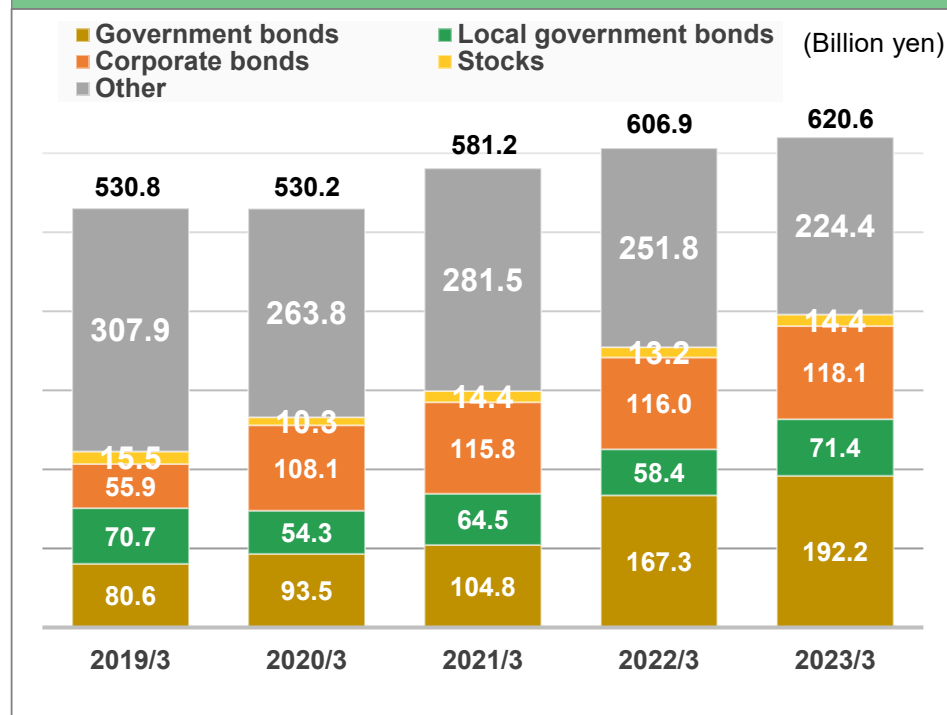
## Automatic Savings Agreements



# Securities

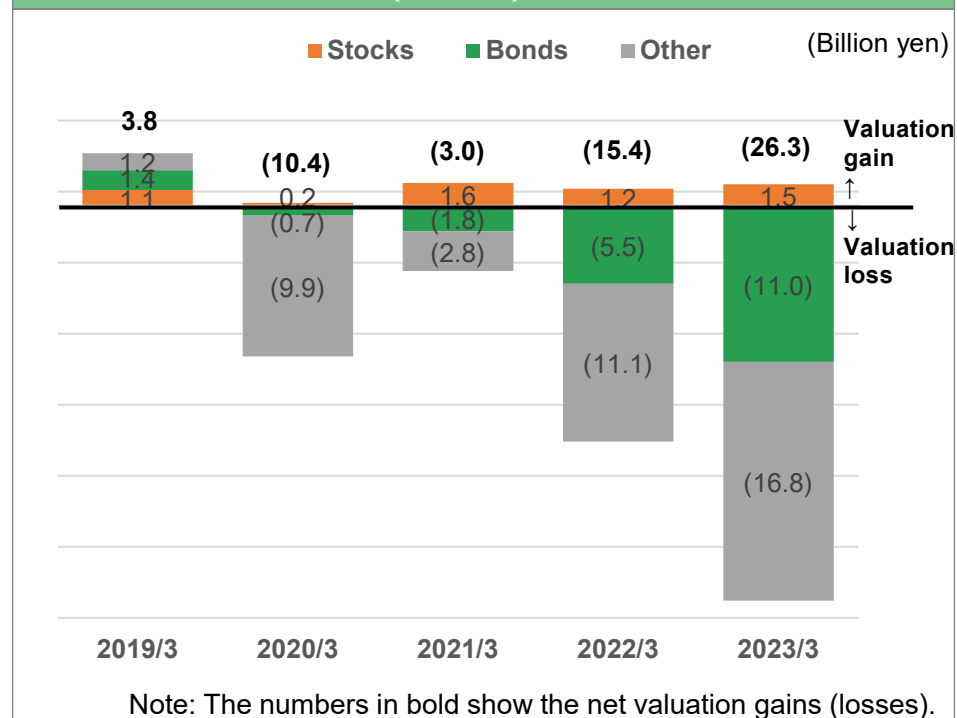
(Billion yen)	2022/3	2023/3	Change	% Change
Total securities	606.9	<b>620.6</b>	+13.7	+2.2%
Public bonds (Government bonds and Local government bonds)	225.8	<b>263.6</b>	+37.8	+16.7%
Corporate bonds	116.0	<b>118.1</b>	+2.1	+1.7%
Stocks	13.2	<b>14.4</b>	+1.2	+9.1%
Other	251.8	<b>224.4</b>	(27.4)	(10.8%)

## Trend in Securities Balance at the Fiscal Year-end



- Valuation losses on other securities expanded due to continued high volatility stemming from forecast fiscal policies in Europe and the U.S. and the unstable political climate. The expansion in valuation losses occurred despite reducing positions in foreign bond investment trusts (other securities) due to rising interest rates overseas.
- While the Bank's portfolio does not pose excessive credit risk from stocks, corporate bonds, and other securities, the Bank continues to restructure the portfolio by reducing positions with valuation losses, such as foreign bond investment trusts.

## Valuation Gains (Losses) on Other Securities

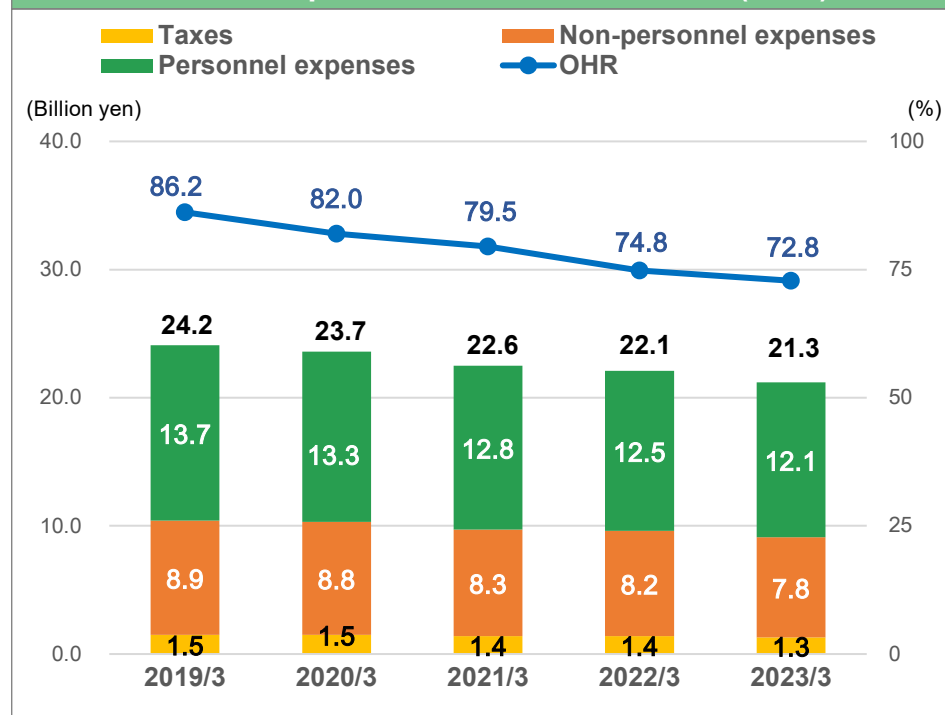


# Expenses

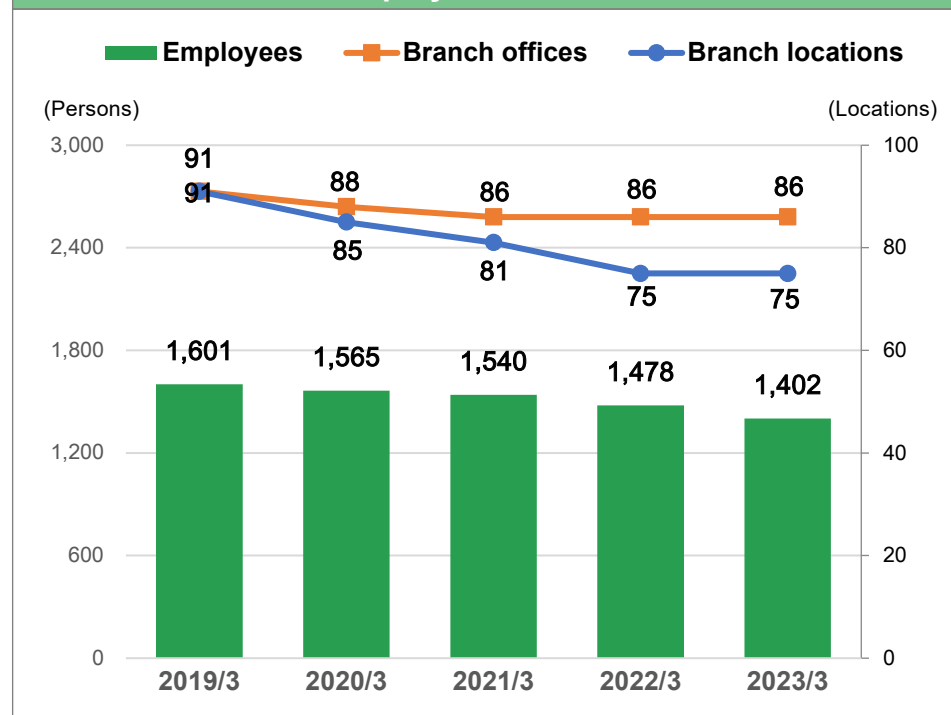
(Billion yen)	2022/3	2023/3	Change	% Change
Total expenses	22.1	21.3	(0.8)	(3.6%)
Personnel expenses	12.5	12.1	(0.4)	(3.4%)
Non-personnel expenses	8.2	7.8	(0.4)	(4.0%)
Taxes	1.4	1.3	(0.1)	(2.7%)

- Expenses are declining due to reduction, streamlining, and concentration of business operations in branch offices, and office network restructuring.
- Expenses in the fiscal year ended March 31, 2023 fell to 21.3 billion yen, and OHR (based on gross operating profit) decreased by 2.0 percentage points year on year.
- The number of branch locations as of March 31, 2023 was 75, under the Branch-in-Branch (BinB) method.

## Trend in Expenses and Overhead Ratio (OHR)



## Number of Employees and Branch Offices

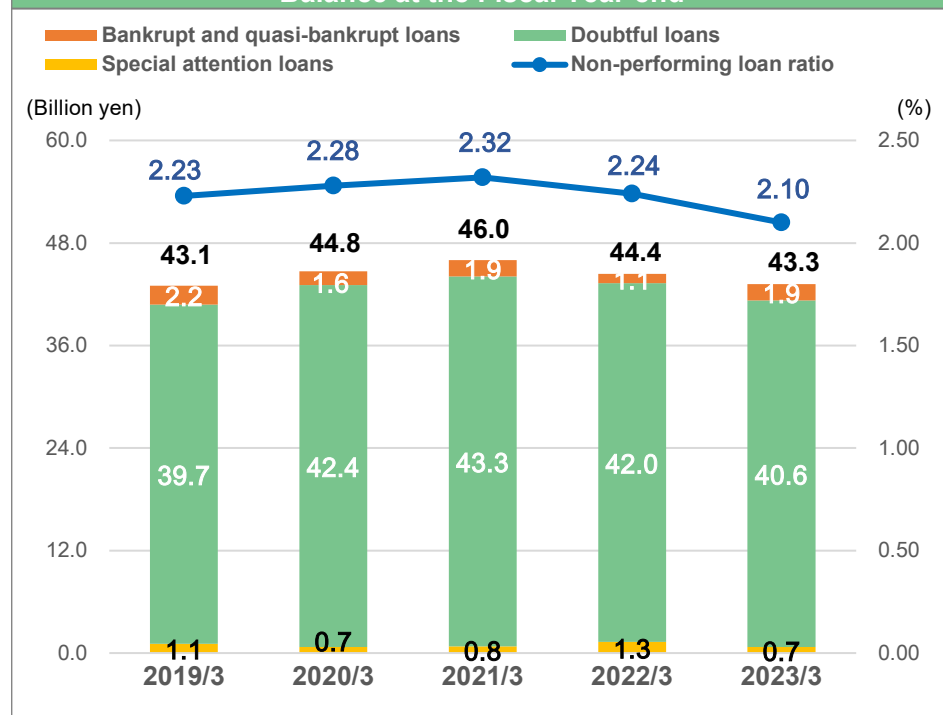


Note: OHR (%) = Expenses ÷ Gross operating profit (excluding gains (losses) on the sale of bonds and from cancellation of investment trusts)

# Loans Based on the Banking Act and Financial Reconstruction Act

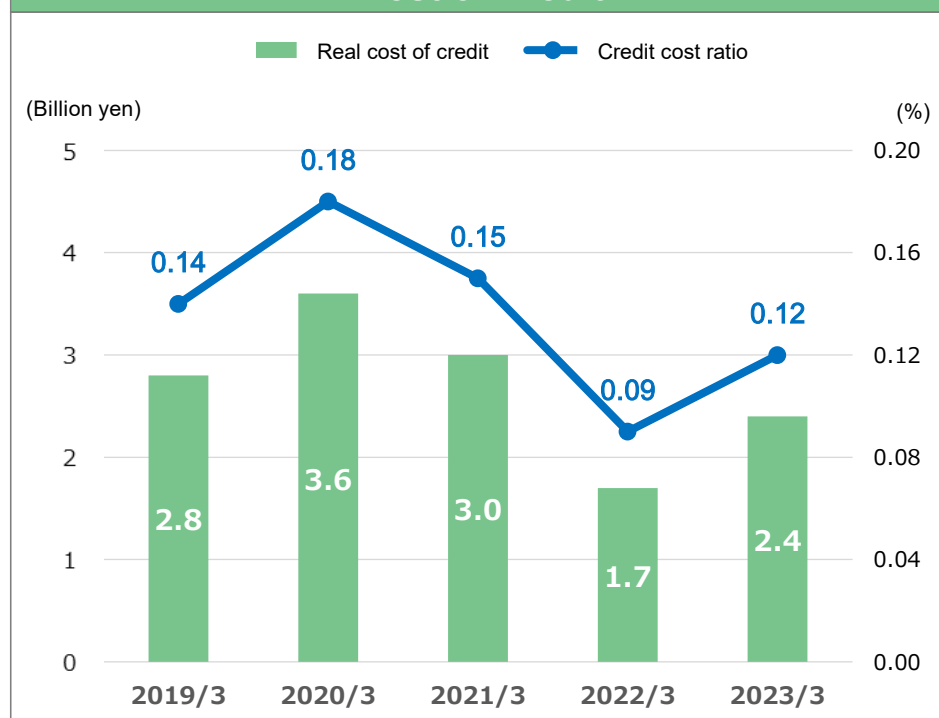
(Billion yen)	2022/3	2023/3	Change	% Change
Total loans based on the Banking Act and Financial Reconstruction Act	44.4	<b>43.3</b>	(1.1)	(2.5%)
Bankrupt and quasi-bankrupt loans	1.1	<b>1.9</b>	+0.8	+73.4%
Doubtful loans	42.0	<b>40.6</b>	(1.4)	(3.1%)
Special attention loans	1.3	<b>0.7</b>	(0.6)	(46.9%)

## Loans Based on the Banking Act and Financial Reconstruction Act: Balance at the Fiscal Year-end



- Loans based on the Banking Act and Financial Reconstruction Act was 43.3 billion yen, down 1.1 billion yen year on year, mainly due to a decrease in doubtful loans.
- Non-performing loan ratio as of March 31, 2023 was 2.10%, down 0.14 percentage points year on year.
- The cost of credit for the fiscal year ended March 31, 2023 was 2.4 billion yen, up 700 million yen year on year. The credit cost ratio was 0.12%, up 0.03 percentage points year on year.

## Cost of Credit



Note 1: Real cost of credit = Costs for loans written-off – Recoveries of written off receivables

Note 2: Credit cost ratio = Real cost of credit ÷ Average loan balance

# Shareholder Returns Policy

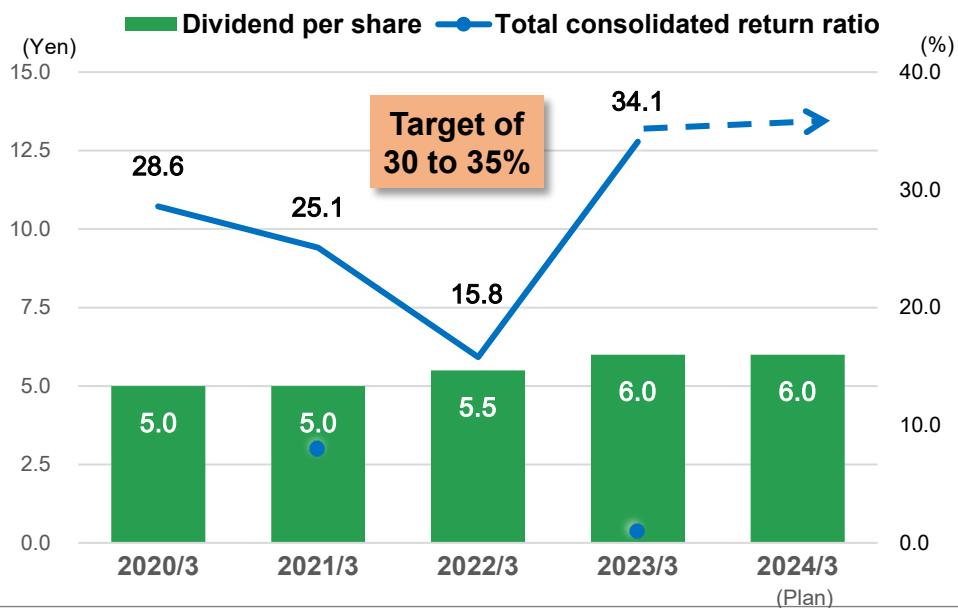
## Shareholder Returns Policy

(formulated in May 2022)

The Bank's basic policy is to continue to pay shareholders consistent dividends while working to maintain sound management and enhance internal reserves to earn the trust of our customers and everyone in the local community, based on the Bank's public nature.

We have explicitly stated our view on shareholder returns while maintaining this basic policy. We target a **total return ratio of 30% to 35%**. This ratio indicates total returns, consisting of dividends and purchase of treasury shares, as a percentage of profit attributable to owners of parent.

### Dividend Per Share and Total Consolidated Return Ratio

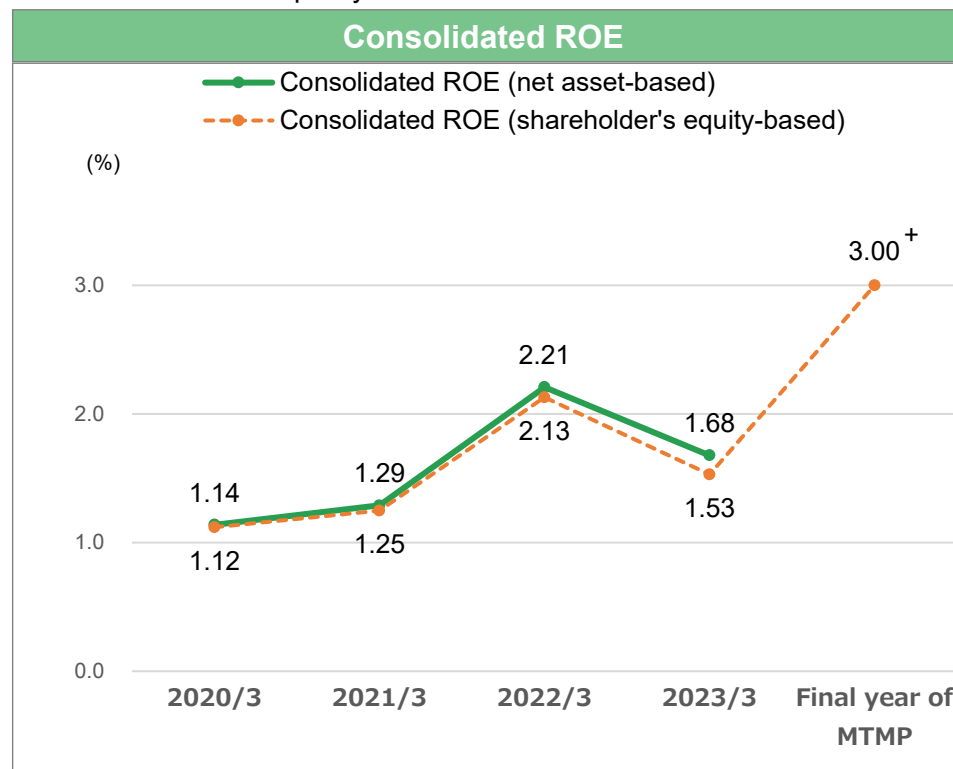
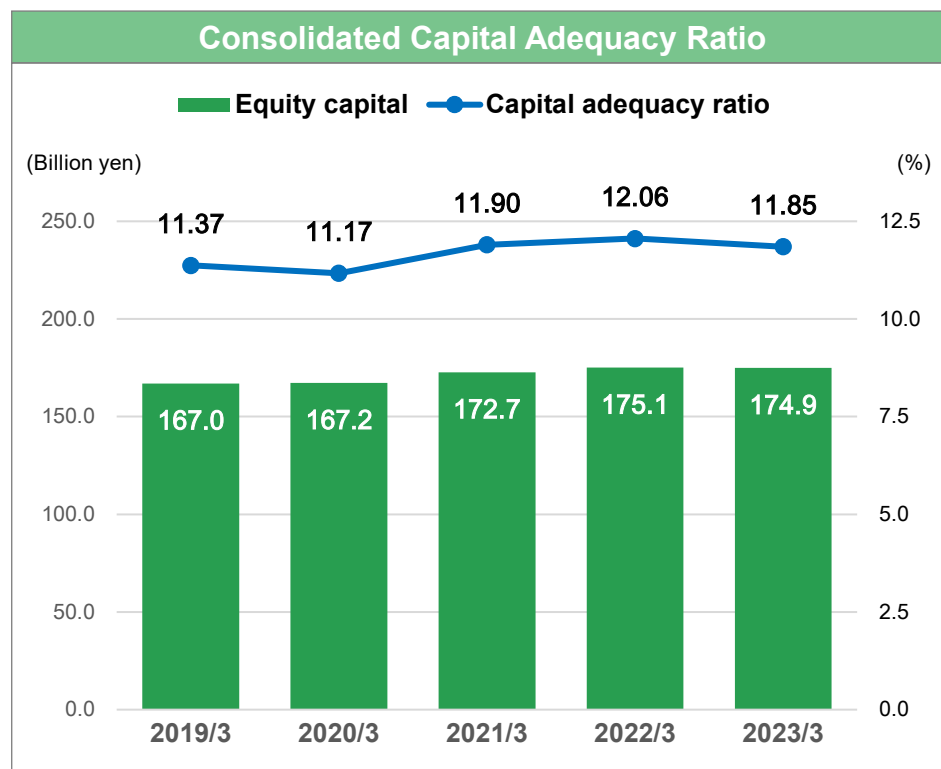


- We have decided to pay a year-end dividend of 3.00 yen per share for the fiscal year ended March 31, 2023, in line with the dividend forecast announced last May (this will be proposed at the annual general shareholders' meeting in June 2023). Combined with the interim dividend of 3.00 yen per share, this brings the annual dividend to 6.00 yen per share.
- For the fiscal year ended March 31, 2023, we repurchased 1,069,400 treasury shares (at an acquisition cost of 274 million yen) to enhance the return to shareholders through the improvement of capital efficiency. The total return ratio was 34.1%, which was within the target range of 30% to 35% set in our shareholder returns policy.
- We plan to pay an annual dividend of 6.00 yen per share for the fiscal year ending March 31, 2024.

# Capital Adequacy Ratio and Consolidated ROE

(Billion yen, %)	2022/3	2023/3	Change
Consolidated capital adequacy ratio	12.06	<b>11.85</b>	(0.21)
Equity capital	175.1	<b>174.9</b>	(0.2)
Risk assets	1,451.9	<b>1,474.9</b>	+23.0
Consolidated ROE	2.21	<b>1.68</b>	(0.53)

- Consolidated capital adequacy ratio for the fiscal year ended March 31, 2023 was 11.85%, down 0.21 percentage points year on year, due to an increase in risk assets including loans and bills discounted.
- We are targeting a consolidated ROE (based on shareholders' equity) of 3.0% or higher in the final fiscal year of the 11th Medium-term Management Plan.
- We will strive to improve ROE by improving operating efficiency and strengthening the Group strategy while focusing on utilizing equity capital to take risks, mainly in providing loans to SMEs and personal loans. We will manage the Bank with an awareness of ROE, based on our shareholder returns policy.



# Financial Results Forecast

(Billion yen)

Non-consolidated	2023/3	2024/3	Change	% Change
Gross operating profit	27.0	<b>27.9</b>	+0.9	+3.4%
Net interest income	29.0	<b>24.8</b>	(4.2)	(14.5%)
Fees and commissions income	4.4	<b>4.3</b>	(0.1)	(2.3%)
Other operating income	(6.4)	<b>(1.1)</b>	+5.3	+82.8%
Expenses	21.3	<b>21.9</b>	+0.6	+2.8%
Substantial net business profit	5.6	<b>6.0</b>	+0.4	+7.1%
Core net business profit	12.0	<b>7.2</b>	(4.8)	(40.0%)
Core net business profit (excluding gains (losses) from cancellation of investment trusts)	7.9	<b>7.2</b>	(0.7)	(8.8%)
Net business profit	6.4	<b>6.0</b>	(0.4)	(6.3%)
Gains (losses) on bonds	(6.3)	<b>(1.2)</b>	+5.1	+80.9%
Ordinary profit	4.3	<b>3.2</b>	(1.1)	(25.6%)
Profit	2.2	<b>1.8</b>	(0.4)	(18.2%)

Costs for loans written-off	2.7	<b>3.4</b>	+0.7	+25.9%
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(Billion yen)

Consolidated	2023/3	2024/3	Change	% Change
Ordinary profit	5.0	<b>3.7</b>	(1.3)	(26.0%)
Profit attributable to owners of parent	2.6	<b>2.0</b>	(0.6)	(23.1%)

## Main Points of Non-consolidated Forecast

- We forecast an increase in interest on loans and discounts, which is an income from our main business.
- We expect an increase in expenses due to investments for growth planned in the 11th Medium-term Management Plan.
- We will restructure the portfolio by selling securities with valuation losses in order of priority, which involves recording losses from the sale of those securities.
- Given the strong uncertainty in the domestic economy, such as soaring energy and raw material prices, we forecast profit of about 1.8 billion yen, based on a conservative estimate of non-performing loan disposal expenses.

## Main Point of Consolidated Forecast

- Consolidated financial results reflect the financial results forecast at the non-consolidated level. We forecast around 2.0 billion yen in profit attributable to owners of parent at the consolidated level.

# **Purpose & Sustainability Management**



# Establishment of Purpose

Purpose of the Tochigi Bank Group

**We continue to bring smiles and happiness to our customers' faces by resolving their problems to earn their gratitude in return.**

## Aspirations of the Group's Officers and Employees

- In the midst of drastic changes in the environment surrounding the regional community and economy, we have clearly stated our Purpose by having all officers and employees working together to reconsider the significance of the Tochigi Bank Group's existence in the regional community. The business and roles of the Tochigi Bank Group will change as the world changes, but all officers and employees of the Group will share the Purpose, which is the “unwavering significance of the Bank's existence,” and all organizations and all officers and employees will move forward with their efforts in the same direction.

## Background of the Establishment of Purpose

- The Group was founded as a mutual loan company, a type of common people's finance for mutual aid, to extend money to micro, small and medium-sized commercial and industrial enterprises (providing a credit creating function).
- This aspiration has remained unchanged to this day. We have contributed to the development of the regional economy by fulfilling our financial intermediary function for the region and regional customers under our management philosophy of “We will contribute to the creation of a prosperous regional community and aim to be a reliable bank.”
- In a changing external environment, such as shrinking markets and advancing digitalization and IT, the Group is committed to close ties with its “regional customers.” By establishing “face-to-face relationships” with the customers and “resolving their issues and problems,” we aim to contribute to the development and growth of regional communities.
- As time has gone by, the issues and problems of our customers have diversified. We have responded to the expectations of society by connecting information, people, and goods, rather than just providing financial support at the time of our founding. With advancing IT and DX technologies, it is expected that the number of points of contact between people will decrease. However, the Group's significance of existence lies in its commitment to close ties with the regional community by continuing to provide solutions to the problems of its customers.
- We have decided our Purpose as such aspiration, which expresses the nature of the “Tochigin Group,” including the “friendliness” that is one of the Bank's strengths and the “solutions to issues and problems” that the Bank has been working on.

\* The Purpose of the Tochigi Bank Group has been formulated based on “1,053” opinions submitted by officers and employees.

# Establishment of Long-term Vision

## Long-term Vision

**A corporate group that co-creates the future of regional communities through “relationships” and “solutions”**

The Tochigi Bank Group has established its long-term vision with the following aspirations: “To be the closest to our customers,” “To resolve not only individual issues of the regional residents but also those of the community at large,” and “To enhance the sustainability of the regional community and work with the entire community to co-create the future.” In order to further develop solutions to issues, from the perspective of human capital, we should develop the human resources who will work on those solutions. To this end, we will also make efforts to create an environment in which all employees can demonstrate their abilities and play an active role with enthusiasm.

## Changing Bank Role

Simply providing existing banking functions is not enough for sustainable growth of the region and the Bank.

The Bank itself must also change through the sophistication of solutions, the creation of new businesses, etc.

## Changing Market Environment

Declining and aging population

Long-lasting low interest rate environment

Growing entry of different industries into the banking industry

Increasing sustainability initiatives for environmental issues, etc.

Decreasing business locations

Expanding cashless payment

Advancing digitalization

# Realization of Sustainability Management

—Creation of demand by resolving regional issues—

## Sustainability Policy

The Tochigi Bank Group considers environmental and social issues and pursues a virtuous cycle for regional economies through our business activities, based on our management philosophy. We will contribute to the sustained development of regional communities and all stakeholders and achieve sustained enhancement of the corporate value of the Group.

### Action Policy based on the Tochigi Bank Declaration on SDGs

#### 1. Sustainable growth of regional economies

Demonstrate financial intermediary functions in response to customer needs



#### 2. Contribution to regional communities

Contribute to the development and revitalization of regional communities



#### 3. Regional environmental conservation

Reduce environmental load through environmentally friendly business activities

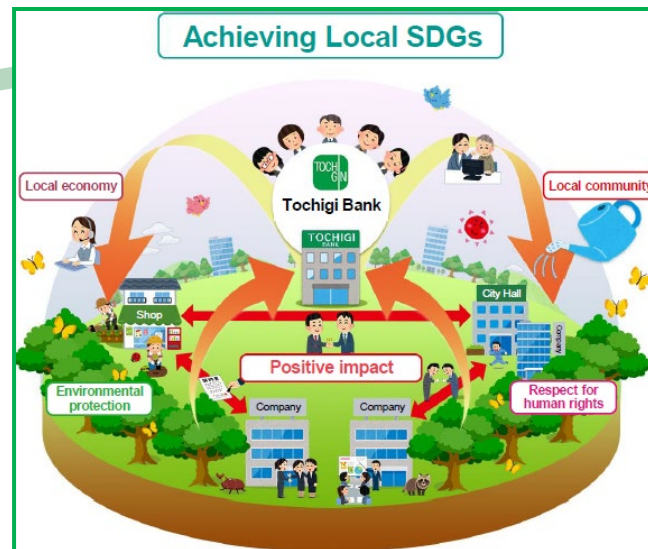


#### 4. Active participation by diverse human resources

Improve work environments in order that all employees can play an active role with enthusiasm and job satisfaction



### Creation of Demand by Resolving Regional Issues



### Sustainability Targets

- Amount of sustainability finance  
⇒ 85.0 billion yen or more by March 31, 2026
- Number of regional issues resolved  
⇒ 12 issues by March 31, 2026
- CO<sub>2</sub> emissions reduction  
⇒ -70% by fiscal 2030
- Percentage of female workers in managerial positions  
⇒ 16% or higher as of March 31, 2026
- Percentage of male bank employees who take childcare leave  
⇒ 80% or higher as of March 31, 2024

Sustained development of stakeholders

Sustained enhancement of the corporate value of the Group

# **Overview of the 11th Medium-term Management Plan**

# Review of the Previous (10th) Medium-term Management Plan

## Key Numerical Targets and Results

Item	2020/3	10th Medium-term Management Plan			
		Target in Final Fiscal Year	2021/3	2022/3	2023/3
Profit (Consolidated)	¥1.8 billion	¥2.5 billion or more	¥2.0 billion	¥3.6 billion	¥2.6 billion
Core net business profit (excluding gains (losses) on cancellation of investment trusts)	¥5.1 billion	¥6.0 billion or more	¥5.8 billion	¥7.4 billion	¥7.9 billion
Capital adequacy ratio (Consolidated)	11.17%	10% level	11.90%	12.06%	11.85%

## Key Themes and Results

### Theme 1: Enhancement of value offered to customers by making the most of our consulting function

	2020/3	2023/3
Business matching agreements concluded	(Annual) 498 agreements	(Annual) 666 agreements
Investment trust balance	¥89.0 billion	¥146.1 billion

### Theme 3: Establishment of a sustainable management base that supports customers

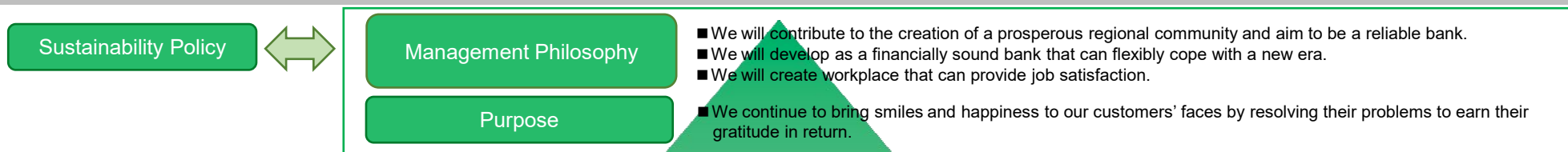
<b>Improving Efficiency of Branch Office Operations</b> <ul style="list-style-type: none"> <li>■ ATM outsourcing</li> <li>■ Concentration of administrative work at the Head Office, etc.</li> </ul>	<b>Reduction of administrative work</b> 200,000 hours/year
<b>Improving Efficiency of Branch Network</b> Number of Branch Locations: 85 branches (2020/3) ⇒ 75 branches (2023/3)	

### Theme 2: Development of customer-oriented human resources

Initiatives aimed at promoting the advancement of women	Target 2026/3	Result 2023/3
Percentage of female workers in managerial positions (deputy investigator) or higher	16% or higher	11.7%

Number holding specialized qualifications (2023/3)	
SME Management Consultants	11 people
Management Consultants	37 people
1st-grade Certified Skilled Professional of Financial Planning (CSPFP)	47 people

# Overall Image of the 11th Medium-term Management Plan



**Long-term vision: A corporate group that co-creates the future of regional communities through “relationships” and “solutions”**

11th Medium-term Management Plan  
“Implement new value offerings”

12th Medium-term Management Plan  
“Evolve new value offerings”

13th Medium-term Management Plan

**The 11th Medium-term Management Plan (For the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026)**

**Theme**

**“Implement New Value Offerings”**

**Basic strategy 1: Strengthen earning power**  
—Evolution (deepening) of regional financial business and reinforcement of earnings structure—

- Delivery of “highly specialized solutions” face to face directly and indirectly
- Deeper risk-taking and consulting capabilities starting with business feasibility assessments
- Total support for life design
- Promotion of DX
- Creation of demand by resolving regional issues

**Basic strategy 2: Strengthen systems**  
—Promotion of structural reforms and reinforcement of management base for the future—

- Revamp of the sales system/branch system depending on area characteristics
- Enhancement of sustainability promotion system —Creation of new businesses and services—
- Sophistication of risk management
- Reinforcement of the Group governance
- Enhancement of capital strategy and shareholder returns policy

**Basic strategy 3: Strengthen human capital investment**  
—Foundation of sustainable management—

- Improvement of internal environment
- Cultivation of the “Tochigin mindset”
- Enhancement of human resource development
- Cultivation of a new organizational culture/climate

**Key Measures**

**Key Measures**

# The 11th Medium-term Management Plan Numerical Targets

Long-term target for ROE is **5% or higher**.

	Item	Target in Final Fiscal Year (ending March 31, 2026)	Fiscal Year Ended March 31, 2023 Results	Fiscal Year Ended March 31, 2020 Results
<b>Profitability indicators</b>	<b>Profit</b> (Profit attributable to owners of parent)	<b>¥5.5 billion or more</b>	<b>¥2.6 billion</b>	<b>¥1.8 billion</b>
	<b>Core net business profit</b> (excluding gains (losses) on cancellation of investment trusts)	<b>¥8.5 billion or more</b>	<b>¥7.9 billion</b>	<b>¥5.1 billion</b>
<b>Efficiency indicators</b>	<b>ROE</b> (Consolidated, based on shareholders' equity)	<b>3.0% or higher</b>	<b>1.53%</b>	<b>1.12%</b>
	<b>OHR</b> (Based on gross operating profit (excluding gains (losses) on the sale of bonds and from cancellation of investment trusts))	<b>72% level</b>	<b>72.86%</b>	<b>82.06%</b>
<b>Soundness indicator</b>	<b>Capital adequacy ratio</b> (Consolidated)	<b>11% level</b>	<b>11.85%</b>	<b>11.17%</b>

## Definition of indicators

- Profit (Consolidated): Profit attributable to owners of parent
- Core net business profit (excluding gains (losses) on cancellation of investment trusts):  
Net business profit + Provision to general allowance for loan losses – Gains (Losses) on sale of bonds – Gains (Losses) on cancellation of investment trusts
- ROE: Profit (Consolidated) ÷ Equity capital × 100
- OHR: Expenses ÷ Gross operating profit (excluding gains (losses) on the sale of bonds and from cancellation of investment trusts) × 100
- Capital adequacy ratio (Consolidated): Equity capital (Consolidated) / Risk assets (Consolidated)

# Key Measures in the 11th Medium-term Management Plan

—Key measures based on three basic strategies—



1-1 Business Strategy

—Delivery of “highly specialized solutions” face to face directly and indirectly—

With investment for growth and strategic assignment of personnel, we will provide highly specialized solutions by deploying our human resources to “operations that only people can perform (through direct and indirect face-to-face channels),” which is one of our strengths.

[What we want to achieve]  
Deliver “highly specialized solutions” face to face directly and indirectly

Investment for Growth

Invest ¥8.0 billion or more in total  
(for 3 years)

DX and systems

- Enhancement of non-face-to-face channels (alternative to branch offices), customer contact points, and convenience
- Drastic reduction of administrative work (BPR)

New Businesses and Group companies

- Investment in new business fields leading to solutions to regional environmental and social issues and a circular regional economy (PPA business, etc.)
- Equity investments in regional businesses

Branch offices

- Diversification of branch office formats (streamlined branch office, etc.)
- Investment in elimination and consolidation of branch offices and area head office system

Human resources

- Investment in human resource development (reskilling, etc.)
- Development of specialists (consulting, DX, FP, etc.)
- Utilization and hiring of external specialists

Strategic Personnel Assignment

Reassign 150 personnel in total  
(for 3 years)

Increase of personnel by 20 employees in Corporate Business Division

Reassignment of 30 employees from external relations with individuals to external relations in general

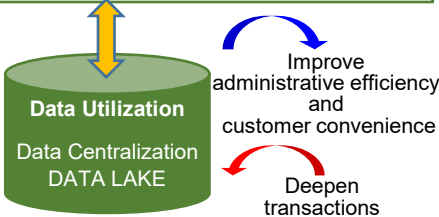
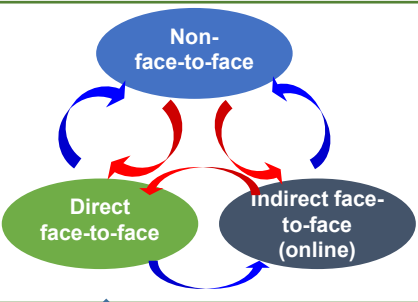
Reassignment of 30 employees to area head offices

Reassignment of 40 employees to Customers Center

- DX/IT section
- Group companies
- New business fields

Utilizing/Leveraging Data

Propose products and services timely and appropriately through each channel by utilizing and leveraging data.

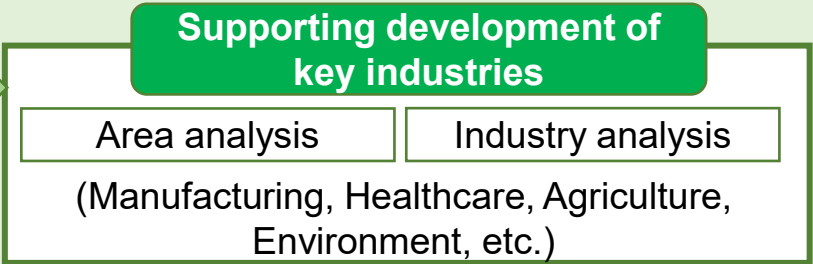
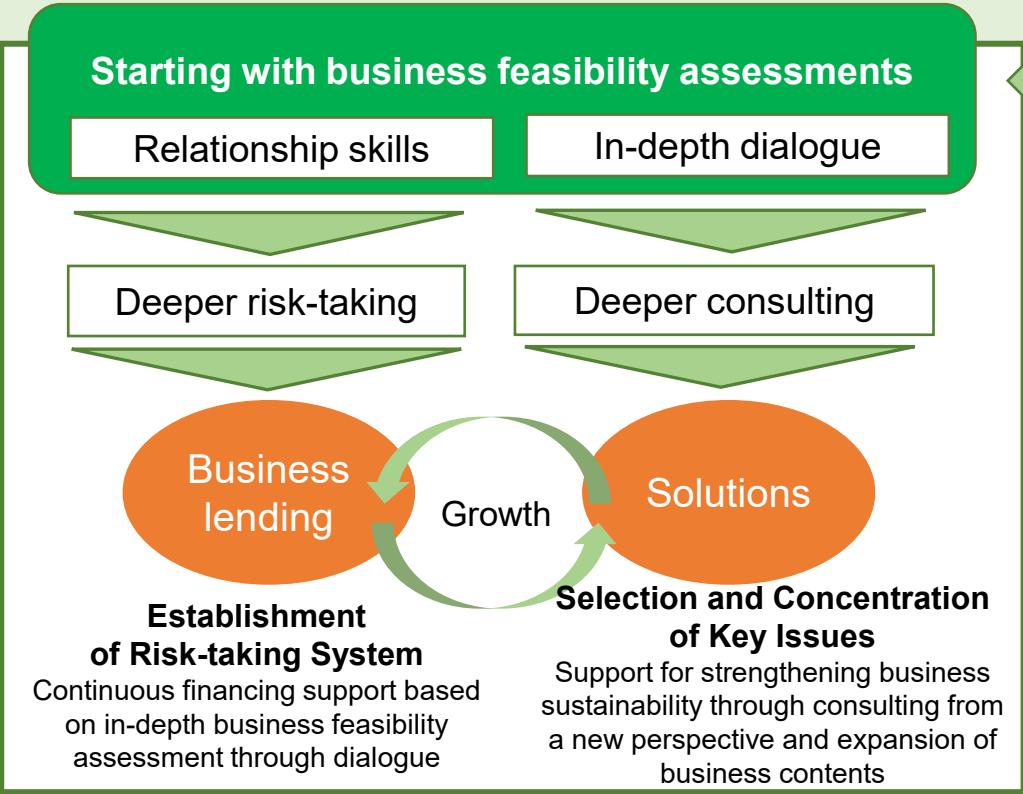


1-2 Corporate Customer Strategy

—Deeper risk-taking and consulting capabilities starting with business feasibility assessments—

We will meet the diverse needs and expectations of our customers by deepening our sales activities with a focus on solutions to issues, starting with business feasibility assessments based on the relationship skills and in-depth dialogue we have cultivated over the years.

More core customers and larger share of business



Item (KPI)	2026/3
Number of cases of consulting	7,850 cases (for 3 years)
Lending amount originated resulting from the above consulting services	¥160.0 billion (for 3 years)
Increase in the number of core customers	750 customers (for 3 years)

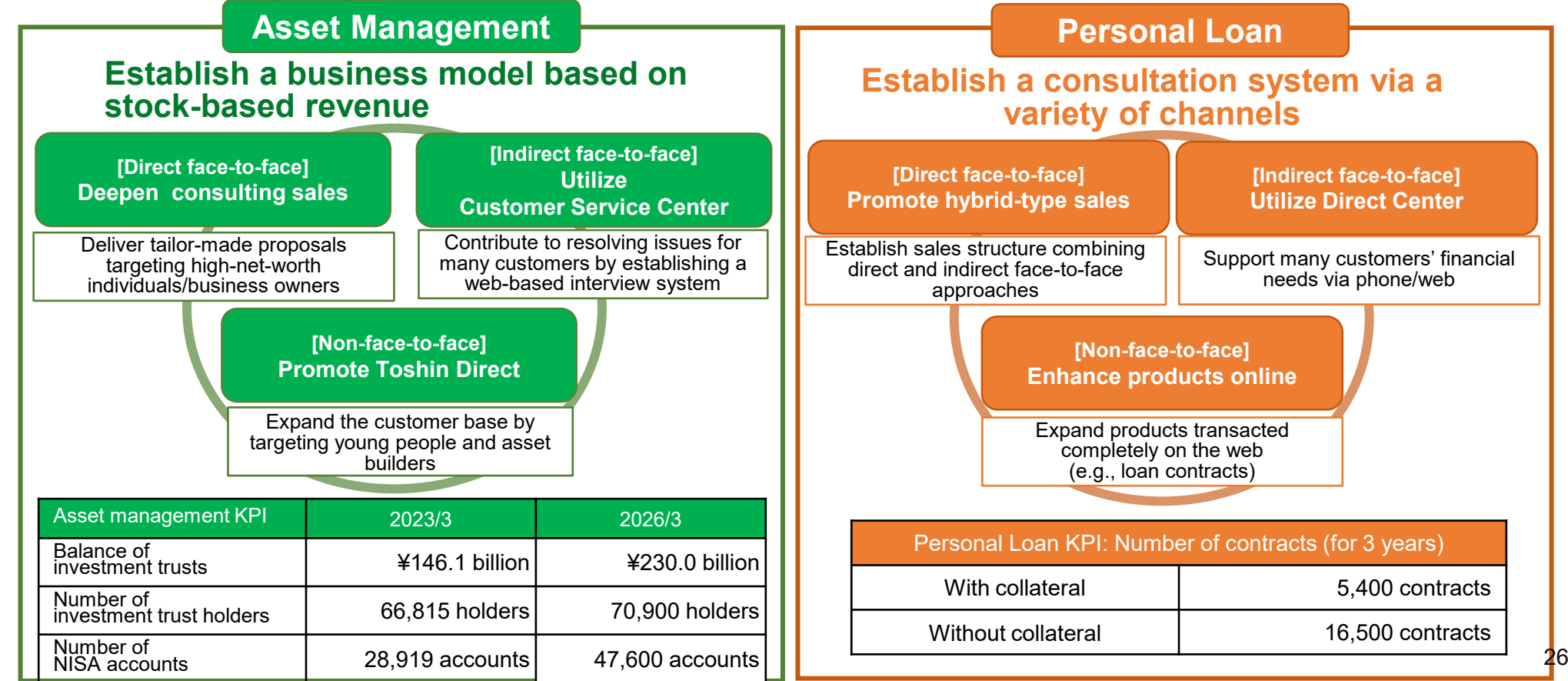
Core customers: Customers with a certain credit and investment balance, continuous transactions and services on multiple transaction items, etc.

1-3 Individual Customer Strategy  
—Total support for life design—

In addition to the medium and long-term asset formation support, we will offer consulting services that are firmly attuned to the life plans of each generation and provide life-long support for a wide range of customers' financial plans.



Life-long support utilizing direct face-to-face (external relations), indirect face-to-face (Direct Center, Customer Service Center), and non-face-to-face (online) channels.

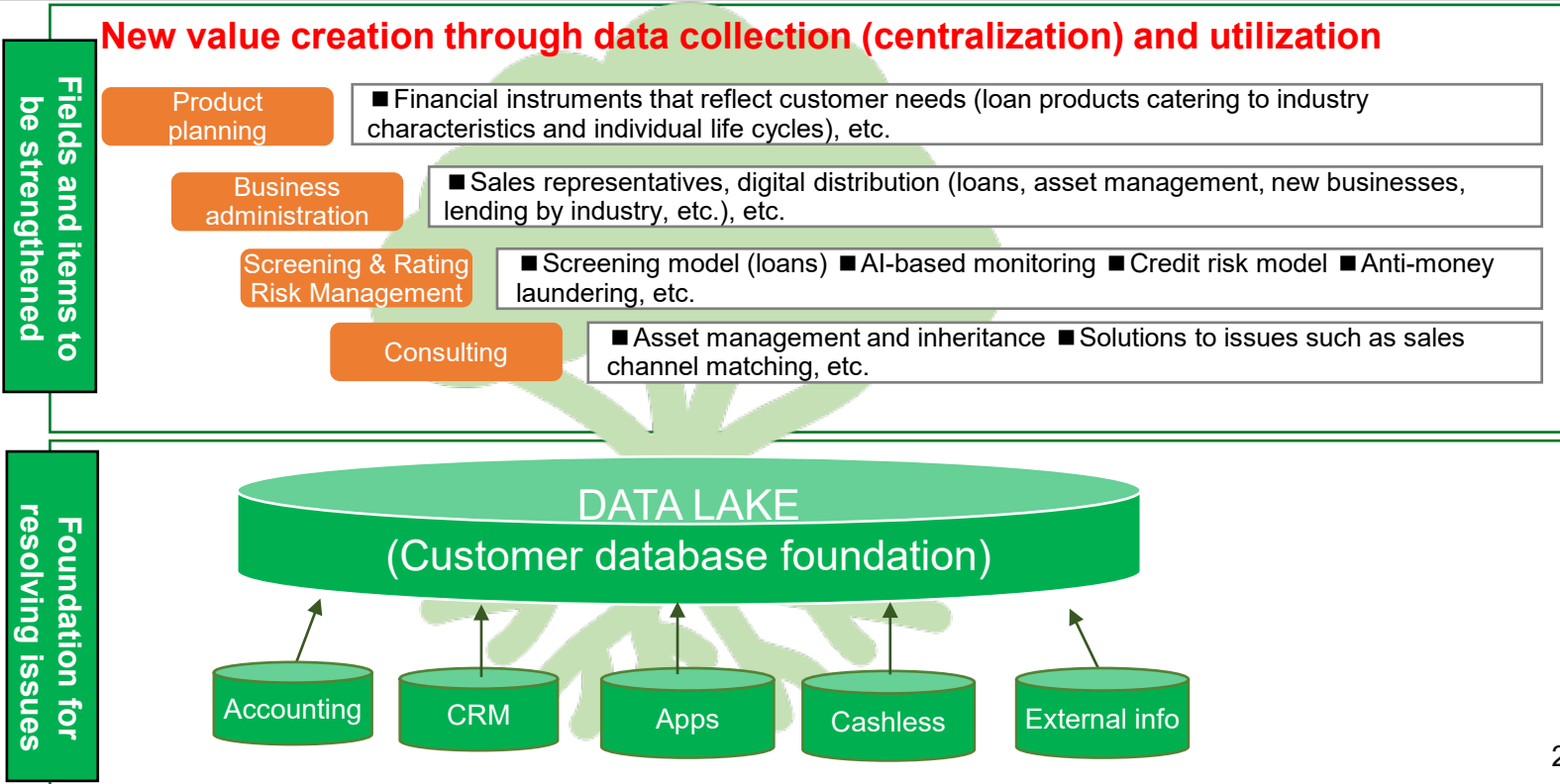


1-4 DX Strategy  
—Promotion of DX—

Key measures	Specific initiatives	
Enhance services for customers	Face-to-face channel	Promoting DX for business customers: Business Direct, Mikatano Service, Business matching, ICT consulting, etc.
	Non-face-to-face channel	Enhancing apps and online services for individual customers: Expansion of app and web service functions to build customer contact points and improve convenience Developing online services for business customers: Construction of customer contact points through corporate portals
Develop human resources (level-specific)	Specialized personnel: Personnel with specialized knowledge, skills, and experience. Talent from outside, consultants, advisors, etc. Core personnel: Front-line personnel for DX and ICT service planning, execution, and management, as well as professional services Base personnel: Personnel with basic knowledge of DX and IT to provide basic banking services and recognize customers' issues and needs	
Utilize/leverage AI and data	Strengthening data marketing; building an integrated database foundation; utilizing AI; distributing direct messages, emails, etc., and utilizing social media	

Utilize/leverage AI and data

Through the construction of a customer database foundation, we will create “new value” in each field by aggregating and combining the data held by each system to utilize a wide variety of data.



## 2-1 Branch Strategy

—Revamp of the sales system/branch system depending on area characteristics—

In order to respond to changes in the market, such as a declining population, and changes in customer needs, we will enhance our initiatives to achieve efficient branch operations and resolve issues of the regional community and customers by revamping branch capabilities and locations depending on regional characteristics, while maintaining ties with customers by expanding various channels and advancing DX.

### Branch Strategy

#### Introduce area head office system

- Speedy response to customers
- Reinforcement of initiatives to resolve issues in the regional community

#### Expand streamlined branch offices

- Expansion of personal bank branches and purpose-built branches corresponding to regional characteristics
- Efficient branch operations while retaining customer convenience

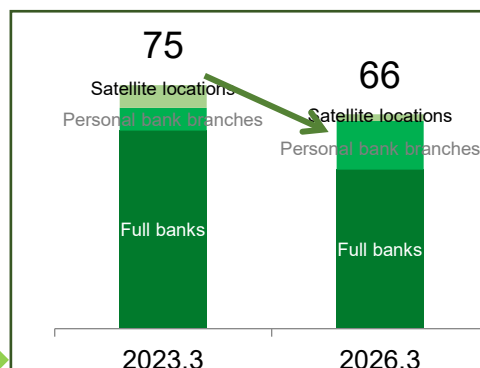
#### Open online branch

- Reinforcement of non-face-to-face sales through an internet branch (Aiming to open during the period of the Medium-term Management Plan)

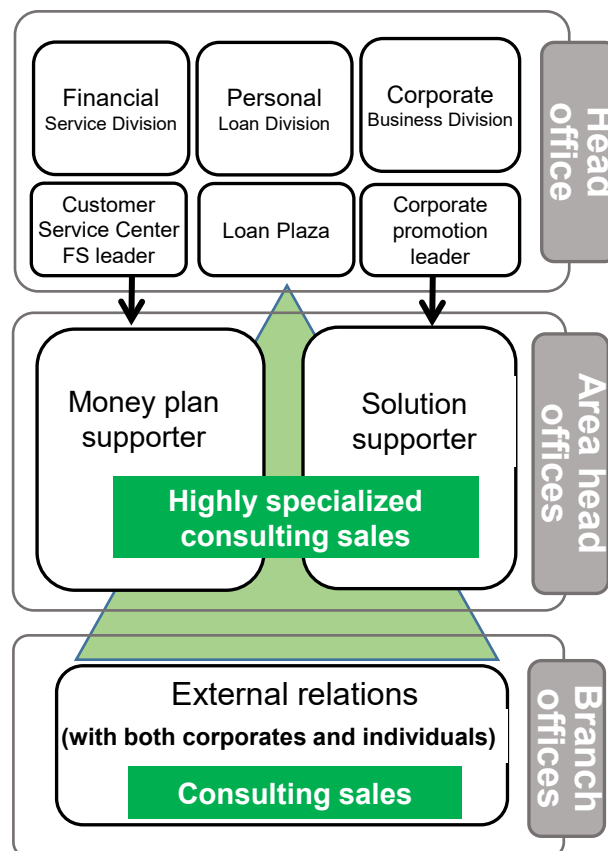
Sales system  
tailored to regional characteristics  
—Strengthen consulting sales—

Achieve efficient branch  
operations and resolve  
issues of the regional  
community and customers

Number of branch locations



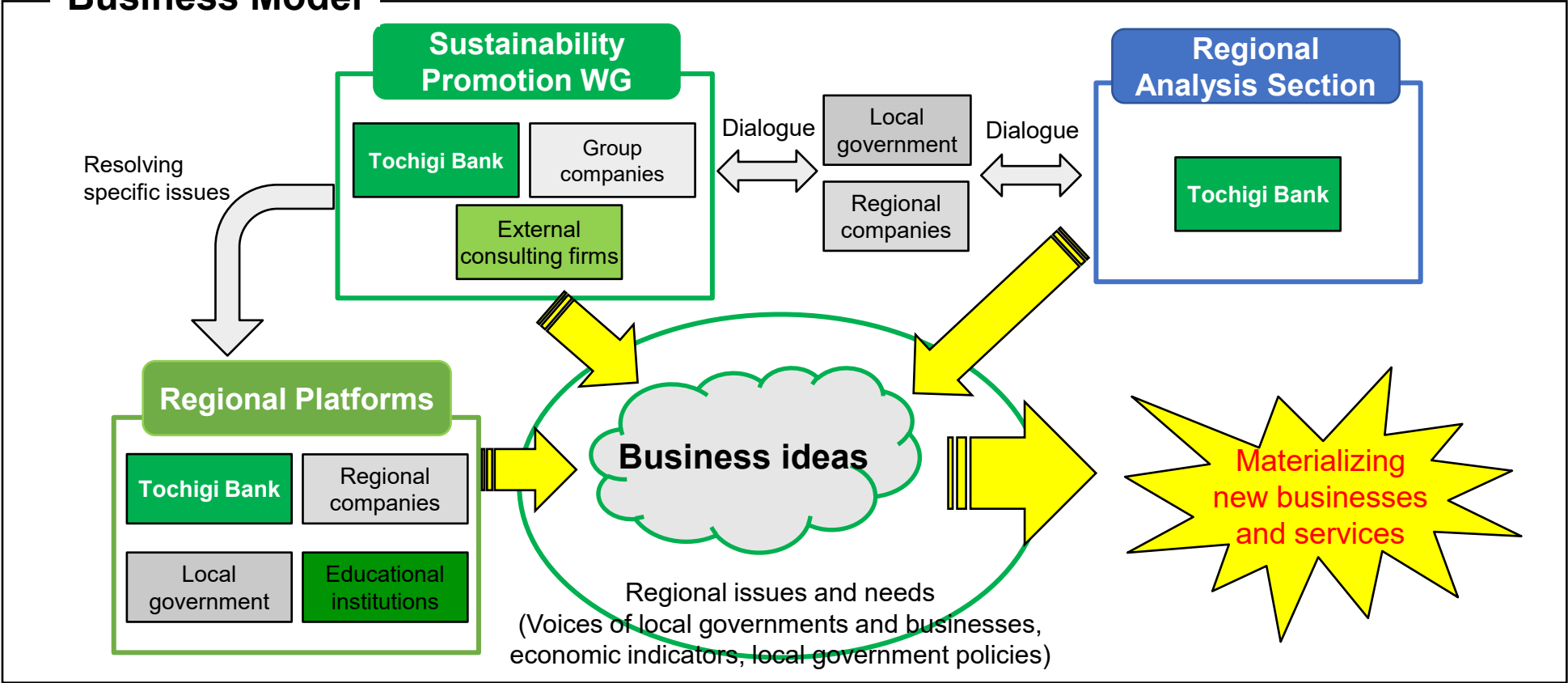
### Sales System



2-2 New Business Strategy  
—Enhancement of sustainability promotion system (Creation of new businesses and services)—

The deregulation of the Banking Act has made it possible to provide new businesses and services that go beyond the conventional business framework. New business initiatives play an important role in our growth strategy. We will work to create a variety of new services, such as through collaboration with highly specialized companies outside the Group as well as with companies within the Group.

Business Model



## 2-3 Sophistication of Risk Management

In the face of increasingly complex and diverse risks affecting management, we are strengthening our risk management system to anticipate and appropriately respond to various types of risks that may arise.

Significant risks inherent in the implementation of the Medium-term Management Plan

Item	Risk management
Deeper risk-taking to the region	Credit risk management
Securities investment strategies	Market risk management
DX and system strategies	Cyber security, third party
Sale of financial instruments in general	Compliance/conduct risk management
Others	Prevention of money laundering and terrorism financing, climate change risk, operational resilience

\* Various risk management of the Group companies (strengthening of the Group governance)

Enhancing three lines of defense system

Risk owner, Risk and Compliance Management Divisions, Audit Division

October 2022  
Risk Management Office was reorganized into the Risk Management Division (from 4 to 8 persons).  
“Market Risk Management Office” (3 persons) was newly established as an office within the Risk Management Division.

### Restructuring of screening system

- Objective data and qualitative information on area characteristics are collected/accumulated, and shared.
- Risk-taking policy for areas and industries are clarified.
- Business feasibility assessment and policy on initiatives to improve the business value of customers are clarified.

### Securities investment strategies

Even amid the current volatile market environment, we aim to improve profitability by combining risk hedging and flexible trading, while preventing the expansion of risk.  
[Investment sophistication] Profitability improvement, risk control, human resource development

### Cyber security

We have established a business continuity structure with a dedicated cyber security team taking necessary measures mainly to prevent unauthorized system intrusions and information leaks, as well as preventing the spread of damage and promptly restoring operations in the event of a cyber attack.

### Strengthening of customer-oriented business operations

In building a sustainable deposit asset business, we will develop an appropriate conduit risk management system to ensure long-term returns commensurate with customer risk and sales commissions and other costs.

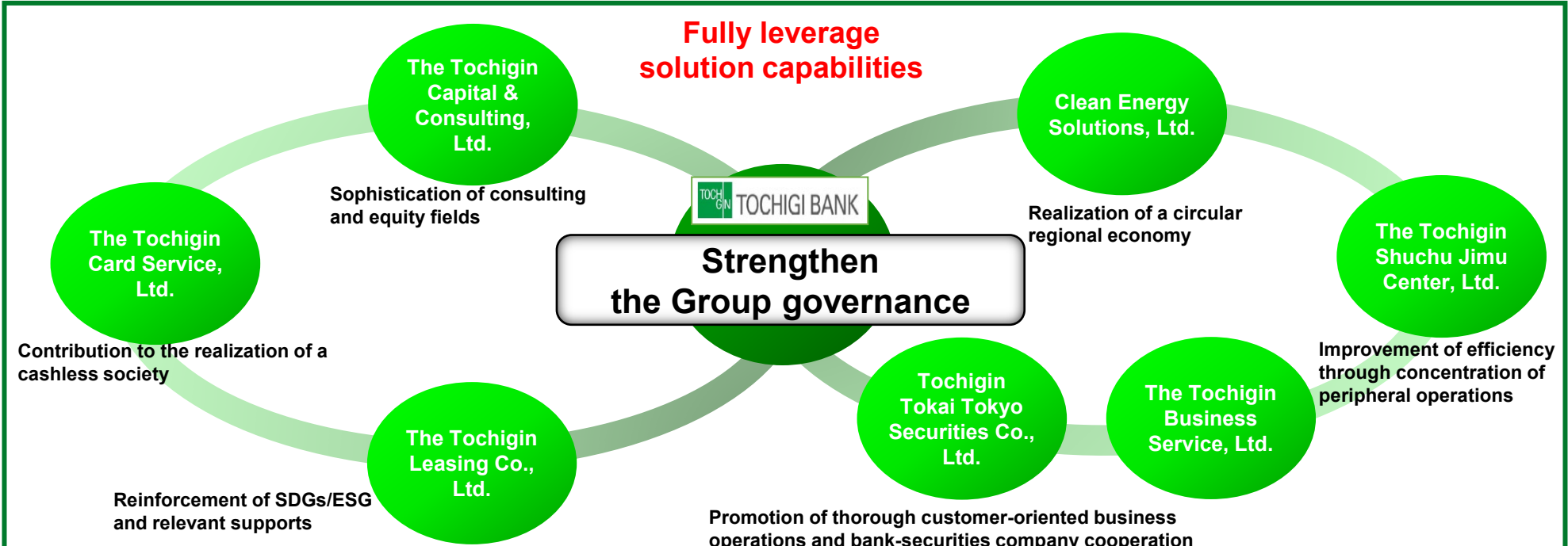
### Prevention of money laundering, etc.

Under the Action Policy on the Prevention of Money Laundering and Terrorism Financing, we are developing a system to properly assess risks and take more effective countermeasures based on the “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism” published by the Financial Services Agency.



2-4 Group Strategy  
—Reinforcement of the Group governance—

By fully leveraging the solution capabilities of each Group company to resolve customer issues, we will contribute to the sustainable growth of the region and thus enhance the Group's corporate value.



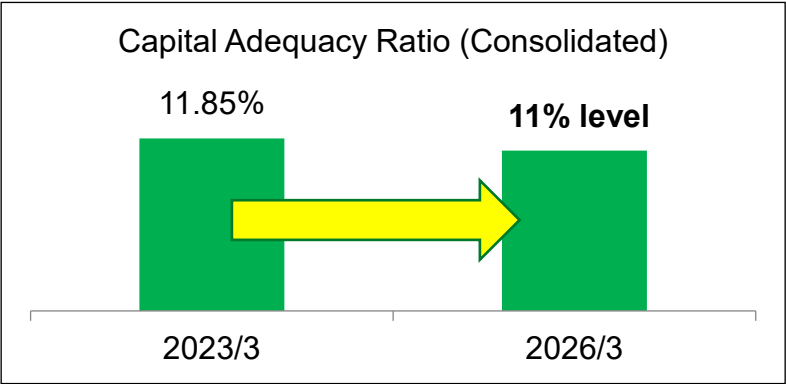
\* The "∞" circle expresses infinite possibilities that the Group will co-create with the regional residents, including the circulation and sustainability of the people and region.



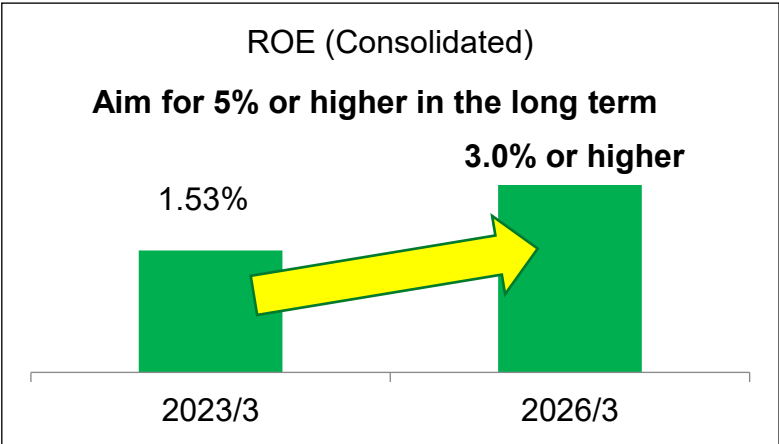
## 2-5 Capital Strategy and Shareholder Returns Policy

We will allocate capital in a manner that balances “return to shareholders” and “investment for growth,” while ensuring “financial soundness” necessary to continue to support our customers’ financing needs even in a rapidly changing economic environment.

### 1. Financial Soundness

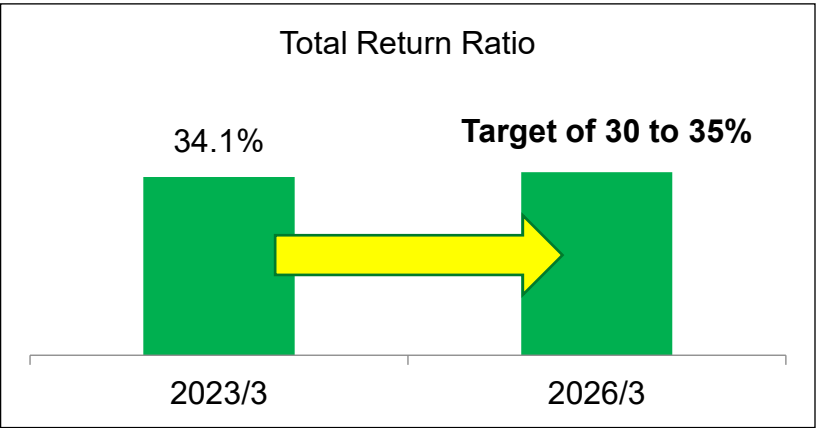


### 3. Capital Efficiency (ROE Improvement)



### 2. Shareholder Returns Policy

We target a total return ratio of 30% to 35%. This ratio indicates total returns, consisting of dividends and purchase of treasury shares, as a percentage of profit attributable to owners of parent.



### 4. Investment for Growth

We will make new investments **totaling 8.0 billion yen or more** during the 11th Medium-term Management Plan, including investments in DX and systems, human resources, new businesses, branch office reorganization, as well as equity investments through subsidiaries.

# 3-1 Human Resource Strategy (1)

—Enhancement of human resource development—

## Expected type of personnel

**Personnel who can understand and put into practice important policies**  
**(who are strongly committed to contributing to customers and the community)**  
**Personnel who strive actively for their own growth**

## Investment in Human Resources

Total investment increase over 3 years:  
 Annual training cost per employee:

**¥370 million**  
**¥40,000 (current) ⇒ ¥82,000 (after 3 years)**

## Scheme for Human Resource Development

### Human Resource Development

- Development/implementation of reskilling measures
- Expansion of training and self-improvement contents
- Strategic secondment and assignment
- Support for specialized qualification acquisition
- External work experience as trainee
- Utilization of skills registration database, etc.

### Stronger support for improving knowledge and skills

- We encourage personnel to improve their skills through on-the-job training and the job rotation system and to take on next-level challenges by visualizing their skill levels.
- We support the improvement of knowledge and skills by enriching e-learning contents and enhancing opportunities for self-improvement.

### Assignment

### Assignment to divisions that allow for leveraging the acquired knowledge

- Assignment of the right person to the right job
- Promotion of the advancement of women
- Strategic personnel assignment (reassignment)

### Acquisition of Specialized Knowledge

#### —Specialists for each strategy—

#### Corporate Customer Strategy

- Industry specific consultants
- Structured finance specialists
- Business succession, M&A consultants

#### DX/IT Strategy

- Data scientists, IT strategists
- DX project managers, ICT consultants

#### Individual Customer Strategy

- Financial planners  
Personnel who can share the concerns of our customers and support them in resolving issues for their maximum benefit

#### New Business Strategy

- Self-directed personnel  
Personnel who have the courage to tackle new things and changes, and who can identify and solve problems

#### Overall picture

Specialized personnel  
2 to 5 people  
Core personnel  
50 people

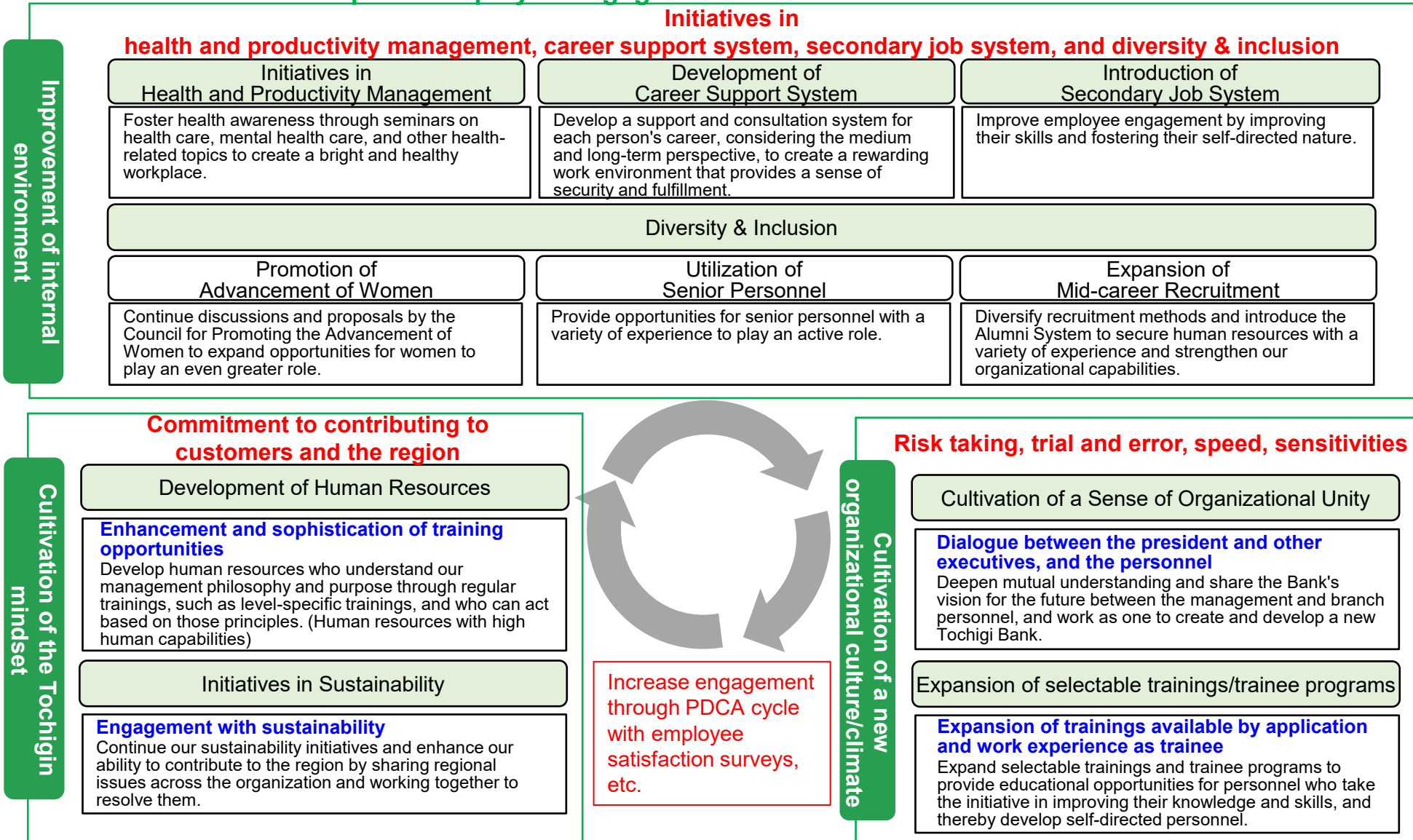
Base personnel  
500 people

- Personnel with specialized knowledge, skills, and experience (data scientists, IT strategists, etc.)
- Front-line personnel for DX/ICT service planning, execution, etc. (DX project managers, ICT consultants, etc.)
- Personnel with basic knowledge of DX/IT

## 3-2 Human Resource Strategy (2)

—Improvement of internal environment, cultivation of the Tochigin mindset and a new organizational culture/climate—

### Internal Environment to Improve Employee Engagement





TOCHIGI BANK

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