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Financial Results Presentation for the Nine Months Ended December 31, 2024

Friday, January 31, 2025

TOCHIGI BANK

Securities Code: 8550

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1. Overview of Consolidated Financial Results

- Ordinary income increased by 0.7 billion yen year on year to 34.2 billion yen due to increases in interest on loans and discounts, interest on deposits with banks, and fees and commissions, as well as the recording of a reversal of allowance for loan losses.
- Ordinary expenses decreased by 1.0 billion yen year on year to 29.0 billion yen due to a decrease in costs for loans written-off and other factors, despite an increase in interest expenses, such as those for interest on deposits.
- As a result, the Bank posted ordinary profit of 5.2 billion yen and profit attributable to owners of parent of 3.7 billion yen.

○ Consolidated statement of income (excerpt)

(Billion yen)

	2023/12	2024/12	Change	% Change
Ordinary income	33.5	34.2	0.7	2.0%
Interest income	21.8	20.1	(1.7)	-7.7%
Interest on loans and discounts	15.6	16.5	0.9	6.2%
Interest and dividends on securities	5.5	2.3	(3.2)	-57.4%
Fees and commissions income	7.1	7.4	0.3	5.1%
Reversal of allowance for loan losses	-	1.0	1.0	-
Gain on sale of securities	1.0	1.4	0.4	38.4%
Ordinary expenses	30.0	29.0	(1.0)	-3.2%
Interest expenses	0.0	1.3	1.3	-
Costs for loans written-off	2.3	0.1	(2.2)	-92.7%
Loss on sale of securities	5.0	4.5	(0.5)	-9.4%
Ordinary profit	3.5	5.2	1.7	46.3%
Profit attributable to owners of parent	1.5	3.7	2.2	149.9%

2. Overview of Non-consolidated Financial Results

➢ The Bank posted ordinary income of 30.5 billion yen, ordinary profit of 4.8 billion yen, and profit of 3.6 billion yen, chiefly due to the same factors as those for consolidated results.

○ Non-consolidated statement of income (excerpt)

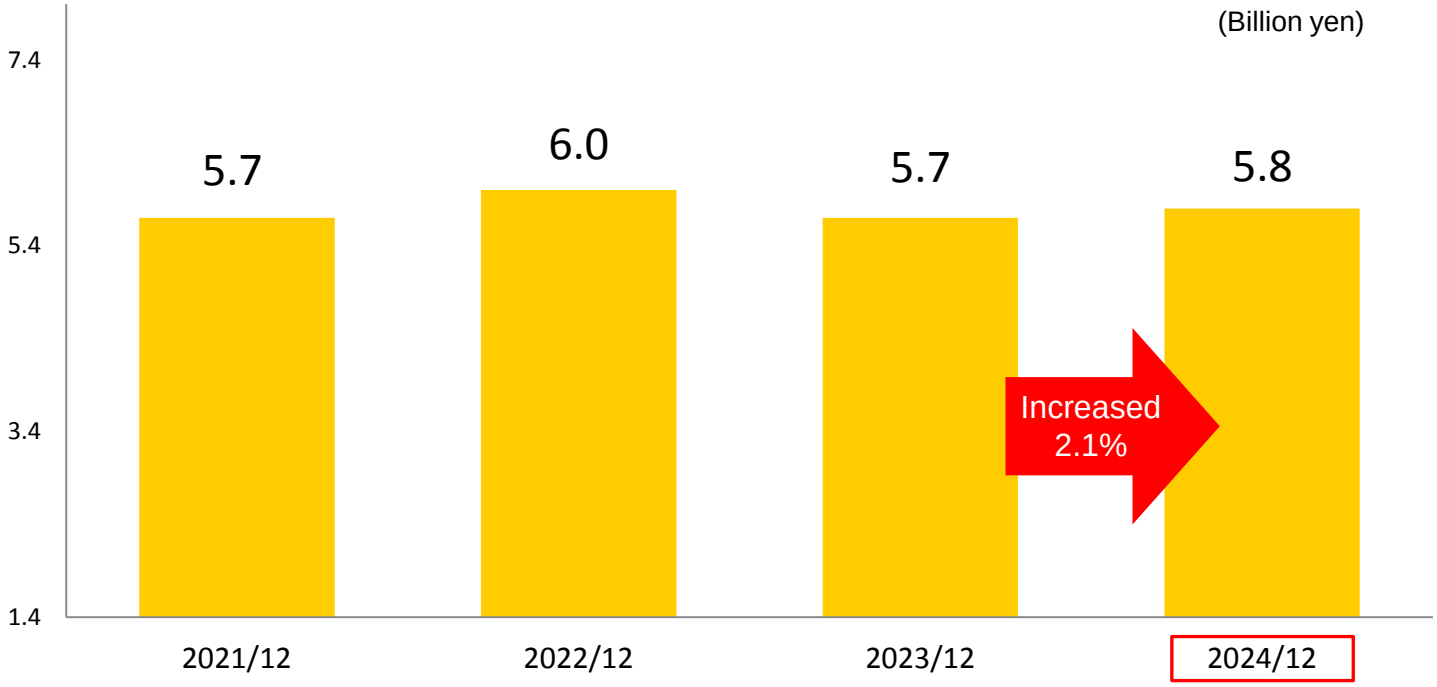
(Billion yen)

	2023/12	2024/12	Change	% Change
Ordinary income	29.8	30.5	0.7	2.3%
Interest income	21.8	20.1	(1.7)	−7.7%
Interest on loans and discounts	15.5	16.5	1.0	6.2%
Interest and dividends on securities	5.5	2.3	(3.2)	−57.4%
Reversal of allowance for loan losses	−	1.0	1.0	−
Gain on sale of securities	1.0	1.4	0.4	37.1%
Ordinary expenses	26.8	25.7	(1.1)	−4.3%
Interest expenses	0.0	1.3	1.3	−
Costs for loans written-off	2.3	0.1	(2.2)	−95.2%
Loss on sale of securities	5.0	4.5	(0.5)	−9.5%
Core net business profit (excluding gains (losses) from cancellation of investment trusts)	5.7	5.8	0.1	2.1%
Substantial net business profit	4.3	4.6	0.3	8.5%
Net business profit	4.3	4.6	0.3	9.0%
Ordinary profit	2.9	4.8	1.9	63.1%
Profit	1.2	3.6	2.4	191.0%

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)

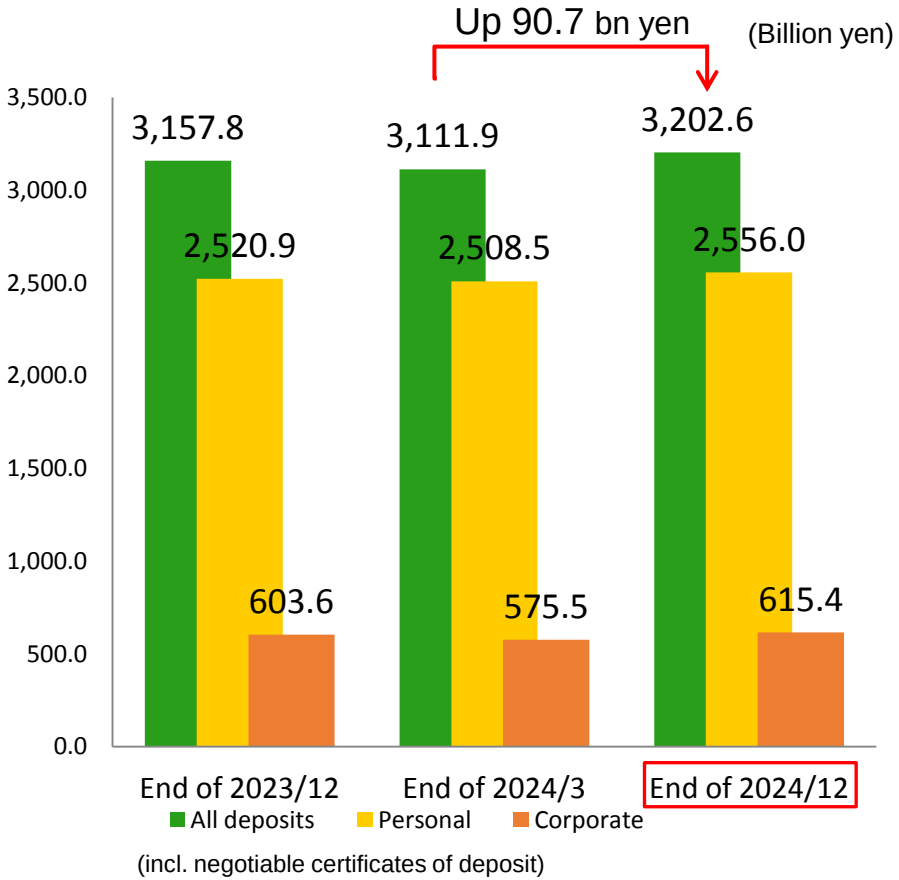


4. Balance of Deposits (Non-consolidated)

Deposits on a steady increase every fiscal year

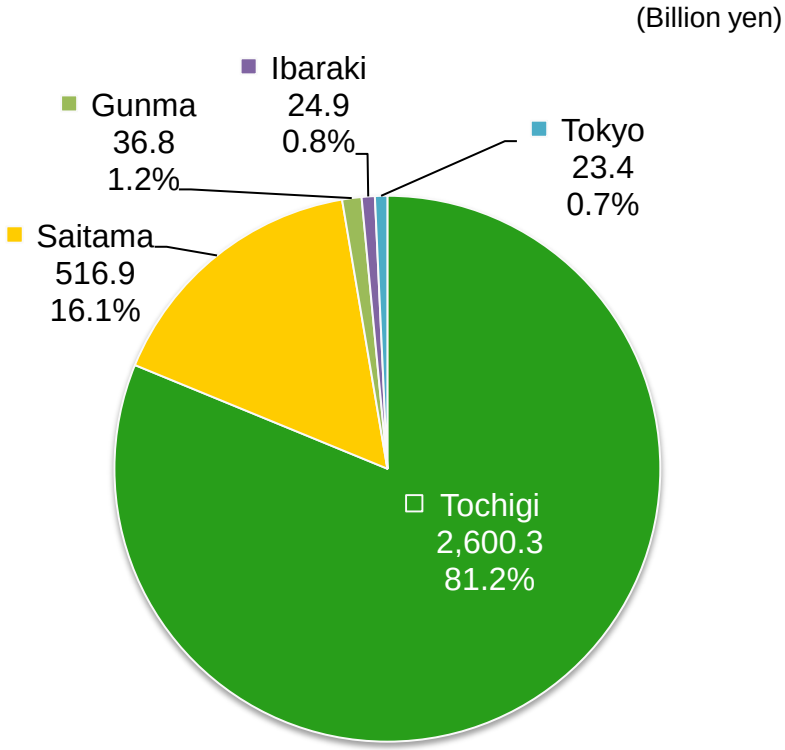
- The Bank has the locally rooted business base with the balance of deposits, consisting mainly of personal deposits, having increased by 90.7 billion yen from the end of March 2024.
- In terms of the balance of deposits by prefecture, those from customers in Tochigi prefecture account for 81.2% of the total deposits.

Trends in Balance of Deposits (Non-consolidated)



(incl. negotiable certificates of deposit)

Balance of Deposits by Prefecture (As of December 31, 2024)

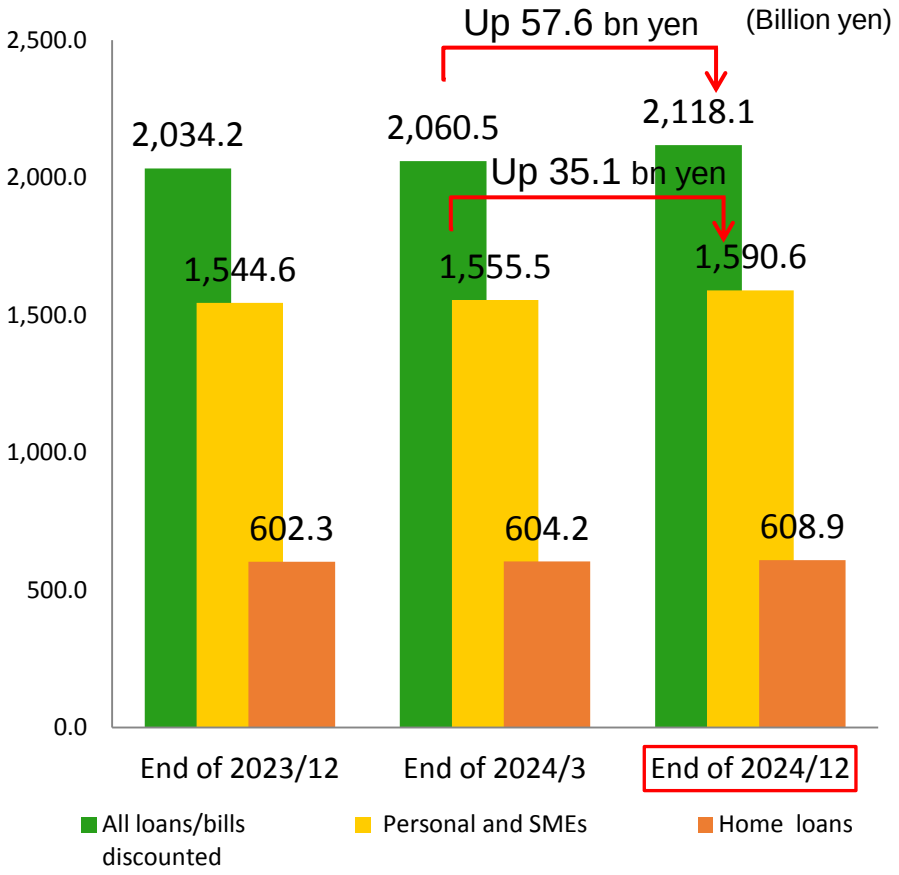


5. Balance of Loans and Bills Discounted (Non-consolidated)

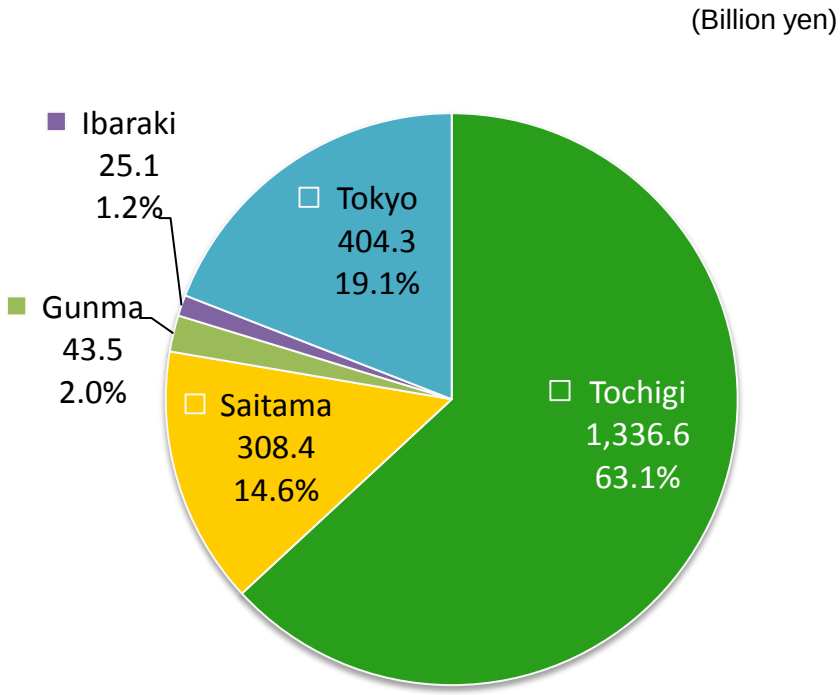
The loans and bills discounted mainly consisting of personal and SME loans

- The balance of loans and bills discounted increased by 57.6 billion yen from the end of March 2024.
- Personal and SME loans, among others, increased by 35.1 billion yen from the end of March 2024.
- The loans extended to customers located in Tochigi prefecture account for 63.1% 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 December 31, 2024)

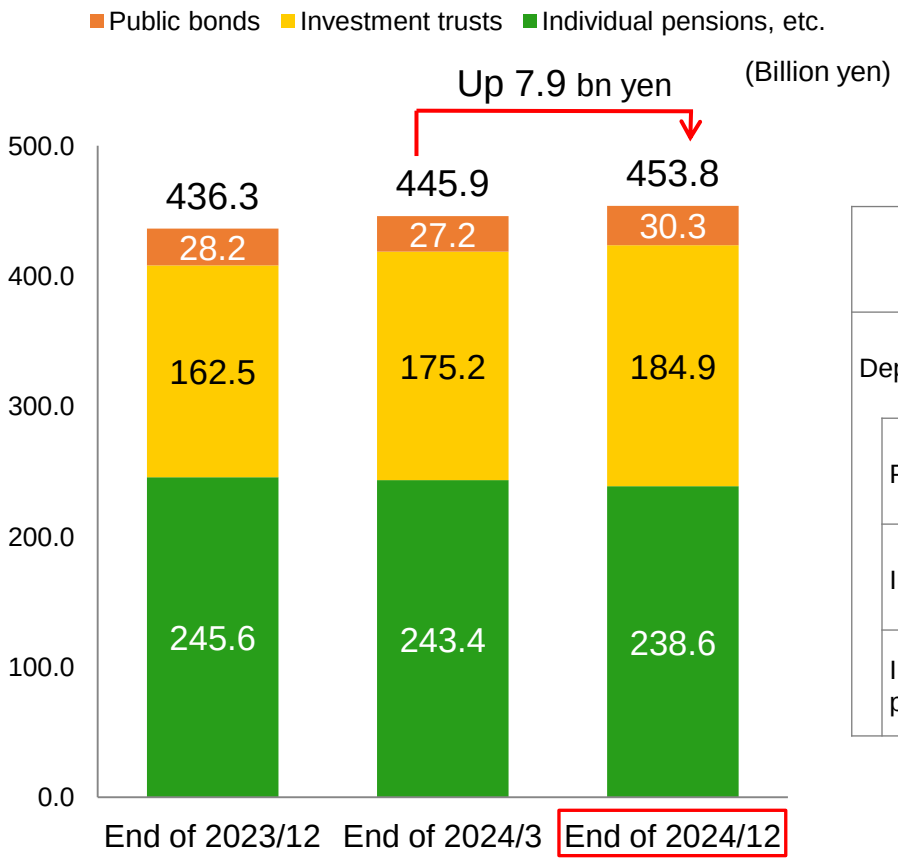


6. Deposit Assets (Non-consolidated)

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

- The balance of deposit assets increased by 7.9 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

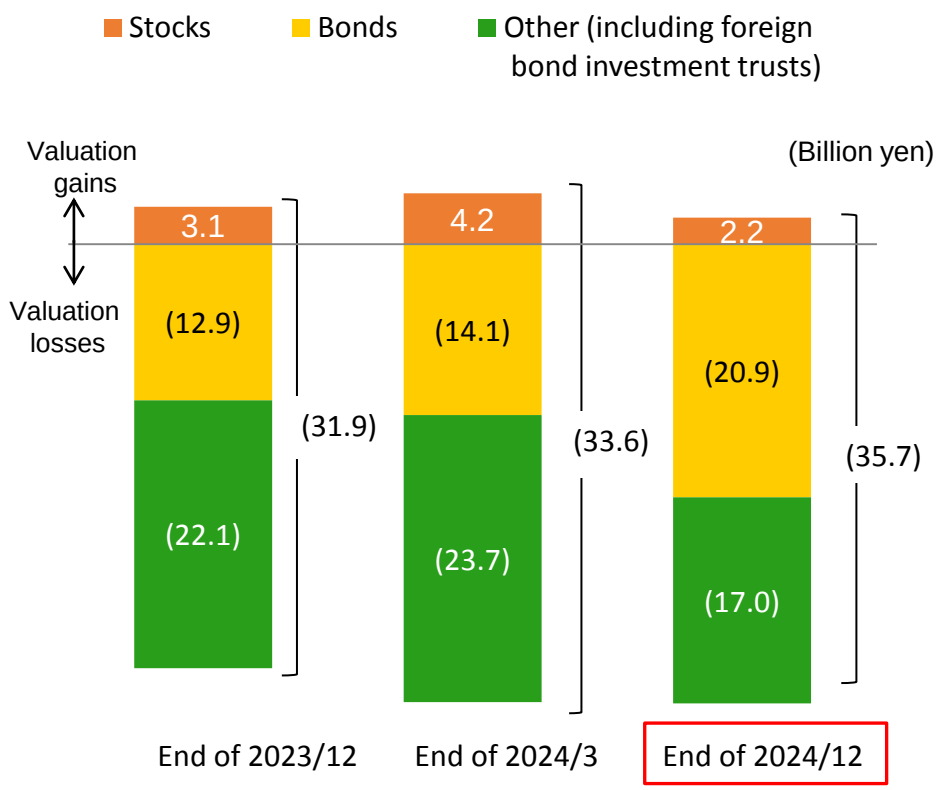


(Billion yen)	2024/3	**2024/12**	Change	% Change
Deposit assets	445.9	**453.8**	7.9	1.7%
Public bonds	27.2	**30.3**	3.1	11.3%
Investment trusts	175.2	**184.9**	9.7	5.5%
Individual pensions, etc.	243.4	**238.6**	(4.8)	-1.9%

7. Securities (Non-Consolidated)

- As domestic interest rates rose on the back of speculation of additional interest rate hikes by the Bank of Japan, valuation losses increased despite hedging against rising interest rates by some bond bear funds. With the U.S. economy being resilient and interest rates in Europe and the U.S. remaining high, valuation losses on other securities reached 35.7 billion yen at the end of December 2024.

Valuation Gains (Losses) on Other Securities



Closing Balances of Securities

(Billion yen)	2024/3	**2024/12**	Change	% Change
Total securities	609.4	**640.6**	31.2	5.1%
Stocks	14.6	**12.1**	(2.5)	-17.1%
Bonds	330.1	**372.2**	42.1	12.7%
Other (including foreign bond investment trusts)	264.6	**256.2**	(8.4)	-3.1%

Note: The numbers in bold indicate net valuation gains (losses).

8. Expenses (Non-consolidated)

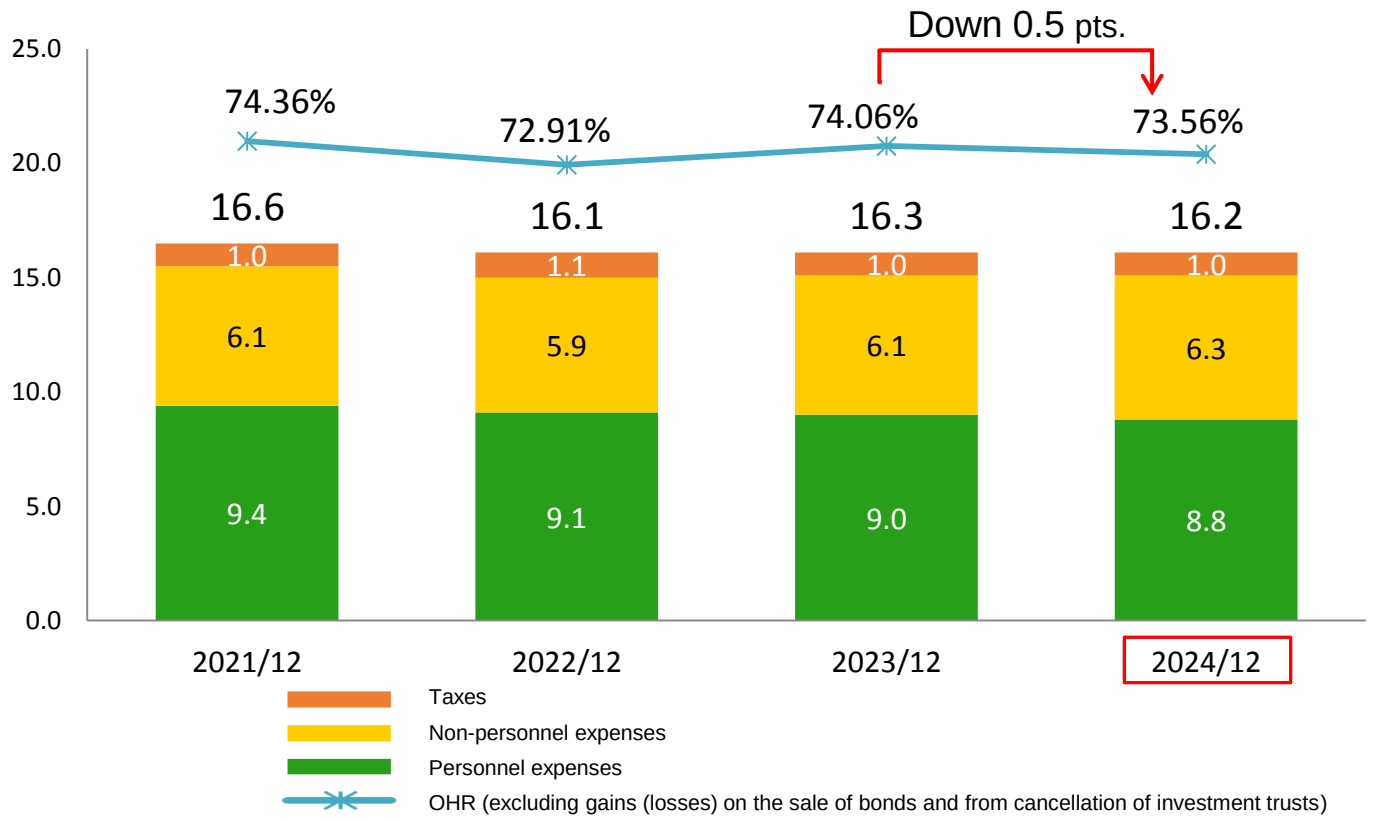
Initiatives to develop a sustainable operations under way

- 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 nine months ended December 31, 2024, OHR (based on core gross business profit) decreased by 0.5 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

Expenses and OHR

(%, billion yen)

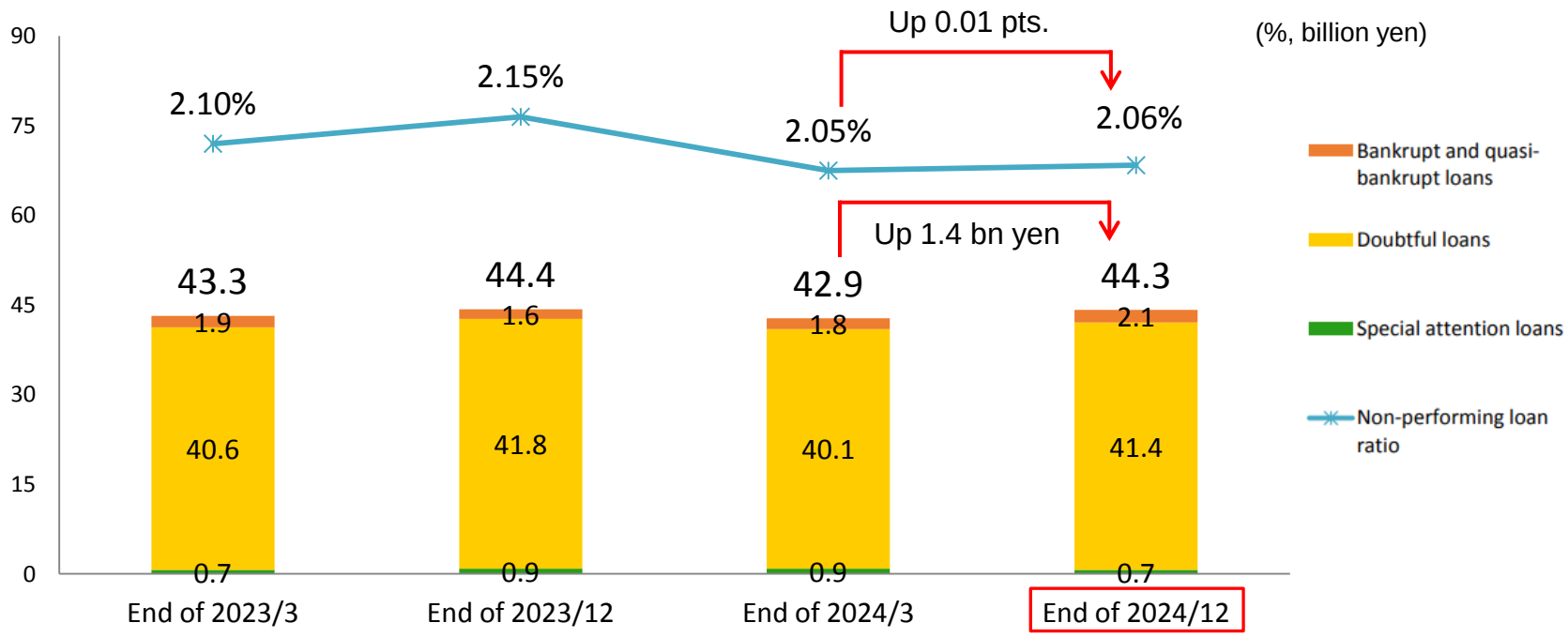


9. Non-performing Loans and Capital Adequacy Ratio

- Loans based on the Banking Act and Financial Reconstruction Act increased by 1.4 billion yen and the non-performing loan ratio also rose by 0.01 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	**2024/12**	Change	% Change
Loans based on the Banking Act and Financial Reconstruction Act	42.9	**44.3**	1.4	3.2%
Bankrupt and quasi-bankrupt loans	1.8	**2.1**	0.3	17.6%
Doubtful loans	40.1	**41.4**	1.3	3.0%
Special attention loans	0.9	**0.7**	(0.2)	-18.0%

Trends in Non-performing Loan Ratio (Non-consolidated)



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 0.35 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)

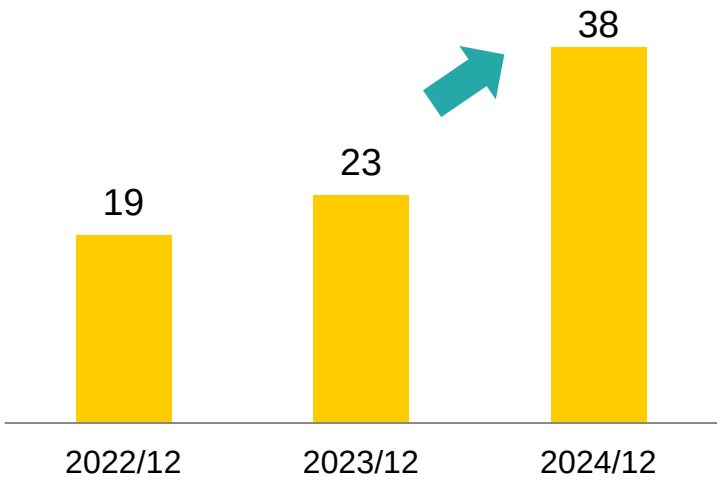
Based on the 11th Medium-term Management Plan started in April 2023, we are creating a sustainable future for the region together with all people in the region by making group-wide efforts to solve issues facing us. These efforts include gaining the region's trust and taking on a challenge of new business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

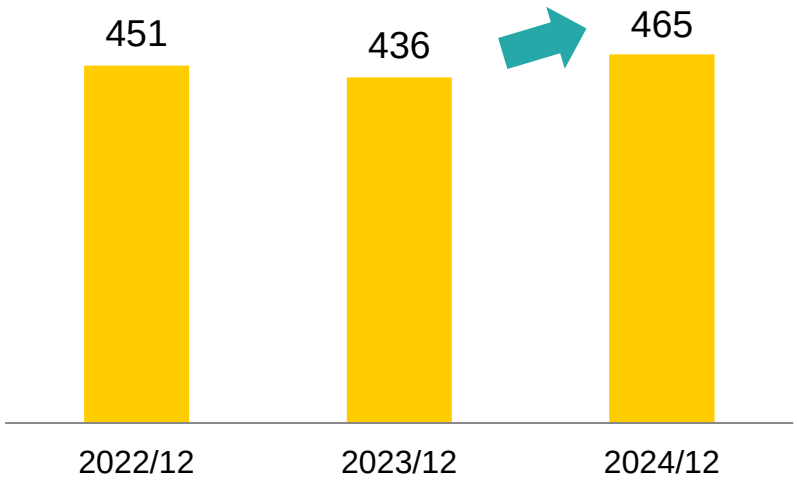
In addition, the Bank offers a business matching service to connect customers with potential business partners, providing information and services to meet diverse customer needs.

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



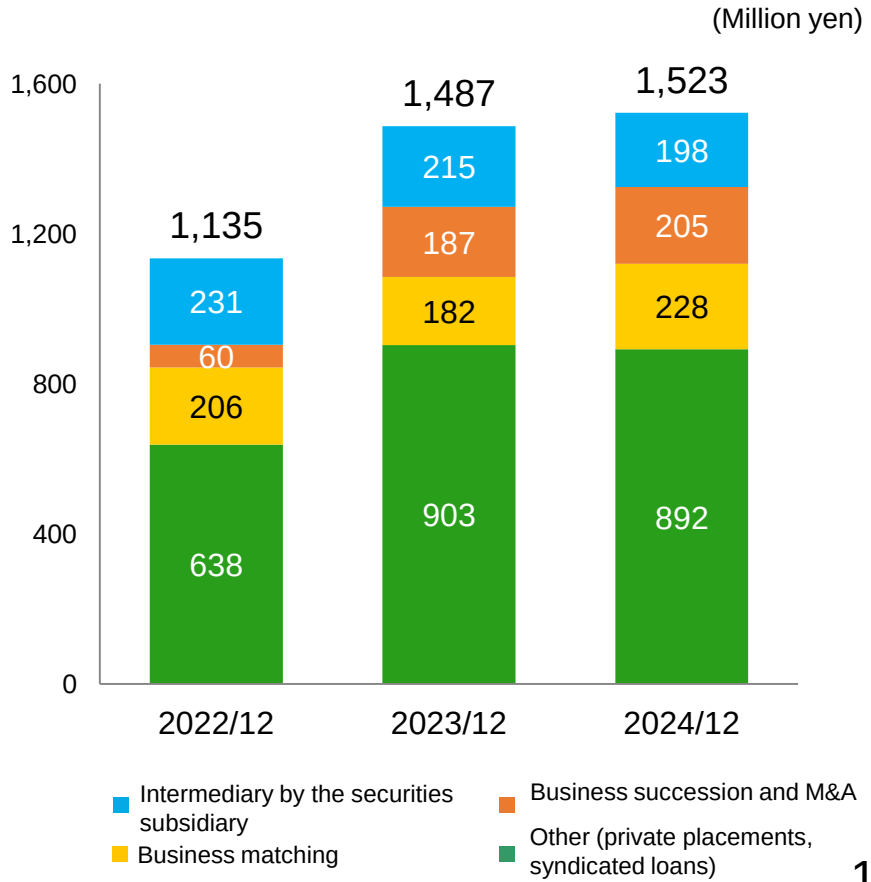
2. Realize the Provision of New Value (Trends in Fees and Commissions Income)

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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