

Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]



January 28, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 8366
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 Scheduled date of filing quarterly securities report: February 14, 2022
 Establishment of specified transaction account: None
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 – December 31, 2021)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

| | Ordinary income | | Ordinary profit | | Net income attributable to owners of the parent | |
|-------------------------------------|-----------------|-------|-----------------|-------|---|------|
| | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended December 31, 2021 | 77,290 | 21.8 | 26,690 | 113.4 | 19,133 | 68.0 |
| Nine months ended December 31, 2020 | 63,466 | (5.4) | 12,509 | 7.5 | 11,389 | 1.0 |

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥15,032 million [(86.3)%]
 Nine months ended December 31, 2020: ¥109,365 million [310.4%]

| | Net income per share | Diluted net income per share |
|-------------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2021 | 387.43 | 387.13 |
| Nine months ended December 31, 2020 | 226.77 | 216.74 |

(2) Consolidated Financial Position

| | Total assets | Total equity | Capital ratio |
|-------------------------|--------------|--------------|---------------|
| | Million yen | Million yen | % |
| As of December 31, 2021 | 7,501,731 | 507,435 | 6.8 |
| As of March 31, 2021 | 7,793,748 | 495,469 | 6.4 |

(Reference) Capital: As of December 31, 2021: ¥507,336 million
 As of March 31, 2021: ¥495,384 million

(Note) “Capital ratio” is calculated by dividing (total equity at the end of the period – stock acquisition rights at the end of the period) by total assets at the end of the period.

“Capital ratio” herein is not the capital ratio specified by the regulatory notices pertaining to capital adequacy ratio.

2. Dividends

| | Annual dividends per share | | | | |
|--|----------------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2021 | – | 17.50 | – | 22.50 | 40.00 |
| Fiscal year ending March 31, 2022 | – | 17.50 | – | | |
| Fiscal year ending March 31, 2022 (Forecast) | | | | 42.50 | 60.00 |

(Note) Revision to the forecast for dividends announced most recently: None

(Notes)

- Breakdown of the 2nd quarter-end dividend for the fiscal year ended March 31, 2021: Ordinary dividend of ¥17.50
Breakdown of the year-end dividend for the fiscal year ended March 31, 2021: Ordinary dividend of ¥17.50, special dividend of ¥5.00
- Breakdown of the 2nd quarter-end dividend for the fiscal year ending March 31, 2022: Ordinary dividend of ¥17.50
Breakdown of the year-end dividend for the fiscal year ending March 31, 2022 (forecast): Ordinary dividend of ¥17.50, special dividend of ¥25.00

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(% indicates changes from the previous corresponding period.)

| | Ordinary profit | | Net income attributable to owners of the parent | | Net income per share |
|-----------|-----------------|-------|---|------|----------------------|
| | Million yen | % | Million yen | % | Yen |
| Full year | 25,000 | 125.8 | 16,300 | 42.4 | 330.91 |

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- Changes in significant subsidiaries during the period under review (Changes in specified subsidiaries resulting in changes in scope of consolidation): None
- Adoption of special accounting treatment for preparing quarterly consolidated financial statements: None
- Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - Changes in accounting policies due to the revision of accounting standards: Yes
 - Changes in accounting policies other than 1) above: None
 - Changes in accounting estimates: None
 - Retrospective restatement: None

(Note) For details, please refer to page 8 of the attachment, “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies).”
- Total number of issued and outstanding shares (common shares)
 - Total number of issued and outstanding shares at the end of the period (including treasury shares):

| | |
|--------------------------|-------------------|
| As of December 31, 2021: | 53,090,081 shares |
| As of March 31, 2021: | 53,090,081 shares |
 - Total number of treasury shares at the end of the period:

| | |
|--------------------------|------------------|
| As of December 31, 2021: | 3,831,247 shares |
| As of March 31, 2021: | 3,345,006 shares |

3) Average number of shares during the period (nine months):

| | |
|--------------------------------------|-------------------|
| Nine months ended December 31, 2021: | 49,386,135 shares |
| Nine months ended December 31, 2020: | 50,224,070 shares |

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

· Forward-looking statements, such as financial results forecasts, made in this document are based on information currently available to the Bank and certain assumptions deemed reasonable. Actual results, etc. may differ significantly due to various factors.

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1. Qualitative Information

(1) Explanation of Operating Results

Due to the outbreak of the novel coronavirus infection, the challenging situation has continued in a wide range of industries, and we expect that some more time will be required for a full-scale recovery as corporate activities and consumption activities are restricted to some extent until vaccines and therapeutic medications are widely available worldwide.

The pandemic strongly urged an immediate response to previously recognized issues such as “sustainability” and “digitalization.” With the declining birthrate and aging population, and falling population as well as the rapidly changing population composition, social structure, and economic structure against the backdrop of technological innovations such as IoT and AI, the business management of regional banks are now at a historic turning point. The future is not an extension of conventional ideas and past business models, and there is a need to build new business models.

Under these circumstances, in order to further increase corporate value and existential value, the Bank has implemented the 7th Medium-Term Business Plan, “Define a future and realize a dream” (Period: 5 years, April 2019 – March 2024). The Group is making all-out efforts toward the realization of a “Sustainability Design Company” with a strong desire to “plan and create sustainable development of customers and regional communities, and go beyond the conventional framework and ideas.”

As a result of these efforts, the operating results for the nine months under review were as follows.

Ordinary income was ¥77,290 million, an increase of ¥13,823 million year-on-year. This was mainly due to an increase in other income (an increase of ¥11,361 million year-on-year) due to an increase in gains on sales of stocks and other securities.

On the other hand, ordinary expenses were ¥50,599 million, a decrease of ¥357 million year-on-year. This was due to decreases in interest expenses (a decrease of ¥435 million year-on-year), fees and commissions (a decrease of ¥455 million year-on-year), other operating expenses (a decrease of ¥796 million year-on-year), and other expenses (a decrease of ¥2,349 million year-on-year), respectively, despite an increase in general and administrative expenses (an increase of ¥3,679 million year-on-year) due in part to investments related to next-generation core systems.

As a result, ordinary profit for the nine months under review increased by ¥14,181 million year-on-year to ¥26,690 million, and net income attributable to owners of the parent increased by ¥7,744 million year-on-year to ¥19,133 million.

(2) Explanation of Financial Position

The financial position at the end of the third quarter under review was as follows.

The balance of total assets was ¥7,501,731 million, a decrease of ¥292,016 million from the end of the previous fiscal year.

With regards to the main account balance of assets, investment securities stood at ¥1,445,022 million (a decrease of ¥141,483 million from the end of the previous fiscal year), and loans and bills discounted totaled ¥4,029,941 million (an increase of ¥28,242 million from the end of the previous fiscal year.)

Meanwhile, total liabilities were ¥6,994,296 million, a decrease of ¥303,982 million from the end of the previous fiscal year.

With regards to the main account balance of liabilities, deposits totaled ¥5,516,806 million (an increase of ¥117,954 million from the end of the previous fiscal year), negotiable certificates of deposit were ¥44,840 million (a decrease of ¥4,720 million from the end of the previous fiscal year), call money was ¥71,407 million (a decrease of ¥444,670 million from the end of the previous fiscal year), payables under securities lending transactions were ¥255,644 million (a decrease of ¥17,009 million from the end of the previous fiscal year), and borrowed money was ¥946,214 million (an increase of ¥47,159 million from the end of the previous fiscal year).

Total equity amounted to ¥507,435 million, an increase of ¥11,965 million from the end of the previous fiscal year. This was mainly due to an increase of ¥17,052 million in retained earnings from the end of the previous fiscal year and an increase of ¥1,352 million in net unrealized gains on available-for-sale securities from the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

For the nine months under review, the progress of ordinary profit is approximately 106%, and net income attributable to owners of the parent, approximately 117%, against the consolidated financial results forecast for the full fiscal year ending March 31, 2022, announced on November 12, 2021, due in part to lower credit costs than expected.

However, the full-year financial results forecast announced on November 12, 2021 has not been changed, in consideration of matters such as the possibility of credit costs, etc. to increase depending on the situation and an impact on economy of the outbreak of the novel coronavirus infection.

Decisions on revisions to the full-year financial results forecast will be made based on future business performance.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

| | As of March 31, 2021 | As of December 31, 2021 |
|---|----------------------|-------------------------|
| Assets | | |
| Cash and due from banks | 2,013,251 | 1,842,349 |
| Call loans and bills bought | 10,000 | – |
| Debt purchased | 4,218 | 4,379 |
| Trading securities | 567 | 452 |
| Money held in trust | 14,476 | 14,530 |
| Investment securities | 1,586,506 | 1,445,022 |
| Loans and bills discounted | 4,001,698 | 4,029,941 |
| Foreign exchange assets | 8,334 | 8,965 |
| Other assets | 98,021 | 90,100 |
| Tangible fixed assets | 47,667 | 49,345 |
| Intangible fixed assets | 1,855 | 1,600 |
| Asset for retirement benefits | 12,969 | 14,672 |
| Deferred tax assets | 626 | 604 |
| Customers' liabilities for acceptances and guarantees | 27,246 | 31,202 |
| Allowance for loan losses | (33,692) | (31,435) |
| Total assets | 7,793,748 | 7,501,731 |
| Liabilities | | |
| Deposits | 5,398,851 | 5,516,806 |
| Negotiable certificates of deposit | 49,560 | 44,840 |
| Call money and bills sold | 516,077 | 71,407 |
| Payables under securities lending transactions | 272,654 | 255,644 |
| Borrowed money | 899,055 | 946,214 |
| Foreign exchange liabilities | 303 | 425 |
| Borrowed money from trust account | 166 | 206 |
| Other liabilities | 53,645 | 48,430 |
| Liability for retirement benefits | 143 | 150 |
| Liability for retirement benefits of directors and Audit & Supervisory Board Members | 5 | 3 |
| Liability for reimbursement of deposits | 267 | 183 |
| Allowance for repayment of excess interest | 20 | 17 |
| Reserve for other contingent losses | 156 | 132 |
| Deferred tax liabilities | 74,522 | 73,028 |
| Deferred tax liabilities for land revaluation | 5,602 | 5,602 |
| Acceptances and guarantees | 27,246 | 31,202 |
| Total liabilities | 7,298,278 | 6,994,296 |

(Million yen)

| | As of March 31, 2021 | As of December 31, 2021 |
|---|----------------------|-------------------------|
| Equity | | |
| Common stock | 33,076 | 33,076 |
| Capital surplus | 24,536 | 24,536 |
| Retained earnings | 232,289 | 249,341 |
| Treasury stock | (9,116) | (10,118) |
| Total shareholders' equity | 280,786 | 296,836 |
| Net unrealized gains on available-for-sale securities | 195,174 | 196,526 |
| Deferred gains (losses) on derivatives under hedge accounting | 1,634 | (2,852) |
| Land revaluation surplus | 8,532 | 8,535 |
| Defined retirement benefit plans | 9,257 | 8,290 |
| Total accumulated other comprehensive income | 214,598 | 210,499 |
| Stock acquisition rights | 84 | 98 |
| Total equity | 495,469 | 507,435 |
| Total liabilities and equity | 7,793,748 | 7,501,731 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Nine months ended December 31

(Million yen)

| | For the nine months ended December 31, 2020 | For the nine months ended December 31, 2021 |
|--|--|--|
| Ordinary income | 63,466 | 77,290 |
| Interest income | 36,182 | 38,034 |
| (Of which, Interest on loans and discounts) | 26,164 | 25,148 |
| (Of which, Interest and dividends on securities) | 9,842 | 11,718 |
| Trust fees | 2 | 0 |
| Fees and commissions | 11,871 | 12,779 |
| Other operating income | 12,328 | 12,031 |
| Other income | 3,081 | 14,443 |
| Ordinary expenses | 50,957 | 50,599 |
| Interest expenses | 2,612 | 2,177 |
| (Of which, Interest on deposits) | 718 | 471 |
| Fees and commissions | 3,281 | 2,825 |
| Other operating expenses | 9,626 | 8,830 |
| General and administrative expenses | 31,097 | 34,777 |
| Other expenses | 4,339 | 1,989 |
| Ordinary profit | 12,509 | 26,690 |
| Extraordinary income | 2,406 | 0 |
| Gains on disposal of fixed assets | 2,406 | 0 |
| Extraordinary losses | 425 | 24 |
| Losses on disposal of fixed assets | 108 | 24 |
| Losses on impairment of long-lived assets | 316 | - |
| Income before income taxes | 14,490 | 26,667 |
| Income taxes - current | 5,411 | 7,146 |
| Income taxes - deferred | (2,310) | 387 |
| Total income taxes | 3,100 | 7,533 |
| Net income | 11,389 | 19,133 |
| Net income attributable to owners of the parent | 11,389 | 19,133 |

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31

(Million yen)

| | For the nine months ended December 31, 2020 | For the nine months ended December 31, 2021 |
|---|--|--|
| Net income | 11,389 | 19,133 |
| Other comprehensive income | | |
| Net unrealized gains on available-for-sale securities | 95,010 | 1,352 |
| Deferred gains (losses) on derivatives under hedge accounting | 3,220 | (4,487) |
| Defined retirement benefit plans | (254) | (966) |
| Total other comprehensive income | 97,975 | (4,101) |
| Comprehensive income | 109,365 | 15,032 |
| Attributable to | | |
| Owners of the parent | 109,365 | 15,032 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

The Bank has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard"), etc. from the beginning of the nine months under review, and has decided to recognize revenue in the amount expected to be received in exchange for promised goods or service when the control of the goods or service is transferred to customers.

Regarding the application of the Revenue Recognition Accounting Standard, etc., the Bank has followed the transitional treatment stipulated in the proviso in Paragraph 84 of the Revenue Recognition Accounting Standard, and there is no impact on retained earnings at the beginning of the nine months under review.

In addition, the impact of the application of the said accounting standard, etc. on profit and loss and per share information is immaterial.

(Application of the Accounting Standard for Fair Value Measurement)

The Bank has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter referred to as "Fair Value Measurement Standard"), etc. from the beginning of the nine months under review, and has reviewed and changed the fair value adjustment method for measuring the fair value of derivative transactions to an approach that makes maximum use of observable inputs estimated from derivatives traded in the market in accordance with Paragraph 8 of the Fair Value Measurement Standard.

This review is due to the application of the Fair Value Measurement Standard, etc., and the Bank reflects the cumulative impact of retroactively applying the new accounting standard prior to the beginning of the nine months under review in retained earnings at the beginning of the nine months under review in accordance with the transitional measures stipulated in Paragraph 20 of the said measurement standard.

As a result, at the beginning of the nine months under review, "retained earnings" decreased by ¥97 million, "other assets" decreased by ¥183 million, "other liabilities" decreased by ¥44 million, "deferred tax liabilities" decreased by ¥42 million, and equity per share decreased by ¥1.95.

(Change in presentation)

(Consolidated Statement of Income for the Nine Months Ended December 31)

Profits or losses related to investment in investment business associations, etc. were previously presented, for each individual association, with profits included in "other income" and losses included in "other expenses." However, profits or losses related to investment in investment business associations, etc. are strongly associated

with a core business for regional financial institutions from the aspect of growth investment in regional companies centered on Shiga Prefecture, where the Group has a base. As a result of reexamination from that point of view, from the viewpoint of presenting operating results more appropriately, we have decided to include them in the interest and dividends on securities in “interest income” from the nine months under review.

Quarterly consolidated financial statements for the nine months ended December 31, 2020 have been reclassified in order to reflect this change in presentation.

As a result, in the quarterly consolidated statement of income for the nine months ended December 31, 2020, the profit of ¥306 million related to investment business associations, etc., which was included in “other income,” and the loss of ¥111 million, which was included in “other expenses,” have been reclassified to interest and dividends on securities (net amount of ¥194 million) in “interest income.”

(Additional information)

(Impact of the novel coronavirus)

The Group assumes that the outbreak of the novel coronavirus infection will continue to be a constraint on various economic activities, and that the full-scale economic recovery phase will begin after April 2022. The assumptions have not changed since the end of March 2021.

Economic measures including fund-raising support from federal and local governments are currently still being implemented; therefore, during the nine months under review (the nine months ended December 31, 2021), the impact on credit risk such as loans and bills discounted is limited.

However, since the above assumptions are highly uncertain, the situation of future outbreaks of the novel coronavirus infection and its impact on the economy may have a significant impact on the consolidated financial statements after the fourth quarterly accounting period (the fourth quarter of the fiscal year ending March 31, 2022).

(Significant subsequent events)

There is no relevant information.