

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



July 28, 2022

Company name: THE SHIGA BANK, LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8366

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Scheduled date of filing quarterly securities report: August 5, 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 Three Months Ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(1) Consolidated Operating Results (% 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	%
Three months ended						
June 30, 2022	35,469	28.2	12,551	34.9	9,044	37.1
June 30, 2021	27,675	26.0	9,304	124.4	6,598	115.2

(Note) Comprehensive income: Three months ended June 30, 2022: ¥(17,099) million [—%]

Three months ended June 30, 2021: ¥(2,725) million [—%]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2022	187.23	187.06
June 30, 2021	132.93	132.84

(2) Consolidated Financial Position

	Total assets	Total equity	Capital ratio
	Million yen	Million yen	%
As of June 30, 2022	7,002,339	442,082	6.3
As of March 31, 2022	7,537,956	464,214	6.2

(Reference) Capital: As of June 30, 2022: ¥441,999 million

As of March 31, 2022: ¥464,111 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, 2022	–	17.50	–	62.50	80.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		40.00	–	40.00	80.00

(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, 2022: Ordinary dividend of ¥17.50
Breakdown of the year-end dividend for the fiscal year ended March 31, 2022: Ordinary dividend of ¥17.50, special dividend of ¥45.00
- Breakdown of the 2nd quarter-end dividend for the fiscal year ending March 31, 2023 (forecast): Ordinary dividend of ¥40.00
Breakdown of the year-end dividend for the fiscal year ending March 31, 2023 (forecast): Ordinary dividend of ¥40.00

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(% 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
Six months	14,000	(16.2)	10,200	(14.4)	213.28
Full year	21,000	(12.5)	14,800	(16.5)	309.47

(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).”

(4) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of June 30, 2022: 53,090,081 shares

As of March 31, 2022: 53,090,081 shares

2) Total number of treasury shares at the end of the period:

As of June 30, 2022: 5,266,727 shares

As of March 31, 2022: 4,502,938 shares

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

Three Months ended June 30, 2022: 48,305,546 shares

Three Months ended June 30, 2021: 49,638,119 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

In terms of the impact of the prolonged novel coronavirus (COVID-19) infection, while there are expectations for economic recovery amid a trend in which economic and social activities are returning to normal, the outlook is becoming uncertain again due to the current situation of rebound in infection. In addition, there is a high risk of economic downturn due in part to financial policies in the United States, in addition to raw material price hikes and supply constraints under the circumstances where an impact from factors such as the lingering Ukraine situation and suppression of economic activities in China is concerned.

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.” To accomplish this, we have selected “Sustainable Transformation (SX) for the Future” as the key concept up to the final year of the 7th Medium-Term Business Plan.

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

Ordinary income was ¥35,469 million, an increase of ¥7,793 million year-on-year. This was mainly due to an increase in other operating income (an increase of ¥5,944 million year-on-year) due in part to an increase in gains on derivative financial instruments.

On the other hand, ordinary expenses were ¥22,918 million, an increase of ¥4,546 million year-on-year. This was mainly due to an increase in other operating expenses (an increase of ¥6,325 million year-on-year) due in part to an increase in losses on sales of bonds.

As a result, ordinary profit for the three months under review increased by ¥3,246 million year-on-year to ¥12,551 million, and net income attributable to owners of the parent increased by ¥2,446 million year-on-year to ¥9,044 million.

(2) Explanation of Financial Position

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

The balance of total assets was ¥7,002,339 million, a decrease of ¥535,617 million from the end of the previous fiscal year.

With regards to the main account balance of assets, investment securities stood at ¥1,585,404 million (an increase of ¥73,540 million from the end of the previous fiscal year), and loans and bills discounted totaled ¥4,099,793 million (an increase of ¥35,110 million from the end of the previous fiscal year.)

Meanwhile, total liabilities were ¥6,560,256 million, a decrease of ¥513,485 million from the end of the previous fiscal year.

With regards to the main account balance of liabilities, deposits totaled ¥5,692,339 million (an increase of ¥81,255 million from the end of the previous fiscal year), negotiable certificates of deposit were ¥36,750 million (a decrease of ¥5,130 million from the end of the previous fiscal year), call money was ¥60,275 million (a decrease of ¥85,533 million from the end of the previous fiscal year), payables under securities lending transactions were ¥138,217 million (a decrease of ¥47,462 million from the end of the previous fiscal year), and borrowed money was ¥486,201 million (a decrease of ¥450,638 million from the end of the previous fiscal year).

Total equity amounted to ¥442,082 million, a decrease of ¥22,131 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥33,812 million in net unrealized gains on available-for-sale securities from the end of the previous fiscal year, despite an increase of ¥7,970 million in deferred gains on derivatives under hedge accounting.

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

For the three months under review, the progress of ordinary profit is approximately 89%, and net income

attributable to owners of the parent, approximately 88%, against the consolidated financial results forecast for the first half of the fiscal year ending March 31, 2023, announced on May 13, 2022, due in part to concentration of receipt of dividends from shares in the three months under review and lower credit costs than expected.

However, the financial results forecast announced on May 13, 2022 has not been changed, because, among other reasons, there is a possibility that credit costs, etc. increase depending on the situation of the spread of COVID-19 and its impact on economy, and an expenditure of non-personnel expenses arising as a result of investments related to next generation core systems is expected.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Cash and due from banks	1,751,539	1,087,182
Call loans and bills bought	8,444	18,474
Debt purchased	3,594	3,503
Trading securities	468	491
Money held in trust	15,359	18,735
Investment securities	1,511,864	1,585,404
Loans and bills discounted	4,064,683	4,099,793
Foreign exchange assets	7,063	7,446
Other assets	109,742	114,320
Tangible fixed assets	50,114	51,432
Intangible fixed assets	1,641	2,012
Asset for retirement benefits	13,323	13,842
Deferred tax assets	593	576
Customers' liabilities for acceptances and guarantees	32,340	31,757
Allowance for loan losses	(32,815)	(32,635)
Total assets	7,537,956	7,002,339
Liabilities		
Deposits	5,611,084	5,692,339
Negotiable certificates of deposit	41,880	36,750
Call money and bills sold	145,809	60,275
Payables under securities lending transactions	185,680	138,217
Borrowed money	936,840	486,201
Foreign exchange liabilities	246	135
Borrowed money from trust account	214	200
Other liabilities	59,226	64,496
Liability for retirement benefits	157	160
Liability for retirement benefits of directors and Audit & Supervisory Board Members	4	3
Liability for reimbursement of deposits	83	61
Allowance for repayment of excess interest	12	12
Reserve for other contingent losses	134	132
Deferred tax liabilities	54,507	43,993
Deferred tax liabilities for land revaluation	5,520	5,517
Acceptances and guarantees	32,340	31,757
Total liabilities	7,073,742	6,560,256

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Equity		
Common stock	33,076	33,076
Capital surplus	24,536	24,536
Retained earnings	248,089	254,100
Treasury stock	(11,619)	(13,593)
Total shareholders' equity	294,083	298,120
Net unrealized gains (losses) on available-for-sale securities	148,955	115,143
Deferred gains (losses) on derivatives under hedge accounting	6,045	14,016
Land revaluation surplus	8,369	8,364
Defined retirement benefit plans	6,656	6,354
Total accumulated other comprehensive income	170,027	143,878
Stock acquisition rights	103	83
Total equity	464,214	442,082
Total liabilities and equity	7,537,956	7,002,339

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Three months ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Ordinary income	27,675	35,469
Interest income	13,415	15,222
(Of which, interest on loans and discounts)	8,388	8,632
(Of which, interest and dividends on securities)	4,754	6,157
Trust fees	0	0
Fees and commissions	4,162	4,330
Other operating income	4,172	10,117
Other income	5,924	5,798
Ordinary expenses	18,371	22,918
Interest expenses	729	1,202
(Of which, interest on deposits)	158	187
Fees and commissions	890	1,132
Other operating expenses	3,041	9,366
General and administrative expenses	13,318	10,233
Other expenses	391	983
Ordinary profit	9,304	12,551
Extraordinary income	–	9
Gains on disposal of fixed assets	–	9
Extraordinary losses	6	31
Losses on disposal of fixed assets	6	31
Income before income taxes	9,298	12,529
Income taxes - current	2,244	2,595
Income taxes - deferred	455	889
Total income taxes	2,699	3,484
Net income	6,598	9,044
Net income attributable to owners of the parent	6,598	9,044

Quarterly Consolidated Statement of Comprehensive Income

Three months ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net income	6,598	9,044
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	(2,793)	(33,812)
Deferred gains (losses) on derivatives under hedge accounting	(6,209)	7,970
Defined retirement benefit plans	(322)	(301)
Total other comprehensive income	(9,324)	(26,143)
Comprehensive income	(2,725)	(17,099)
Attributable to		
Owners of the parent	(2,725)	(17,099)

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Bank has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on June 17, 2021, hereinafter referred to as "Fair Value Measurement Standard Implementation Guidance") from the beginning of the first quarter of the fiscal year under review, and has decided to apply the new accounting policy set by the Fair Value Measurement Standard Implementation Guidance in future years in accordance with the transitional treatment set forth in Paragraph 27-2 of the said Guidance.

The application has no impact on the Bank's quarterly consolidated financial statements.

(Additional information)

(Impact of COVID-19)

The Group has assumed that the COVID-19 pandemic will continue to be a constraint on various economic activities and its impact will linger until at least March 2023. There have been no changes made to the assumption since the end of March 2022.

We also assume that the credit risk inherent in loans and bills discounted to certain borrowers in specific industries affected by the COVID-19 pandemic is increasing.

The Group conducts rigorous self-assessment and responds accordingly, such as recording allowance for loan losses when deemed necessary. However, the above assumptions are highly uncertain, so there is a potential to have a significant impact on allowance for loan losses in the consolidated financial statements of the second quarter of the fiscal year ending March 31, 2023 and beyond if there are changes in the business performance of individual borrowers which result in changes to the initial assumptions used in making the estimates, or depending on the future situation of the spread of COVID-19 and its impact on the economy, etc.

(Significant subsequent events)

There is no relevant information.