

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



January 27, 2023

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: February 13, 2023
 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, 2022 (April 1, 2022 – December 31, 2022)

(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, 2022	88,354	14.3	20,312	(23.9)	14,907	(22.1)
December 31, 2021	77,290	21.8	26,690	113.4	19,133	68.0

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥(43,746) million [–%]

Nine months ended December 31, 2021: ¥15,032 million [(86.3)%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2022	310.82	310.72
December 31, 2021	387.43	387.13

(2) Consolidated Financial Position

	Total assets	Total equity	Capital ratio
	Million yen	Million yen	%
As of December 31, 2022	7,015,122	412,547	5.9
As of March 31, 2022	7,537,956	464,214	6.2

(Reference) Capital: As of December 31, 2022: ¥412,547 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	–	40.00	–		
Fiscal year ending March 31, 2023 (Forecast)				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: 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
Full year	21,000	(12.5)	14,800	(16.5)	311.73

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

* Notes:

(1) Changes in significant subsidiaries during the period under review (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) 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 December 31, 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 December 31, 2022: 5,612,895 shares

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

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

Nine Months ended December 31, 2022:	47,961,111 shares
Nine Months ended December 31, 2021:	49,386,135 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

During the nine months under review, the Japanese economy is expected to recover amid the continued impact of novel coronavirus (COVID-19), partly due to the effect of various governmental measures. Meanwhile, there is still a high risk of economic downturn as the outlook is becoming more uncertain due to the deterioration of global economic conditions resulting from factors such as monetary tightening worldwide, supply-side restrictions caused by the situation in Ukraine, rising prices combined with a weakening yen, and changes in financial policies, in addition to concerns over the spread of an eighth wave of infections.

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 nine months under review were as follows.

Ordinary income was ¥88,354 million, an increase of ¥11,064 million year-on-year. This was mainly due to an increase in interest income (an increase of ¥6,171 million year-on-year) due in part to an increase in interest and dividends on securities.

On the other hand, ordinary expenses were ¥68,042 million, an increase of ¥17,442 million year-on-year. This was mainly due to an increase in other operating expenses (an increase of ¥12,497 million year-on-year) due in part to an increase in losses on sales of bonds.

As a result, ordinary profit for the nine months under review decreased by ¥6,378 million year-on-year to ¥20,312 million, and net income attributable to owners of the parent decreased by ¥4,226 million year-on-year to ¥14,907 million.

(2) Explanation of Financial Position

The financial position at the end of the nine months under review was as follows.

The balance of total assets was ¥7,015,122 million, a decrease of ¥522,834 million from the end of the previous fiscal year.

With regards to the main account balance of assets, investment securities stood at ¥1,527,944 million (an increase of ¥16,080 million from the end of the previous fiscal year), and loans and bills discounted totaled ¥4,302,130 million (an increase of ¥237,447 million from the end of the previous fiscal year.)

Meanwhile, total liabilities were ¥6,602,574 million, a decrease of ¥471,168 million from the end of the previous fiscal year.

With regards to the main account balance of liabilities, deposits totaled ¥5,671,388 million (an increase of ¥60,304 million from the end of the previous fiscal year), negotiable certificates of deposit were ¥35,190 million (a decrease of ¥6,690 million from the end of the previous fiscal year), call money was ¥58,388 million (a decrease of ¥87,421 million from the end of the previous fiscal year), payables under securities lending transactions were ¥213,867 million (an increase of ¥28,186 million from the end of the previous fiscal year), and borrowed money was ¥489,589 million (a decrease of ¥447,250 million from the end of the previous fiscal year).

Total equity amounted to ¥412,547 million, a decrease of ¥51,666 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥76,719 million in net unrealized gains on available-for-sale securities from the end of the previous fiscal year, despite an increase of ¥18,969 million in deferred gains on derivatives under hedge accounting.

(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 96%, and the progress of net

income attributable to owners of the parent is approximately 100%, against the full-year consolidated financial results forecast for the fiscal year ending March 31, 2023, announced on May 13, 2022, due in part to 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 economic, price, and financial situation.

Revisions to the full-year financial results forecast will be determined in light of future trends in business performance.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Cash and due from banks	1,751,539	939,414
Call loans and bills bought	8,444	2,123
Debt purchased	3,594	3,118
Trading securities	468	485
Money held in trust	15,359	27,065
Investment securities	1,511,864	1,527,944
Loans and bills discounted	4,064,683	4,302,130
Foreign exchange assets	7,063	8,714
Other assets	109,742	139,297
Tangible fixed assets	50,114	51,691
Intangible fixed assets	1,641	2,035
Asset for retirement benefits	13,323	14,985
Deferred tax assets	593	553
Customers' liabilities for acceptances and guarantees	32,340	28,371
Allowance for loan losses	(32,815)	(32,810)
Total assets	7,537,956	7,015,122
Liabilities		
Deposits	5,611,084	5,671,388
Negotiable certificates of deposit	41,880	35,190
Call money and bills sold	145,809	58,388
Payables under securities lending transactions	185,680	213,867
Borrowed money	936,840	489,589
Foreign exchange liabilities	246	344
Borrowed money from trust account	214	198
Other liabilities	59,226	69,973
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	0
Allowance for repayment of excess interest	12	12
Reserve for other contingent losses	134	123
Deferred tax liabilities	54,507	29,465
Deferred tax liabilities for land revaluation	5,520	5,495
Acceptances and guarantees	32,340	28,371
Total liabilities	7,073,742	6,602,574

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Equity		
Common stock	33,076	33,076
Capital surplus	24,536	24,540
Retained earnings	248,089	258,101
Treasury stock	(11,619)	(14,488)
Total shareholders' equity	294,083	301,231
Net unrealized gains (losses) on available-for-sale securities	148,955	72,236
Deferred gains (losses) on derivatives under hedge accounting	6,045	25,015
Land revaluation surplus	8,369	8,312
Defined retirement benefit plans	6,656	5,752
Total accumulated other comprehensive income	170,027	111,316
Stock acquisition rights	103	–
Total equity	464,214	412,547
Total liabilities and equity	7,537,956	7,015,122

(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, 2021	For the nine months ended December 31, 2022
Ordinary income	77,290	88,354
Interest income	38,034	44,206
(Of which, interest on loans and discounts)	25,148	27,773
(Of which, interest and dividends on securities)	11,718	15,592
Trust fees	0	0
Fees and commissions	12,779	13,242
Other operating income	12,031	17,048
Other income	14,443	13,857
Ordinary expenses	50,599	68,042
Interest expenses	2,177	5,748
(Of which, interest on deposits)	471	779
Fees and commissions	2,825	3,470
Other operating expenses	8,830	21,327
General and administrative expenses	34,777	34,936
Other expenses	1,989	2,560
Ordinary profit	26,690	20,312
Extraordinary income	0	209
Gains on disposal of fixed assets	0	209
Extraordinary losses	24	62
Losses on disposal of fixed assets	24	62
Income before income taxes	26,667	20,459
Income taxes - current	7,146	4,988
Income taxes - deferred	387	563
Total income taxes	7,533	5,552
Net income	19,133	14,907
Net income attributable to owners of the parent	19,133	14,907

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net income	19,133	14,907
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	1,352	(76,719)
Deferred gains (losses) on derivatives under hedge accounting	(4,487)	18,969
Defined retirement benefit plans	(966)	(904)
Total other comprehensive income	(4,101)	(58,653)
Comprehensive income	15,032	(43,746)
Attributable to		
Owners of the parent	15,032	(43,746)

(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 nine months 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 fourth 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.