

Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



July 28, 2023

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 4, 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 Three Months Ended June 30, 2023 (April 1, 2023 – June 30, 2023)

(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, 2023	33,108	(6.7)	13,468	7.3	9,683	7.1
June 30, 2022	35,469	28.2	12,551	34.9	9,044	37.1

(Note) Comprehensive income: Three months ended June 30, 2023: ¥31,985 million [—%]

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

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2023	203.95	—
June 30, 2022	187.23	187.06

(Note) Diluted net income per share for the three months ended June 30, 2023 is not presented because there was no potentially dilutive shares.

(2) Consolidated Financial Position

	Total assets	Total equity	Capital ratio
	Million yen	Million yen	%
As of June 30, 2023	7,619,952	471,307	6.2
As of March 31, 2023	7,305,698	441,222	6.0

(Reference) Capital: As of June 30, 2023: ¥471,307 million

As of March 31, 2023: ¥441,222 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, 2023	–	40.00	–	40.00	80.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		50.00	–	40.00	90.00

(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, 2023: Ordinary dividend of ¥40.00
Breakdown of the year-end dividend for the fiscal year ended March 31, 2023: Ordinary dividend of ¥40.00
- Breakdown of the 2nd quarter-end dividend for the fiscal year ending March 31, 2024 (forecast): Ordinary dividend of ¥40.00, commemorative dividend of ¥10.00 (commemorative dividend for the Bank's 90th Anniversary)
Breakdown of the year-end dividend for the fiscal year ending March 31, 2024 (forecast): Ordinary dividend of ¥40.00

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(% 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	13,000	(20.0)	8,700	(27.1)	183.25
Full year	23,500	17.3	15,300	3.0	322.26

(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: None
 - Changes in accounting policies other than 1) above: None
 - Changes in accounting estimates: None
 - Retrospective restatement: None

(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, 2023	53,090,081 shares
As of March 31, 2023:	53,090,081 shares

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

As of June 30, 2023:	5,613,515 shares
As of March 31, 2023:	5,613,090 shares

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

Three Months ended June 30, 2023:	47,476,746 shares
Three Months ended June 30, 2022:	48,305,546 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

The Japanese economy for the three months under review has been on a gradual recovery trend amid a trend in which the employment and income environment has improved and economic activities are returning to normal following the easing of movement restrictions on the novel coronavirus (COVID-19) infections and its reclassification into Class 5, while the outlook remains uncertain due to the rise in prices, supply constraints, trends in overseas economies, and other factors.

The economy in Shiga Prefecture has been on a gradual recovery trend, although some areas are still experiencing difficulties. Production in the manufacturing sector has weakened showing an overall decline in the industrial production index. On the demand side, retail sales have continued to increase and turned to an increasing trend even after taking into account the rise in prices. Private capital expenditure and public investment have continued to decline; however, housing investment turned to an increasing trend due to a significant increase in new condominium construction.

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 ¥33,108 million, a decrease of ¥2,360 million year on year. This was mainly due to a decrease in other operating income (a decrease of ¥6,589 million year on year) due in part to a decrease in gains on derivative financial instruments.

On the other hand, ordinary expenses were ¥19,640 million, a decrease of ¥3,278 million year on year. This was mainly due to a decrease in other operating expenses (a decrease of ¥6,172 million year on year) due in part to a decrease in losses on sales of bonds.

As a result, ordinary profit for the three months under review increased by ¥917 million year on year to ¥13,468 million, and net income attributable to owners of the parent increased by ¥638 million year on year to ¥9,683 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 ¥7,619,952 million, an increase of ¥314,254 million from the end of the previous fiscal year.

With regards to the main account balance of assets, investment securities stood at ¥1,595,266 million (an increase of ¥79,688 million from the end of the previous fiscal year), and loans and bills discounted totaled ¥4,354,345 million (an increase of ¥10,704 million from the end of the previous fiscal year.)

Meanwhile, total liabilities were ¥7,148,645 million, an increase of ¥284,169 million from the end of the previous fiscal year.

With regards to the main account balance of liabilities, deposits totaled ¥5,768,142 million (an increase of ¥53,774 million from the end of the previous fiscal year), negotiable certificates of deposit were ¥28,592 million (a decrease of ¥1,740 million from the end of the previous fiscal year), call money and bills sold was ¥333,170 million (an increase of ¥95,264 million from the end of the previous fiscal year), payables under securities lending transactions were ¥211,933 million (an increase of ¥6,360 million from the end of the previous fiscal year), and borrowed money was ¥644,916 million (an increase of ¥106,459 million from the end of the previous fiscal year).

Total equity amounted to ¥471,307 million, an increase of ¥30,085 million from the end of the previous fiscal year. This was mainly due to an increase of ¥19,436 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 three months under review, the progress of ordinary profit is approximately 103%, and net income attributable to owners of the parent is approximately 111%, against the consolidated financial results forecast for the first half of the fiscal year ending March 31, 2024, announced on May 12, 2023, 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 12, 2023 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, 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, 2023	As of June 30, 2023
Assets		
Cash and due from banks	1,201,938	1,416,218
Call loans and bills bought	17,759	15,074
Debt purchased	2,514	2,333
Trading securities	488	480
Money held in trust	27,059	27,509
Investment securities	1,515,578	1,595,266
Loans and bills discounted	4,343,641	4,354,345
Foreign exchange assets	6,730	6,740
Other assets	119,185	128,227
Tangible fixed assets	52,349	51,964
Intangible fixed assets	2,180	2,849
Asset for retirement benefits	19,650	20,115
Deferred tax assets	572	582
Customers' liabilities for acceptances and guarantees	28,226	29,619
Allowance for loan losses	(32,177)	(31,374)
Total assets	7,305,698	7,619,952
Liabilities		
Deposits	5,714,368	5,768,142
Negotiable certificates of deposit	30,332	28,592
Call money and bills sold	237,906	333,170
Payables under securities lending transactions	205,572	211,933
Borrowed money	538,456	644,916
Foreign exchange liabilities	377	173
Borrowed money from trust account	187	187
Other liabilities	61,346	73,832
Liability for retirement benefits	159	161
Liability for retirement benefits of directors and Audit & Supervisory Board Members	4	4
Allowance for repayment of excess interest	10	8
Reserve for other contingent losses	140	141
Deferred tax liabilities	41,893	52,285
Deferred tax liabilities for land revaluation	5,495	5,476
Acceptances and guarantees	28,226	29,619
Total liabilities	6,864,476	7,148,645

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Equity		
Common stock	33,076	33,076
Capital surplus	24,540	24,540
Retained earnings	258,053	265,878
Treasury stock	(14,488)	(14,489)
Total shareholders' equity	301,181	309,006
Net unrealized gains on available-for-sale securities	107,785	127,221
Deferred gains on derivatives under hedge accounting	15,599	18,791
Land revaluation surplus	8,312	8,270
Defined retirement benefit plans	8,343	8,017
Total accumulated other comprehensive income	140,040	162,301
Total equity	441,222	471,307
Total liabilities and equity	7,305,698	7,619,952

(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, 2022	For the three months ended June 30, 2023
Ordinary income	35,469	33,108
Interest income	15,222	18,484
(Of which, interest on loans and discounts)	8,632	10,870
(Of which, interest and dividends on securities)	6,157	6,959
Trust fees	0	–
Fees and commissions	4,330	4,913
Other operating income	10,117	3,527
Other income	5,798	6,182
Ordinary expenses	22,918	19,640
Interest expenses	1,202	4,315
(Of which, interest on deposits)	187	472
Fees and commissions	1,132	1,148
Other operating expenses	9,366	3,194
General and administrative expenses	10,233	10,632
Other expenses	983	348
Ordinary profit	12,551	13,468
Extraordinary income	9	–
Gains on disposal of fixed assets	9	–
Extraordinary losses	31	39
Losses on disposal of fixed assets	31	39
Income before income taxes	12,529	13,429
Income taxes - current	2,595	3,048
Income taxes - deferred	889	697
Total income taxes	3,484	3,746
Net income	9,044	9,683
Net income attributable to owners of the parent	9,044	9,683

Quarterly Consolidated Statement of Comprehensive Income

Three months ended June 30

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net income	9,044	9,683
Other comprehensive income		
Net unrealized (losses) gains on available-for-sale securities	(33,812)	19,436
Deferred gains on derivatives under hedge accounting	7,970	3,192
Defined retirement benefit plans	(301)	(326)
Total other comprehensive income	(26,143)	22,302
Comprehensive income	(17,099)	31,985
Attributable to		
Owners of the parent	(17,099)	31,985

(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.

(Additional information)

(Impact of the COVID-19)

Although the changes of the classification of the COVID-19 infection and other factors has changed constraints on various economic activities, the impact of the COVID-19 infection still remains. Accordingly, the Group has assumed that the credit risk inherent in loans and bills discounted to certain borrowers in specific industries affected by the COVID-19 infection remains high. There have been no changes made to the assumption since the end of March 2023.

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, 2024 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 the COVID-19 and its impact on the economy, etc.

(Significant subsequent events)

There is no relevant information.