

Consolidated Financial Results
for the 3rd Quarter of Fiscal 2017

February 8, 2018



Consolidated Financial Results
for the 3rd Quarter of Fiscal 2017 ended December 31, 2017
[under Japanese GAAP]

Company Name : **The Tokyo Star Bank, Limited**

(URL <http://www.tokyostarbank.co.jp/>)

Headquarters : Tokyo

Note: - The financial information presented here has not been audited.
 - The amounts are rounded down to the nearest million of yen.

1. Summary of Consolidated Financial Results
for the 3rd Quarter of Fiscal 2017 Ended December 31, 2017

(1) Operating Results

(Millions of yen except per share data and percentages)

	For the nine months ended	
	December 31, 2017	December 31, 2016
Ordinary income	49,404	49,725
Change from the previous period	(0.6)%	(5.8)%
Ordinary profit	12,150	11,010
Change from the previous period	10.3%	(27.3)%
Net income attributable to owners of the parent	8,492	7,699
Change from the previous period	10.2%	(25.0)%
Net income per common share (yen)	12,131.60	10,999.76
Diluted net income per common share (yen)	-	-

Note: Comprehensive income for the nine months ended :

December 31, 2017	: 9,198 million yen	59.7 %
December 31, 2016	: 5,757 million yen	(24.6) %

(2) Financial Conditions

(Millions of yen except percentages)

	As of	
	December 31, 2017	March 31, 2017
Total assets	2,644,820	2,530,596
Net assets	145,787	136,589
Ratio of net assets to total assets	5.5%	5.3%

Notes: 1. Net assets, excluding Stock acquisition rights and Non-controlling interests, as of :

December 31, 2017	: 145,787 million yen
March 31, 2017	: 136,589 million yen

2. Ratio of net assets to total assets

$$= (\text{Net assets} - \text{Stock acquisition rights} - \text{Non-controlling interests}) / \text{Total assets} \times 100$$

2. Notes

(1) Significant Change in the Scope of Consolidation : No
There is no changes in material subsidiaries accompanying significant change in the scope of consolidation.

**(2) Application of Special Accounting Methods
for Quarterly Consolidated Financial Statements** : No

**(3) Changes in Accounting Policies, Changes in Accounting Estimates
and Correction of Prior Period Errors for Quarterly Consolidated Financial Statements**

- ① Changes in accounting policies
due to revision of accounting standards etc. : No
- ② Changes in accounting policies other than ① : No
- ③ Changes in accounting estimates : No
- ④ Correction of prior period errors : No

(4) Number of Shares Outstanding (Common stock)

① Number of Shares Outstanding as of :

December 31, 2017	:	700,000 shares
March 31, 2017	:	700,000 shares

② Number of Treasury Shares Outstanding as of :

December 31, 2017	:	- shares
March 31, 2017	:	- shares

③ Average Number of Shares Outstanding for the nine months ended :

December 31, 2017	:	700,000 shares
December 31, 2016	:	700,000 shares

FINANCIAL STATEMENTS

1. Consolidated Balance Sheets

(Millions of yen)	As of March 31, 2017	As of December 31, 2017
Assets:		
Cash and due from banks	428,726	401,116
Call loans	32,681	22,065
Monetary claims bought	3,653	2,209
Money held in trust	5,193	9,949
Securities	316,286	396,975
Loans and bills discounted	1,661,483	1,726,223
Foreign exchanges	6,606	7,092
Other assets	63,652	67,357
Tangible fixed assets	5,510	5,411
Intangible fixed assets	7,903	7,417
Deferred tax assets	4,102	3,426
Customers' liabilities for acceptances and guarantees	9,112	8,894
Allowance for loan losses	(14,316)	(13,318)
Total assets	2,530,596	2,644,820
Liabilities:		
Deposits	1,994,450	1,863,416
Negotiable certificate of deposits	284,764	380,215
Call money	-	40,000
Payables under repurchase agreements	22,898	35,007
Payables under securities lending transactions	9,846	115,727
Borrowed money	6,468	3,164
Foreign exchanges	5	5
Bonds payable	16,300	5,200
Other liabilities	47,193	45,121
Provision for bonuses	2,563	2,026
Provision for directors' bonuses	298	153
Provision for losses on dormant deposit repayments	96	96
Provision for possible losses on refund of interest	5	5
Provision for loyalty program	4	-
Acceptances and guarantees	9,112	8,894
Total liabilities	2,394,007	2,499,033
Net assets:		
Capital stock	26,000	26,000
Capital surplus	24,000	24,000
Retained earnings	86,513	95,005
Total shareholders' equity	136,513	145,005
Valuation difference on available-for-sale securities	75	482
Deferred gains or losses on hedges	-	299
Total accumulated other comprehensive income	75	781
Total net assets	136,589	145,787
Total liabilities and net assets	2,530,596	2,644,820

2. Consolidated Statements of Income

(Millions of yen)	For the nine months ended	
	December 31, 2016	December 31, 2017
Ordinary income:	49,725	49,404
Interest income and dividends	30,370	30,677
<i>Interest on loans and discounts</i>	24,473	24,265
<i>Interest and dividends on securities</i>	5,535	6,069
Fees and commissions	7,061	8,300
Other ordinary income	7,280	4,465
Other income	5,012	5,961
Ordinary expenses:	38,714	37,254
Interest expenses	5,075	4,863
<i>Interest on deposits</i>	3,436	2,867
Fees and commissions payments	3,714	3,699
Other ordinary expenses	1,902	1,370
General and administrative expenses	26,909	26,104
Other expenses	1,113	1,216
Ordinary profit	11,010	12,150
Extraordinary income	-	0
Extraordinary loss	77	96
Income before income taxes	10,933	12,054
Income taxes-current	2,710	3,457
Income taxes for prior periods	(317)	(259)
Income taxes-deferred	840	364
Total income taxes	3,233	3,562
Net income	7,699	8,492
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of the parent	7,699	8,492

3. Consolidated Statements of Comprehensive Income

(Millions of yen)	For the nine months ended	
	December 31, 2016	December 31, 2017
Net income	7,699	8,492
Other comprehensive income	(1,942)	706
Valuation difference on available- for-sale securities	(3,599)	407
Deferred gains or losses on hedges	1,657	299
Comprehensive income	5,757	9,198
Comprehensive income attributable to owners of the parent	5,757	9,198
Comprehensive income attributable to non-controlling interests	-	-

4. Going Concern Assumption

There is no applicable information.

Selected Financial Information of 3rd Quarter Results

1. Operating Results

(1) Consolidated

(Millions of yen)

	For the nine months ended December 31,		Increase/ (Decrease) (A)-(B)
	2017 (A)	2016 (B)	
Gross Operating Profit (Note 1)	33,509	34,020	(511)
Net Interest Income	25,814	25,295	518
Net Fees and Commissions	4,600	3,346	1,253
Net Other Ordinary Income	3,094	5,378	(2,283)
General and Administrative Expenses	26,104	26,909	(804)
Net Operating Income before General Allowance and Goodwill (Note 2)	7,405	7,111	293
Provision for General Allowance for Loan Losses	-	-	-
Net Operating Income (Note 3)	7,405	7,111	293
Non-recurring Income and Expenses	4,744	3,899	845
Net Gain and Loss on Stocks and Other Securities	1,341	(212)	1,553
Problem Claims related Costs	260	325	(65)
Written-offs of Loans	108	138	(30)
Provision for Specific Allowance for Loan Losses	-	-	-
Net Loss on Sales of Loans	151	187	(35)
Reversal of Allowance for Loan Losses	85	2,360	(2,275)
Recoveries of Written-off Claims	1	3	(2)
Others	3,577	2,072	1,504
Ordinary Profit	12,150	11,010	1,139
Extraordinary Income and Loss	(95)	(77)	(18)
Net Gain and Loss on Disposal of Noncurrent Assets	(95)	(77)	(18)
Gain on Disposal of Noncurrent Assets	0	-	0
Loss on Disposal of Noncurrent Assets	96	77	19
Others	-	-	-
Income before Income Taxes	12,054	10,933	1,120
Income Taxes	3,562	3,233	328
Income Taxes - Current	3,457	2,710	746
Income taxes for prior periods	(259)	(317)	57
Income Taxes - Deferred	364	840	(476)
Net income	8,492	7,699	792
Net income attributable to non-controlling interests	-	-	-
Net income attributable to owners of the parent	8,492	7,699	792

Notes: 1. Gross Operating Profit = (Interest Income - Interest Expenses) + (Fees and Commissions - Fees and Commissions Payments) + (Other Ordinary Income - Other Ordinary Expenses)

2. Net Operating Income before General Allowance and Goodwill = Gross Operating Profit - General and Administrative Expenses

3. Net Operating Income = Gross Operating Profit - General and Administrative Expenses - Provision for General Allowance for Loan Losses

Credit Costs (Note 4)	394	(1,733)	2,128
excluding Recoveries of Written-off Claims	396	(1,729)	2,125

Note: 4. Credit Costs = (Provision for General Allowance for Loan Losses + Problem Claims related Costs)

- (Reversal of Allowance for Loan Losses + Recoveries of Written-off Claims) + Adjustment on purchased loan

(2) Non-consolidated

(Millions of yen)

	For the nine months ended December 31,		Increase/ (Decrease) (A)-(B)
	2017 (A)	2016 (B)	
Gross Operating Profit	31,828	31,974	(145)
Net Interest Income	25,559	25,014	545
Net Fees and Commissions	3,174	1,581	1,592
Net Other Ordinary Income	3,094	5,378	(2,283)
of which Net Gain and Loss on Bonds	(215)	1,077	(1,292)
General and Administrative Expenses (excluding non-recurring expenses)	25,726	26,328	(602)
Personnel Expenses	12,606	12,544	61
Nonpersonnel Expenses	11,781	12,390	(609)
Taxes	1,338	1,393	(55)
Net Operating Income (before General Allowance and Goodwill)	6,102	5,645	457
Core Net Operating Income (excluding Net Gain and Loss on Bonds)	6,318	4,567	1,750
Provision for General Allowance for Loan Losses	-	-	-
Amortization of Goodwill	-	-	-
Net Operating Income	6,102	5,645	457
Non-recurring Income and Expenses	5,560	4,746	813
Net Gain and Loss on Stocks and Other Securities	1,341	(212)	1,553
Problem Claims related Costs	(9)	(11)	2
Written-offs of Loans	-	-	-
Provision for Specific Allowance for Loan Losses	-	-	-
Net Gain and Loss on Sales of Loans	(9)	(11)	2
Reversal of Allowance for Loan Losses	648	3,041	(2,393)
Recoveries of Written-off Claims	0	-	0
Others	3,561	1,905	1,655
Ordinary Profit	11,662	10,391	1,271
Extraordinary Income and Loss	(96)	(76)	(20)
Net Gain and Loss on Disposal of Noncurrent Assets	(96)	(76)	(20)
Gain on Disposal of Noncurrent Assets	-	-	-
Loss on Disposal of Noncurrent Assets	96	76	20
Others	-	-	-
Income before Income Taxes	11,566	10,315	1,251
Income Taxes	3,344	3,014	330
Income Taxes - Current	3,297	2,567	729
Income taxes for prior periods	(259)	(317)	57
Income Taxes - Deferred	306	763	(456)
Net Income	8,222	7,301	920

2. Disclosed Claims under Financial Revitalization Law (Consolidated)

<Disclosed Claims under Financial Revitalization Law after writing-off Category IV Claims>

(Millions of yen except percentages)

	As of December 31,		Increase/ (Decrease) (A)-(B)	As of September 30, 2017
	2017 (A)	2016 (B)		
Bankruptcy and Quasi-Bankruptcy	4,284	4,502	(217)	4,476
Doubtful	10,769	15,915	(5,146)	10,788
Sub-standard	275	559	(283)	397
Sub-Total (a)	15,329	20,977	(5,648)	15,662
Normal	1,726,454	1,686,519	39,934	1,707,104
Total (b)	1,741,784	1,707,497	34,286	1,722,767
Ratio of Problem Loans to Total Claims (a / b × 100)	0.88%	1.22%	(0.34)%	0.90%

<Disclosed Claims under Financial Revitalization Law including Category IV Claims>

(Millions of yen except percentages)

	As of December 31,		Increase/ (Decrease) (A)-(B)	As of September 30, 2017
	2017 (A)	2016 (B)		
Bankruptcy and Quasi-Bankruptcy	7,226	8,440	(1,214)	7,452
Doubtful	10,769	15,915	(5,146)	10,788
Sub-standard	275	559	(283)	397
Sub-Total (a)	18,270	24,915	(6,644)	18,638
Normal	1,726,454	1,686,519	39,934	1,707,104
Total (b)	1,744,725	1,711,435	33,289	1,725,742
Ratio of Problem Loans to Total Claims (a / b × 100)	1.04%	1.45%	(0.41)%	1.08%

Note:

Disclosed Claims under Financial Revitalization Law ("Disclosed Claims") is shown under two calculation methods.

Category IV claims are defined as those claims against legally or virtually bankrupt borrowers that have been judged as uncollectible. In such claims, any amount in excess of the value of the collateral or guarantees are either fully written-off (top chart) or fully reserved against (bottom chart).

The top chart has excluded all Category IV claims from Disclosed Claims since these claims have been deemed as uncollectible and the remaining balance is fully covered with collateral and guarantees after writing off the excess. Most Japanese banks have adopted this method for reporting Disclosed Claims.

The bottom chart has included all Category IV claims in Disclosed Claims even though any amount in excess of collateral and guarantees has been fully reserved against. The Bank and its subsidiaries have adopted this method and thus, Category IV claims are not deducted from Disclosed Claims until such claims are collected, legally settled, or sold. This results in a higher Disclosed amount and ratio than the calculation method used in the top chart.

3. Securities at Fair Value (Consolidated)

(1) Trading securities

(Millions of yen)

	As of December 31, 2017	As of December 31, 2016	As of September 30, 2017
Valuation difference included in net gain/(loss)	(381)	-	(370)

(2) Available-for-sale securities

(Millions of yen)

	As of December 31, 2017			As of December 31, 2016			As of September 30, 2017		
	Balance sheet amount	Cost	Net unrealized gain/(loss)	Balance sheet amount	Cost	Net unrealized gain/(loss)	Balance sheet amount	Cost	Net unrealized gain/(loss)
Equities	-	-	-	-	-	-	-	-	-
Bonds	87,884	87,669	215	175,997	176,201	(203)	101,565	101,484	81
Government bonds	44,800	45,193	(393)	105,004	105,746	(741)	45,810	46,323	(512)
Municipal bonds	-	-	-	8,051	8,065	(14)	-	-	-
Corporate bonds	43,083	42,475	608	62,941	62,389	552	55,754	55,161	593
Others	258,920	258,834	85	263,464	266,735	(3,270)	235,293	234,598	694
Total	346,804	346,503	300	439,462	442,936	(3,473)	336,858	336,082	775

4. Derivatives (Consolidated)

(1) Derivative transactions to which hedge accounting is not applied

① Interest Rate Derivatives

(Millions of yen)

	As of December 31, 2017			As of December 31, 2016			As of September 30, 2017		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Listed:									
Interest Rate Futures	-	-	-	-	-	-	11,112	6	6
Over-the-counter:									
Interest Rate Swaps	873,224	(659)	(659)	966,214	(825)	(825)	875,777	(509)	(509)
Other	24,400	-	28	-	-	-	14,400	-	15
Total		(659)	(630)		(825)	(825)		(503)	(488)

② Currency Derivatives

(Millions of yen)

	As of December 31, 2017			As of December 31, 2016			As of September 30, 2017		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Listed:									
Currency Futures	1,252	6	6	-	-	-	647	(18)	(18)
Over-the-counter:									
Currency Swaps	146,123	(337)	(337)	108,624	(4,962)	(4,962)	151,173	(107)	(107)
Forward Foreign Exchange Contracts	37,216	12	12	24,150	247	247	26,856	(281)	(281)
Currency Options	758,904	-	11,319	644,870	-	10,107	720,822	-	10,663
Total		(318)	11,000		(4,714)	5,392		(407)	10,256

③ Equity Derivatives

(Millions of yen)

	As of December 31, 2017			As of December 31, 2016			As of September 30, 2017		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Listed:									
Stock Index Futures	4,593	(0)	(0)	-	-	-	-	-	-
Stock Index Options	28,200	3	(5)	-	-	-	17,162	(7)	(7)
Total		3	(6)		-	-		(7)	(7)

④ Bond Derivatives

(Millions of yen)

	As of December 31, 2017			As of December 31, 2016			As of September 30, 2017		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Listed:									
Bond Futures	25,487	102	102	45,863	(3)	(3)	39,352	174	174
Bond Futures Options	24,210	(91)	34	-	-	-	18,504	(6)	31
Total		11	136		(3)	(3)		167	205

⑤ Credit Derivatives

(Millions of yen)

	As of December 31, 2017			As of December 31, 2016			As of September 30, 2017		
	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)	Notional amounts	Fair value	Net unrealized gain (loss)
Over-the-counter:									
Credit Derivatives Swaps	-	-	-	1,000	(98)	(98)	-	-	-
Total		-	-		(98)	(98)		-	-

* Commodity Derivatives : Not applicable.

(2) Derivative transactions to which hedge accounting is applied

① Interest Rate Derivatives

(Millions of yen)

Treatments	Products	Major hedged items	As of December 31,				As of September 30, 2017	
			2017		2016		Notional amounts	Fair value
			Notional amounts	Fair value	Notional amounts	Fair value		
Deferral hedge accounting method	Interest Rate Swaps	Available-for-sale Securities(Bonds)	56,500	265	58,245	2,297	56,365	(537)
Exceptional accrual method	Interest Rate Swaps	Loans	1,067	-	1,441	-	1,065	-
Total				265		2,297		(537)

*Derivatives transactions other than Interest Rate Derivatives : Not applicable.

5. Balances of Loans and Deposits (Consolidated)

	As of December 31,		(Millions of yen)
	2017	2016	As of September 30, 2017
Total deposits	2,243,631	2,306,113	2,270,836
Deposits	1,863,416	1,997,369	1,899,321
Individuals	1,658,689	1,817,634	1,693,822
Corporations	202,865	177,221	202,323
Public entities	148	78	44
Financial institutions	1,712	2,435	3,131
Negotiable Certificates of Deposit	380,215	308,744	371,515
Loans and Bills Discounted	1,726,223	1,692,746	1,708,829