

Consolidated Financial Results
for the 3rd Quarter of Fiscal 2018

February 8, 2019



Consolidated Financial Results
for the 3rd Quarter of Fiscal 2018 ended December 31, 2018
[under Japanese GAAP]

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

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

Headquarters : Tokyo

- Notes: - The financial results presented here are not subject to certified public accountant's or audit firm's audits.
 - The amounts are rounded down to the nearest million of yen.

1. Summary of Consolidated Financial Results
for the 3rd Quarter of Fiscal 2018 ended December 31, 2018

(1) Operating Results (Millions of yen except per share data and percentages)

	For the nine months ended	
	December 31, 2018	December 31, 2017
Ordinary income	46,039	49,404
Change from the previous period	(6.8)%	(0.6)%
Ordinary profit	8,132	12,150
Change from the previous period	(33.0)%	10.3%
Net income attributable to owners of the parent	5,850	8,492
Change from the previous period	(31.1)%	10.2%
Net income per common share (yen)	8,357.40	12,131.60
Diluted net income per common share (yen)	-	-

Note: Comprehensive income for the nine months ended :

December 31, 2018	6,649 million yen	(27.7) %
December 31, 2017	9,198 million yen	59.7 %

(2) Financial Conditions (Millions of yen except percentages)

	As of	
	December 31, 2018	March 31, 2018
Total assets	2,516,890	2,608,103
Net assets	155,230	148,581
Ratio of net assets to total assets	6.1%	5.6%

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

December 31, 2018	155,230 million yen
March 31, 2018	148,581 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**

(a) Changes in accounting policies
due to revision of accounting standards etc. : No

(b) Changes in accounting policies other than (a) above : No

(c) Changes in accounting estimates : No

(d) Correction of prior period errors : No

(4) Number of Shares Outstanding (Common stock)

(a) Number of Shares Outstanding as of :

December 31, 2018 : 700,000 shares

March 31, 2018 : 700,000 shares

(b) Number of Treasury Shares Outstanding as of :

December 31, 2018 : — shares

March 31, 2018 : — shares

(c) Average Number of Shares Outstanding for the nine months ended :

December 31, 2018 : 700,000 shares

December 31, 2017 : 700,000 shares

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)	As of	
	March 31, 2018	December 31, 2018
Assets:		
Cash and due from banks	374,979	428,635
Call loans	27,901	13,000
Monetary claims bought	4,755	4,073
Money held in trust	9,975	4,963
Securities	334,888	242,030
Loans and bills discounted	1,740,836	1,693,558
Foreign exchanges	8,112	6,086
Other assets	93,517	110,691
Tangible fixed assets	5,563	5,308
Intangible fixed assets	7,591	8,590
Deferred tax assets	4,126	3,572
Customers' liabilities for acceptances and guarantees	8,466	8,974
Allowance for loan losses	(12,610)	(12,594)
Total assets	2,608,103	2,516,890
Liabilities:		
Deposits	1,878,581	1,798,370
Negotiable certificate of deposits	359,685	408,427
Call money	52,748	22,200
Payables under repurchase agreements	18,537	—
Payables under securities lending transactions	77,567	69,485
Borrowed money	3,080	3,330
Foreign exchanges	16	50
Bonds payable	4,100	—
Other liabilities	53,600	48,301
Provision for bonuses	2,822	2,174
Provision for directors' bonuses	198	229
Provision for losses on dormant deposit repayments	107	107
Provision for possible losses on refund of interest	9	9
Acceptances and guarantees	8,466	8,974
Total liabilities	2,459,522	2,361,659
Net assets:		
Capital stock	26,000	26,000
Capital surplus	24,000	24,000
Retained earnings	98,997	104,847
Total shareholders' equity	148,997	154,847
Valuation difference on available-for-sale securities	(616)	383
Deferred gains or losses on hedges	200	—
Total accumulated other comprehensive income	(416)	383
Total net assets	148,581	155,230
Total liabilities and net assets	2,608,103	2,516,890

2. Consolidated Statements of Income

(Millions of yen)	For the nine months ended	
	December 31, 2017	December 31, 2018
Ordinary income:	49,404	46,039
Interest income and dividends	30,677	29,619
<i>Interest on loans and discounts</i>	24,265	24,904
<i>Interest and dividends on securities</i>	6,069	4,345
Fees and commissions	8,300	7,954
Other ordinary income	4,465	5,769
Other income	5,961	2,696
Ordinary expenses:	37,254	37,906
Interest expenses	4,863	3,520
<i>Interest on deposits</i>	2,867	2,761
Fees and commissions payments	3,699	3,607
Other ordinary expenses	1,370	2,139
General and administrative expenses	26,104	26,608
Other expenses	1,216	2,030
Ordinary profit	12,150	8,132
Extraordinary income	0	—
Extraordinary loss	96	68
Income before income taxes	12,054	8,064
Income taxes-current	3,457	2,013
Income taxes for prior periods	(259)	—
Income taxes-deferred	364	200
Total income taxes	3,562	2,214
Net income	8,492	5,850
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	8,492	5,850

3. Consolidated Statements of Comprehensive Income

(Millions of yen)	For the nine months ended	
	December 31, 2017	December 31, 2018
Net income	8,492	5,850
Other comprehensive income	706	799
Valuation difference on available-for-sale securities	407	999
Deferred gains or losses on hedges	299	(200)
Comprehensive income	9,198	6,649
Comprehensive income attributable to owners of the parent	9,198	6,649
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)
	2018 (A)	2017 (B)	
Gross operating profit (Note 1)	34,075	33,509	565
Net interest income	26,098	25,814	284
Net fees and commissions	4,346	4,600	(253)
Net other ordinary income	3,629	3,094	534
General and administrative expenses	26,608	26,104	503
Net operating income before general allowance and goodwill (Note 2)	7,467	7,405	61
Provision for general allowance for loan losses	(578)	—	(578)
Net operating income (Note 3)	8,045	7,405	639
Non-recurring income and expenses	87	4,744	(4,657)
Net gain and loss on stocks and other securities	(777)	1,341	(2,118)
Problem claims related costs	976	260	716
Written-off of loans	98	108	(9)
Provision for specific allowance for loan losses	1,049	—	1,049
Net loss on sales of loans	(171)	151	(323)
Reversal of allowance for loan losses	—	85	(85)
Recoveries of written-off claims	2	1	0
Others	1,839	3,577	(1,737)
Ordinary profit	8,132	12,150	(4,017)
Extraordinary income and loss	(68)	(95)	27
Net gain and loss on disposal of non-current assets	(68)	(95)	27
Gain on disposal of non-current assets	—	0	(0)
Loss on disposal of non-current assets	68	96	(28)
Others	—	—	—
Income before income taxes	8,064	12,054	(3,989)
Income taxes	2,214	3,562	(1,347)
Income taxes - current	2,013	3,457	(1,444)
Income taxes for prior periods	—	(259)	259
Income taxes - deferred	200	364	(163)
Net income	5,850	8,492	(2,641)
Net income attributable to non-controlling interests	—	—	—
Net income attributable to owners of the parent	5,850	8,492	(2,641)

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)	552	394	157
Excluding recoveries of written-off claims	554	396	158

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)
	2018 (A)	2017 (B)	
Gross operating profit	32,756	31,828	928
Net interest income	26,037	25,559	477
Net fees and commissions	3,089	3,174	(84)
Net other ordinary income	3,629	3,094	534
of which net gain and loss on bonds	(1,838)	(215)	(1,622)
General and administrative expenses (excluding non-recurring expenses)	26,160	25,726	434
Personnel expenses	12,725	12,606	118
Nonpersonnel expenses	12,087	11,781	306
Taxes	1,347	1,338	9
Net operating income before general allowance and goodwill	6,596	6,102	493
Core net operating income (excluding net gain and loss on bonds)	8,434	6,318	2,116
Provision for general allowance for loan losses	—	—	—
Amortization of goodwill	—	—	—
Net operating income	6,596	6,102	493
Non-recurring income and expenses	1,480	5,560	(4,080)
Net gain and loss on stocks and other securities	(777)	1,341	(2,118)
Problem claims related costs	(316)	(9)	(307)
Written-off of loans	—	—	—
Provision for specific allowance for loan losses	—	—	—
Net gain and loss on sales of loans	(316)	(9)	(307)
Reversal of allowance for loan losses	260	648	(387)
Recoveries of written-off claims	—	0	(0)
Others	1,680	3,561	(1,881)
Ordinary profit	8,076	11,662	(3,586)
Extraordinary income and loss	(62)	(96)	34
Net gain and loss on disposal of non-current assets	(62)	(96)	34
Gain on disposal of non-current assets	—	—	—
Loss on disposal of non-current assets	62	96	(34)
Others	—	—	—
Income before income taxes	8,014	11,566	(3,551)
Income taxes	2,169	3,344	(1,174)
Income taxes - current	1,941	3,297	(1,356)
Income taxes for prior periods	—	(259)	259
Income taxes - deferred	228	306	(78)
Net income	5,845	8,222	(2,377)

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, 2018
	2018 (A)	2017 (B)		
Bankruptcy and Quasi-Bankruptcy	4,566	4,284	281	4,711
Doubtful	9,955	10,769	(813)	10,161
Sub-standard	419	275	143	405
Sub-Total (a)	14,940	15,329	(388)	15,278
Normal	1,693,383	1,726,454	(33,070)	1,687,052
Total (b)	1,708,324	1,741,784	(33,459)	1,702,330
Ratio of Problem Loans to Total Claims (a / b × 100)	0.87%	0.88%	(0.01)%	0.89%

<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, 2018
	2018 (A)	2017 (B)		
Bankruptcy and Quasi-Bankruptcy	7,839	7,226	613	8,026
Doubtful	9,955	10,769	(813)	10,161
Sub-standard	419	275	143	405
Sub-Total (a)	18,214	18,270	(56)	18,593
Normal	1,693,383	1,726,454	(33,070)	1,687,052
Total (b)	1,711,598	1,744,725	(33,127)	1,705,646
Ratio of Problem Loans to Total Claims (a / b × 100)	1.06%	1.04%	0.02%	1.09%

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, 2018	As of December 31, 2017	As of September 30, 2018
Valuation difference included in net gain/(loss)	—	(381)	—

(2) Available-for-sale securities

(Millions of yen)

	As of December 31, 2018			As of December 31, 2017			As of September 30, 2018		
	Balance sheet amount	Cost	Net unrealized gain/(loss)	Balance sheet amount	Cost	Net unrealized gain/(loss)	Balance sheet amount	Cost	Net unrealized gain/(loss)
Bonds	77,011	76,625	385	87,884	87,669	215	92,744	92,560	184
Government bonds	47,208	47,345	(137)	44,800	45,193	(393)	47,031	47,398	(367)
Municipal bonds	—	—	—	—	—	—	6,234	6,235	(1)
Corporate bonds	29,802	29,280	522	43,083	42,475	608	39,479	38,925	553
Others	162,673	162,506	167	258,920	258,834	85	197,805	199,217	(1,412)
Total	239,684	239,132	552	346,804	346,503	300	290,550	291,778	(1,227)

4. Derivatives (Consolidated)

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

(a) Interest Rate Derivatives

(Millions of yen)

		As of December 31, 2018			As of December 31, 2017			As of September 30, 2018		
		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	Interest Rate Swaps	760,478	(485)	(485)	873,224	(659)	(659)	762,153	(322)	(322)
	Others	39,059	—	51	24,400	—	28	39,106	—	51
Total			(485)	(433)		(659)	(630)		(322)	(270)

(b) Currency Derivatives

(Millions of yen)

		As of December 31, 2018			As of December 31, 2017			As of September 30, 2018		
		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	—	—	—
Over-the-counter	Currency Swaps	107,482	1,829	1,829	146,123	(337)	(337)	110,403	(802)	(802)
	Forward Foreign Exchange Contracts	38,266	30	30	37,216	12	12	23,898	(43)	(43)
	Currency Options	984,817	—	15,048	758,904	—	11,319	923,503	—	14,070
Total			1,860	16,908		(318)	11,000		(846)	13,224

(c) Equity Derivatives

(Millions of yen)

		As of December 31, 2018			As of December 31, 2017			As of September 30, 2018		
		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)	1,986	(9)	(9)
	Stock Index Options	—	—	—	28,200	3	(5)	—	—	—
Total			—	—		3	(6)		(9)	(9)

(d) Bond Derivatives

(Millions of yen)

		As of December 31, 2018			As of December 31, 2017			As of September 30, 2018		
		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	21,856	(21)	(21)	25,487	102	102	1,493	0	0
	Bond Futures Options	—	—	—	24,210	(91)	34	10,246	(15)	8
Total			(21)	(21)		11	136		(14)	9

(e) Commodity Derivatives

(Millions of yen)

		As of December 31, 2018			As of December 31, 2017			As of September 30, 2018		
		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	Commodity Swaps	581	—	—	—	—	—	—	—	—
Total			—	—		—	—		—	—

(2) Derivative transactions to which hedge accounting is applied

(a) Interest Rate Derivatives

(Millions of yen)

Treatments	Products	Major hedged items	As of December 31,				As of September 30, 2018	
			2018		2017		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	—	—
Exceptional accrual method	Interest Rate Swaps	Loans	707	—	1,067	—	723	—
Total				—		265		—

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

5. Balances of Loans and Deposits (Consolidated)

(Millions of yen)

	As of December 31,		As of September 30, 2018
	2018	2017	
Total deposits	2,206,797	2,243,631	2,217,102
Deposits	1,798,370	1,863,416	1,839,725
Individuals	1,517,088	1,658,689	1,572,851
Corporations	279,563	202,865	264,423
Public entities	158	148	898
Financial institutions	1,559	1,712	1,551
Negotiable certificates of deposit	408,427	380,215	377,377
Loans and bills discounted	1,693,558	1,726,223	1,683,972