

Consolidated Financial Results
for the 1st Quarter of Fiscal 2019

August 8, 2019



Consolidated Financial Results
for the 1st Quarter of Fiscal 2019 ended June 30, 2019
[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 1st Quarter of Fiscal 2019 ended June 30, 2019

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

	For the three months ended	
	June 30, 2019	June 30, 2018
Ordinary income	14,175	14,685
Change from the previous period	(3.4)%	0.5%
Ordinary profit	2,944	1,870
Change from the previous period	57.4%	1.7%
Net income attributable to owners of the parent	1,924	1,236
Change from the previous period	55.6%	(14.3)%
Net income per common share (yen)	2,748.91	1,765.90
Diluted net income per common share (yen)	-	-

Note: Comprehensive income for the three months ended :

June 30, 2019 :	2,132 million yen	100.8 %
June 30, 2018 :	1,061 million yen	(34.3) %

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

	As of	
	June 30, 2019	March 31, 2019
Total assets	2,481,497	2,460,480
Net assets	160,194	158,061
Ratio of net assets to total assets	6.4%	6.4%

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

June 30, 2019 :	160,194 million yen
March 31, 2019 :	158,061 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 :

June 30, 2019	:	700,000 shares
March 31, 2019	:	700,000 shares

(b) Number of Treasury Shares Outstanding as of :

June 30, 2019	:	— shares
March 31, 2019	:	— shares

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

June 30, 2019	:	700,000 shares
June 30, 2018	:	700,000 shares

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)	As of	
	March 31, 2019	June 30, 2019
Assets:		
Cash and due from banks	412,822	453,996
Call loans	17,000	15,500
Monetary claims bought	7,091	6,901
Money held in trust	4,949	4,722
Securities	231,389	242,324
Loans and bills discounted	1,670,433	1,648,926
Foreign exchanges	6,427	4,640
Other assets	96,373	89,820
Tangible fixed assets	5,542	5,902
Intangible fixed assets	8,763	8,516
Deferred tax assets	3,362	3,228
Customers' liabilities for acceptances and guarantees	9,139	9,147
Allowance for loan losses	(12,815)	(12,130)
Total assets	2,460,480	2,481,497
Liabilities:		
Deposits	1,713,328	1,782,160
Negotiable certificate of deposits	429,326	386,435
Call money	22,000	20,000
Payables under securities lending transactions	37,075	45,606
Borrowed money	28,329	28,125
Foreign exchanges	23	1,264
Other liabilities	61,978	46,995
Provision for bonuses	928	1,363
Provision for directors' bonuses	175	91
Provision for losses on dormant deposit repayments	99	99
Provision for possible losses on refund of interest	11	11
Acceptances and guarantees	9,139	9,147
Total liabilities	2,302,418	2,321,303
Net assets:		
Capital stock	26,000	26,000
Capital surplus	24,000	24,000
Retained earnings	107,065	108,989
Total shareholders' equity	157,065	158,989
Valuation difference on available-for-sale securities	996	1,204
Total accumulated other comprehensive income	996	1,204
Total net assets	158,061	160,194
Total liabilities and net assets	2,460,480	2,481,497

2. Consolidated Statements of Income

(Millions of yen)	For the three months ended	
	June 30, 2018	June 30, 2019
Ordinary income:	14,685	14,175
Interest income and dividends	9,873	9,766
<i>Interest on loans and discounts</i>	8,168	8,325
<i>Interest and dividends on securities</i>	1,572	1,327
Fees and commissions	2,367	2,304
Other ordinary income	1,692	1,598
Other income	753	505
Ordinary expenses:	12,815	11,231
Interest expenses	1,185	901
<i>Interest on deposits</i>	852	868
Fees and commissions payments	1,261	1,046
Other ordinary expenses	1,016	4
General and administrative expenses	8,973	8,964
Other expenses	378	313
Ordinary profit	1,870	2,944
Extraordinary income	—	—
Extraordinary loss	21	122
Income before income taxes	1,849	2,822
Income taxes-current	45	856
Income taxes-deferred	567	41
Total income taxes	612	897
Net income	1,236	1,924
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	1,236	1,924

3. Consolidated Statements of Comprehensive Income

(Millions of yen)	For the three months ended	
	June 30, 2018	June 30, 2019
Net income	1,236	1,924
Other comprehensive income	(174)	208
Valuation difference on available-for-sale securities	25	208
Deferred gains or losses on hedges	(200)	—
Comprehensive income	1,061	2,132
Comprehensive income attributable to owners of the parent	1,061	2,132
Comprehensive income attributable to non-controlling interests	—	—

4. Going Concern Assumption

There is no applicable information.

Selected Financial Information of 1st Quarter Results

1. Operating Results

(1) Consolidated

(Millions of yen)

	For the three months ended June 30,		Increase/ (Decrease) (A)-(B)
	2019 (A)	2018 (B)	
Gross operating profit (Note 1)	11,716	10,469	1,247
Net interest income	8,864	8,687	176
Net fees and commissions	1,258	1,105	152
Net other ordinary income	1,594	676	917
General and administrative expenses	8,964	8,973	(9)
Net operating income before general allowance and goodwill (Note 2)	2,752	1,495	1,257
Provision for general allowance for loan losses	—	(332)	332
Net operating income (Note 3)	2,752	1,827	924
Non-recurring income and expenses	191	42	148
Net gain and loss on stocks and other securities	—	14	(14)
Problem claims related costs	29	569	(539)
Written-off of loans	9	11	(1)
Provision for specific allowance for loan losses	—	557	(557)
Net loss on sales of loans	20	(0)	20
Reversal of allowance for loan losses	23	—	23
Recoveries of written-off claims	0	0	(0)
Others	197	597	(400)
Ordinary profit	2,944	1,870	1,073
Extraordinary income and loss	(122)	(21)	(100)
Net gain and loss on disposal of non-current assets	(122)	(21)	(100)
Gain on disposal of non-current assets	—	—	—
Loss on disposal of non-current assets	122	21	100
Others	—	—	—
Income before income taxes	2,822	1,849	973
Income taxes	897	612	284
Income taxes - current	856	45	811
Income taxes - deferred	41	567	(526)
Net income	1,924	1,236	688
Net income attributable to non-controlling interests	—	—	—
Net income attributable to owners of the parent	1,924	1,236	688

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)	85	364	(278)
Excluding recoveries of written-off claims	86	364	(278)

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 three months ended June 30,		Increase/ (Decrease) (A)-(B)
	2019 (A)	2018 (B)	
Gross operating profit	11,230	10,132	1,098
Net interest income	8,802	8,767	34
Net fees and commissions	834	688	145
Net other ordinary income	1,594	676	917
of which net gain and loss on bonds	504	(793)	1,298
General and administrative expenses (excluding non-recurring expenses)	8,778	8,818	(40)
Personnel expenses	4,241	4,204	37
Nonpersonnel expenses	4,028	4,058	(30)
Taxes	508	555	(47)
Net operating income before general allowance and goodwill	2,452	1,313	1,139
Core net operating income (excluding net gain and loss on bonds)	1,948	2,107	(158)
Provision for general allowance for loan losses	—	—	—
Amortization of goodwill	—	—	—
Net operating income	2,452	1,313	1,139
Non-recurring income and expenses	317	668	(351)
Net gain and loss on stocks and other securities	—	14	(14)
Problem claims related costs	2	(0)	2
Written-off of loans	—	—	—
Provision for specific allowance for loan losses	—	—	—
Net gain and loss on sales of loans	2	(0)	2
Reversal of allowance for loan losses	203	105	98
Recoveries of written-off claims	—	—	—
Others	116	548	(432)
Ordinary profit	2,769	1,982	787
Extraordinary income and loss	(121)	(15)	(106)
Net gain and loss on disposal of non-current assets	(121)	(15)	(106)
Gain on disposal of non-current assets	—	—	—
Loss on disposal of non-current assets	121	15	106
Others	—	—	—
Income before income taxes	2,647	1,966	681
Income taxes	918	575	342
Income taxes - current	840	9	831
Income taxes - deferred	77	566	(488)
Net income	1,729	1,391	338

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 June 30,		Increase/ (Decrease) (A)-(B)	As of March 31, 2019
	2019 (A)	2018 (B)		
Bankruptcy and Quasi-Bankruptcy	4,643	4,510	133	4,584
Doubtful	4,602	10,469	(5,867)	6,518
Sub-standard	416	496	(79)	288
Sub-Total (a)	9,661	15,476	(5,814)	11,391
Normal	1,651,842	1,685,416	(33,574)	1,674,262
Total (b)	1,661,503	1,700,892	(39,388)	1,685,653
Ratio of Problem Loans to Total Claims (a / b × 100)	0.58%	0.90%	(0.32)%	0.67%

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

(Millions of yen except percentages)

	As of June 30,		Increase/ (Decrease) (A)-(B)	As of March 31, 2019
	2019 (A)	2018 (B)		
Bankruptcy and Quasi-Bankruptcy	9,119	7,624	1,495	7,979
Doubtful	4,602	10,469	(5,867)	6,518
Sub-standard	416	496	(79)	288
Sub-Total (a)	14,137	18,590	(4,452)	14,786
Normal	1,651,842	1,685,416	(33,574)	1,674,262
Total (b)	1,665,979	1,704,006	(38,027)	1,689,048
Ratio of Problem Loans to Total Claims (a / b × 100)	0.84%	1.09%	(0.25)%	0.87%

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)

Available-for-sale securities

(Millions of yen)

	As of June 30, 2019			As of June 30, 2018			As of March 31, 2019		
	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	52,578	51,989	588	84,140	83,864	276	51,282	50,764	517
Government bonds	19,118	19,171	(53)	43,810	44,093	(283)	19,120	19,193	(73)
Municipal bonds	—	—	—	3,168	3,159	9	—	—	—
Corporate bonds	33,460	32,818	642	37,161	36,610	550	32,162	31,571	591
Others	190,715	189,567	1,147	175,915	177,044	(1,128)	181,034	180,116	917
Total	243,293	241,557	1,736	260,056	260,908	(851)	232,317	230,881	1,435

4. Derivatives (Consolidated)

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

(a) Interest Rate Derivatives

(Millions of yen)

		As of June 30, 2019			As of June 30, 2018			As of March 31, 2019		
		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	733,772	(542)	(542)	759,350	(530)	(530)	760,675	(693)	(693)
	Others	48,785	—	118	29,153	—	41	46,149	—	106
Total			(542)	(424)		(530)	(489)		(693)	(586)

(b) Currency Derivatives

(Millions of yen)

		As of June 30, 2019			As of June 30, 2018			As of March 31, 2019		
		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	Currency Swaps	104,037	2,765	2,765	107,692	(1,340)	(1,340)	107,385	(418)	(418)
	Forward Foreign Exchange Contracts	50,781	(39)	(39)	18,452	(198)	(198)	38,884	(100)	(100)
	Currency Options	1,071,618	—	16,850	892,786	—	13,735	1,034,072	—	15,866
Total			2,725	19,575		(1,539)	12,196		(519)	15,347

(c) Equity Derivatives

(Millions of yen)

		As of June 30, 2019			As of June 30, 2018			As of March 31, 2019		
		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	—	—	—	2,065	(11)	(11)	—	—	—
	Stock Index Options	—	—	—	9,182	(0)	1	—	—	—
Total			—	—		(11)	(9)		—	—

(d) Bond Derivatives

(Millions of yen)

		As of June 30, 2019			As of June 30, 2018			As of March 31, 2019		
		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	25,130	(31)	(31)	24,341	(73)	(73)	23,976	9	9
	Bond Futures Options	—	—	—	9,382	(24)	2	2,075	(0)	0
Total			(31)	(31)		(97)	(71)		8	10

(e) Commodity Derivatives

(Millions of yen)

		As of June 30, 2019			As of June 30, 2018			As of March 31, 2019		
		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	1,782	—	—	—	—	—	627	—	—
Total			—	—		—	—		—	—

(2) Derivative transactions to which hedge accounting is applied

Interest Rate Derivatives

(Millions of yen)

Treatments	Products	Major hedged items	As of June 30,				As of March 31, 2019	
			2019		2018		Notional amounts	Fair value
			Notional amounts	Fair value	Notional amounts	Fair value		
Exceptional accrual method	Interest Rate Swaps	Loans	514	—	876	—	529	—
	Total			—		—		—

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

5. Balances of Loans and Deposits (Consolidated)

(Millions of yen)

	As of June 30,		As of March 31, 2019
	2019	2018	
Total deposits	2,168,595	2,283,712	2,142,654
Deposits	1,782,160	1,860,571	1,713,328
Individuals	1,396,592	1,600,644	1,451,804
Corporations	301,570	258,456	259,927
Public entities	11,060	61	24
Financial institutions	72,937	1,409	1,571
Negotiable certificates of deposit	386,435	423,141	429,326
Loans and bills discounted	1,648,926	1,681,690	1,670,433