

Consolidated Financial Results
for the 1st Quarter of Fiscal 2020

August 7, 2020



Consolidated Financial Results
for the 1st Quarter of Fiscal 2020 ended June 30, 2020
[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 2020 ended June 30, 2020

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

	For the three months ended	
	June 30, 2020	June 30, 2019
Ordinary income	11,041	14,175
Change from the previous period	(22.1)%	(3.4)%
Ordinary profit	△1,294	2,944
Change from the previous period	-	57.4%
Net income attributable to owners of the parent	△996	1,924
Change from the previous period	-	55.6%
Net income per common share (yen)	△ 1,423.35	2,748.91
Diluted net income per common share (yen)	-	-

Note: Comprehensive income for the three months ended :

June 30, 2020 :	1,611 million yen	(24.4) %
June 30, 2019 :	2,132 million yen	100.8 %

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

	As of	
	June 30, 2020	March 31, 2020
Total assets	2,189,288	2,419,895
Net assets	164,146	162,535
Ratio of net assets to total assets	7.4%	6.7%

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

June 30, 2020 :	164,146 million yen
March 31, 2020 :	162,535 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, 2020 : 700,000 shares

March 31, 2020 : 700,000 shares

(b) Number of Treasury Shares Outstanding as of :

June 30, 2020 : — shares

March 31, 2020 : — shares

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

June 30, 2020 : 700,000 shares

June 30, 2019 : 700,000 shares

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)	As of	
	March 31, 2020	June 30, 2020
Assets:		
Cash and due from banks	409,923	236,131
Call loans	29,000	23,500
Monetary claims bought	6,298	6,134
Money held in trust	0	0
Securities	220,904	201,269
Loans and bills discounted	1,641,575	1,627,282
Foreign exchanges	9,449	4,372
Other assets	84,273	75,358
Tangible fixed assets	4,600	4,444
Intangible fixed assets	8,168	7,932
Deferred tax assets	4,471	3,689
Customers' liabilities for acceptances and guarantees	11,127	10,548
Allowance for loan losses	(9,900)	(11,375)
Total assets	2,419,895	2,189,288
Liabilities:		
Deposits	1,853,240	1,773,942
Negotiable certificate of deposits	198,263	141,475
Call money	57,649	10,774
Payables under securities lending transactions	48,320	28,842
Borrowed money	36,420	16,053
Foreign exchanges	229	117
Other liabilities	50,925	41,860
Provision for bonuses	933	1,343
Provision for directors' bonuses	164	100
Provision for losses on dormant deposit repayments	76	76
Provision for possible losses on refund of interest	8	8
Acceptances and guarantees	11,127	10,548
Total liabilities	2,257,360	2,025,141
Net assets:		
Capital stock	26,000	26,000
Capital surplus	24,000	24,000
Retained earnings	116,063	115,067
Total shareholders' equity	166,063	165,067
Valuation difference on available-for-sale securities	(3,528)	(920)
Total accumulated other comprehensive income	(3,528)	(920)
Total net assets	162,535	164,146
Total liabilities and net assets	2,419,895	2,189,288

2. Consolidated Statements of Income

(Millions of yen)	For the three months ended	
	June 30, 2019	June 30, 2020
Ordinary income:	14,175	11,041
Interest income and dividends	9,766	8,578
<i>Interest on loans and discounts</i>	8,325	7,626
<i>Interest and dividends on securities</i>	1,327	849
Fees and commissions	2,304	1,618
Other ordinary income	1,598	548
Other income	505	296
Ordinary expenses:	11,231	12,336
Interest expenses	901	598
<i>Interest on deposits</i>	868	482
Fees and commissions payments	1,046	985
Other ordinary expenses	4	761
General and administrative expenses	8,964	8,373
Other expenses	313	1,617
Ordinary profit (loss)	2,944	(1,294)
Extraordinary income	—	—
Extraordinary loss	122	6
Income (Loss) before income taxes	2,822	(1,301)
Income taxes-current	856	64
Income taxes-deferred	41	(369)
Total income taxes	897	(304)
Net income (loss)	1,924	(996)
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of the parent	1,924	(996)

3. Consolidated Statements of Comprehensive Income

(Millions of yen)	For the three months ended	
	June 30, 2019	June 30, 2020
Net income (loss)	1,924	(996)
Other comprehensive income	208	2,608
Valuation difference on available-for-sale securities	208	2,608
Comprehensive income	2,132	1,611
Comprehensive income attributable to owners of the parent	2,132	1,611
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)
	2020 (A)	2019 (B)	
Gross operating profit (Note 1)	8,399	11,716	(3,317)
Net interest income	7,979	8,864	(884)
Net fees and commissions	632	1,258	(625)
Net other ordinary income	(212)	1,594	(1,806)
General and administrative expenses	8,373	8,964	(590)
Net operating income before general allowance and goodwill (Note 2)	26	2,752	(2,726)
Provision for general allowance for loan losses	1,119	—	1,119
Net operating income (Note 3)	(1,093)	2,752	(3,846)
Non-recurring income and expenses	(201)	191	(392)
Net gain and loss on stocks and other securities	—	—	—
Problem claims related costs	392	29	362
Written-off of loans	2	9	(7)
Provision for specific allowance for loan losses	390	—	390
Net loss on sales of loans	(0)	20	(20)
Reversal of allowance for loan losses	—	23	(23)
Recoveries of written-off claims	0	0	0
Others	190	197	(6)
Ordinary profit (loss)	(1,294)	2,944	(4,239)
Extraordinary income and loss	(6)	(122)	115
Net gain and loss on disposal of non-current assets	(6)	(122)	115
Gain on disposal of non-current assets	—	—	—
Loss on disposal of non-current assets	6	122	(115)
Others	—	—	—
Income (Loss) before income taxes	(1,301)	2,822	(4,123)
Income taxes	(304)	897	(1,202)
Income taxes - current	64	856	(792)
Income taxes - deferred	(369)	41	(410)
Net income (loss)	(996)	1,924	(2,920)
Net income attributable to non-controlling interests	—	—	—
Net income attributable to owners of the parent	(996)	1,924	(2,920)

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)	1,559	85	1,473
Excluding recoveries of written-off claims	1,560	86	1,474

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)
	2020 (A)	2019 (B)	
Gross operating profit	7,884	11,230	(3,345)
Net interest income	7,944	8,802	(857)
Net fees and commissions	153	834	(681)
Net other ordinary income	(212)	1,594	(1,806)
of which net gain and loss on bonds	(164)	504	(668)
General and administrative expenses (excluding non-recurring expenses)	8,257	8,778	(520)
Personnel expenses	4,139	4,241	(101)
Nonpersonnel expenses	3,694	4,028	(333)
Taxes	423	508	(84)
Net operating income before general allowance and goodwill	(373)	2,452	(2,825)
Core net operating income (excluding net gain and loss on bonds)	(209)	1,948	(2,157)
Excluding gain and loss on cancellation of investment trusts	(209)	1,948	(2,157)
Provision for general allowance for loan losses	1,152	—	1,152
Amortization of goodwill	—	—	—
Net operating income	(1,525)	2,452	(3,978)
Non-recurring income and expenses	40	317	(276)
Net gain and loss on stocks and other securities	—	—	—
Problem claims related costs	81	2	78
Written-off of loans	—	—	—
Provision for specific allowance for loan losses	81	—	81
Net gain and loss on sales of loans	(0)	2	(3)
Reversal of allowance for loan losses	—	203	(203)
Recoveries of written-off claims	—	—	—
Others	121	116	5
Ordinary profit (loss)	(1,484)	2,769	(4,254)
Extraordinary income and loss	(6)	(121)	115
Net gain and loss on disposal of non-current assets	(6)	(121)	115
Gain on disposal of non-current assets	—	—	—
Loss on disposal of non-current assets	6	121	(115)
Others	—	—	—
Income (Loss) before income taxes	(1,491)	2,647	(4,139)
Income taxes	(365)	918	(1,283)
Income taxes - current	6	840	(834)
Income taxes - deferred	(371)	77	(448)
Net income (loss)	(1,125)	1,729	(2,855)

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, 2020
	2020 (A)	2019 (B)		
Bankruptcy and Quasi-Bankruptcy	4,499	4,643	(144)	4,506
Doubtful	4,933	4,602	331	4,726
Sub-standard	1,180	416	764	444
Sub-Total (a)	10,613	9,661	951	9,677
Normal	1,629,949	1,651,842	(21,892)	1,651,826
Total (b)	1,640,563	1,661,503	(20,940)	1,661,503
Ratio of Problem Loans to Total Claims (a / b × 100)	0.64%	0.58%	0.06%	0.58%

<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, 2020
	2020 (A)	2019 (B)		
Bankruptcy and Quasi-Bankruptcy	7,957	9,119	(1,161)	7,653
Doubtful	4,933	4,602	331	4,726
Sub-standard	1,180	416	764	444
Sub-Total (a)	14,071	14,137	(65)	12,824
Normal	1,629,949	1,651,842	(21,892)	1,651,826
Total (b)	1,644,021	1,665,979	(21,958)	1,664,650
Ratio of Problem Loans to Total Claims (a / b × 100)	0.85%	0.84%	0.01%	0.77%

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, 2020			As of June 30, 2019			As of March 31, 2020		
	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	39,333	39,084	249	52,578	51,989	588	39,636	39,426	209
Government bonds	18,548	18,584	(36)	19,118	19,171	(53)	19,052	19,106	(53)
Corporate bonds	20,785	20,499	285	33,460	32,818	642	20,584	20,320	263
Others	164,422	165,998	(1,576)	190,715	189,567	1,147	183,931	189,227	(5,295)
Total	203,755	205,082	(1,326)	243,293	241,557	1,736	223,568	228,654	(5,085)

4. Derivatives (Consolidated)

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

(a) Interest Rate Derivatives

(Millions of yen)

		As of June 30, 2020			As of June 30, 2019			As of March 31, 2020		
		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	522,440	(336)	(336)	733,772	(542)	(542)	588,710	(475)	(475)
	Others	57,584	—	191	48,785	—	118	58,507	—	191
Total			(336)	(145)		(542)	(424)		(475)	(284)

(b) Currency Derivatives

(Millions of yen)

		As of June 30, 2020			As of June 30, 2019			As of March 31, 2020		
		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	84,168	(115)	(115)	104,037	2,765	2,765	89,607	88	88
	Forward Foreign Exchange Contracts	29,732	106	106	50,781	(39)	(39)	35,678	(272)	(272)
	Currency Options	1,089,247	9	17,312	1,071,618	—	16,850	1,147,517	200	17,648
Total			0	17,303		2,725	19,575		15	17,463

(c) Bond Derivatives

(Millions of yen)

		As of June 30, 2020			As of June 30, 2019			As of March 31, 2020		
		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	4,053	0	0	25,130	(31)	(31)	17,816	(319)	(319)
Total			0	0		(31)	(31)		(319)	(319)

(d) Commodity Derivatives

(Millions of yen)

		As of June 30, 2020			As of June 30, 2019			As of March 31, 2020		
		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	4,981	—	—	1,782	—	—	2,590	—	—
Total			—	—		—	—		—	—

*Equity Derivatives, Credit Derivatives : Not applicable.

(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, 2020	
			2020		2019		Notional amounts	Fair value
			Notional amounts	Fair value	Notional amounts	Fair value		
Exceptional accrual method	Interest Rate Swaps	Loans	157	—	514	—	158	—
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, 2020
	2020	2019	
Total deposits	1,915,417	2,168,595	2,051,504
Deposits	1,773,942	1,782,160	1,853,240
Individuals	1,272,789	1,396,592	1,265,431
Corporations	364,460	301,570	340,348
Public entities	49,468	11,060	34,192
Financial institutions	87,224	72,937	213,268
Negotiable certificates of deposit	141,475	386,435	198,263
Loans and bills discounted	1,627,282	1,648,926	1,641,575