

Consolidated Financial Results
for the 1st Quarter of Fiscal 2021

August 6, 2021



Consolidated Financial Results
for the 1st Quarter of Fiscal 2021 ended June 30, 2021
[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 2021 ended June 30, 2021

(1) Operating Results

(Millions of yen except per share data and percentages)

	For the three months ended	
	June 30, 2021	June 30, 2020
Ordinary income	10,627	11,041
Change from the previous period	(3.7)%	(22.1)%
Ordinary profit(loss)	457	(1,294)
Change from the previous period	135.3%	-
Net income(loss) attributable to owners of the parent	227	(996)
Change from the previous period	122.7%	-
Net income(loss) per common share (yen)	324.34	(1,423.35)
Diluted net income(loss) per common share (yen)	-	-

Note: Comprehensive income for the three months ended :

June 30, 2021 :	818 million yen	(49.1) %
June 30, 2020 :	1,611 million yen	(24.4) %

(2) Financial Conditions

(Millions of yen except percentages)

	As of	
	June 30, 2021	March 31, 2021
Total assets	2,223,280	2,317,753
Net assets	164,236	163,590
Ratio of net assets to total assets	7.3%	7.0%

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

June 30, 2021 :	164,236 million yen
March 31, 2021 :	163,590 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. : Yes

The Tokyo Star Bank, Limited (the "Bank") has applied "Accounting Standards for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Statement No.30, July 4, 2019) and "Implementation Guidance on Accounting Standards for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019) from the beginning of the fiscal year ended March 31, 2022.

In accordance with Article 8 of "Accounting Standards for Fair Value Measurement", the Bank has reviewed the fair value adjustment method for calculating the market value of derivative transactions to a method that maximizes the use of observable inputs estimated from derivatives traded in the market.

In accordance with Article 20 of "Accounting Standards for Fair Value Measurement", the Bank has reflected the cumulative effects arising from retroactive application of these new accounting policies to the previous periods in Retained earnings as of April 1, 2021.

As a result, Retained earnings decreased by 172 million yen, Other assets decreased by 351 million yen, Other liabilities decreased by 91 million yen, and Allowance for loan losses decreased by 11 million yen, Deferred tax assets increased by 76 million yen, and Net assets per share decreased by 246.55 yen at the beginning of the fiscal year ended March 31, 2022.

(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, 2021 : 700,000 shares

March 31, 2021 : 700,000 shares

(b) Number of Treasury Shares Outstanding as of :

June 30, 2021 : — shares

March 31, 2021 : — shares

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

June 30, 2021 : 700,000 shares

June 30, 2020 : 700,000 shares

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)	As of	
	March 31, 2021	June 30, 2021
Assets:		
Cash and due from banks	390,579	431,503
Call loans	65,500	34,500
Monetary claims bought	5,785	5,703
Securities	191,602	161,040
Loans and bills discounted	1,574,291	1,515,187
Foreign exchanges	6,513	3,429
Other assets	70,248	59,951
Tangible fixed assets	4,164	3,803
Intangible fixed assets	7,634	7,518
Deferred tax assets	4,119	3,993
Customers' liabilities for acceptances and guarantees	11,591	11,153
Allowance for loan losses	(14,277)	(14,504)
Total assets	2,317,753	2,223,280
Liabilities:		
Deposits	1,737,253	1,665,500
Negotiable certificates of deposits	327,421	319,836
Call money	31,071	20,000
Borrowed money	774	774
Foreign exchanges	60	20
Other liabilities	44,358	39,877
Provision for bonuses	960	1,321
Provision for directors' bonuses	147	57
Provision for directors' retirement benefits	102	119
Provision for losses on dormant deposit repayments	71	71
Provision for possible losses on refund of interest	4	4
Provision for business restructuring	343	304
Acceptances and guarantees	11,591	11,153
Total liabilities	2,154,162	2,059,043
Net assets:		
Capital stock	26,000	26,000
Capital surplus	24,000	24,000
Retained earnings	113,722	113,776
Total shareholders' equity	163,722	163,776
Valuation difference on available-for-sale securities	(131)	460
Total accumulated other comprehensive income	(131)	460
Total net assets	163,590	164,236
Total liabilities and net assets	2,317,753	2,223,280

2. Consolidated Statements of Income

(Millions of yen)	For the three months ended	
	June 30, 2020	June 30, 2021
Ordinary income:	11,041	10,627
Interest income and dividends	8,578	7,709
<i>Interest on loans and discounts</i>	7,626	7,024
<i>Interest and dividends on securities</i>	849	592
Fees and commissions	1,618	1,812
Other ordinary income	548	434
Other income	296	671
Ordinary expenses:	12,336	10,170
Interest expenses	598	429
<i>Interest on deposits</i>	482	419
Fees and commissions payments	985	926
Other ordinary expenses	761	116
General and administrative expenses	8,373	7,652
Other expenses	1,617	1,044
Ordinary profit (loss)	(1,294)	457
Extraordinary income	—	—
Extraordinary loss	6	38
Income (Loss) before income taxes	(1,301)	418
Income taxes-current	64	249
Income taxes-deferred	(369)	(58)
Total income taxes	(304)	191
Net income (loss)	(996)	227
Net income (loss) attributable to non-controlling interests	—	—
Net income (loss) attributable to owners of the parent	(996)	227

3. Consolidated Statements of Comprehensive Income

(Millions of yen)	For the three months ended	
	June 30, 2020	June 30, 2021
Net income (loss)	(996)	227
Other comprehensive income	2,608	591
Valuation difference on available-for-sale securities	2,608	591
Comprehensive income	1,611	818
Comprehensive income attributable to owners of the parent	1,611	818
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)
	2021 (A)	2020 (B)	
Gross operating profit (Note 1)	8,482	8,399	83
Net interest income	7,279	7,979	(700)
Net fees and commissions	886	632	253
Net other ordinary income(loss)	317	(212)	529
General and administrative expenses	7,652	8,373	(720)
Net operating income before general allowance and goodwill (Note 2)	829	26	803
Provision for general allowance for loan losses	(23)	1,119	(1,143)
Net operating income(loss) (Note 3)	853	(1,093)	1,947
Non-recurring income and expenses	(395)	(201)	(194)
Net gain and loss on stocks and other securities	—	—	—
Problem claims related costs	1,004	392	612
Written-off of loans	4	2	1
Provision for specific allowance for loan losses	944	390	554
Net loss on sales of loans	56	(0)	56
Reversal of allowance for loan losses	—	—	—
Recoveries of written-off claims	4	0	3
Others	604	190	414
Ordinary profit (loss)	457	(1,294)	1,752
Extraordinary income and loss	(38)	(6)	(32)
Net gain and loss on disposal of non-current assets	(38)	(6)	(32)
Gain on disposal of non-current assets	—	—	—
Loss on disposal of non-current assets	38	6	32
Others	—	—	—
Income (Loss) before income taxes	418	(1,301)	1,719
Income taxes	191	(304)	496
Income taxes - current	249	64	185
Income taxes - deferred	(58)	(369)	310
Net income (loss)	227	(996)	1,223
Net income(loss) attributable to non-controlling interests	—	—	—
Net income(loss) attributable to owners of the parent	227	(996)	1,223

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)	1,021	1,559	(538)
Excluding recoveries of written-off claims	1,025	1,560	(534)

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)
	2021 (A)	2020 (B)	
Gross operating profit	7,979	7,884	95
Net interest income	7,259	7,944	(684)
Net fees and commissions	402	153	249
Net other ordinary income(loss)	317	(212)	529
of which net gain and loss on bonds	(113)	(164)	50
General and administrative expenses (excluding non-recurring expenses)	7,518	8,257	(739)
Personnel expenses	3,792	4,139	(346)
Nonpersonnel expenses	3,318	3,694	(376)
Taxes	407	423	(15)
Net operating income(loss) before general allowance and goodwill	461	(373)	834
Core net operating income(loss) (excluding net gain and loss on bonds)	574	(209)	783
Excluding gain and loss on cancellation of investment trusts	574	(209)	783
Provision for general allowance for loan losses	(10)	1,152	(1,163)
Amortization of goodwill	—	—	—
Net operating income(loss)	471	(1,525)	1,997
Non-recurring income and expenses	(175)	40	(215)
Net gain and loss on stocks and other securities	—	—	—
Problem claims related costs	735	81	654
Written-off of loans	—	—	—
Provision for specific allowance for loan losses	735	81	653
Net gain and loss on sales of loans	—	(0)	0
Reversal of allowance for loan losses	—	—	—
Recoveries of written-off claims	0	—	0
Others	560	121	438
Ordinary profit (loss)	296	(1,484)	1,781
Extraordinary income and loss	(37)	(6)	(30)
Net gain and loss on disposal of non-current assets	(37)	(6)	(30)
Gain on disposal of non-current assets	—	—	—
Loss on disposal of non-current assets	37	6	30
Others	—	—	—
Income (Loss) before income taxes	259	(1,491)	1,750
Income taxes	170	(365)	535
Income taxes - current	249	6	243
Income taxes - deferred	(79)	(371)	292
Net income (loss)	88	(1,125)	1,214

2. Disclosed Claims under Financial Revitalization Law

(1) 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, 2021
	2021 (A)	2020 (B)		
Bankruptcy and Quasi-Bankruptcy	3,599	4,499	(899)	4,053
Doubtful	11,138	4,933	6,205	14,153
Sub-standard	1,893	1,180	712	1,861
Sub-Total (a)	16,631	10,613	6,018	20,069
Normal	1,510,961	1,629,949	(118,987)	1,570,571
Total (b)	1,527,593	1,640,563	(112,969)	1,590,640
Ratio of Problem Loans to Total Claims (a / b × 100)	1.08%	0.64%	0.44%	1.26%

<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, 2021
	2021 (A)	2020 (B)		
Bankruptcy and Quasi-Bankruptcy	7,332	7,957	(625)	7,408
Doubtful	11,138	4,933	6,205	14,153
Sub-standard	1,893	1,180	712	1,861
Sub-Total (a)	20,364	14,071	6,292	23,424
Normal	1,510,961	1,629,949	(118,987)	1,570,571
Total (b)	1,531,326	1,644,021	(112,695)	1,593,995
Ratio of Problem Loans to Total Claims (a / b × 100)	1.32%	0.85%	0.47%	1.46%

(2) Non-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, 2021
	2021 (A)	2020 (B)		
Bankruptcy and Quasi-Bankruptcy	1,969	2,639	(669)	2,306
Doubtful	11,090	4,750	6,340	14,092
Sub-standard	1,893	1,180	712	1,861
Sub-Total (a)	14,953	8,570	6,383	18,260
Normal	1,505,047	1,623,159	(118,111)	1,564,537
Total (b)	1,520,001	1,631,730	(111,728)	1,582,798
Ratio of Problem Loans to Total Claims (a / b × 100)	0.98%	0.52%	0.46%	1.15%

<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, 2021
	2021 (A)	2020 (B)		
Bankruptcy and Quasi-Bankruptcy	4,387	4,178	209	3,816
Doubtful	11,090	4,750	6,340	14,092
Sub-standard	1,893	1,180	712	1,861
Sub-Total (a)	17,371	10,109	7,262	19,770
Normal	1,505,047	1,623,159	(118,111)	1,564,537
Total (b)	1,522,419	1,633,269	(110,849)	1,584,307
Ratio of Problem Loans to Total Claims (a / b × 100)	1.14%	0.61%	0.53%	1.24%

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, 2021			As of June 30, 2020			As of March 31, 2021		
	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	23,619	23,311	307	39,333	39,084	249	42,186	41,900	286
Government bonds	—	—	—	18,548	18,584	(36)	18,505	18,519	(13)
Corporate bonds	23,619	23,311	307	20,785	20,499	285	23,681	23,381	300
Others	139,154	138,831	323	164,422	165,998	(1,576)	151,324	151,834	(509)
Total	162,774	162,143	631	203,755	205,082	(1,326)	193,511	193,734	(223)

4. Derivatives (Consolidated)

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

(a) Interest Rate Derivatives

(Millions of yen)

		As of June 30, 2021			As of June 30, 2020			As of March 31, 2021		
		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	367,728	(243)	(243)	522,440	(336)	(336)	380,053	(176)	(176)
	Others	48,880	—	156	57,584	—	191	50,956	—	164
Total			(243)	(87)		(336)	(145)		(176)	(11)

(b) Currency Derivatives

(Millions of yen)

		As of June 30, 2021			As of June 30, 2020			As of March 31, 2021		
		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	64,997	(2,020)	(2,020)	84,168	(115)	(115)	65,186	(3,300)	(3,300)
	Forward Foreign Exchange Contracts	63,752	(348)	(348)	29,732	106	106	64,920	(1,170)	(1,170)
	Currency Options	930,666	(106)	15,574	1,089,247	9	17,312	968,702	0	16,090
Total			(2,475)	13,204		0	17,303		(4,470)	11,619

(c) Bond Derivatives

(Millions of yen)

		As of June 30, 2021			As of June 30, 2020			As of March 31, 2021		
		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	8,421	(23)	(23)	4,053	0	0	13,911	14	14
Total			(23)	(23)		0	0		14	14

(d) Commodity Derivatives

(Millions of yen)

		As of June 30, 2021			As of June 30, 2020			As of March 31, 2021		
		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	2,979	(0)	(0)	4,981	—	—	4,891	—	—
Total			(0)	(0)		—	—		—	—

*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, 2021	
			2021		2020		Notional amounts	Fair value
			Notional amounts	Fair value	Notional amounts	Fair value		
Exceptional accrual method	Interest Rate Swaps	Loans	—	—	157	—	—	—
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, 2021
	2021	2020	
Total deposits	1,985,337	1,915,417	2,064,675
Deposits	1,665,500	1,773,942	1,737,253
Individuals	1,263,313	1,272,789	1,264,901
Corporations	350,008	364,460	353,897
Public entities	49,177	49,468	43,504
Financial institutions	3,000	87,224	74,950
Negotiable certificates of deposit	319,836	141,475	327,421
Loans and bills discounted	1,515,187	1,627,282	1,574,291