

2021 | Annual Report

Tokyo **Kiraboshi** Financial Group, Inc.



Tokyo Kiraboshi Financial Group, Inc.

Business name: Tokyo Kiraboshi Financial Group, Inc.

Head office 3-10-43 Minami Aoyama, Minato-ku, Tokyo

Established October 1, 2014

Capital ¥27.5 billion

Exchange listing Tokyo Stock Exchange, First Section
(Securities Code: 7173)

Website <https://www.tokyo-kiraboshifg.co.jp>

(As of June 30, 2021)

First, I would like to express my gratitude to you all for your support. I would like to express my heartfelt sympathies for everyone in Japan who has been affected by COVID-19, which continues to strike the world. In addition, I would like to express my sincere gratitude for the local government personnel and the medical personnel who are supporting local health care on a daily basis. The business environment surrounding the Group is affected by the decline in population and the continuation of the low-interest-rate policy, making the transformation into a sustainable business model a pressing issue while also leading to heightened importance of initiatives contributing to sustainable local communities based on ESG/SDGs. Furthermore, apart from the significant changes in lifestyles

and economic activity brought about by the spread of COVID-19, the services required by customers are also changing significantly with the acceleration of digitalization. As the Group embraces the challenge of new business models and streamlines management on a day-to-day basis, we launched our new Medium-Term Business Plan in April 2021. We will strive to make further reforms with our vision of “be a Tokyo-based platform owner that creates new values for customers.” Specifically, by implementing “management base reform” such as the promotion of digital transformation (DX) and “business structure reform” such as middle risk taking and the provision of equity capital, we will function as a coordinator hub as we endeavor to create value for customers.

The Group intends to continue to contribute to the sustainable development of local economies and local communities to meet customers' expectations by further enhancing the combined strength of the Group and maximizing synergies. On behalf of the Group, I ask for your continued support and encouragement.

July 2021

Hisanobu Watanabe

President, Tokyo Kiraboshi Financial Group, Inc.
President, Kiraboshi Bank, Ltd.



Management philosophy

To be a financial group for small and medium-sized enterprise customers and individual customers in the Tokyo metropolitan area that will contribute to the development of local communities through comprehensive financial services.

Management policy

- | | | |
|--|-------|--|
| Achieve enduring existence as a local regional financial group through the provision of unique financial services | | A group that sparkles |
| Leverage the special features of the Tokyo area to continue to meet new challenges in order to contribute to the development of our customers and of local economies | | A group that rises to the challenge |
| We put great value on the “thoughts” of customers, the region, and our employees, and seek to develop a presence that is always in need and worthy of trust. | | A group that brings together thoughts |

Contents	Management Philosophy and Management Policy	1
	Tokyo Kiraboshi Financial Group	
	Message from Top Management	3
	History of the Kiraboshi Group	7
	Tokyo Kiraboshi Financial Group's Value Creation Process ..	9
	Growth Strategy	
	Medium-Term Business Plan (FY2021-2023)	11
	Features	
	ESG/SDGs Initiatives in the Strategy of the Medium-Term Business Plan ..	13
	Tokyo-based Platform	14
	Initiatives for Strengthening Management Base	
	Tokyo Kiraboshi Financial Group SDG Declaration ..	15
	Environmental Initiatives	17
	Communication with Stakeholders	19
	Corporate Governance	25
	Risk Management	29
	Compliance	32
	Corporate Data	35
	Consolidated Financial Statements	37





Hisanobu Watanabe

President, Tokyo Kiraboshi
Financial Group, Inc.
President, Kiraboshi Bank, Ltd.

Aiming to make a further leap as a Tokyo-based platform owner creating new value for customers

Under the “Start-up ☆ Kiraboshi” Medium-Term Business Plan that began with the merger of three subsidiary banks, we established strategic subsidiaries such as a securities company, a capital company and a FinTech company aimed at shifting from the existing Group structure centered on banking to the creation of a new business model. The new Medium-Term Business Plan launched this spring sets forth a new vision of “be a Tokyo-based platform owner that creates new values for customers, from Tokyo to Japan and Asia” to move closer to the realization of a “comprehensive service business that is also strong in finance” presented in our vision. Through the Group’s strength featuring a multitude of functions and the provision of services that only a regional financial group can provide, we will establish the Kiraboshi brand that signals our presence in the Tokyo area and obtains the trust of being the region’s No. 1.

Awareness of changes in the business environment

The greatest immediate concern in the business environment is the impact of the spread of COVID-19. At present, the impact is centered on the restaurant industry, the tourism industry, the travel industry and the service industry, and the scale is prolonged and worldwide. I am worried that a wider range of industries will be affected in the future. The impact on the performance of medical corporations is also pronounced, and as Kiraboshi Bank is associated with many customers in the medical and welfare fields, the Group as a whole will strengthen support such as individually forming funds.

From a medium-term perspective, although the Nikkei average has shown phases of rising such as exceeding 30,000 yen at one point, corporate performance is becoming increasingly polarized. In this context, there has been an increase in managers considering issues such as business succession, and I believe we need to provide firm support for individual circumstances of our customers, particularly for small and medium businesses.

From the perspective of the environment surrounding regional banks, the declining birthrate and aging population along with the decline in population have progressed further, and the Tokyo area is no exception. The low-interest-rate

policy has also been protracted, and banks are faced with the pressing issue of departing from the traditional business model of making a profit from the margin between deposits and loans.

In addition, COVID-19 has significantly transformed the role of bank branches due to the advancement of cashless payment and digitalization. Also, digital transformation (DX) of society as a whole has accelerated, and of the three major operations of banks, namely deposits, loans and foreign exchange, competitive relationships have become more complicated in loans and foreign exchange with many companies from other industries offering services utilizing advanced digital technology. At any rate, we are aware that we have entered an era in which it is essential for banks to implement new business models for creating new earning opportunities without relying on just their core businesses.

Reflecting on the previous Medium-Term Business Plan

Under the previous Medium-term Business Plan, we created a system for the realization of a “comprehensive service business that is also strong in finance” by leveraging the collective strength of the Group through three main measures in the form of “enrichment of consulting functions,” “developing human resources that are

trusted and chosen for their ‘dialogue’” and “business process re-engineering to strengthen contact with customers.”

With a view to the business model that takes dialogue as its starting point, we established the “first call” as a KPI that could be considered to be evidence of being trusted by customers, and set a target of 7,000 calls per year. As a result, we significantly surpassed the target every year for three years and were able to expand business year by year. Approaches to new groups of customers has also progressed, and it is our view that we have been able to steadily plant seeds leading to future growth.

At the same time, the streamlining of headquarters, rebuilding branches and system integration that we have engaged in with the aim of streamlining management have progressed as planned, and I think we have been able to build the foundation for the implementation of the new Medium-Term Business Plan, such as making our core business profitable.

Implementing reforms based on the catchword of “CSR+C” based on the business plan

When I was appointed as President of Kiraboshi Bank in 2018, the first things I told employees were (1) The merger is not the goal, (2) Let’s aim to make an organization where everyone feels glad to be able to work in the company, and (3) Let’s create new value for the Group while placing importance on the values and experiences we have established with the mindset of everyone being transferred to the Kiraboshi Group. We also implemented initiatives with “CSR+C” as our catchword, meaning each individual would have venture spirit, face Challenges, have Speed and take Risks and also Change themselves.

Actually, these three years have presented continuous challenges, and we were able to address them with considerable resolve and speed. The employees who have developed in banks with different products, screening systems, IT systems and corporate cultures have endeavored to quickly become part of Kiraboshi in the new bank. The system integration completed last May was the culmination of these efforts. We managed to unify the systems by proceeding with the integration while providing each other with guidance on unfamiliar systems while executing normal business. I respectfully acknowledge that it must have been a substantial burden for the employees.

Furthermore, system integration was made possible by the trust we have received such as the understanding and cooperation of customers for changes in products and services and temporary stoppages in ATM services, and I believe that successfully implementing the integration despite the challenges presented by COVID-19 was a great achievement. We have swiftly rebuilt our branches, and the consolidation of 25 locations implemented in the first year of Kiraboshi Bank significantly contributed to performance the following year.

At present, the Kiraboshi Group’s share in Tokyo is less than 10%. Considering regional banks

usually have a share exceeding 30% or even 50%, this indicates that there is still much room for development. Moreover, Tokyo is an enormous market of ¥140 trillion accounting for a quarter of Japan’s GDP, and its soil makes our aspirations possible.

Due to the size of the market, competition is intense. However, in order to enable customers to have a true sense of value, our strategy has been to establish subsidiaries such as a consulting company and a securities company within the Group and to swiftly expand our service menu to be equivalent to those of megabanks that are our most powerful rivals. At the same time, we have actively engaged in proposals for industries with which we have had little contact in the past and customers representative of the region, and also equity operations providing capital lending.

While targeting the middle-risk, middle-return customers that we have not been able to fully address in the past, we have also worked to strengthen the risk department in order to control risk appropriately. In particular, we have worked to strengthen our credit risk management stance by establishing the Finance Management Division last July and recruiting external personnel with specialized knowledge. Furthermore, we have also proceeded with organizational reforms and creation of mechanisms to improve productivity.

As a result, we have increased the lineup of the service menu that Group companies can work as one to offer as additional options to meet the diverse needs of customers. Furthermore, it is our view that by implementing our digital strategy, we have been able to establish our operational base to expand contacts with new customers with the provision of services that meet the needs of customers in a way that can only be achieved by a regional financial institution based on face-to-face service.

Growth strategy in the new Medium-Term Business Plan

In the new Medium-Term Business Plan, we have presented the vision of “be a Tokyo-based platform owner that creates new values for customers.” This vision aims to shift from the traditional B-to-B style and creating mechanisms that are more useful for improving customers’ performance and able to contribute to revitalization and sustainable growth of the region. We would like the Kiraboshi Group to play a central role in enabling the platforms and content of “customers and customers” and “customers and communities” to connect with each other, and provide support for value creation through the creation of new relationships not limited to existing matching functions.

In addition, in order to proceed with specific measures to realize this, Kiraboshi Bank has a two-pronged strategy in which it plays a pivotal role in a “Project for becoming customers’ main bank” increasing the number of customers that treat us as their main bank who they first consult to resolve issues, and a “Group strategy” offering services other than finance.

KPIs used in the previous Medium-term Management Plan	FY2018			FY2019			FY2020		
	Plan	Results	Achievement Rate	Plan	Results	Achievement Rate	Plan	Results	Achievement Rate
Number of first call contacts	7,000 contacts	11,290 contacts	161.3%	7,000 contacts	14,870 contacts	212.4%	7,000 contacts	17,738 contacts	253.4%
Number of recipients of financing based on business feasibility evaluations	600 recipients	1,153 recipients	192.1%	600 recipients	1,082 recipients	180.3%	600 recipients	934 recipients	155.6%

In order to increase value for customers, the first thing we must do is assist with the expansion of customers' technologies and services. Secondly, we must support the improvement of efficiency of customers' management. In particular, we are considering personnel support such as for the creation of new mechanisms for small and medium businesses. In my own discussions with customers, I have told them, "Please use our Group as a division of your company." I think it is important to properly convey and make customers aware that we are able to provide a wide range of assistance for increasing corporate value through our services and operations leading to the resolution of customers' issues, such as the creation of new systems and rules, implementation of business systems and support for digital strategy. We will aim to make the Kiraboshi Group No.1 in the region for the Tokyo area where we have a presence by receiving "first calls" and meeting customers' expectations while expanding opportunities for dialogue with customers.

Principles of action guideline for the "Kiraboshibito" implementing the new Medium-Term Business Plan

When we formulated the new Medium-Term Business Plan, we also newly established the "Kiraboshi philosophy" and at the same time indicated three principles of action guideline for Kiraboshibito implementing the philosophy. The first is to "have high aspirations." Aspirations refer to "aiming for the development of the organization through contributions to society, and realizing self-fulfillment and one's own happiness," and is none other than the realization of the Kiraboshi philosophy. In order to ensure that we continue to shine in five to ten years, it is vital that all officers and employees are fully aware that we must keep the autonomy and sustainability of business in mind without overly focusing on what is in front of us. Having high aspirations leads to thinking about what can be done to achieve them. That is the second guideline, which is to "always think about what can be done to achieve them." It is better

for two people to think than one, and for three to think than two, and we would like everyone to think together such as getting other departments involved while viewing oneself as the center of one's life and establishing a presence. The third guideline is to "be a person who commits to results and continues to boldly face and embrace challenges." These three principles of action guideline are also action guidelines for management indicating the resolve to achieve a higher level in the new Medium-Term Business Plan. In order to achieve the plan together, I would like to make an organization in which everyone works as one and shares the joy of achievement together.

Goals to achieve in the new Medium-Term Business Plan

The "Kiraboshi brand" can only be established once people think "the Kiraboshi Group is essential for the region." To aim for this goal, it is essential that we obtain a certain share, and in order to do this, it is vital that we are supported by the people in the community. In the new Medium-Term Business Plan, we have strengthened strategies with greater awareness of regional development than in the past, and set financial targets with a view to growing the Group to a level of profit enabling us to have a suitable presence as a regional financial group headquartered in Tokyo. When the seeds we have sown over the past three years sprout and we have obtained the confidence of being connected to the creation of relationships of trust with customers, we should be able to accelerate to obtain the trust of "No.1 in the region." Looking ahead, burden of merger cost of ¥3-4 billion annually will be lifted, and we also expect to achieve cost reductions in the range of ¥10.5 billion through management streamlining. The effect of the streamlining we have implemented to date combined with the execution of the growth strategy under this plan will enable us to reach our consolidated profit targets of ¥10 billion in FY2021, ¥16 billion in FY2022 and ¥20 billion in FY 2023.

Our policy is to execute short-term, low-cost measures aimed at the creation of such profitability, and the launch of digital banking currently underway utilizes the system of SBJ Bank through an alliance with the South Korean Shinhan Financial Group. In addition, we are actively engaged in alliances and business partnerships with a variety of business operators, and would like to expand partnerships transcending industry boundaries in future as needed. Furthermore, as the number of companies is in decline even in the region of Tokyo, based on the belief that one of our major roles is to create new industries, we have devoted considerable energy to supporting start-ups and venture businesses since the merger. We have received a certain level of recognition for our efforts to make "Kiraboshi Bank the natural partner for start-ups" and, in order to increase our presence, we would like to continue to further focus on supporting venture businesses such as continuing the Venture Championship backed by the Tokyo Metropolitan Government and the utilization of investment funds.

Approach to sustainability management

We recognize that aiming for a sustainable society is the most important issue in the Group's management. We established the "Tokyo Kiraboshi Financial Group SDG Declaration" in May 2019 and have been steadily implementing initiatives based on five main themes*. With regard to climate change, the Group is actively promoting green investment and paperless operation through digitalization, in addition to support for customers' activities (environmentally aware products and services, consulting services, etc.). In February 2021, we announced our support for the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and as part of our contribution to the realization of sustainable local communities, we made investments in the "Sustainability Bonds" issued by the Japan Railway Construction, Transport and Technology Agency in February and May. Furthermore, based on our belief that management based on the creation of shared value for customers and the region will lead to the implementation of SDGs, we established the

resolving of the three social issues of "lifestyle support for seniors," "comprehensive support for customers' issues such as business succession" and "management support for medical institutions" as priority areas in the new Medium-Term Business Plan.

We aim to realize a management model that perceives the creation of economic value and social value to be connected.

*(1) Environmental protection, (2) Contributing to local communities, (3) Creating shared value with the customer, (4) Employees' work style reform and promotion of diversity, (5) Dialogue with shareholders and investors

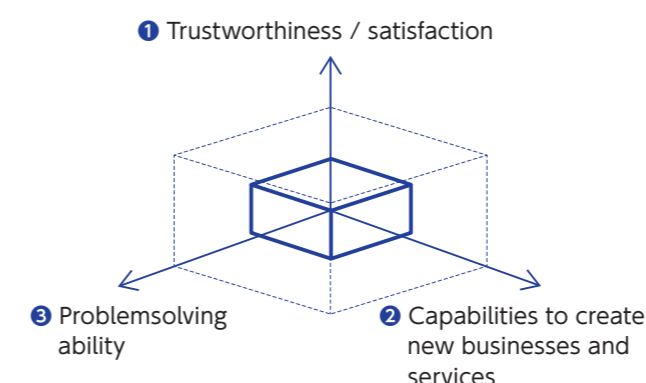
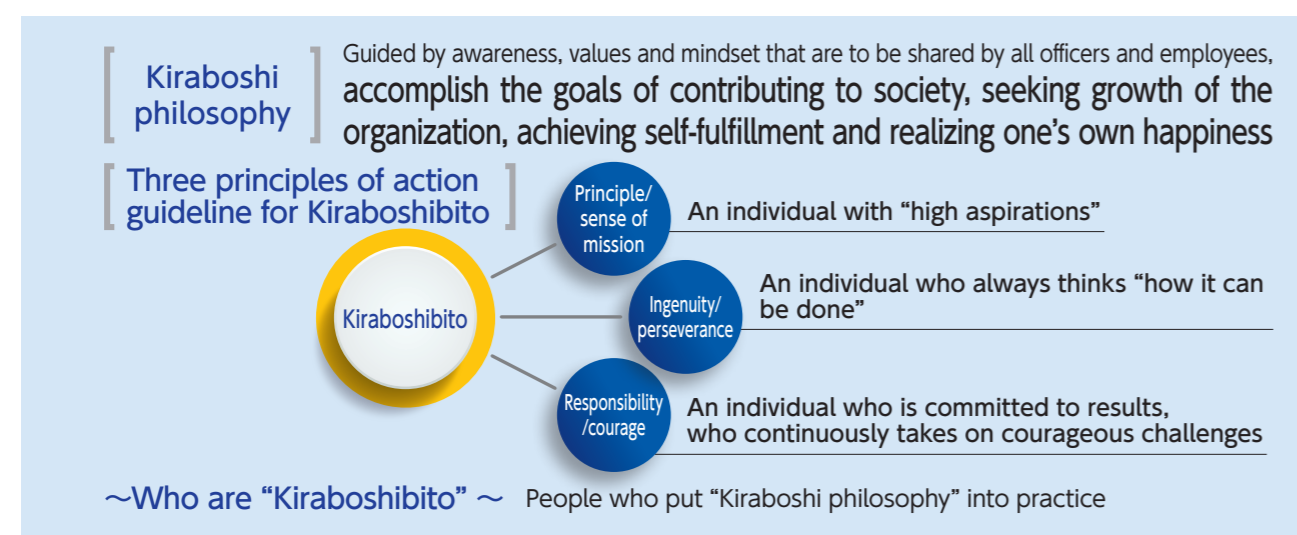
Risk compliance program

Under this plan, we aim to further enhance initiatives to strengthen the integrated risk and compliance management system that we have implemented in the previous Medium-Term Business Plan. In addition, strengthening this management system provides a robust underpinning for the achievement of the Group's strategies and also leads to the visualization of group risk associated with a "comprehensive service business" and strengthening of control functions.

Furthermore, we are also engaged in cybersecurity from the aspects of both value creation and risk management, and aim to provide services offering a high level of convenience and security. Moreover, in addition to making the transition to a fundamental internal rating-based approach to enhance credit risk management, now that API linkage connecting transactions with financial institutions has progressed, and technologies for AI processing of large volumes of data have begun to become established, we are also considering the utilization of digital technology and AI in risk mitigation processes.

Message to stakeholders

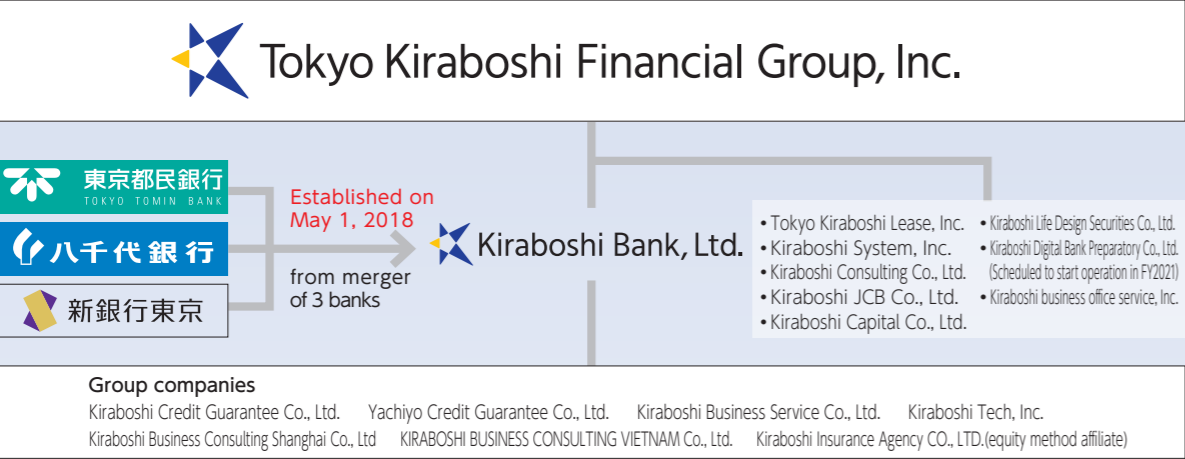
Thanks to your support, over the past three years we have absorbed the substantial cost of the merger while streamlining management, and we have established a structure that will enable us to soar to the next level. The Medium-Term Business Plan that we have established is not a large deviation from the strategies we have adopted in the past, and is a plan that further expands the initiatives we have taken until now to the Group as a whole. All officers and employees of the Group will work as one to carry out the plan to ensure the preparations we have made over the past three years bloom and lead into the next Medium-Term Business Plan. As a financial group headquartered in Tokyo, we aim to establish a strong presence in this market and would like to ensure that the Kiraboshi Group meets the high expectations of all of its stakeholders. I ask for your continued support and encouragement.



Tokyo Kiraboshi Financial Group, Inc. was born through the merger of three banks.

On May 1, 2018, the Tokyo Tomin Bank, Limited, the Yachiyo Bank, Limited and the ShinGinko Tokyo, Limited merged to form the new “Kiraboshi Bank.” With the merger of the three banks, the business name of the group was changed from Tokyo TY Financial Group to “Tokyo Kiraboshi Financial Group.” With the management philosophy “To be a financial group for small and medium-sized enterprise customers and individual customers in the Tokyo metropolitan area that will contribute to the development of local communities through comprehensive financial services,” we aim to develop “a comprehensive service business that is also strong in finance.”

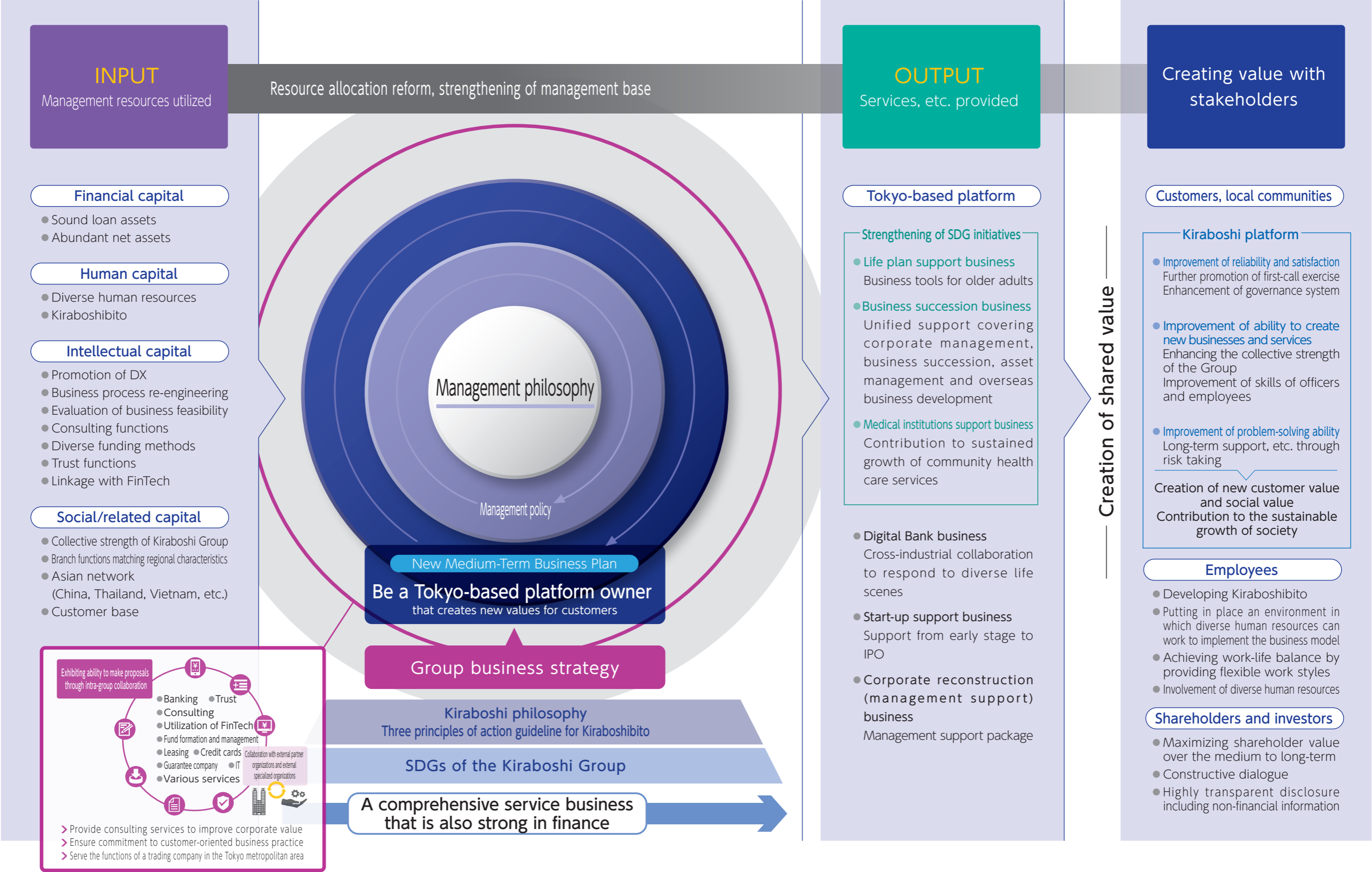
(As of April 1, 2021)



Movements of Tokyo Kiraboshi Financial Group



External movements	2014	2015	2016	2017	2018	2019	2020	2021
	Consumption tax raised to 8%	Greek financial crisis FRB lifts zero interest policy Launch of Asian Infrastructure Investment Bank	Start of My Number System Implementation of negative interest rate policy by BoJ	Donald Trump inaugurated as 45th President of the United States	TPP11 takes effect Establishment of work-style reform bill Kumamoto earthquakes	Name of era changed from Heisei to Reiwa Consumption tax raised to 10% 5G service commences in countries worldwide	UK withdraws from EU Global spread of COVID-19	Tokyo Olympics

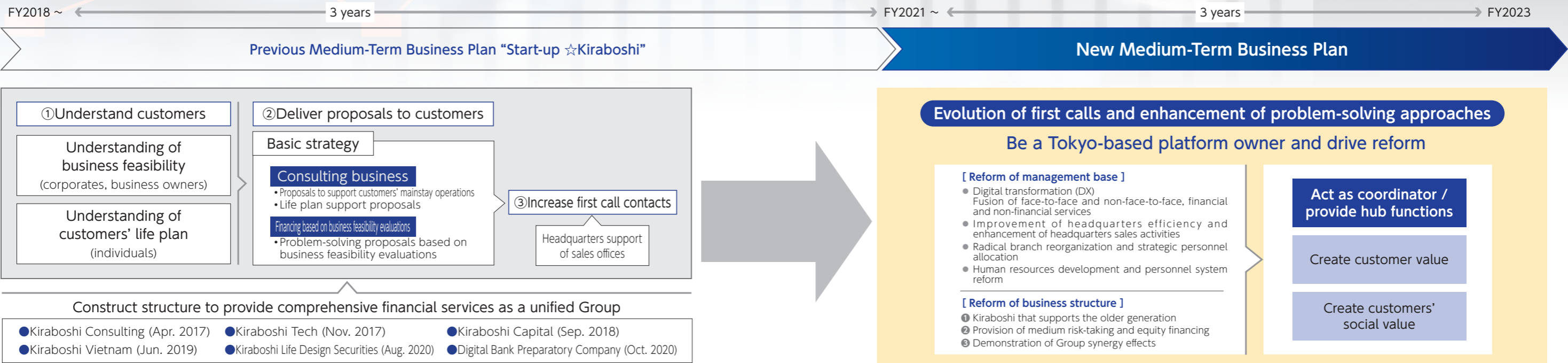


Vision of the New Medium-Term Business Plan (FY2021-FY2023)



Business Strategy of the New Medium-Term Business Plan

"First call" exercise set out in the previous Medium-Term Business Plan has taken hold. The new Medium-Term Business Plan seeks to strengthen proposal capabilities based on "first call" approach. Be a Tokyo-based platform owner and drive reform



ESG/SDGs Initiatives in the Strategy of the Medium-Term Business Plan

- The Company secures solid financial strength and enhances its competitive strength
→ serves to help customers achieve sustainable growth and contribute to the sustainable growth of local communities
- Leverage the Group's collective strength to push forward SDG initiatives in the three priority areas of "support for the older generation", "integrated support for business succession, corporate management and asset management" and "management support for medical institutions".
- Contribute to the sustainable growth of society while enhancing financial and competitive strengths of the Company

Reform of management base to enhance customer convenience and efficiency

Enhancement of financial and competitive strengths to contribute to the sustainable growth of society

Creation of new customer value and social value

Contribution to the sustainable growth of society

Increased focus on SDG initiatives

Strategy 1

Clarification of branch functions

Enhancement of proposal capabilities for delivering high value-added face-to-face services through branch reorganization

Strategy 2

Business process re-engineering (sales offices, headquarters, work style)

Freeing up management resources through improved efficiency of business processes to provide high value-added face-to-face services

Strategy 3

Development of human resources / self-fulfillment

Development of human resources and self-fulfillment for the delivery of high value-added face-to-face services

Strategy 4

Reallocation of management resources freed up through improved efficiency to optimum areas

Transformation of resource allocation

Personnel allocation for providing high value-added face-to-face services

Enhancement of financial and competitive strengths

Enhancement of management base

Continuous provision of high value-added services, enhancement of financial and competitive strengths to contribute to the sustainable growth of society

Digital transformation (DX)

Establishment of Digital Bank, improvement of customer convenience
Fusion of face-to-face and non-face-to-face services, fusion of financial and non-financial services

Strategy 5

Livelihood support for the older generation

Kiraboshi that supports the older generation
Solving life issues such as watching over and caring
Property management using trust functions

Strategy 6

Activities to address customers' business succession and other issues

Business succession
Corporate management
Asset management for business owners

Strategy 7

Support for medical institutions

Management support / business succession
Contribution to sustained growth of community health care services

Tokyo-based Platform

Create a "Tokyo-based platform" that fully leverages Group synergies to assist the improvement of customers' performance and contributes to revitalization and sustainable growth of the region, with the aim of "be a Tokyo-based platform owner that creates new values for customers".

Goals of the Tokyo-based Platform

- Build a "Tokyo-based platform" for creating new values through collaboration with administrative organs and across industries (airports and other social infrastructure, companies in entertainment, art, sports and other similar industries)
- Be a coordinator connecting customers with companies in other industries, provide hub functions and contribute to the creation of customer values and to solving social issues



Example of Tokyo-based Platform

Kiraboshi platform, concrete example of Tokyo-based ecosystem:
Tokyo Kiraboshi FG acting as coordinator to provide platform functions

Concrete example of Tokyo-based ecosystem

① Collaboration with administrative organs

[Comprehensive collaboration with Tokyo Metropolitan Government, Kawasaki City, etc.]

Mutual collaboration in implementation of initiatives for industrial development, including support for SMEs, with the aim of achieving sustained development of regional economies
Collaboration in infrastructure and financial areas in pursuit of the International Financial Center concept

② Collaboration with Haneda Airport [Agreement signed on April 20, 2021]

A. [Comprehensive collaboration with Haneda Future Research Institute Incorporated]

- Development of local economies around Haneda Airport and promotion of culture and arts
 - Matters related to initiatives aimed at achieving the SDGs
 - Digitalization of services to Haneda Airport users, etc.
- Scheduled to separately conclude basic business alliance agreement with Haneda Future Research Institute
→ customer marketing, development of new business domains, etc.

B. [Provision of Maekyu services to Haneda Airport facility employees]

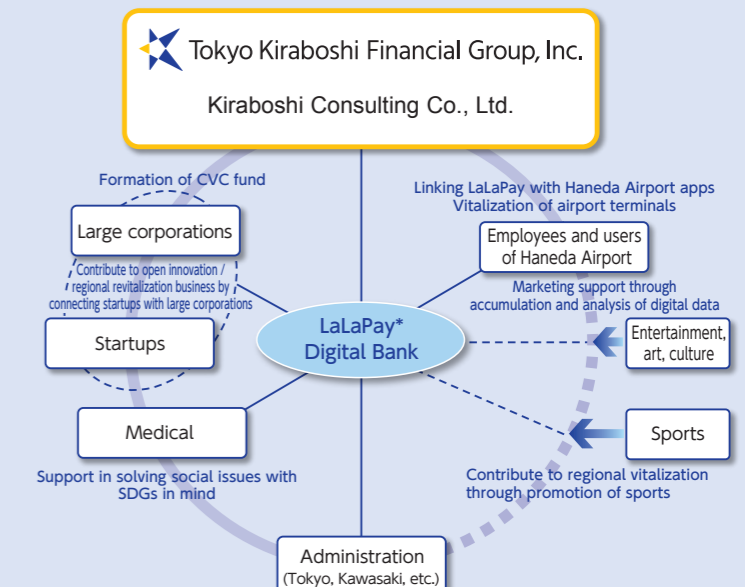
Use of "Maekyu" services and trial implementation for the use of LaLaPay in airport facilities

③ CVC funds formation [Structured on May 20, 2021]

Create funds through collaboration with startups and large corporations

Image of Tokyo-based ecosystem

Fusion of financial and non-financial services
Provision of financial services starting with non-financial services



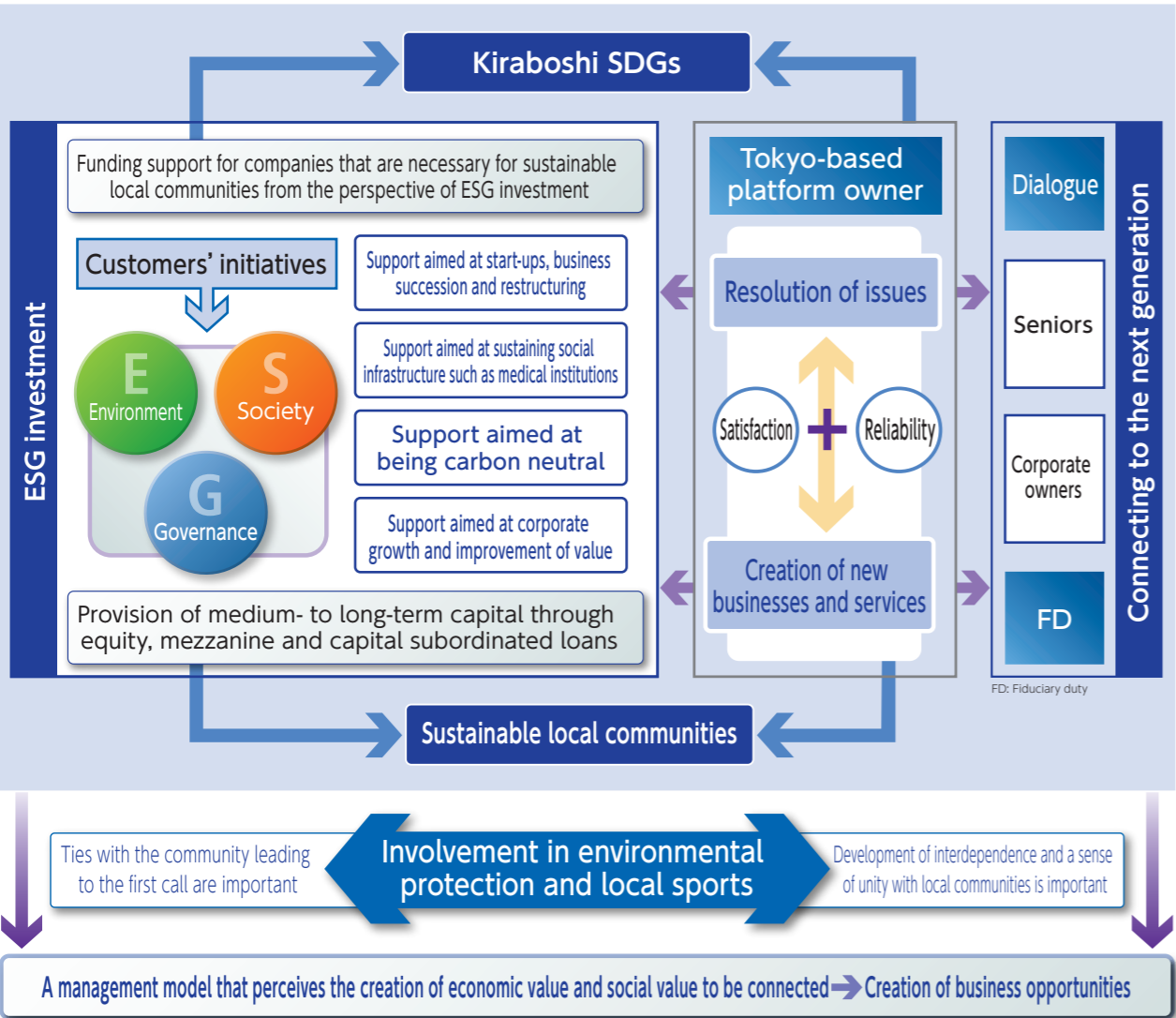
* LaLaPay: Name of digital money functions, etc., provided by Kiraboshi Tech, Inc.

Tokyo Kiraboshi Financial Group SDG Declaration

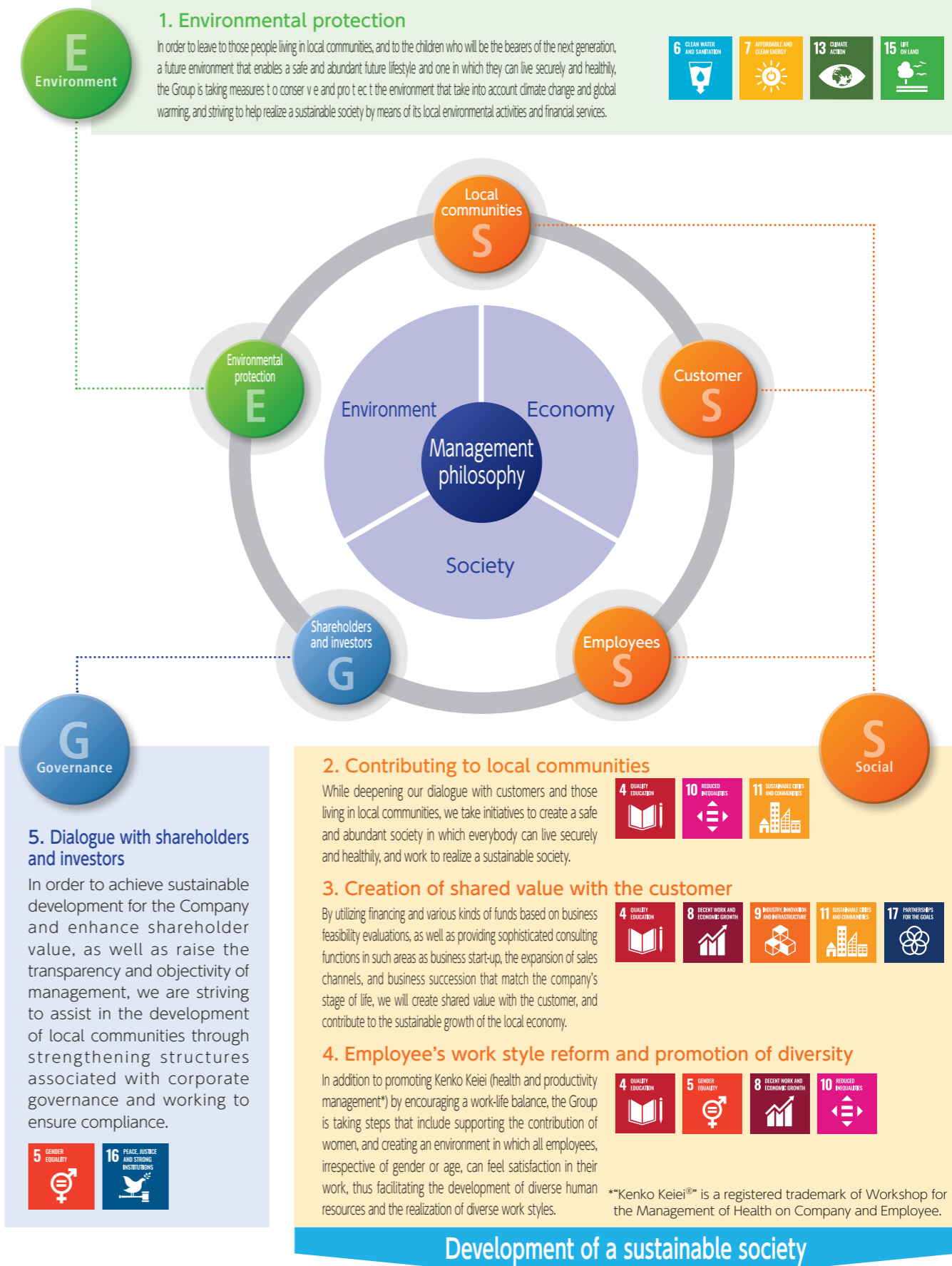
The Tokyo Kiraboshi Financial Group aims to be “a comprehensive service business that is also strong in finance.” Based on its management philosophy of “to be a financial group for small and medium-sized enterprise customers and individual customers in the Tokyo metropolitan area that will contribute to the development of local communities through comprehensive financial services,” the Group is working, through its corporate activities, on initiatives related to the SDGs adopted by the United Nations summit, and seeking to realize a sustainable society and to create shared societal value.



Image of SDG Initiatives

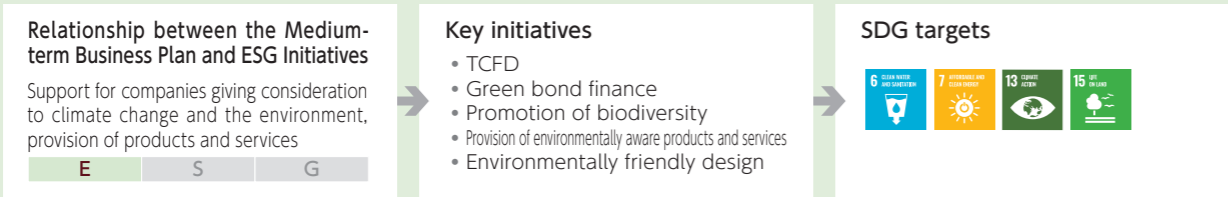


ESG/SDGs Initiatives



Environmental Initiatives

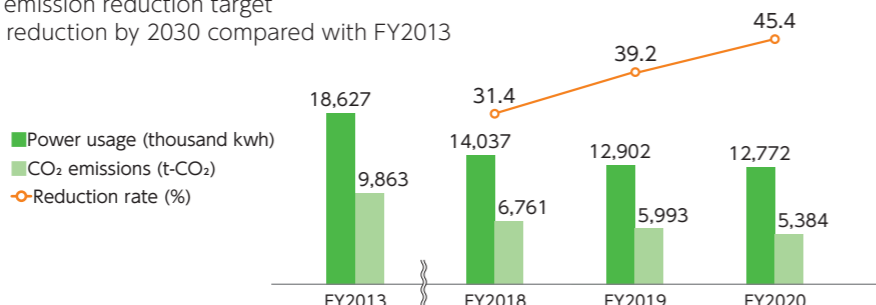
In order to leave to those people living in local communities, and to the children who will be the bearers of the next generation, a future environment that enables a safe and abundant future lifestyle and one in which they can live securely and healthily, the Group is taking measures to conserve and protect the environment that take into account climate change and global warming, and striving to help realize a sustainable society by means of its local environmental activities and financial services.



Initiatives to Address TCFD (Task Force on Climate-related Financial Disclosures)

In February 2021, the Group voiced support for the TCFD* recommendations. In addition to disclosing information in accordance with the recommendations, we will engage in CO₂ reductions, etc. aimed at mitigating climate change risk.

* TCFD is a taskforce on disclosure of climate-related financial information led by the private sector established by the FSB (Financial Stability Board), and it recommends companies to disclose information on risks and opportunities related to climate change, etc.

Governance	<ul style="list-style-type: none">●The Medium-Term Business Plan emphasizing harmony between environmental protection and corporate activity began in April 2021. We will proceed with the discussion of efforts implemented as a Group.●The director in charge of the Business Strategy Division is the “Chief Sustainability Officer.” In the future, we will periodically report to the Management Meeting and the Board of Directors on efforts related to climate change.																				
Strategy	<ul style="list-style-type: none">●In the Medium-Term Business Plan, “environment (response to global warming and climate change)” is established as a priority issue (materiality) in the Group’s SDGs. Moving forward, we will engage in initiatives to mitigate climate change risk through the provision of financial services with high added value.●We will endeavor to analyze the impact of climate change on opportunities and risks.<ul style="list-style-type: none">➢ Opportunities: We will engage in support for capital investment, etc. by customers for the transition to a low-carbon society.➢ Risks: We recognize risks related to climate change to include physical risks (impact of climate change on natural disasters, etc.) and transition risks (regulations, etc. associated with the transition to a low-carbon society)●In the future, we will consider efforts related to evaluation of risks and opportunities based on multiple scenarios that may have an impact on the company’s management.																				
Risk Management	<ul style="list-style-type: none">●We perceive climate change risk to be a significant risk, and will engage in the creation of a system enabling management within a framework of integrated risk management based on consideration of the degree of impact and probability.●We recognize risks arising from climate change, and will endeavor to minimize the increase in coal-related assets and the manufacturing of inhumane weapons based on consideration of policies concerning coal-fired power generation, palm oil farm development, logging, and other businesses, etc. that have an impact on the environment, climate change and the ecosystem, as well as the manufacturing of inhumane weapons such as cluster bombs.																				
Indicators and Goals	<ul style="list-style-type: none">●Reduction targets and results for CO₂ emissions derived from the use of electric power in Kiraboshi Bank’s domestic business locations (periodic reporting standards under the Act on the Rational Use of Energy)<ul style="list-style-type: none">➢CO₂ emission reduction target46% reduction by 2030 compared with FY2013 <div><table><tr><th>Fiscal Year</th><th>Power usage (thousand kwh)</th><th>CO₂ emissions (t-CO₂)</th><th>Reduction rate (%)</th></tr><tr><td>FY2013</td><td>18,627</td><td>9,863</td><td>-</td></tr><tr><td>FY2018</td><td>14,037</td><td>6,761</td><td>31.4</td></tr><tr><td>FY2019</td><td>12,902</td><td>5,993</td><td>39.2</td></tr><tr><td>FY2020</td><td>12,772</td><td>5,384</td><td>45.4</td></tr></table></div> <ul style="list-style-type: none">●We will proceed to establish and examine various data to establish targets based on the Paris Agreement.●We have been engaged in the reduction of greenhouse gas emissions until now, and in addition to continuing the transition to LED lighting and proceeding to switch to environmentally friendly business vehicles, we will proceed to consider switching to renewable energy sources. <p>* All excerpts from figures reported based on the Act on the Rational Use of Energy. * The figures for FY2013 are a combination of the results for the former Tokyo Tomin Bank, Limited and the former Yachiyo Bank, Limited prior to the merger.</p>	Fiscal Year	Power usage (thousand kwh)	CO ₂ emissions (t-CO ₂)	Reduction rate (%)	FY2013	18,627	9,863	-	FY2018	14,037	6,761	31.4	FY2019	12,902	5,993	39.2	FY2020	12,772	5,384	45.4
Fiscal Year	Power usage (thousand kwh)	CO ₂ emissions (t-CO ₂)	Reduction rate (%)																		
FY2013	18,627	9,863	-																		
FY2018	14,037	6,761	31.4																		
FY2019	12,902	5,993	39.2																		
FY2020	12,772	5,384	45.4																		

Investments in Green Bonds/Green Finance

With interest in Environmental, Social and Governance (ESG) investing rising on a global scale, there has been an expansion in green investing initiatives that seek to deploy funds into environmental businesses and businesses that generate environmental improvements, etc. The Group invested in “Green Jointly Operated Designated Money Trust” structured by Sumitomo Mitsui Trust Bank in September 2018, and “Tokyo Green Bonds,” which are environmental bonds issued by Tokyo Metropolitan Government for the first time as a local government, for the second time in October 2020 following October 2017.

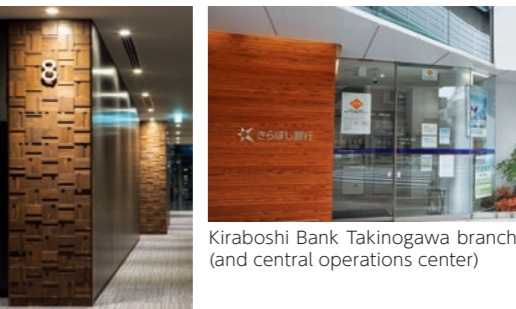


Environmentally aware branch equipment

With the aim of reducing CO₂, we are proceeding to create environmentally friendly branches by introducing environmental facilities such as solar power generation, use of rainwater and creation of rooftop greenery in the headquarters building (and Kiraboshi Bank head office), in addition to converting lighting in branches to LED and installing highly efficient air conditioning in bank branches. In addition, we are working on initiatives to counter global warming through our business activities, such as offering financial products and services that lead to environmental protection.



Headquarters building (and Kiraboshi Bank head office)



Kiraboshi Bank head office



Kiraboshi Bank Takinogawa branch (and central operations center)

Cooperating with “campaign for growing low pollen forests”

While contributing to the prevention of global warming, we will cooperate with “the campaign for growing low pollen forests” through “term deposits for growing low pollen forests,” and activities for healthy forests. In addition to working toward the spread of environmental protection activities through the handling of deposits, we are making donations for “growing low pollen forests” every year. Furthermore, we are participating in forest creation of forests in Hachioji, Tokyo, as “Corporate Forests - Kiraboshi Forest.”

Handling of environmentally aware products, services, etc.

Kiraboshi Bank handles environmentally friendly products and services such as “Nikko Eco Fund (an internet-only product)” in addition to working with external organizations to engage in environmentally friendly initiatives. In the initiative utilizing the J-Credit Scheme,* the Group supports the resolution of regional issues such as environmental protection and child care support by using credit from external organizations such as CO₂ reduced through the introduction of energy-saving equipment, and donating the proceeds to local governments’ operations related to SDGs.

* A scheme certified by Japan as a system of “credits” for the amount of CO₂ and other greenhouse gas emissions reduced and absorbed through the introduction of energysaving devices, forestry management, and other initiatives.

Communication with Stakeholders

The Group aims to be a comprehensive financial group that is truly loved by all stakeholders such as customers, shareholders and members of the community, and will strive to enhance appropriate communication with and disclosure to stakeholders while also contributing to the sustainable development of society.



Contributing to local communities

While deepening our dialogue with customers and those living in local communities, we take initiatives to create a safe and abundant society in which everybody can live securely and healthily, and work to realize a sustainable society.



Dream-Teacher: Hanae Ito (Swimming)

Educational support for students and children

Through sponsorship of the Japan Football Association's "JFA Kokoro Project," we support the "Dream Class" program in which "Dream-Teachers," whose members include currently active athletes and former alumni of the project, and who convey "the importance of having a dream" mostly to audiences consisting mainly of 5th-grade elementary school children.

* The 2020 "Dream Class" was held online.

Cooperation with UNICEF fund-raising activities, etc.

The Group runs "a foreign coins collection program," and the donations thus collected are put to use in support activities for children conducted by UNICEF in 150 or more countries and regions.

Also, within the Group, as part of our everyday volunteer activities we collect used stamps and cards and donate them to the Minato Council of Social Welfare.



Ronald McDonald House Charities Japan

Donations to Ronald McDonald House

Ronald McDonald House is operated by Ronald McDonald House Charities Japan, and offers accommodation to lighten the economic and emotional burden of seriously ill children and their families. The Group makes donations to this charity every year. We will continue with this support to enable children with a future to be supported by their families while they are cured of their illnesses, allowing them to grow strong and healthy.



Cooperating with blood donations

As part of our activities to support local communities, we also cooperate with blood donation drives. By continuing these activities so as to help save more lives, we cooperate with the blood donation centers of the Tokyo Japan Red Cross to enable us to save the precious lives of those who need blood transfusions due to illness or injury, and will carry on these endeavors into the future.

(Cancelled due to the spread of COVID-19 in FY 2020)

Collaboration between industry and academia

Conclusion of "Basic Agreement on Comprehensive Collaboration" with Chuo University

In March 2021, a "Basic Agreement on Comprehensive Collaboration" was concluded with Chuo University for exchanging and utilizing personnel and intellectual resources to cooperate with each other in areas such as education and research for the purpose of contributing to the development of society. We will continue with initiatives such as hosting lectures provided through donations in the future.



Signing ceremony

Nihon University College of Art

In June 2020, Kiraboshi Bank signed a "Cooperation Agreement" with the Nihon University College of Art for the purpose of revitalizing the local economy and developing local communities as well as to contribute to the evolution of arts education and research. As part of these efforts, advertising activities were carried out by jointly producing a six-second YouTube commercial (bumper commercial) on the theme of the "Maekyu" service with students of Nihon University College of Art to raise awareness of the service.

* The "Maekyu" service is a welfare benefits service enabling money to be received before pay day to the extent one has worked.

* At present, the distribution of the advertisement has ended.



Maekyu YouTube advertisement

Tokyo Metropolitan University

As part of the "Agreement to Support SMEs Through Academic-Industrial Collaboration" initiative signed between the Group and Tokyo Metropolitan University in August 2017, the "TMU Premium College" lectures through donations aimed at the premium generation aged 50 or higher were held. In FY2020, the lectures were held a total of five times from October 2020, with officers from the Group providing lectures on the latest financial trends and new trends such as FinTech.



Tokyo Metropolitan University

Responding to COVID-19

We are providing ongoing support such as cash flow assistance and the establishment of a financing consultation desk for customers affected by the spread of COVID-19. In addition to engaging in the prevention of the spread of COVID-19 with the greatest consideration for the health and safety of customers and employees, we will continue to provide appropriate consulting functions as a local financial group.



Supporting stakeholders with all our strength to overcome the global crisis

Creation of shared value with the customer

- Continued operation of all branches and ATMs
- Strengthening of cash flow support
- Flexible response to loan modifications, etc.
- Loan modification fee waivers

Number of loan applications	Number of loans executed (guarantee association loans included therein)	Loan execution amount (guarantee association loans included therein)
16,802	15,949 (14,582)	¥462.5 billion (¥388.1 billion)
Number of loan modification applications	Number of loan modifications executed	
5,052	4,361	

(As of March 31, 2021)

Kiraboshi support package	
Funding and revision of repayment terms	Effectively interest-free loans, unsecured loans Original COVID-19 relief fund Cash flow consultation (funding, modification of terms, etc.)
Subsidies/grants (information and guidance)	Ministry of Health, Labour and Welfare Ministry of Economy, Trade and Industry Tokyo, Kanagawa, Saitama, Chiba, etc.
Support of mainstay operations	New establishment of Finance Management Division Management Support Group, strengthening of management support for customers subject to an impact on business activities including the impact of COVID-19 Development of business plan, management plan Cost reduction (rent, electricity, communication, other expenses) HR support Accounts receivables guarantee Subcontracting receivables protection (construction industry) ICT implementation support Equipment procurement / leasing

*We respond to inquiries on diverse subjects including collaboration with administrative bodies and public financial institutions, and use of directed credit programs and subsidies.

Enhancement of financial support and consulting functions	
February 2020:	Started offering assistance in applying for emergency lending program, set up loan consultation desks
March:	Established COVID-19 Kiraboshi Fund (applicants receive responses in principle within 3 business days) and loan modification fee waivers related to business feasibility financing
June:	Started accepting consultation on funding problems via the Internet around the clock all year
August:	Established A&KC Mezzanine Finance No. 1 Investment Limited Partnership (Yume Yoriso Fund 1)
November:	Establishment of Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership
December:	Commenced handling of "Kiraboshi Joint Financing for Strengthening Management to Address COVID-19" joint financing with Japan Finance Corporation
March 2021:	Established A&KC Medical No. 1 Investment Limited Partnership, a dedicated fund for medical corporations, etc.

Work style reform

- Promotion of telework split operations
- Granting special paid leave
- Thorough infection prevention in headquarters and branches: Installation of acrylic partitions, PCR testing, introduction of AI temperature measurement solution (head office)

Contributing to local communities

- Support for and donation to the J-Coin Fund (¥1 million)
- Support for and donation to Tokyo Metropolitan Hospital Association (¥10 million)
- Management support and provision of funding to medical and social welfare corporations, etc.

Creation of shared value with the customer



By providing sophisticated consulting functions in such areas as business support, business start-up, the expansion of sales channels, and business succession that match the company's stage of life, we will create shared value with the customer, and contribute to the sustainable growth of the local economy.

Investment in social bonds and sustainability bonds

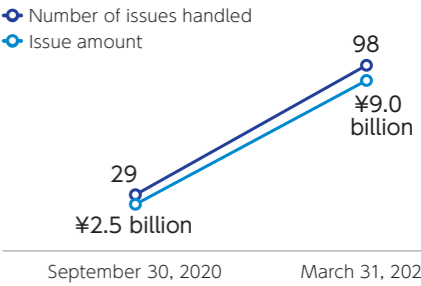
The Group is engaged in SDGs management incorporating the ESG perspectives of Environment, Social and Governance.

In January 2021, we invested in the "Social Bonds" issued by the Japan Student Services Organization, and in February and May 2021, we invested in the "Sustainability Bonds" issued by the Japan Railway Construction, Transport and Technology Agency.

Social bonds are bonds issued for procuring funding for projects addressing social issues. Sustainability Bonds are bonds for which the use of the funds (1) has the effect of improving the environment (green) and (2) contributes to the resolution of social issues.

Kiraboshi SDGs Private Placement Bonds

In June 2020, we started handling "Kiraboshi SDGs Private Placement Bonds" as a way to support the expansion of the adoption of SDGs and the resolution of environmental and social issues. The products are products for which Kiraboshi Bank donates an amount equivalent to 0.2% of the issue amount to groups engaged in SDGs (in principle, within the business area of Kiraboshi Bank) chosen by the issuing companies.



Supporting business start-ups

The Group aims to support founders and entrepreneurs with the aim of "making Kiraboshi Bank the natural partner for start-ups." In addition to establishing a "Start-up Support Office" in Kiraboshi Bank, we are working with Group companies such as Kiraboshi Capital and Kiraboshi Consulting in an effort to meet the various needs of customer in a consulting system utilizing the combined strength of the Group. In November 2020, the "KicSpace" community space on the first floor of the Kiraboshi Bank head office was used to hold a business plan brush-up session for venture companies. In addition, following on from the previous year, we continued to provide support such as holding a seminar supporting start-ups by women*1 jointly held with the Development Bank of Japan, and also supporting the Tokyo Venture Championship, a start-up pitch contest*2 backed by the Tokyo Metropolitan Government.

*1 The seminar was held online in FY2020.
*2 An event in which venture companies make a short presentation on the business plan and future potential of their own companies.



Seminar supporting start-ups by women



Tokyo Venture Championship 2020

Employees' Work Style Reform and Promotion of Diversity



In addition to promoting Kenko Keiei (health and productivity management) by encouraging a work-life balance, the Group is taking steps that include supporting the contribution of women, and creating an environment in which all employees, irrespective of gender or age, can feel satisfaction in their work, thus facilitating the development of diverse human resources and the realization of diverse work styles.

Realizing flexible work styles

The Company has positioned "work style reform" as a key issue in management and is realizing flexible work styles not constrained by time or place such as promoting telework (working from home). In addition, the "SDGs Promotion Team" established in October 2020 is engaged in a variety of measures leading to the achievement of SDGs, such as initiatives to promote diversity including promoting active participation by women and hiring diverse human resources regardless of nationality.



Tokyo Kiraboshi Financial Group and Kiraboshi Bank were recognized for the first time as 2021 Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category) jointly chosen by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



Certified "Eruboshi" mark (Stage 3 level)

Kiraboshi Bank obtained the highest Stage 3 level of the "Eruboshi" certification from the Minister of Health, Labour and Welfare as an excellent company based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

Enhancing systems for achieving work-life balance

- Telework (work from home) trial
- Flex time trial
- Shortened working hours system
- Working hours shift system

Support for users of various systems

- Encouraging male employees to take childcare leave
- Holding workshops and exchanges for people returning to the workplace after childcare leave
- Creation of a balance support guidebook (childcare and nursing care)
- Holding nursing care seminars

Health and productivity management

- Introducing a health promotion app
- Reforming awareness to resolve long working hours
- Introducing 1-on-1 meetings

Respect for diverse human resources

- "Visualization" of human resources using a talent management system
- Promotion of active participation by women
- Employment of people with disabilities
- Utilization of human resources regardless of nationality
- Intake of external human resources through mid-career recruitment

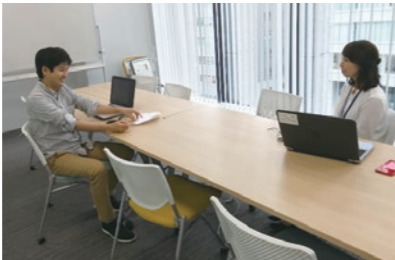
Introducing mobile work
Promoting work from home
Expansion of flex time trial

Supporting flexible work styles that are uncoupled from time and place, such as considering the adoption of mobile-working



Introducing 1-on-1 meetings
360-degree evaluation trial

Stimulating communication, assessing diverse staff member skills, and providing career design support



Implementation of career support training for personnel who wish to change occupations
Holding Meetups with Outside Directors

Supporting autonomous career building, creating a workplace enabling women to actively participate



Dialogue with shareholders and investors



In order to achieve sustainable development for the Company and enhance shareholder value, as well as raise the transparency and objectivity of management, we are striving to assist in the development of local communities through strengthening structures associated with corporate governance and working to ensure compliance.

Information Disclosure Policy

Under our management philosophy, that is "to be a financial group for small and medium-sized enterprise customers and individual customers in the Tokyo metropolitan area that will contribute to the development of local communities through comprehensive financial services," the Group is committed to making timely and appropriate disclosure and provision of information that is easy to understand, not only on financial information but also on non-financial information such as management strategies and issues and information on risks and governance, in an aim to win more trust and reputation from our customers, shareholders, and local communities, etc. The Group has established the "Information Disclosure Policy" for the timely and appropriate disclosure and provision of information that is easy to understand to stakeholders, and strives to disclose information in a fair and equitable manner.

Holding briefing sessions for investors

The Group is engaged in IR activities such as holding briefing sessions for institutional investors and private investors so that stakeholders including our customers, local communities, shareholders understand the management status and other aspects of the Group.
*The results briefing for investors for the fiscal year ended March 31, 2021, was held via video stream.



Video stream of results briefing for institutional investors

Capital policy

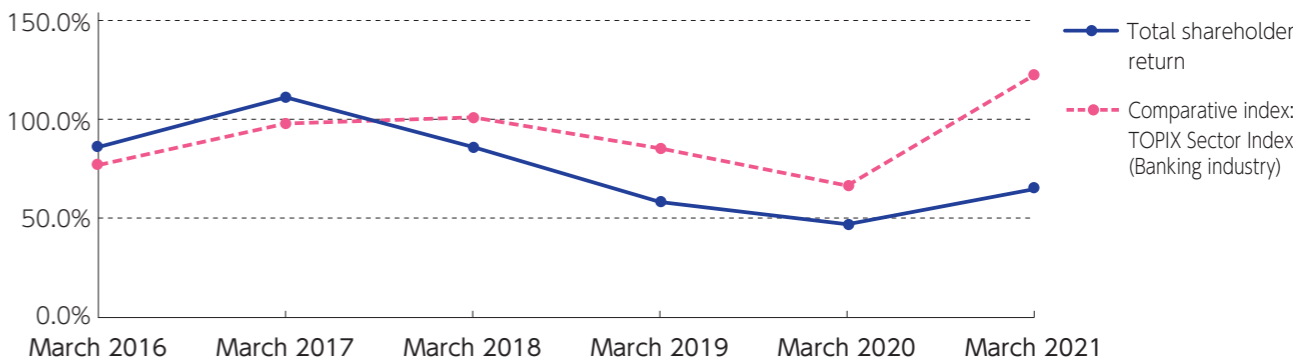
The basic capital policy of the Company is to secure a sufficient level of net assets as a holding company of regional financial institutions in order to help its subsidiaries perform their functions to provide the smooth supply of funds, and also to strive to improve capital efficiency by improving profitability and management efficiency. In addition, we regard the return of profits to shareholders as one of the important management measures, and strive to ensure financial soundness by maintaining appropriate internal reserves, and we will continue to pay stable dividends.

Financial targets set in the new Medium-Term Business Plan

Maintain soundness	Maintain soundness while accumulating risk assets Consolidated capital adequacy ratio of 8% or more
Strategic risk taking	Improve Group earnings based on RAF ROE of approx. 6%
Shareholder returns	Improvement of returns to meet expected levels Total return of 20-30%

Total shareholder returns and comparative index trends for the past five years

The trends in "total shareholder returns" over the past five years are compared below to the total returns in the TOPIX Sector Index (Banking industry). These "total shareholder returns" are the ratio of the revenue received due to the share investment (dividends + capital gains) divided by the investment amount (share price) which are calculated as shown below by dividing the revenue for each period by the share price from five periods before.



Initiatives to Strengthen Corporate Governance



(Back row from left)
Satoru Nobeta, Senior Managing Director
Yukio Kasai, Full-time Audit & Supervisory Board Member
Toru Narata, Full-time Audit & Supervisory Board Member
Kayo Todo, Outside Audit & Supervisory Board Member
Nobuyuki Yasuda, Director
Shoji Nishio, Outside Director
Nobuko Inaba, Outside Audit & Supervisory Board Member

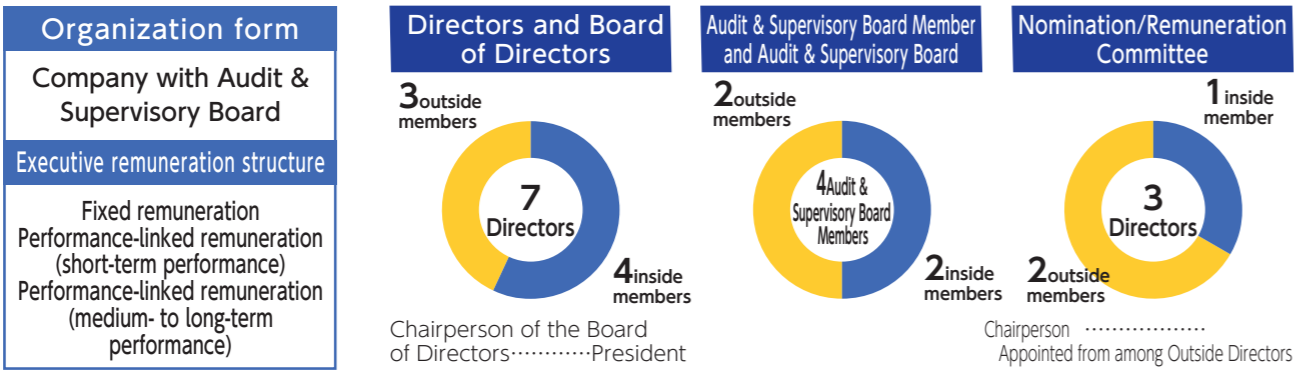
(Front row from left)
Yuki Takahashi, Outside Director
Hisanobu Watanabe, President
Shuya Nomura, Outside Director
Hidenori Tsunehisa, Deputy President

Basic approaches to corporate governance

The Company considers corporate governance to be one of the most important management issues, and utilizes the knowledge of outside officers and external experts to strengthen the Group business management system and supervisory functions while enhancing corporate governance functions to make transparent, fair, prompt, and decisive decisions as it conducts business and strives to sustainably increase corporate value. Furthermore, intending to embody our management philosophy and the Group's vision, we

established the Basic Policy on Corporate Governance. In order to put in place the "system that ensures properness of business operations" of the Company and Group companies pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, the Board of Directors of the Company has resolved the "Basic Internal Control Policy" and endeavors to improve its effectiveness.

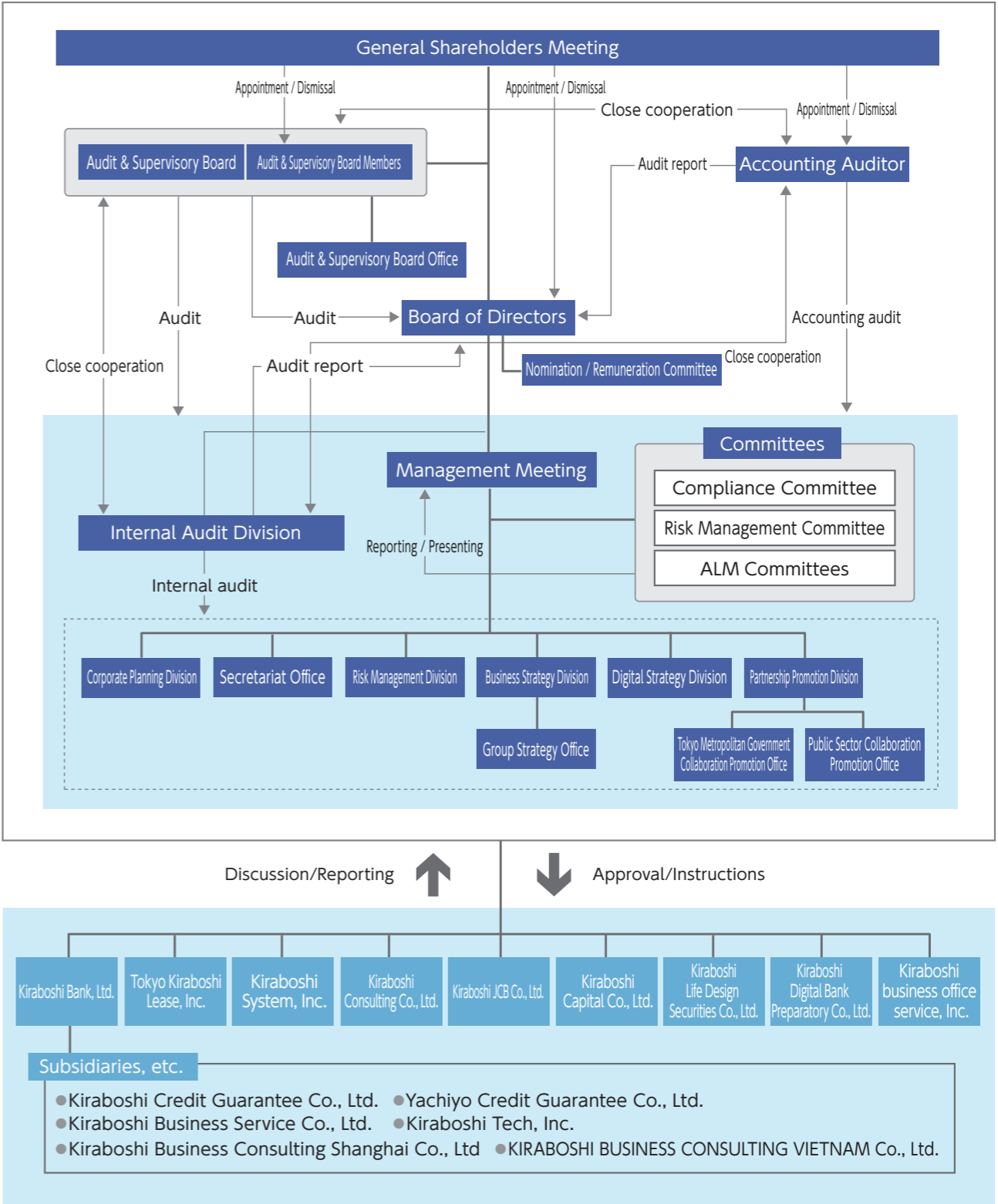
Outline of corporate governance system



Outline of corporate governance system

The Company is a company with Audit & Supervisory Board. The Board of Directors supervises the execution of duties by Directors, and Audit & Supervisory Board Members and the Audit & Supervisory Board audit the execution of duties by Directors. The Company believes that the appropriateness of management supervision and audit functions as well as a system for efficient business execution are ensured by effectively utilizing the management supervisory function realized by the appointment of highly independent Outside Directors and Outside Audit & Supervisory Board Members and the audit function performed by Audit & Supervisory Board Members and the Audit & Supervisory Board, and by enhancing the effectiveness of corporate governance.

Chart of corporate governance system (as of July 1, 2021)



Approach to Appointment of Directors and Audit & Supervisory Board Members

Directors

Candidates for director are considered by the Nomination/Remuneration Committee and determined after being reviewed by the Company's Board of Directors based on the results of the consideration. Furthermore, Directors must have excellent personality, knowledge and ability, extensive experience and high ethical standards.

Audit & Supervisory Board Members

Candidates for Audit & Supervisory Board Members are determined after deliberation by the Company's Board of Directors with the consent of the Company's Audit & Supervisory Board.

Furthermore, Audit & Supervisory Board Members must have excellent personality, knowledge and ability, extensive experience and high ethical standards, in addition to the necessary finance, accounting and legal knowledge.

Outside Directors and Outside Audit & Supervisory Board Members

In addition to the above standards, the following "standards of independence regarding outside officers" are established for and govern the appointment of Outside Directors and Outside Audit & Supervisory Board Members based on the functions and roles that outside officers should have in corporate governance.

Standards of independence regarding outside officers

The Company and its subsidiary banks (hereinafter the "Group") determine independence regarding candidates for Outside Director and Outside Audit & Supervisory Board Member based on the following standards.

- (1) The person is not an Executive Director, Executive Officer, or a manager or other employee (collectively hereinafter the "Business Executors, etc.") of the Group, and was not a Business Executor, etc., of the Group within 10 years prior to appointment. However, for candidates for Outside Audit & Supervisory Board Member, the requirement of not having been a Non-executive Director (Note 1) of the Group within 10 years prior to appointment is added.
- (2) For candidates for Outside Director that were Non-executive Directors or Audit & Supervisory Board Members of the Group within 10 years prior to appointment, these persons must not have been a Business Executors, etc., of the Group within 10 years prior to appointment to that position. For candidates for Outside Audit & Supervisory Board Member that were Audit & Supervisory Board Members of the Group within 10 years prior to appointment, these persons must not have been Business Executors, etc., or Non-executive Directors of the Group within 10 years prior to appointment to that position.
- (3) The party is not a spouse or a relative to within the second degree of an officer, etc. (Note 2), manager or other important employee (excluding those who are officers, etc.) of the Group.
- 2. The person is not a major shareholder (Note 3) of the Company or an officer, etc., or employee (excluding those who are officers, etc.) of a company of which the Group is a major shareholder.
- 3. (1) The person does not hold the Group as a major transaction partner (Note 4) and is not the parent company or a significant subsidiary, and if that person is a company, is not a Business Executor, etc., of said company and was not a Business Executor, etc., within the past three years.
- (2) The person is not a major transaction partner of the Group and is not the parent company or a significant subsidiary, and if that person is a company, is not a

- Business Executor, etc., of said company and was not a Business Executor, etc., within the past three years.
- (3) The person is not an employee, etc., of an organization that receives donations, etc., over a certain amount (an average of ¥10 million per annum for the past three years or 30% or more of average annual expenses of said organization, whichever is higher) from the Group.
- 4. The person is not an officer, etc., of a company, parent company of said company, or subsidiary of said company that receives officers, etc., from the Group.
- 5. The person is not the Accounting Auditor of the Group or an employee, etc., of said Accounting Auditor and was not responsible for the audit operations of the Group within the past three years as said employee, etc.
- 6. The person is an attorney, certified public accountant, or other consultant, etc., who has not received an average of ¥10 million or more per annum for the past three years aside from officer remuneration in cash or other property as profit from the Group. Additionally, the person is not an employee, etc., of an advisory firm such as a legal office, etc., that holds the Group as a major transaction partner (an advisory firm that received payment from the Group of 2% or more of its consolidated net sales on average over the past three fiscal years).
- 7. The person is not a person with which a constant, essential conflict of interest with general shareholders of the Company may arise for reasons other than those considered above.
- (Note 1) A "Non-executive Director" refers to a Director that is not an Executive Director.
- (Note 2) An "officer, etc.," refers to a Director (including an Outside Director), Audit & Supervisory Board Member (including an Outside Audit & Supervisory Board Member), Executive Officer, Counselor, and Advisor.
- (Note 3) A "major shareholder" is a person or company, etc., that directly or indirectly possesses voting rights equal to 10% or more of total voting rights as of the end of the most recent fiscal year.
- (Note 4) A "major transaction partner" is determined on the standard of 2% or more of annual consolidated net sales (annual consolidated ordinary revenue for the Company) as of the end of the most recent fiscal year.

Business execution and supervisory function

Directors and Board of Directors

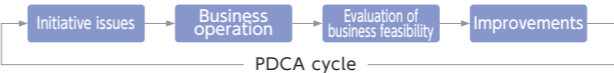
The Board of Directors consists of seven Directors (including three Outside Directors). The Board of Directors has a system in place that enables the holding of one meeting in principle each month and other extraordinary meetings whenever the need arises in order to decide important matters such as management policies and strategies and to supervise the execution of duties by Directors through such measures as receiving reports on the status of business execution and other important matters.

Support system for Outside Directors (Outside Audit & Supervisory Board Members)

A support system has been established for Outside Directors by providing advance explanations and supplementary materials on important proposals for the Board of Directors. Furthermore, Audit & Supervisory Board Member assistants are assigned to assist the duties of Audit & Supervisory Board Members as support for Outside Audit & Supervisory Board Members, and a support system has been established by providing advance explanations and supplementary materials, etc. as needed for important proposals for the Board of Directors.

Initiative to improve the effectiveness of the Board of Directors

The Company implements Director self-evaluations with respect to the effectiveness of the Board of Directors and discusses those results with the members of the Board of Directors to improve the effectiveness of the entire Board. In FY2020, the Group conducted a self-assessment in terms of "ensuring the explanation focused on the point and risk," "securing the time for deliberation on key issues on the agenda," and "monitoring on the Board of Directors' views and requests or business challenges," which were identified as issues in the previous year, put together the results, and discussed it at the Board of Directors. Going forward, we will strive to further improve the effectiveness of the Board of Directors and strengthen governance.



Nomination/Remuneration Committee

The Company has voluntarily established the Nomination/Remuneration Committee as an advisory body with the intent of securing objectivity and transparency regarding personnel matters and remuneration of Directors. The Nomination/Remuneration Committee consists of four Directors or less (including at least two Outside Directors)

Audit and supervisory functions

Audit & Supervisory Board Member and Audit & Supervisory Board

The Company's Audit & Supervisory Board consists of two full-time Audit & Supervisory Board Members and two part-time Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members). The Audit & Supervisory Board strives to strengthen the audit structure by ensuring effective monitoring functions for Directors' decision-making and business execution. Each Audit & Supervisory Board Member conducts audits on execution of duties by Directors, internal control, and other related matters by engaging in such activities as attending the Board of Directors' meetings and other important meetings, reviewing important approval and other documents, and conducting audits to each division of the Company and investigations on subsidiaries, in accordance with audit policies and plans established by the Audit & Supervisory Board. Audit & Supervisory Board Members and the Audit & Supervisory Board are striving for effective audits by maintaining close cooperation with the internal audit departments, the Accounting Auditor, and other relevant parties, by exchanging opinions on priority audit issues in regular meetings with Representative Directors and other executives, or otherwise. The Company has elected one Substitute Audit & Supervisory Board Member to prepare for the case where the number of Audit & Supervisory Board Members falls below the number required by laws and regulations. In

Officer Remuneration Structure

Basic approach

The Company's Board of Directors views the establishment of an environment supporting sound management and appropriate risk taking to be one of its main roles and responsibilities, and endeavors to make swift and bold decisions based on the approach of creating a new type of urban regional bank. Based on this approach, the remuneration of the Group's Directors (excluding Outside Directors) and executive officers with whom delegation agreements have been concluded is structured to be made up as follows with fixed remuneration (monthly remuneration) as base remuneration, in addition to a combination of share-based remuneration using a share trust and cash remuneration to function as a healthy incentive aimed at sustainable growth of the Group.

appointed by the resolution of the Board of Directors, and examine personnel matters, appointment and dismissal of directors of the Company and its subsidiary banks, as well as the amount of remuneration for directors, and report the results to each company's Board of Directors.

Management Meeting

Under the Board of Directors, the Company has established the Management Meeting that consists of Directors, and holds one meeting in principle each week and other extraordinary meetings whenever the need arises. The Management Meeting decides important matters related to business execution other than those to be resolved by the Board of Directors, and receives reports on the status of business execution and other important matters.

Committees

The Company has set up the "Compliance Committee," the "Risk Management Committee," and the "ALM Committee" as the subordinate organizations to the Management Meeting for each area of important management issues, and has established a system that increases expertise and agility. Each Committee meets regularly and at any time whenever the need arises in accordance with their respective rules.

addition, two assistants to Audit & Supervisory Board Members are assigned to support audits by Audit & Supervisory Board Members.

Internal audit

The Company's internal audits have been conducted by the Internal Audit Division, a division established independently from the rest of the Group, based on the "Annual Internal Audit Plan" approved by the Board of Directors. Results of the audit have been reported regularly to the Board of Directors. The Company has a system in place that enables the close cooperation between audits by Audit & Supervisory Board Members and accounting audits through attending to regular meetings and exchanging opinions and information as appropriate. The system also ensures that internal control departments provide explanations, reports, and supplementary materials for audits by Audit & Supervisory Board Members at regular meetings, while explanations and supplementary materials are provided to accounting audits as necessary.

Accounting audit

The Group's accounting audit is conducted by Ernst & Young ShinNihon LLC.

Types of remuneration

- "Fixed remuneration" (monthly remuneration): Base remuneration
 - "Performance-linked remuneration"
 - (1) "Cash remuneration": Linked to short-term numerical targets in the Medium-Term Business Plan
 - (2) "Share-based remuneration": Linked to medium-to long-term numerical targets in the Medium-Term Business Plan
- *Outside Directors only receive monthly remuneration.
*Audit & Supervisory Board Members only receive monthly remuneration, and are not subject to performance-linked remuneration from the perspective of ensuring the neutrality and independence of Audit & Supervisory Board Members.

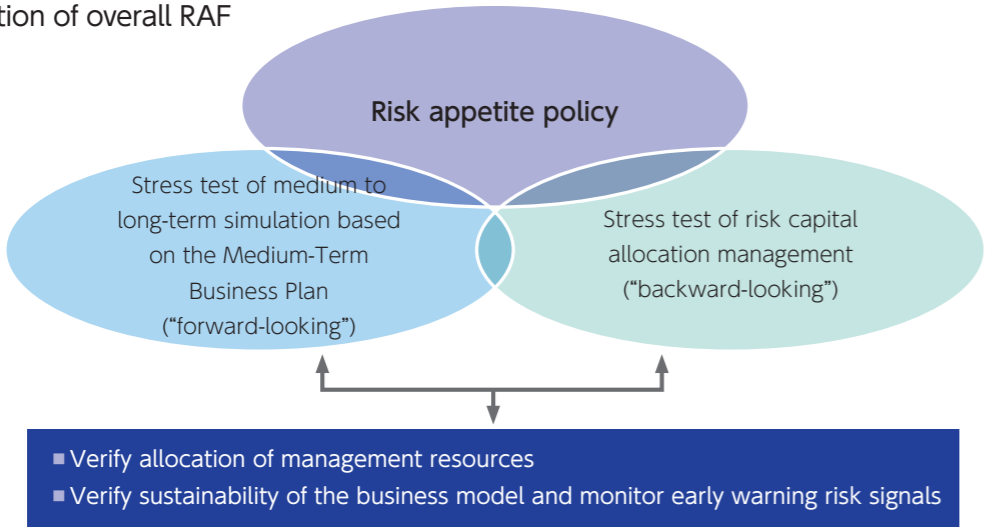
Trial implementation of Risk Appetite Framework

The Risk Appetite Framework (RAF) is a framework for clarifying the risk appetite for the sake of achieving business strategies and financial plan, thereby conducting business management and risk management. Introduction of RAF improves the transparency of the management plans, enables a company to seek more profit opportunities and conduct business management while controlling risks.

Based on RAF, the Group compiled indicators for risk appetite for the purpose of achieving sustainable growth with a good balance of income, risk, and capital. By monitoring the indicators periodically, the Group verifies the optimization of risk and return, a balance between capital efficiency and soundness, risk prediction management, and an appropriate allocation of management resources.

Key indicators related to risk appetite	Main items considered
RORA	Optimization of risk and return, etc.
ROE	Capital efficiency, etc.
Capital adequacy ratio	Capital soundness, management of risk predictions, etc.
Income by department	Optimal allocation of management resources, etc.

Construction of overall RAF



Status of putting in place the risk management system

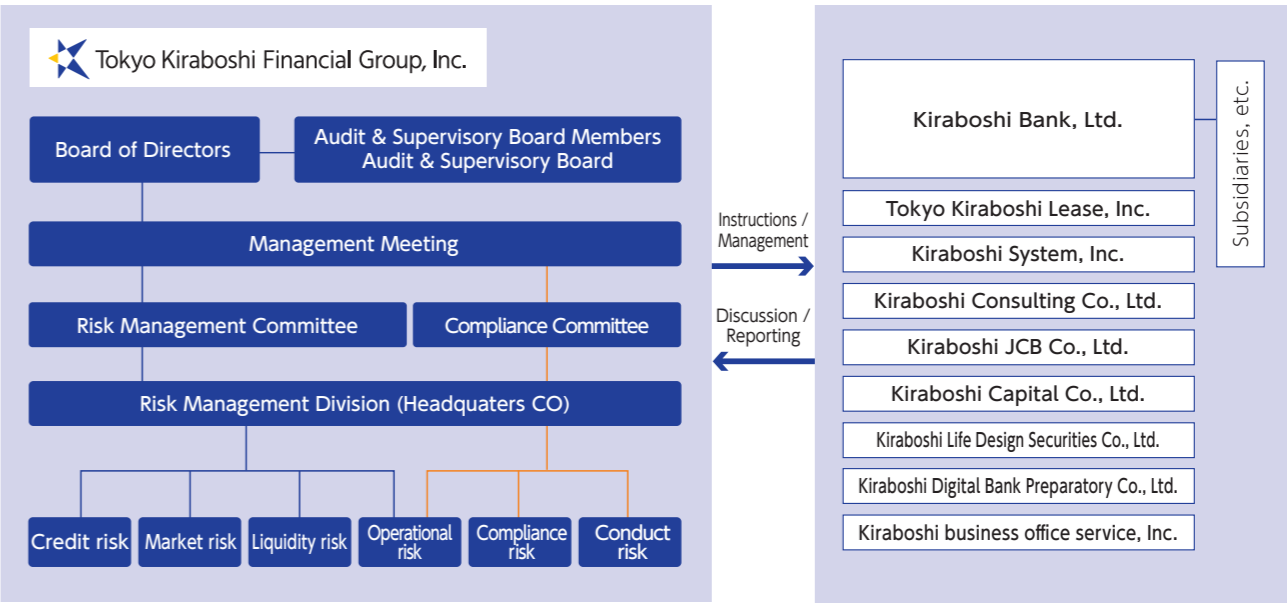
The Group considers the risk management as one of the top priority management issues and, in order to ensure the sound and appropriate business operations of each Group company, endeavors to conduct suitable management of various risks as a whole group under appropriate group business management (governance). The Group has established the Risk Management Committee that

discusses the establishment, revision, and abolishment of the Risk Management Regulations or other regulations and considers formulation of policies for the development and establishment of the Group's risk management system. In addition, the Group has established the Risk Management Division as the division supervising the risk management in the Group and put in place the risk management system.

Group Basic Policy for Risk Management

1. Considering the risk management as the top priority issue in the management of the Group, the Group will recognize the importance of risk management of the entire Group, including management of risks specific to the group system such as outline of the characteristics of various risks and the spread of risks. The Group will conduct suitable management by establishing the management system for each type of risk.
2. The Group will manage subsidiaries so that the appropriate risk management is performed by them from the viewpoint of ensuring soundness.

Chart of risk management system



Integrated risk management

Integrated risk management within the Group means to manage the risk in the Group as a whole, by integrating the management of various risks held by the Group companies, comprehensively identifying risks specific to the group system that individual Group companies alone cannot deal with, such as the spread of risk within the Group, and comparing the risk with the Group companies' financial capability (net assets). The Group estimates the maximum potential loss involving credit risk, market risk, Liquidity risk and operational risk based on the measured amount of risk. Then, in order to use limited capital effectively, the Group allocates risk capital by using core capital as allocation source and compares the capital with the actual amount of risk to confirm that the Group has not taken excessive risks in comparison with its financial capabilities, thereby maintaining and ensuring the soundness of management.

● Credit risk management

Credit risk means the risk of incurring losses due to decreased or lost asset value caused by a deterioration in the financial condition of the parties to which the credit has been granted. The Group strives to maintain the soundness of its credit portfolio by avoiding concentration risk through such measure as keeping the percentage of credit in the total amount of credit below a certain level for large concentration risk that an excessive amount of credit is made available to a specific party or for industry concentration risk that credit is concentrated to a specific industry.

● Market risk management

Market risk means the risk of incurring losses due to fluctuations in the value of assets and liabilities and in the amount of generated revenue as a result of fluctuations in various market risk factors such as interest rates, stock prices, and exchange rates. It is roughly divided into interest rate risk, price fluctuation risk, and exchange rate risk.

The Group controls the amount of market risk to avoid becoming excessive through such measures as setting limits for holdings and losses, monitoring the status of compliance, measuring the amount of risk such as VaR, and comparing it with the allocated risk capital. In addition, the Group evaluates market risk comprehensively using the stress scenarios that reflect events that could have a significant impact on the Group or other means.

● Liquidity risk management

Liquidity risk is the risk of incurring losses caused by difficulty in securing the necessary funds or being forced to raise funds at a significantly higher interest rate than usual due to a mismatch between investment and funding periods or an unexpected outflow of funds (cash flow risk), and the risk of incurring losses caused by inability to trade in the market or being forced to trade at a significantly unfavorable price than usual due to market turmoil or other factor (market liquidity risk). The Group takes every possible measure to manage liquidity risk through such measures as appropriately managing the status of fund investment and procurement, maintaining stable funding, and holding above a certain amount of assets that can be liquidated in a short period of time as current assets.

● Operational risk management

Operational risk means a wide range of risks related to business operations in general, including the risk of incurring losses caused by business process, activities of officers or employees, improper or non-functional systems, or external events. The Group categorizes the operational risk according to its characteristics into administrative risk, system risk, legal risk, or other risk. The Group has designated divisions responsible for each risk and an integrated management division, and puts in place a risk management system that covers business operations in general.

Compliance risk

Compliance risk is the risk of incurring severe damage such as the Group losing social confidence due to failure to comply with laws and regulations or “codes” such as the Group’s management philosophy and policy, and regulations. The Group has established a compliance program, and the management team takes the lead in an effort to prevent the occurrence and recurrence of actual risks and potential risks by taking steps such as disseminating and providing education on compliance matters required for appropriate business operation, and monitoring and controlling the status of establishment and implementation.

Crisis Management

The Group has established a crisis management system for business continuity, such as providing safe and secure financial functions to customers and employees in the event of the occurrence of a natural disaster such as an earthquake or the spread of infectious disease. The Group has formulated contingency plans for the occurrence of disasters and has introduced a system for verifying the safety of employees, and has also established systems such as

Conduct risk

The concept of conduct risk is where an officer or employee acts contrary to social norms, acts in violation of trade practices or market practices, or acts in a way that is detrimental from the perspective of users, and customers are inconvenienced, fairness of the market is harmed, or the reputation of the financial institution itself is harmed as a result. The Group acts in compliance with not only laws, regulations and internal rules, etc., but also in compliance with the Group’s ethical and action guidelines.

implementing periodic disaster drills. In addition, we are maintaining the functions of buildings and facilities, etc. to be able to use facilities and systems, etc. in a continuous and stable manner while also implementing measures such as assessing facility aging, carrying out appropriate maintenance management to prepare for various types of disasters, accidents, and infectious diseases, etc.

Initiatives for strengthening cyber security management

We regard the threat of cyberattacks, which have become increasingly advanced and sophisticated year after year, as one such risk and work on taking cybersecurity measures. We develop the cyber risk management system by assigning a person to be in charge of cybersecurity in the Risk Management Division and assessing system risks by positioning

cyber risk as a system risk while formulating a contingency plan. Furthermore, we conduct e-mail drills assuming a targeted attack and test to confirm our employees’ basic knowledge of cybersecurity regularly in a bid to educate them and raise awareness about cybersecurity within the Group.

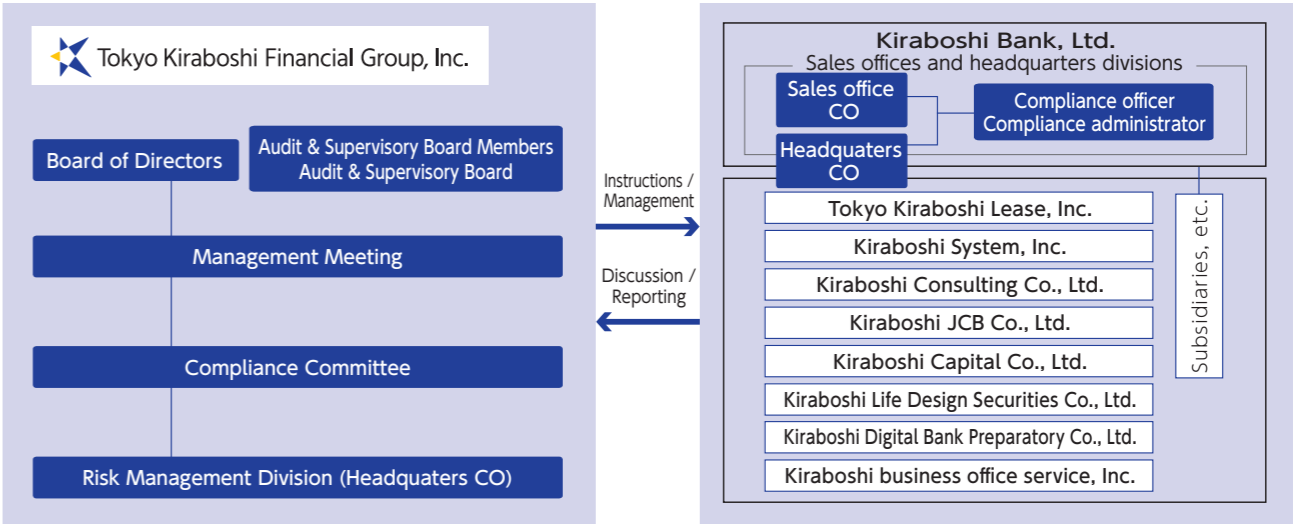


Status of putting in place the compliance system

The Group regards compliance as one of the top priority management issues, strives to establish corporate ethics based on its social mission as a regional financial group, and endeavors to ensure the soundness and appropriateness of business operations, upholding its basic policy of fostering the corporate culture that emphasizes compliance and is trusted by shareholders, customers, and society. The Group also has established the Compliance Committee to propose measures for the compliance-related matters of the Group and to strengthen the compliance function. In

addition, the Group has assigned the officer in charge of the Risk Management Division as the chief compliance officer, established the Risk Management Division as the division supervising compliance-related matters, and put in place the compliance system. Moreover, to enhance the Group’s ability to respond to compliance risk, we created the “Headquarters Compliance Officer (Headquarters CO)” and “Sales Office Compliance Officer (Sales Office CO)” roles in December 2020 to further develop the system.

Chart of compliance system



Basic Compliance Policy

The Group regards compliance as one of the top priority management issues, strives to establish corporate ethics based on its social mission as a regional financial group, and has established its basic policy to foster the corporate culture that emphasizes compliance and is accredited by shareholders and trusted by customers and society. The Group stipulates the following “Action Principles” to implement the basic policy.

- 1. Social responsibility and public mission of bank
We will recognize the importance of our social responsibility and public mission at all times and strive to win the unwavering trust through sound business operations.
- 2. Customer-first principle
We will consider customers first, satisfy customer needs, leverage our creativity and ingenuity, and provide highquality financial services. We will live up to customers’ trust and always pursue with a sincere attitude what customers expect us to do.
- 3. Strict compliance with laws, regulations, and rules
We will strictly comply with all laws, regulations, and rules and carry out sincere and fair corporate activities that do not violate social norms.
- 4. Developing together with local communities
We will contribute to the economic and cultural development of prosperous and vibrant local communities through our financial services.
- 5. Respect for human rights of employees, etc.
We will respect human rights and individuality of employees and ensure a safe and comfortable working environment.
- 6. Elimination of relationship with antisocial forces
We firmly confront antisocial forces that threaten the order and safety of civil society and ensure to eliminate any relationship with them.

Status of putting in place a system for eliminating antisocial forces

In order to eliminate any relationship with antisocial forces, the Company has established the “Basic Policy on Dealing with Antisocial Forces” and the “Basic Rules on Dealing with Antisocial Forces” and puts in place the system for this purpose. The Risk Management Division has the centralized function to control information on antisocial forces, and the Company and the Group companies strive to collect and share information on antisocial forces.

Basic Policy on Dealing with Antisocial Forces

The Group eliminates and will eliminate any relationship whatsoever with antisocial forces that threaten the order and safety of civil society, will comply with the following basic policy, and ensure sound and responsible business operations.

- 1. Deal with antisocial forces that threaten the order and safety of civil society as an organization and maintain a firm attitude against them.
- 2. Endeavor to strengthen close cooperation with the police and other external specialized agencies in preparation for unreasonable demands by antisocial forces even under normal circumstances.
- 3. Eliminate any relationship whatsoever including transactions with antisocial forces.
- 4. Reject firmly any unreasonable demands from antisocial forces, including taking civil or criminal actions.
- 5. Reject firmly any requests for providing funds or benefits to antisocial forces.

Group Basic Policy for Protection of Personal Information

The Group recognizes that it is its social responsibility to handle personal information of customers in a proper and strict manner. It has established the following basic policy and will do everything possible to protect personal information by complying with the policy.

- 1. **Explanation for Customers** / The Group will strive to provide accurate and appropriate information and explanations on products and services that fit customers in addressing transactions in compliance with laws and regulations so that they can understand them adequately.
- 2. **Customer Support** / The Group will respond to inquiries, requests and complaints from customers and provide consultation to them sincerely and properly from their standpoint to enhance customer satisfaction.
- 3. **Managing Customer Information** / The Group will acquire and use customers' personal information properly in compliance with laws and regulations and take appropriate measures to prevent fraudulent access to, or leak of information due to improper handling, thereby ensuring their safe management.
- 4. **Managing Outsourcing** / When outsourcing work that the Group conducts, it will supervise the outsourcing service provider to ensure that personal information of customers and response to customers will be managed and conducted properly.
- 5. **Managing Conflicts of Interest** / The Group will strive to manage conflicts of interest so that a customer's interest may not be improperly infringed in addressing transactions with the customer.
- 6. **Others** / The Group will also strive to manage operations properly to enhance convenience for its customers and ensure adequacy.

* The “Customer” under the policy refers to “those who make transactions or consider making them in the future with the Group.”
* The “Transactions” under the policy refer to “all transactions between customers and the Group as it conducts credit transactions (including loan contracts and their corresponding collateral/guarantee agreements), accepts deposits, and sells, brokers or offers products.”

Financial ADR system

Kiraboshi Bank, Ltd. of the Group has established a specialized department for various consultations and complaints from customers, and contracted with the “Japanese Bankers Association Consultation Office,” a designated dispute resolution body, to facilitate the quick and flexible solution of issues.

The designated dispute resolution body which Kiraboshi Bank, Ltd. has contracted with

Japanese Bankers Association

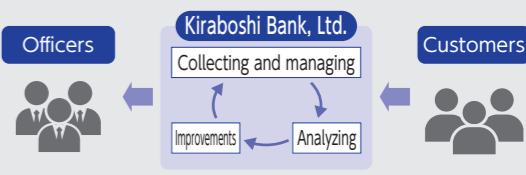
Contact: Japanese Bankers Association Consultation Office
Telephone number: 0570-017109 or 03-5252-3772

Whistleblowing system

The Group has established the “Hotline System” as a mechanism for responding properly to an employee, dispatched worker, part-time worker, or other staff who initiates whistleblowing or wishes to have a consultation about compliance issues (including harassment). Kiraboshi Bank, Ltd. has established a contact point for whistleblowing in the Compliance Section of Risk Management Department and in the law firm which its legal counsel works for. This whistleblowing system is strictly stipulated in the Group's internal regulations as to the confidential treatment of a whistleblower's identity and the prohibition of disadvantageous treatment of a whistleblower.

Putting the “customer feedback” to practical use

At Kiraboshi Bank, Ltd. we collect, manage and analyze the customer feedback and strive to improve our services. In addition, the customer feedback is centrally managed at the Customer Relations Center, and information is shared with officers.



Initiatives for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

The Group considers the prevention of money laundering, etc. as one of the most important management issues, and its basic policy is to establish an effective management system to maintain the public trust, while making efforts to constantly verify and improve the system. In recognition of its importance, we have put in place a system to ensure the effectiveness and appropriateness of the money laundering prevention system.



Officers (As of July 1, 2021)



Hisanobu Watanabe,
President

Career Summary
Apr. 1985 Joined the Tokyo Tomin Bank, Limited
Jun. 2014 Executive Officer and General Manager of Loan Administration Division, the Tokyo Tomin Bank, Limited
Jun. 2015 Executive Officer and General Manager of Nihonbashi Branch Office, the Tokyo Tomin Bank, Limited
Jun. 2017 Director and Managing Executive Officer, the Tokyo Tomin Bank, Limited
May 2018 Deputy President, Tokyo TY Financial Group, Inc.
Jun. 2020 President, Kiraboshi Bank, Ltd. (current position)
Jun. 2020 President, Tokyo Kiraboshi Financial Group, Inc. (current position)



Hidenori Tsunehisa,
Deputy President

Career Summary
Apr. 1987 Joined The Mitsubishi Bank, Ltd.
Feb. 2001 Manager, PricewaterhouseCoopers Consultants Co., Ltd.
Apr. 2004 Joined the ShinGinko Tokyo, Limited
Jun. 2015 President and CEO, ShinGinko Tokyo, Limited
Apr. 2016 Director, Tokyo TY Financial Group, Inc.
May 2018 Senior Managing Director, Kiraboshi Bank, Ltd. (current position)
Jun. 2021 Deputy President, Tokyo Kiraboshi Financial Group, Inc. (current position)



Satoru Nobeta,
Senior Managing Director

Career Summary
Apr. 1984 Joined the Industrial Bank of Japan, Limited
Jun. 2014 Director and Executive Officer, the Tokyo Tomin Bank, Limited
Apr. 2016 Managing Director, the Tokyo Tomin Bank, Limited
Jun. 2016 Director, Tokyo TY Financial Group, Inc.
Jun. 2017 Senior Managing Director, the Tokyo Tomin Bank, Limited
May 2018 Director, Tokyo Kiraboshi Financial Group, Inc.
Jun. 2020 Senior Managing Director, Tokyo Kiraboshi Financial Group, Inc. (current position)
Jun. 2021 Director and Senior Executive Officer, Kiraboshi Bank, Ltd. (current position)



Shuya Nomura,
Outside Director

Career Summary
Apr. 1998 Professor, Faculty of Law, Chuo University
Apr. 2004 Professor, Graduate School of Law, Chuo University (current position)
Attorney, Mori Hamada & Matsumoto (current position)
Jun. 2014 Outside Director, Mitsubishi UFJ Trust and Banking Corporation
Jun. 2016 Outside Director, Audit and Supervisory Committee Member, Mitsubishi UFJ Trust and Banking Corporation (current position)
Jun. 2021 Outside Director, Tokyo Kiraboshi Financial Group, Inc. (current position)



Yukio Kasai,
Full-time Audit & Supervisory Board Member

Career Summary
Apr. 1980 Joined the Tokyo Tomin Bank, Limited
Jun. 2016 Full-time Audit & Supervisory Board Member, the Tokyo Tomin Bank, Limited
May 2018 Full-time Audit & Supervisory Board Member, Kiraboshi Bank, Ltd.
Jun. 2020 Full-time Audit & Supervisory Board Member, Tokyo Kiraboshi Financial Group, Inc. (current position)



Toru Narata,
Full-time Audit & Supervisory Board Member

Career Summary
Apr. 1983 Joined Yachiyo Shinkin Bank
Jun. 2017 Director and Managing Executive Officer, the Yachiyo Bank, Limited
May 2018 Senior Managing Director, Kiraboshi Bank, Ltd.
Jun. 2020 Full-time Audit & Supervisory Board Member, Tokyo Kiraboshi Financial Group, Inc. (current position)



Nobuyuki Yasuda,
Director

Career Summary
Apr. 1988 Joined Yachiyo Shinkin Bank
Jun. 2017 Director and Executive Officer, the Yachiyo Bank, Limited
May 2018 Director and Executive Officer, Kiraboshi Bank, Ltd.
Apr. 2020 General Manager of Corporate Planning Division, Tokyo Kiraboshi Financial Group, Inc.
Jun. 2020 Director and Managing Executive Officer, Kiraboshi Bank, Ltd.
Jun. 2021 Director and General Manager of Corporate Planning Division, Tokyo Kiraboshi Financial Group, Inc. (current position)



Yuki Takahashi,
Outside Director

Career Summary
Dec. 2003 Joined Bears Co., Ltd. Senior Managing Director
Oct. 2016 Vice President and Director, Bears Co., Ltd. (current position)
Jun. 2017 Outside Director, Tokyo TY Financial Group, Inc. (currently Tokyo Kiraboshi Financial Group, Inc.) (current position)
Apr. 2018 Vice Chairman, The Tokyo New Business Conference (current position)
Apr. 2019 Chairman, National Housekeeping Service Association (current position)



Shoji Nishio,
Outside Director

Career Summary
Mar. 1978 Joined The Tokyo Chamber of Commerce and Industry
Jun. 2016 Managing Director, The Tokyo Chamber of Commerce and Industry
May 2019 Outside Audit & Supervisory Board Member, WORLD TRADE CENTER BUILDING, INC. (current position)
Jun. 2019 Outside Director, Tokyo Kiraboshi Financial Group, Inc. (current position)
Apr. 2021 Associate Advisor, The Tokyo Chamber of Commerce and Industry (current position)



Nobuko Inaba,
Outside Audit & Supervisory Board Member

Career Summary
Jul. 2007 Established PAS Co., Ltd. (currently Hayabusa Consulting Co., Ltd.) President, PAS Co., Ltd. (current position)
Nov. 2010 Established Hayabusa Audit Corporation (now merged with Yasumori Accounting and Audit Office) Senior Partner, Hayabusa Audit Corporation (current position)
Oct. 2014 Outside Corporate Auditor, Tokyo TY Financial Group, Inc. (currently Tokyo Kiraboshi Financial Group, Inc.) (current position)
Jun. 2019 Outside Corporate Auditor, DeNA Co., Ltd. (current position)
Jun. 2021 Outside Audit & Supervisory Board Member, Kanematsu Corporation (current position)



Kayo Todo,
Outside Audit & Supervisory Board Member

Career Summary
Apr. 1997 Joined KOHWA SOHGOH LAW OFFICES
Jan. 2002 Partner, KOHWA SOHGOH LAW OFFICES (current position)
Oct. 2014 Outside Corporate Auditor, Tokyo TY Financial Group, Inc. (currently Tokyo Kiraboshi Financial Group, Inc.) (current position)
Jun. 2015 Outside Corporate Auditor, JAPAN POST TRANSPORT Co., Ltd. (current position)
Jun. 2017 Outside Director, GMO CLICK Holdings, Inc. (currently GMO Financial Holdings, Inc.) (current position)

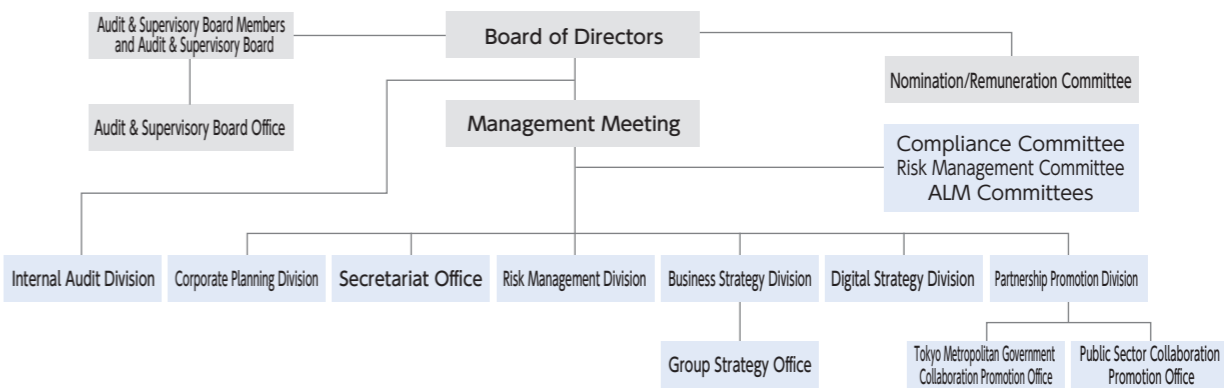
Masahiro Ogura, Executive Officer

Company Overview (As of March 31, 2021)



Business name	Tokyo Kiraboshi Financial Group, Inc.
Business details	1. Corporate management of a bank and companies that can be made subsidiaries pursuant to the Banking Act. 2. All other operations incidental and related to the operations in the preceding item.
Head office	3-10-43 Minami Aoyama, Minato-ku, Tokyo
Established	October 1, 2014
Capital	¥27.5 billion
Exchange listing	Tokyo Stock Exchange, First Section (Securities Code: 7173)

Organization Chart (As of April 1, 2021)



Consolidated Financial Statements

Tokyo Kiraboshi Financial Group, Inc. and its Consolidated Subsidiaries
March 31, 2021 and 2020

Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets			
Cash and due from banks.....	¥ 753,974	¥ 538,902	\$ 6,810,351
Call loans and bills bought.....	—	2,513	—
Monetary claims bought.....	68,935	74,199	622,662
Trading account securities.....	845	1,006	7,632
Money held in trust.....	1,620	651	14,632
Securities.....	1,019,415	948,042	9,207,975
Loans and bills discounted.....	3,926,518	3,760,834	35,466,696
Foreign exchange.....	9,422	5,593	85,105
Lease receivables and investment assets.....	18,714	17,622	169,036
Other assets.....	62,998	93,273	569,036
Tangible fixed assets.....	56,362	58,419	509,095
Buildings.....	16,499	17,119	149,028
Land.....	33,192	33,192	299,810
Leased assets.....	2,022	2,262	18,263
Construction in progress.....	6	439	54
Other tangible fixed assets.....	4,641	5,404	41,920
Gain on disposal of non-current assets.....	6,629	3,771	59,877
Software.....	4,101	1,998	37,042
Leased assets.....	271	256	2,447
Other tangible fixed assets.....	2,257	1,516	20,386
Net defined benefit assets.....	24,054	13,234	217,270
Deferred tax assets.....	3,140	11,251	28,362
Customers' liabilities for acceptances and guarantees.....	4,412	4,905	39,851
Reserve for possible loan losses.....	(35,101)	(33,076)	(317,053)
Total assets.....	¥ 5,921,945	¥ 5,501,145	\$ 53,490,606
Liabilities			
Deposits.....	¥ 4,972,473	¥ 4,631,187	\$ 44,914,397
Negotiable certificates of deposit.....	9,500	7,300	85,809
Call money and bills sold.....	59,632	217,692	538,632
Payables under securities lending transactions.....	271,382	256,620	2,451,287
Borrowed money.....	241,372	42,177	2,180,218
Foreign exchange.....	293	232	2,646
Bonds.....	4,000	4,200	36,130
Other liabilities.....	43,864	37,291	396,206
Reserve for employee bonuses.....	1,523	1,637	13,756
Provision for directors' bonuses.....	155	183	1,400
Provision for stock compensation.....	163	139	1,472
Net defined benefit liabilities.....	53	65	478
Reserve for directors' retirement benefits.....	14	23	126
Reserve for point card certificates.....	43	40	388
Provision for loss on interest repayments.....	7	8	63
Reserve for loss on dormant deposit repayments.....	1,289	1,318	11,643
Provision for loss on cancellation of system contracts.....	—	935	—
Provision for contingent loss.....	794	659	7,171
Reserves under special laws.....	0	—	0
Deferred tax liabilities.....	86	60	776
Acceptances and guarantees.....	4,412	4,905	39,851
Total liabilities.....	¥ 5,611,065	¥ 5,206,683	\$ 50,682,549
Net Assets			
Common stock.....	¥ 27,500	¥ 27,500	\$ 248,396
Capital surplus.....	150,677	150,684	1,361,006
Retained earnings.....	117,514	114,641	1,061,457
Treasury stock.....	(742)	(814)	(6,702)
Total shareholders' equity.....	294,949	292,010	2,664,158
Net unrealized gain on available-for-sale securities.....	13,078	5,629	118,128
Net deferred gains (losses) on hedges.....	189	41	1,707
Revaluation reserve for land.....	(242)	(242)	(2,185)
Foreign currency translation adjustment.....	11	4	99
Remeasurements of defined benefit plans.....	2,863	(3,038)	25,860
Total accumulated other comprehensive income.....	15,900	2,394	143,618
Subscription rights to shares.....	30	56	270
Total net assets.....	310,880	294,462	2,808,057
Total liabilities and net assets.....	¥ 5,921,945	¥ 5,501,145	\$ 53,490,606

U.S. dollar amounts are the yen equivalent, calculated for convenience only, at the rate of ¥110.71 = U.S. \$1.

Consolidated Income Statements and Consolidated
Statements of Comprehensive Income

Consolidated Income Statements

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Ordinary income			
Interest income.....	¥ 93,352	¥ 94,031	\$ 843,211
Interest on loans and discounts.....	58,751	56,989	530,674
Interest and dividends on securities.....	46,384	44,108	418,968
Interest on call loans and bills bought.....	11,422	11,940	103,170
Interest on deposits with banks.....	4	38	36
Other interest income.....	384	299	3,468
Trust fees.....	556	602	5,022
Fees and commissions.....	150	156	1,354
Other operating income.....	14,940	16,880	134,947
Other ordinary income.....	4,093	6,762	36,970
Recoveries of written-off claim.....	15,416	13,241	139,246
Others.....	53	87	478
Ordinary expenses	15,362	13,153	138,758
Financing expenses.....	85,127	91,683	768,918
Interest on deposits.....	1,252	2,381	11,308
Interest on negotiable certificates of deposit.....	734	1,094	6,629
Interest on call money and bills sold.....	1	1	9
Interest on payables under securities lending transactions.....	87	606	785
Interest on borrowed money.....	172	584	1,553
Interest on corporate bonds.....	237	76	2,140
Other interest expenses.....	14	7	126
Fees and commissions payments.....	3	9	27
Other operating expenses.....	3,273	3,045	29,563
General and administrative expenses.....	1,211	1,621	10,938
Other ordinary expenses.....	56,098	55,814	506,711
Provision of allowance for loan losses.....	23,291	28,821	210,378
Other ordinary expenses.....	7,858	11,178	70,978
Ordinary profit	8,224	2,347	74,284
Extraordinary income	0	6,975	0
Gain on disposal of non-current assets.....	0	6,315	0
Gain on step acquisitions.....	—	523	—
Gain on bargain purchase.....	—	136	—
Extraordinary losses	124	1,065	1,120
Loss on disposal of non-current assets.....	97	59	876
Impairment losses.....	—	70	—
Provision for loss on cancellation of system contracts.....	—	935	—
Loss on cancellation of system contracts.....	27	—	243
Profit before income taxes	8,099	8,256	73,155
Income taxes – current	1,551	3,861	14,009
Income taxes – deferred	2,387	(3,264)	21,560
Total income taxes	3,938	597	35,570
Profit	4,161	7,659	37,584
Profit attributable to non-controlling interests	—	2	—
Profit attributable to owners of parent	¥ 4,161	¥ 7,657	\$ 37,584

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Profit	¥ 4,161	¥ 7,659	\$ 37,584
Other comprehensive income	13,455	(4,088)	121,533
Net unrealized gain on available-for-sale securities.....	7,397	(2,293)	66,814
Net deferred gains (losses) on hedges.....	148	41	1,336
Foreign currency translation adjustment.....	7	(4)	63
Remeasurements of defined benefit plans.....	5,902	(1,788)	53,310
Share of other comprehensive income of entities accounted for using equity method...	—	(44)	—
Comprehensive income	17,616	3,571	159,118
(Breakdown)			
Comprehensive income attributable to owners of parent.....	¥ 17,616	3,611	\$ 159,118
Comprehensive income attributable to non-controlling interests.....	—	¥ (40)	—

U.S. dollar amounts are the yen equivalent, calculated for convenience only, at the rate of ¥110.71 = U.S. \$1.

Consolidated Statements of Changes in Net Assets

	Millions of yen													
	2021													
	Shareholders' equity					Accumulated other comprehensive income								
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of the year ...	27,500	150,684	114,641	(814)	292,010	5,629	41	(242)	4	(3,038)	2,394	56	—	294,462
Changes of items during the reporting period ...														
Dividends of surplus.....			(2,071)		(2,071)									(2,071)
Profit attributable to owners of parent...			4,161		4,161									4,161
Acquisition of treasury stock...				(15)	(15)									(15)
Disposition of treasury stock...		(6)		87	80									80
Increase in retained earnings due to addition of equity-method affiliates...			782		782									782
Increase in treasury stock due to addition of equity- method affiliates...				(0)	(0)									(0)
Net changes of items other than shareholders' equity during the reporting period						7,448	148	—	7	5,902	13,505	(25)	—	13,479
Total changes of items during the reporting period...	—	(6)	2,873	71	2,938	7,448	148	—	7	5,902	13,505	(25)	—	16,418
Balance at end of period	27,500	150,677	117,514	(742)	294,949	13,078	189	(242)	11	2,863	15,900	30	—	310,880

	Millions of Yen													
	2020													
	Shareholders' equity				Accumulated other comprehensive income									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of the year ...	27,500	150,473	109,053	(804)	286,223	7,923	—	(242)	8	(1,250)	6,440	56	404	293,124
Changes of items during the reporting period ...														
Purchase of shares of consolidated subsidiaries ...		214	(0)		213									213
Dividends of surplus.....			(2,068)		(2,068)									(2,068)
Profit attributable to owners of parent...			7,657		7,657									7,657
Acquisition of treasury stock...				(26)	(26)									(26)
Disposition of treasury stock...		(4)		15	11									11
Net changes of items other than shareholders' equity during the reporting period						(2,294)	41	—	(4)	(1,788)	(4,045)	—	(404)	(4,450)
Total changes of items during the reporting period...	—	210	5,587	(10)	5,787	(2,294)	41	—	(4)	(1,788)	(4,045)	—	(404)	1,337
Balance at end of period	27,500	150,684	114,641	(814)	292,010	5,629	41	(242)	4	(3,038)	2,394	56	—	294,462

	Thousands of U.S. Dollars													
	2021													
	Shareholders' equity				Accumulated other comprehensive income									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of the year ...	248,396	1,361,069	1,035,507	(7,352)	2,637,611	50,844	370	(2,185)	36	(27,441)	21,624	505	—	2,659,759
Changes of items during the reporting period ...														
Dividends of surplus			(18,706)		(18,706)									(18,706)
Profit attributable to owners of parent...			37,584		37,584									37,584
Acquisition of treasury stock...				(135)	(135)									(135)
Disposition of treasury stock...		(54)		785	722									722
Increase in retained earnings due to addition of equity-method affiliates ...			7,063		7,063									7,063
Increase in treasury stock due to addition of equity- method affiliates...				(0)	(0)									(0)
Net changes of items other than shareholders' equity during the reporting period						67,274	1,336	—	63	53,310	121,985	(225)	—	121,750
Total changes of items during the reporting period...	—	(54)	25,950	641	26,537	67,274	1,336	—	63	53,310	121,985	(225)	—	148,297
Balance at end of period	248,396	1,361,006	1,061,457	(6,702)	2,664,158	118,128	1,707	(2,185)	99	25,860	143,618	270	—	2,808,057

Consolidated Statements of Cash Flows

	Millions of Yen				Thousands of U.S. Dollars	
	2021		2020		2021	
Cash flows from operating activities						
Profit before income taxes	¥	8,099	¥	8,256	\$	73,155
Depreciation.....		4,820		3,958		43,537
Impairment losses		—		70		—
Gain on bargain purchase		—		(136)		—
Step acquisitions loss (gain).....		—		(523)		—
Share profit of entities accounted for using equity method.....		(24)		(17)		(216)
Increase (decrease) in reserve for possible loan losses		2,025		6,404		18,291
Increase (decrease) in reserve for employee bonuses.....		(113)		(78)		(1,020)
Increase (decrease) in provision for directors' bonuses.....		(28)		24		(252)
Increase (decrease) in provision for stock compensations		23		57		207
Decrease (increase) in net defined benefit assets.....		(10,819)		893		(97,723)
Increase (decrease) in net defined benefit liability		(12)		(0)		(108)
Increase (decrease) in reserve for directors' retirement benefits.....		(9)		(10)		(81)
Increase (decrease) in reserve for point card certificates.....		3		1		27
Increase (decrease) in reserve for loss on interest repayments		(0)		(0)		(0)
Increase (decrease) in reserve for loss on dormant deposit repayments.....		(29)		(32)		(261)
Increase (decrease) in provision for loss on cancellation of system contracts...		(935)		935		(8,445)
Increase (decrease) in reserve for contingent loss		134		3		1,210
Interest income.....		(58,751)		(56,989)		(530,674)
Financing expenses.....		1,252		2,381		11,308
Gain (loss) on securities		(5,446)		(3,087)		(49,191)
Net losses (gains) on money held in trust		(168)		48		(1,517)
Foreign exchange losses (gains).....		(9,003)		2,262		(81,320)
Net loss (gain) on disposal of non-current assets		97		(6,255)		876
Net increase (decrease) in trading account securities		160		(32)		1,445
Net (decrease) increase in loans and bills discounted		(165,683)		(70,843)		(1,496,549)
Net increase (decrease) in deposits		341,285		104,275		3,082,693
Net increase (decrease) in negotiable certificates of deposit.....		2,200		(8,800)		19,871
Net increase (decrease) in borrowed money (excluding subordinated loans) ...		199,195		(11,732)		1,799,250
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)...		134		200		1,210
Net (decrease) increase in call loans		7,777		(15,034)		70,246
Net increase (decrease) in call money.....		(158,059)		104,363		(1,427,684)
Net increase (decrease) in payables under securities lending transactions.....		14,761		(88,297)		133,330
Net decrease (increase) in foreign exchange (assets)		(3,829)		391		(34,585)
Net increase (decrease) in foreign exchange (liabilities)		61		(300)		550
Net decrease (increase) in lease receivables and investment assets.....		(1,092)		(1,880)		(9,863)
Increase (decrease) due to issuance and redemption of straight bonds.....		(200)		2,200		(1,806)
Net increase (decrease) in borrowed money from trust account.....		—		(245)		—
Proceeds from fund management		55,154		59,334		498,184
Payments for finance		(1,724)		(2,715)		(15,572)
Other.....		14,007		(2,275)		126,519
Subtotal		235,258		26,774		2,124,993
Income taxes paid.....		(3,719)		(1,744)		(33,592)
Income taxes refund.....		1,005		403		9,077
Cash flows from operating activities		232,544		25,433		2,100,478
Cash flows from investing activities						
Purchase of securities		(384,714)		(279,044)		(3,474,970)
Proceeds from sales of securities		214,154		264,935		1,934,369
Proceeds from redemption of securities.....		168,458		126,400		1,521,615
Payments due to increase in money held in trust.....		(800)		(700)		(7,226)
Purchase of tangible fixed assets.....		(2,342)		(1,840)		(21,154)
Retirement of tangible fixed assets.....		(753)		(566)		(6,801)
Proceeds from sales of tangible fixed assets.....		1		11,285		9
Purchase of intangible fixed assets.....		(4,339)		(1,210)		(39,192)
Payment from changes in ownership interests in subsidiaries that result in changes in scope of consolidation ...		—		(1,057)		—
Purchase of shares in affiliates.....		(4,999)		—		(45,154)
Net cash provided by (used in) investing activities		(15,335)		118,200		(138,515)
Cash flows from financing activities						
Repayments of subordinated borrowings.....		—		(5,000)		—
Cash dividends paid		(2,071)		(2,069)		(18,706)
Dividends paid to non-controlling interests.....		—		(4)		—
Purchase of treasury shares		(15)		(72)		(135)
Proceeds from sale of treasury stock		6		15		54
Proceeds from exercise of share options.....		27		—		243
Proceeds from exercise of performance-linked stock-based compensation		52		—		469
Payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation ...		—		(64)		—
Repayments of lease obligations		(3)		(83)		(27)
Net cash provided by (used in) financing activities		(2,003)		(7,277)		(18,092)
Effect of exchange rate changes on cash and cash equivalents		0		1		0
Net change in cash and cash equivalents		215,206		136,357		1,943,871
Cash and cash equivalents at beginning of year		538,286		401,928		4,862,126
Cash and cash equivalents at end of year	¥	753,492	¥	538,286	\$	6,805,997



Safeguarding your aspirations;
connecting them with reality

Tokyo Kiraboshi Financial Group, Inc.

2021 Annual Report

Published in July 2021



Tokyo Kiraboshi Financial Group, Inc.

3-10-43 Minami Aoyama, Minato-ku, Tokyo 107-0062

<https://www.tokyo-kiraboshifg.co.jp>

This document contains forward-looking statements on the Group's results. These statements are not intended to guarantee future results, as they are subject to risks and contain uncertainties. Please keep in mind that future results may differ due to factors including changes in the business environment.