

Tokyo Kiraboshi Financial Group Results Briefing for the First Half of the Fiscal Year Ending March 31, 2020



December 10, 2019

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Overview of the Group



Overview of the Group

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

A bank that sparkles

Achieve enduring existence as a local regional bank through the provision of unique financial services

A bank that rises to the challenge

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 bank that brings together ideas

We put great value on the “ideas” of customers, the region, and our employees so as to become a necessary and always trusted presence

Vision aimed for

Become the urban regional bank group most favored by customers in the Tokyo metropolitan area

Company history

- December 1924 Founded The Yachiyo Bank, Limited
- December 1951 Established The Tokyo Tomin Bank, Limited
- April 2004 Established ShinGinko Tokyo, Limited
- October 2014 Business integration by The Tokyo Tomin Bank, Limited and The Yachiyo Bank, Limited
- Established Tokyo TY Financial Group, Inc.
- September 2015 Signed the Agreement on a Comprehensive Affiliation for Industrial Development in Tokyo with the Tokyo metropolitan government
- June 2016 Business and capital tie-up with Sumitomo Mitsui Trust Bank, Limited
- November 2016 Alliance with Jimoto Holdings, Inc.
- January 2017 Alliance with Senshu Ikeda Holdings, Inc.
- April 2017 Established Kiraboshi Consulting Co., Ltd.
- November 2017 Established Kiraboshi Tech, Inc.
- May 2018 Birth of Kiraboshi Bank (merger of 3 banks)
- Changed business name to Tokyo Kiraboshi Financial Group, Inc.
- September 2018 Established Kiraboshi Capital Co., Ltd.
- January 2019 Signed “Comprehensive collaboration agreement concerning support for small and medium-sized enterprises” with the Tokyo Chamber of Commerce and Industry
- July 2019 Business alliance with Shinhan Bank Japan
- ⋮
- May 2020 **Systems integration (scheduled)**



Outline of the Birth of Kiraboshi Bank, Ltd.

Bank after merger

Holding company



The origin of the bank's name

Constellation. Twinkling stars.
 We want to make the dreams of our customers glitter even brighter in the Tokyo area.
 Into this name we put our desire for something clean-cut that also feels easy to get to know, that takes the customers' ideas into safekeeping and uses them to bridge the way to the next generation.

The ideas we wanted to put into the logo mark and color

"Kiraboshi" is a design representing somebody facing forward and beginning to walk with head held high, and represents our feeling of wanting to move forward with and contribute to the local community, as a bank that rises to the challenge.
 Expressing our desire to become a bank that places great value on the "ideas" of customers and employees, and to become a gleaming presence in local communities, we used dark blue to symbolize "trustworthiness" and "sincerity," while yellow represents "future promise" and "independence."

Birth of Kiraboshi Bank

May 1, 2018



Tokyo Tomin Bank Yachiyo Bank ShinGinko Tokyo



Kiraboshi Bank, Ltd.

Overview of Kiraboshi Bank, Ltd.

(Kiraboshi Bank, Ltd. non-consolidated as of September 30, 2019)

Location of head office	3-10-43 Minami Aoyama, Minato-ku, Tokyo
Capital	¥43.7 billion
Total assets	¥5,389.3 billion
Deposit balance	¥4,608.2 billion
Loan balance	¥3,678.5 billion

Summary of Business Results

Summary of Business Results for the First Half of the Fiscal Year Ending March 31, 2020



Tokyo Kiraboshi FG

(¥ billion)				
Item No.	Kiraboshi Bank (non-consolidated)	2018/9	2019/9	Change
1	Ordinary income	39.4	39.1	(0.3)
2	Gross business profit	34.9	35.1	0.2
3	(Gross core business profit) 2	34.9	34.7	(0.2)
4	Of which, net interest income	29.3	28.4	(0.9)
5	Of which, net fees and commissions	5.4	6.0	0.6
6	Of which, other business income	0.1	0.5	0.4
7	Expenses 3	27.6	25.8	(1.8)
8	Of which personnel expenses	13.6	13.1	(0.5)
9	Of which non-personnel expenses	11.6	10.4	(1.2)
10	Net core business income 4	7.2	8.8	1.6
11	Net core business income (Excluding gains (losses) on cancellation of investment trusts)	7.2	8.7	1.5
12	Transfer to reserve for general possible loan losses	0.2	0.7	0.5
13	Net business income	6.9	8.5	1.6
14	Non-recurring profit (loss)	(4.1)	(5.0)	(0.9)
15	Of which, reversal of allowance for loan losses	—	—	—
16	Of which, loss from write-off of non-performing loans	1.2	2.9	1.7
17	Of which, gains (losses) on stocks and other securities	0.2	0.5	0.3
18	Of which, other losses	(3.1)	(2.6)	0.5
19	Ordinary profit 5	2.8	3.5	0.7
20	Extraordinary profit (loss)	(0.0)	(0.0)	(0.0)
21	Income taxes	(1.1)	(0.1)	1.0
22	Net income 6	3.9	3.7	(0.2)
23	Credit-related costs (12 + 16 – 15)	1.5	3.6	2.1
24	Merger and systems integration costs	2.2	1.6	(0.6)

(¥ billion)					
Tokyo Kiraboshi FG (consolidated)	2018/9 results	2019/9 results	2019/9 plan	Year-on-year	Achievement rate
Ordinary profit 1	2.6	2.8	2.7	5.6%	103%
Profit attributable to owners of parent	3.7	3.3	2.8	-9.9%	117%

Tokyo Kiraboshi FG

1 Tokyo Kiraboshi FG's business results in the first half of the fiscal year ending March 31, 2020, which reflected primarily the performance of Kiraboshi Bank, show ordinary profit of ¥2.8 billion, up ¥0.2 billion year-on-year and ¥0.1 billion above the plan, and profit attributable to owners of parent of ¥3.3 billion, down ¥0.4 billion year-on-year or ¥0.5 billion above the plan.

Kiraboshi Bank

2 **[Gross core business profit]** ¥34.7 billion (down ¥0.2 billion year-on-year) *Details on p. 8.

3 **[Expenses]** ¥25.8 billion (down ¥1.8 billion year-on-year)

- Cost reductions from the effects of the merger continued, resulting in a substantial decrease year-on-year.
- Recorded ¥0.3 billion (up ¥0.1 billion year-on-year) as merger and systems integration costs.

4 **[Net core business income]** ¥8.8 billion (up ¥1.6 billion year-on-year)

Recorded an increase of ¥1.6 billion year-on-year to ¥8.8 billion, reflecting increases in interest on loans and discounts and in fees and commissions, coupled with cost reductions from the effects of the merger.

5 **[Ordinary profit]** ¥3.5 billion (up ¥0.7 billion year-on-year)

- Credit-related costs increased by ¥2.1 billion to ¥3.6 billion as a result of increase in provision of allowance for loan losses due to customer default caused by inappropriate accounting treatment and other events.
- In non-recurring profit and loss, ¥1.3 billion of merger and systems integration costs was recorded as other non-recurring loss, a decrease of ¥0.6 billion year-on-year.

6 **[Net income]** ¥3.7 billion (down ¥0.2 billion year-on-year)

Gross business profit (Kiraboshi Bank) ¥35.1 billion (up ¥0.2 billion year-on-year)

(¥ billion)

Item No.	Kiraboshi Bank	2018/9	2019/9	Change
1	Gross business profit (3+7+8+9)	34.9	35.1	0.2
2	(Gross core business profit) (1-10)	34.9	34.7	(0.2)
3	Of which, net interest income 1	29.3	28.4	(0.9)
4	Of which, interest on loans and discounts	21.5	21.8	0.3
5	Of which, interest on securities	8.9	7.1	(1.8)
6	Of which, interest on deposits	0.6	0.5	(0.1)
7	Of which, net fees and commissions 2	5.4	6.0	0.6
8	Of which, trust fees	0.0	0.0	0.0
9	Of which, other business income	0.1	0.5	0.4
10	Losses related to bonds (Government bonds, etc.)	(0.0)	0.4	0.4

1 [Net interest income] ¥28.4 billion (down ¥0.9 billion year-on-year)

- With focused efforts on SME financing which led to growth in loan balance as well as financing based on business feasibility evaluations which helped to secure interest rates, ¥21.8 billion in interest on loans and discounts was recorded, up ¥0.3 billion year-on-year.
- Despite continued efforts in yield improvement through portfolio diversification, interest on securities decreased by ¥1.8 billion year-on-year to ¥7.1 billion as a result largely of decrease in dividends from invested funds which were recorded in the fiscal year ended March 31, 2018, and decrease in securities balance due to redemption of Japanese government bonds.

2 [Net fees and commissions] ¥6.0 billion (up ¥0.6 billion year-on-year)

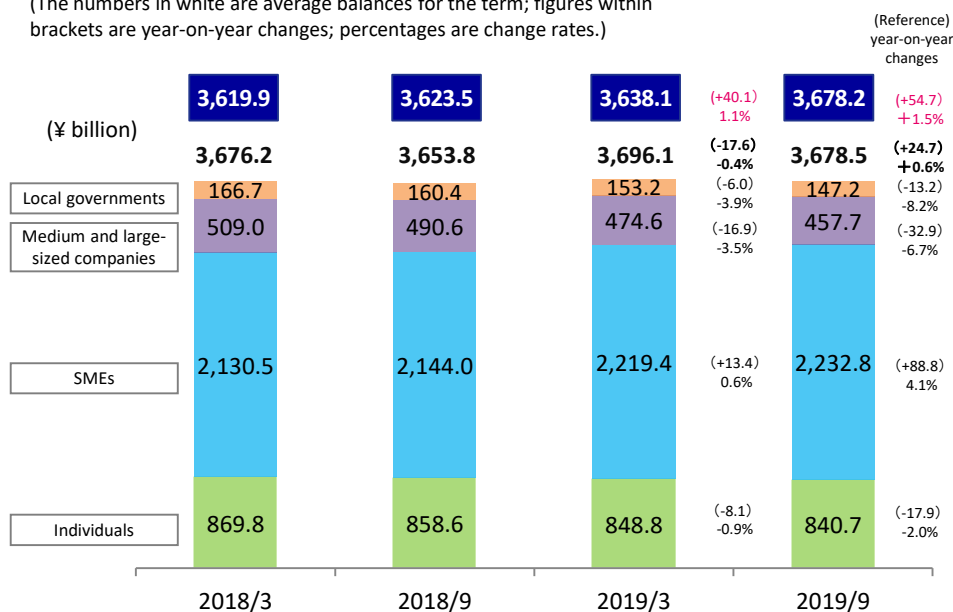
- ¥1.7 billion (down ¥0.3 billion year-on-year) recorded from sale of financial products.
- ¥1.5 billion recorded from corporate customer business, up 0.5 billion year-on-year, driven by consulting business based on dialogue with SME customers.

Financing to SMEs increased. Financing based on business feasibility evaluations helped interest rates to bottom out.

- SME financing increased through focused efforts in business feasibility evaluations and support of mainstay operations.
- By beefing up SME financing which resulted in growth of loan balance and by securing interest rates through financing based on business feasibility evaluations, loan yields are showing signs of bottoming out.

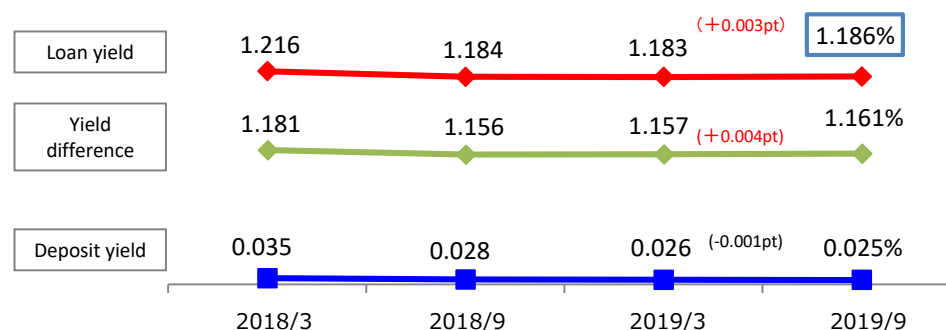
Loan balance by type of customer (Kiraboshi Bank)

(The numbers in white are average balances for the term; figures within brackets are year-on-year changes; percentages are change rates.)



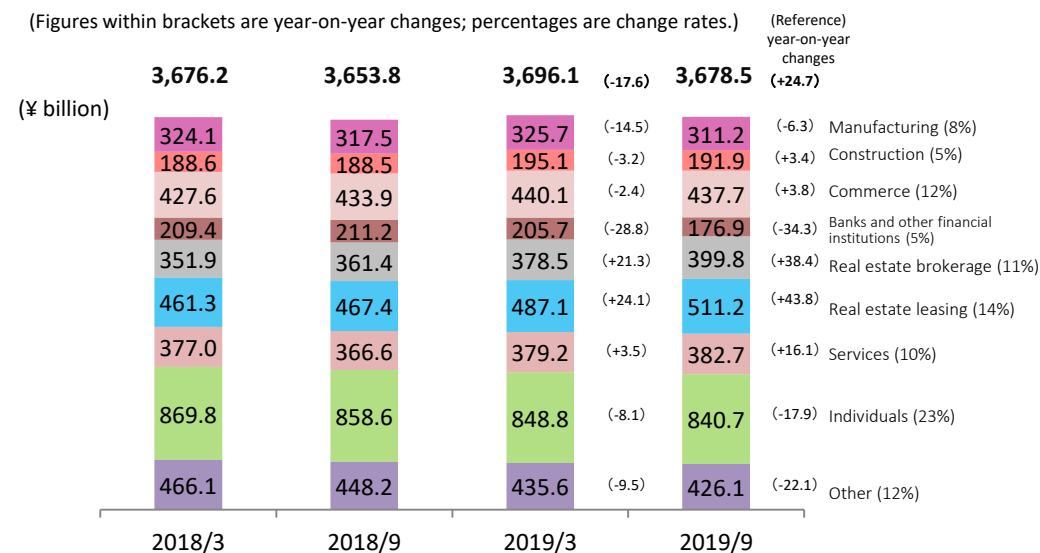
Yields (Kiraboshi Bank)

(Figures within brackets are year-on-year changes)



Loan balance by industry (Kiraboshi Bank)

(Figures within brackets are year-on-year changes; percentages are change rates.)





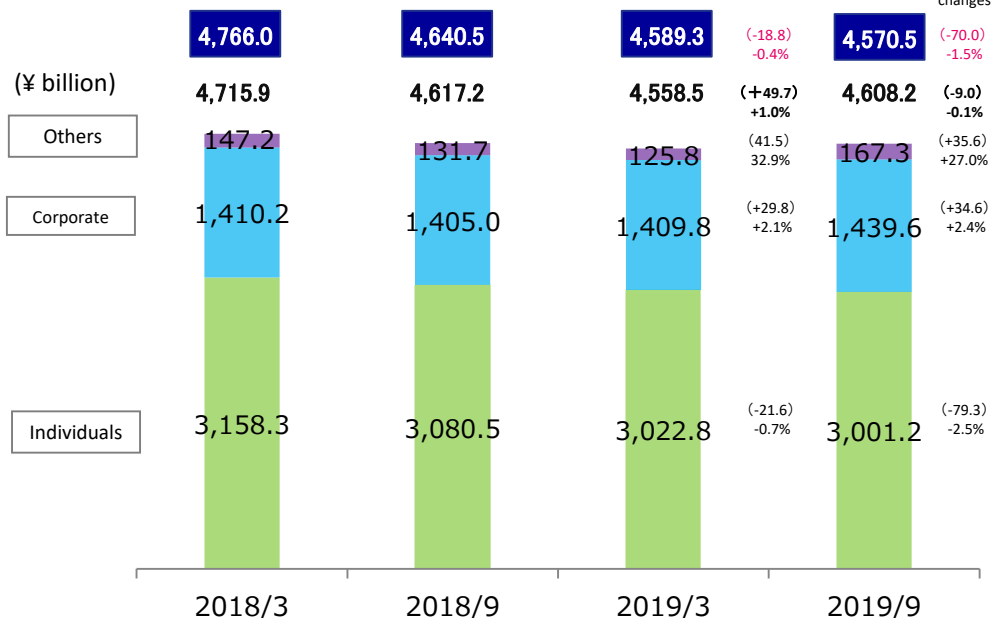
Deposits and Assets under Management

Increase in balance of assets under management as a result of investment management proposals tailored to customers' life stages

- Reflecting such factors as branch relocations conducted during the fiscal year ended March 31, 2019 in conjunction with the consolidation of branch offices (branch-in-branch approach), balance of individual deposits decreased pushing down overall deposit balance by ¥9.0 billion year-on-year, despite increases in the balance of corporate and other deposits.
- Balance of assets under management increased as a result of investment management proposals tailored to customers' life stages.

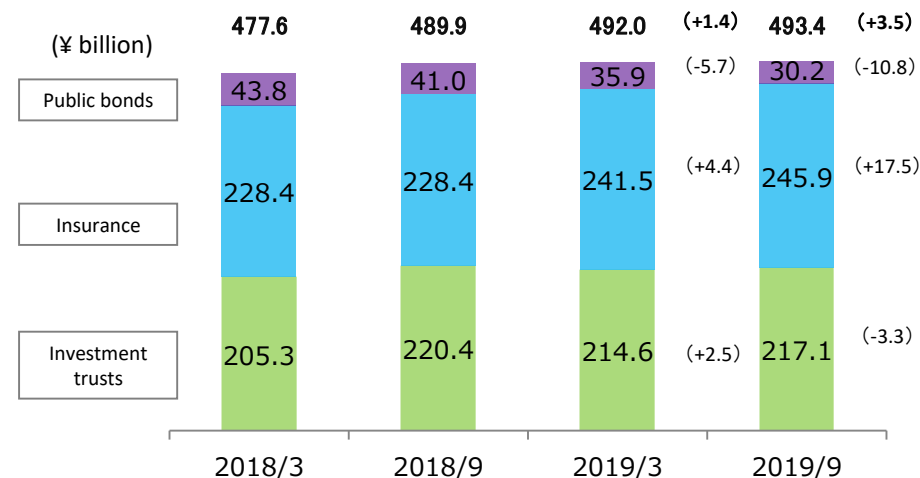
Deposit balance by client (Kiraboshi Bank)

(The numbers in white are average balances for the term; figures within brackets are year-on-year changes; percentages are change rates.)



Balance of assets under management (Kiraboshi Bank)

(Figures within brackets are year-on-year changes)



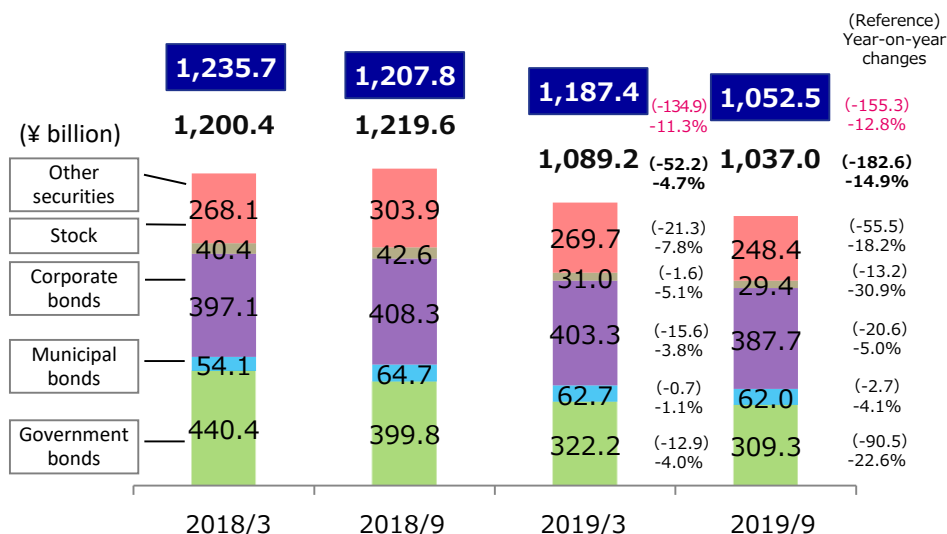
* Balance of assets under management of the former Tokyo Tomin Bank and former Yachiyo Bank for the fiscal year ended March 31, 2018.

Promotion in diversification of investment management and portfolio diversification while aiming for risk diversification and stable profits

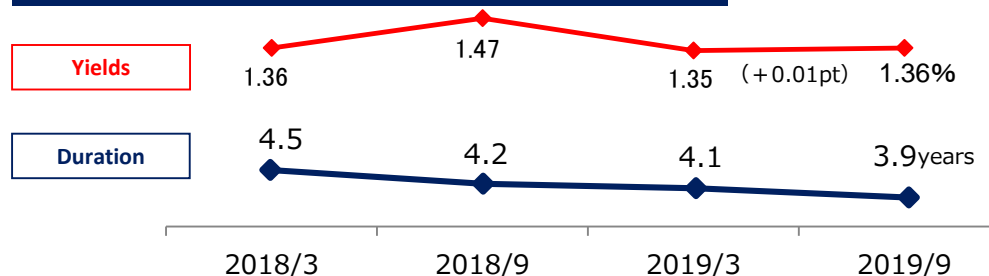
- Amidst low interest rate environment, the outstanding balance of securities decreased by ¥182.6 billion year-on-year, a large proportion of which was accounted for by government bonds.
- As a result of efforts in portfolio diversification, yield on securities in the first half of the fiscal year ending March 31, 2020 stayed at 1.36%, securing the level of the fiscal year ended March 31, 2019.
- Ladder type portfolio was constructed to achieve risk diversification and stable profits, and hence avoid increase in duration.
- Continued efforts were made in diversification of investment management and portfolio diversification while ensuring control of risk amount in order to avoid excessive risk-taking.

Securities balance (Kiraboshi Bank)

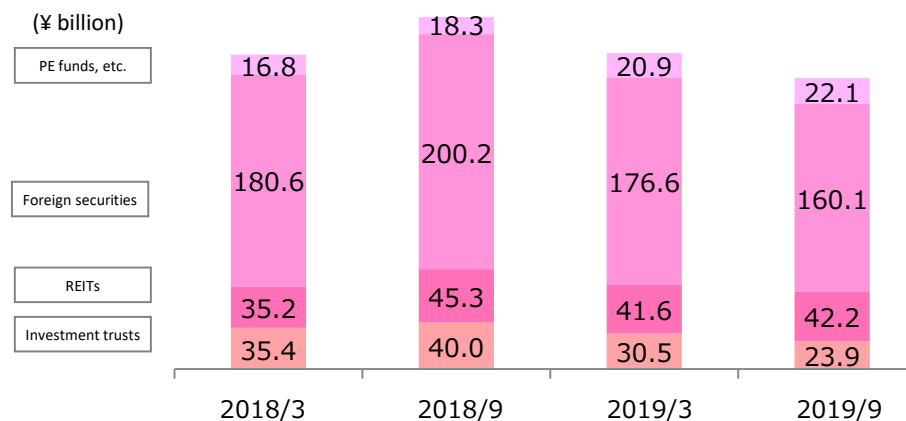
(The numbers in white are average balances for the term; figures within brackets are year-on-year changes; percentages are change rates.)



Yield on securities - Duration (Kiraboshi Bank)



Breakdown and trend of "Other securities"



Problem Assets Subject to Disclosure under the Financial Reconstruction Law and Credit-Related Costs



Tokyo Kiraboshi FG

Ratio of problem assets subject to disclosure under the Financial Reconstruction Law declined by 0.23 points. Credit-related costs increased by ¥2.1 billion.

Value and ratio of problem assets subject to disclosure under the Financial Reconstruction Law (in the case of partial direct write-offs)

■ The value of problem assets subject to disclosure under the Financial Reconstruction Law decreased by ¥7.8 billion year-on-year to ¥69.1 billion reflecting in particular efforts made in corporate restructuring support, while the disclosure assets ratio declined by 0.23 points year-on-year due to increase in the overall loan balance.

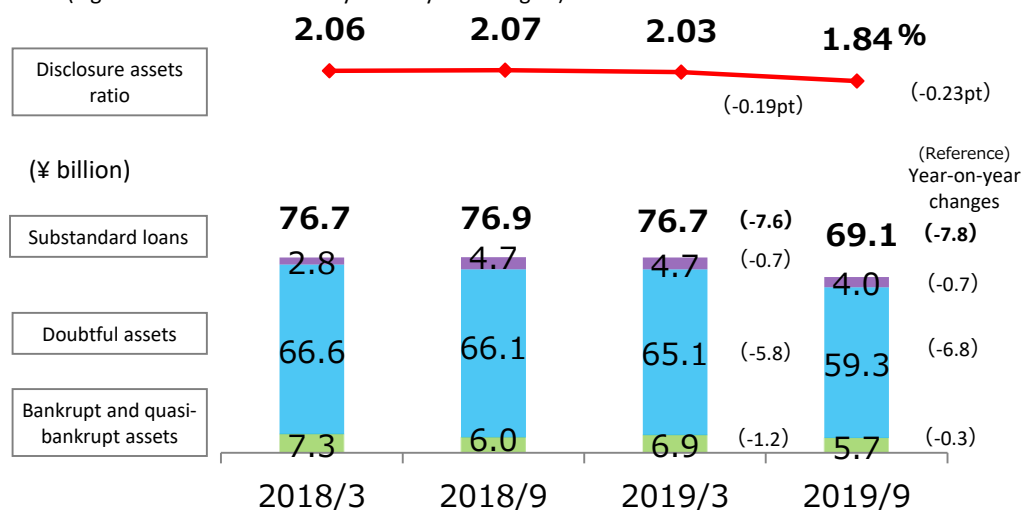
Credit-related costs

■ Credit-related costs in the first half of the fiscal year ending March 31, 2020 increased by ¥2.1 billion to ¥3.6 billion, as a result of increase in provision of allowance for loan losses due to customer default caused by inappropriate accounting treatment and other events. A fundamental reform of credit control structure was implemented in order to prevent occurrence of any new credit-related costs.

Value and ratio of problem assets subject to disclosure (Kiraboshi Bank)

[After partial direct write-offs]

(Figures within brackets are year-on-year changes.)



Credit-related costs (Kiraboshi Bank)

(¥ billion)

2017/9	2018/9	2019/9	Change
(0.2)	1.5	3.6	2.1

Coverage status of problem assets subject to disclosure under the Financial Reconstruction Law (Kiraboshi Bank)

[Before partial direct write-offs] (¥ billion)

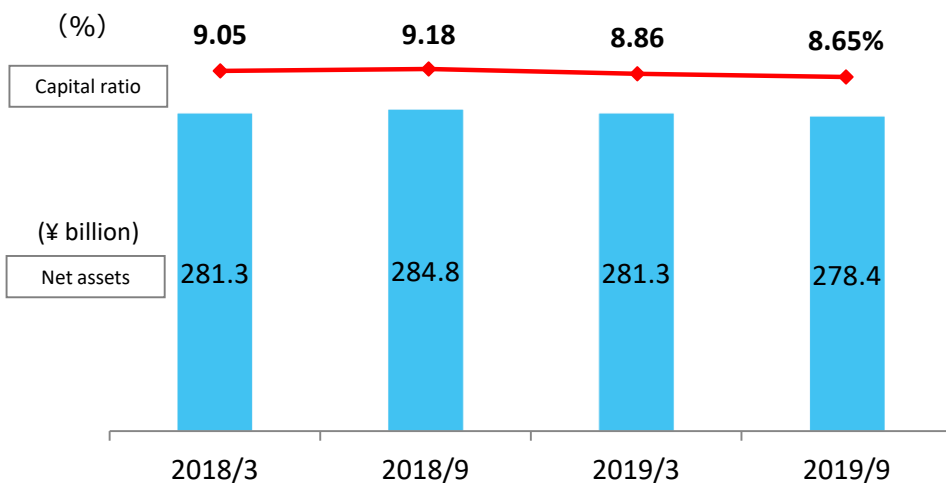
	2019/9
Covered amount	65.2
Reserve for possible loan losses	21.4
Collateral, guarantees, etc.	43.8
Problem assets	83.9
Coverage ratio	77.7%



Capital ratio/Core OHR/ROE

Capital ratio stood at 8.65%, core OHR at 74.3%, ROE at 2.29%

Consolidated capital ratio (Tokyo Kiraboshi FG)



Capital ratio

Consolidated capital ratio of Tokyo Kiraboshi FG declined to 8.65% due to increase in risk assets as a result primarily of increase in SME financing, and decrease in net assets reflecting repayment of subordinated loans.

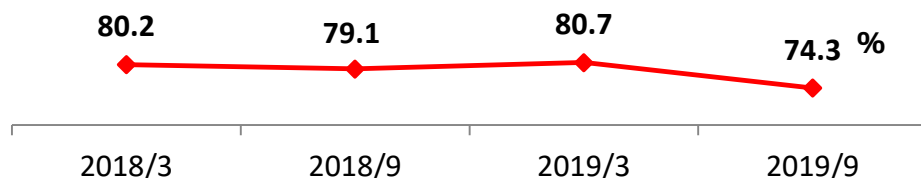
Core OHR

With gross core business profit remaining flat year-on-year and cost reductions from the merger effect continuing, core OHR improved by 4.8 points year-on-year to 74.3%.

ROE (consolidated)

ROE (consolidated) declined by 0.27 points year-on-year to 2.29%, primarily as a result of a ¥0.4 billion decline in profit attributable to owners of parent.

Core OHR (Kiraboshi Bank)



$$\text{Core OHR} = \frac{\text{Expenses}}{\text{Gross core business profit}} \times 100$$

ROE (Tokyo Kiraboshi FG, consolidated)

	ROE (%)		
	2018/9	2019/3	2019/9
	2.56	1.68	2.29

$$\text{ROE (consolidated)} = \frac{\text{Profit attributable to owners of parent}}{(\text{Net assets at the beginning of the period} + \text{net assets at the end of the period}) \div 2} \times 100$$

Profit Plan and Strategy

Plan for the Fiscal Year Ending March 31, 2020

(announced on September 13, 2019)



Tokyo Kiraboshi FG

2020/3 plan

(¥ billion)

Tokyo Kiraboshi FG, consolidated	2019/3 results	2020/3 Initial plan A	2020/3 Revised plan B	Difference (B-A)
Ordinary profit	3.4	5.4	2.1	(3.3)
Profit attributable to owners of parent	4.9	5.1	1 6.5	+ 1.4

2020/3 plan

(¥ billion)

Item No.	Kiraboshi Bank	2019/3 results	2020/3 Initial plan A	2020/3 Revised plan B	Difference (B-A)
1	Gross core business profit	67.6	65.6	66.9	2 + 1.3
2	Of which, net interest income	57.0	55.1	56.1	+ 1.0
3	Expenses	54.6	52.8	52.6	(0.2)
4	Net core business income	13.0	12.8	14.2	+ 1.4
5	Credit-related costs	4.3	3.2	5.3	+ 2.1
6	Merger and systems integration costs	3.0	2.5	4.1	+ 1.6
7	Ordinary profit	4.4	6.4	3.1	3 (3.3)
8	Extraordinary income Gain on transfer of Shinjuku Office	—	—	5.4	4 + 5.4
9	Extraordinary loss Restoration costs of Shinjuku Office	—	—	0.6	+ 0.6
10	Income taxes	(1.3)	1.0	1.8	+ 0.8
11	Net income	5.7	5.3	6.2	+ 0.9

[Tokyo Kiraboshi FG]

- Consolidated profit attributable to owners of parent is projected at ¥6.5 billion in the fiscal year ending March 31, 2020 (up ¥1.4 billion from initial plan).
- Consolidated profit attributable to owners of parent in the first half ended September 2019 came to ¥3.3 billion (progress rate at 50% level)

[Kiraboshi Bank]

2 Net core business income: ¥66.9 billion (up ¥1.3 billion from initial plan)

- Although interest on securities will likely decrease due partly to decrease in securities balance resulting from redemption of Japanese government bonds, an increase from the initial plan is projected as a result primarily of growth in loan balance from increased efforts in SME financing.
- While income from sale of financial products is on the decline, net fees and commissions from corporate customer business are expected to grow, driven by consulting business based on dialogue with SME customers.

3 Ordinary profit: ¥ 3.1 billion (down ¥3.3 billion from initial plan)

- Credit-related costs increased by ¥2.1 billion from initial plan due in part to inappropriate accounting treatment by a customer.
- Strategic investment to be implemented along with sale of Shinjuku Office.
¥0.6 billion investment in efficiency improvement (non-personnel expenses: groupware, paperless operation)
¥1.3 billion of merger and systems integration costs for accelerated implementation of measures initially planned for FY2020 and beyond.
- Above items to be recorded in 4Q, bringing ordinary profit to ¥3.1 billion.

4 Shinjuku Office to be transferred to generate maximum integration effects

With the transfer of Shinjuku Office which is owned by Kiraboshi Bank, gain on transfer of ¥5.4 billion (after taxes) is projected. This will be recorded in 4Q together with restoration costs of ¥0.6 billion.

* Financial forecasts presented herein are prepared based on information available as of the date of the announcement of these briefing materials. Actual results may vary due to various factors.



Business Environment Surrounding the Group

Provide support in the Tokyo area where a wide range of SMEs are concentrated

- Secure first calls by providing tailored financial services to the large number of SMEs.
- Initiatives implemented after the three-bank merger are steadily bearing fruit. Also, in line with growth of customers' business, expansion of business opportunities can be expected.

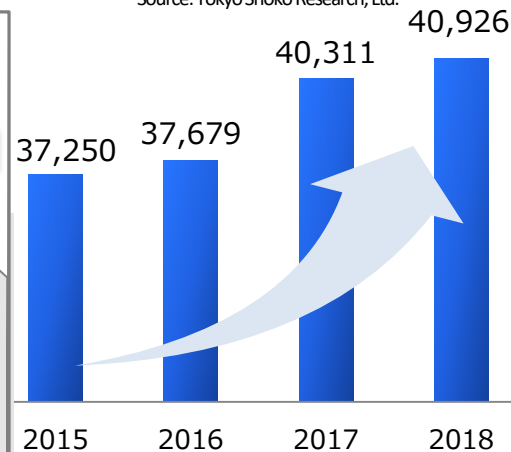
Number of Establishments (June 2016)		
Ranking	Prefecture	(10,000)
1	Tokyo	69
4	Kanagawa	31

Tokyo and Kanagawa account for approx. 18% of total number of establishments nationwide

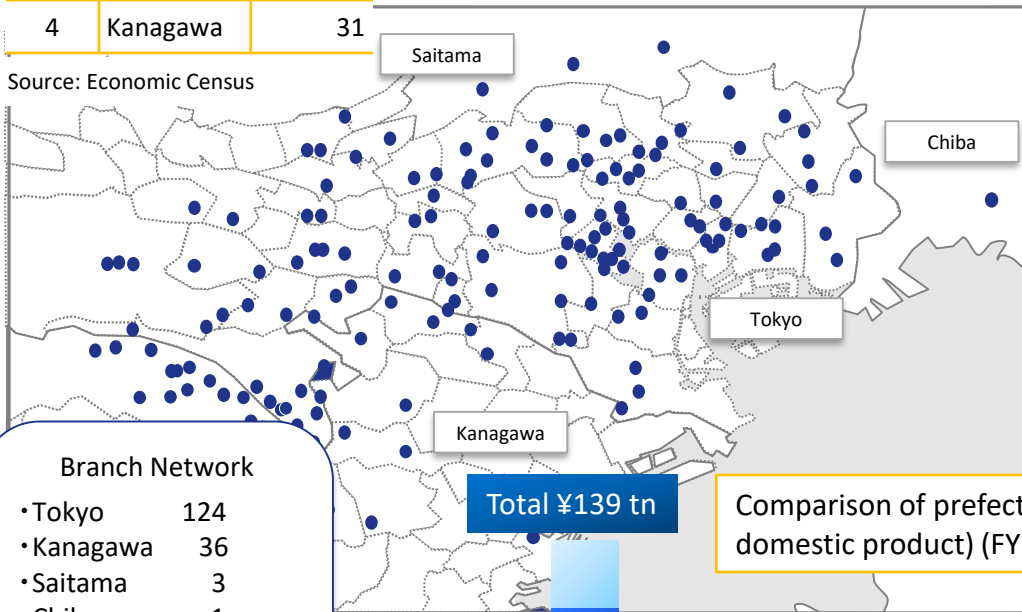
Number of newly-established corporations in Tokyo is increasing year by year, and accounts for approx. 30% of nationwide total.

Number of newly-established corporations in Tokyo

Source: Tokyo Shoko Research, Ltd.



Source: Economic Census



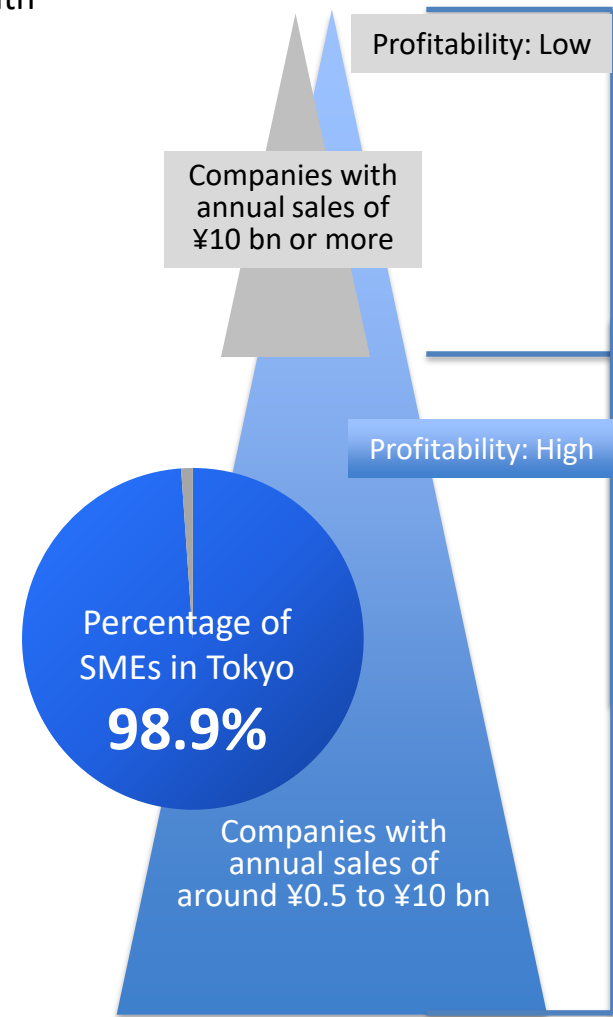
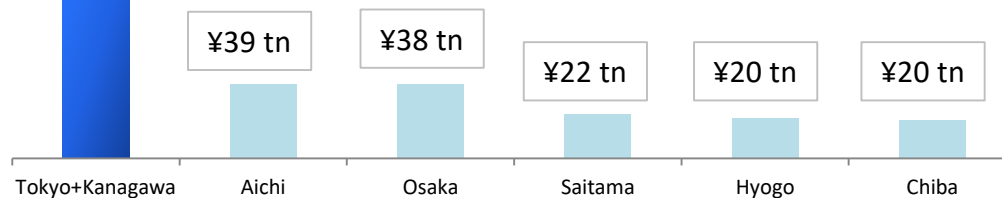
Branch Network	
• Tokyo	124
• Kanagawa	36
• Saitama	3
• Chiba	1
Total	164

164 branches 135 office (as of Sep. 30, 2019)

Total ¥139 tn

Comparison of prefectural GDP (gross prefectural domestic product) (FY2016)

Source: Prefectural Accounts



Source: Industry and Employment in Tokyo 2019

Medium-Term Business Plan Start Up



From May 2018 to March 2021 (three years)



Tokyo Kiraboshi FG

Concept

- (1) Creation of a “new kind of urban regional bank for the Tokyo area”
- (2) Commitment by the Group to contribute to the **development of the Tokyo area** (with a tangible presence in the Tokyo area)
- (3) Start-up spirit based on “**Challenge & Speed**”

Business models

“Building a business model that takes dialogue as its starting point”

We aim at a **management approach that**, by maintaining “high-quality” contacts with customers, local communities, investors and employees, **improves satisfaction** for everybody.

Main measures

- (1) **Enrichment of consulting functions**
Through enrichment of consulting functions, aim to be a **bank to which customers will give the first call.**
- (2) **Human resources development focusing on dialogue abilities for being chosen and trusted**
Developing “Kiraboshi People”
“Kiraboshi People” are able to **win the trust of customers, think and act by putting themselves in their shoes**, and **experience success** as a result
- (3) **Business process re-engineering to strengthen contact with customers**
Realize work styles that make tangible the meaningfulness of work and enable emotional fulfillment through **reform of awareness and value of work.**

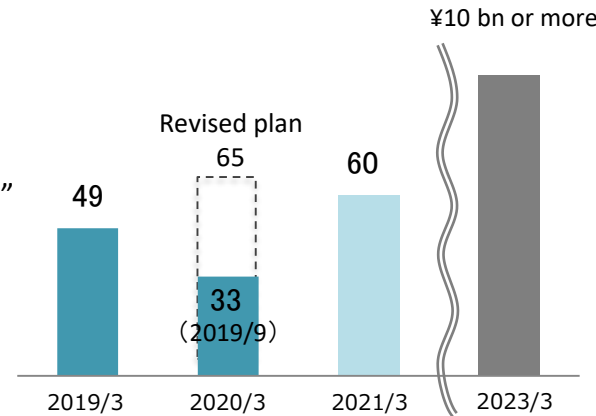
Numerical targets

Net income (FG), Net core business income (BK) and Progress status of OHR

All items exceed numerical targets (final year) of Medium-Term Management Plan

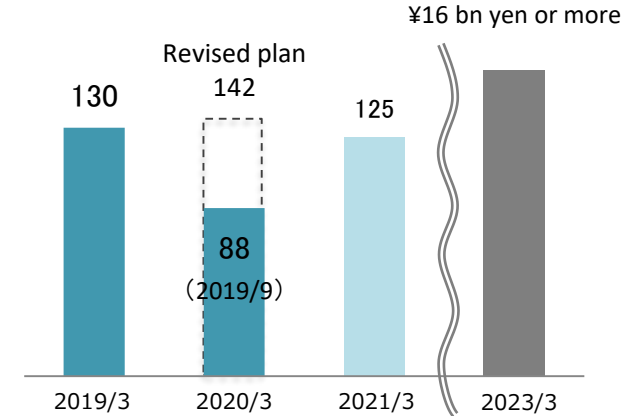
Net core business income (FG)

■ Result ■ Medium-Term Plan



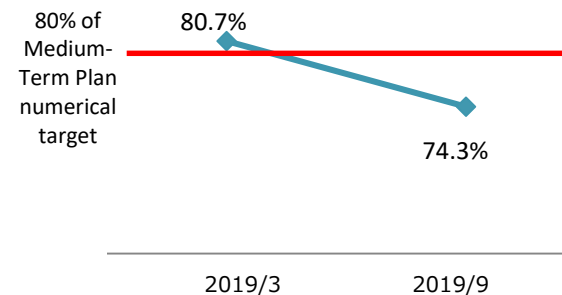
Net core business income (BK)

■ Result ■ Medium-Term Plan

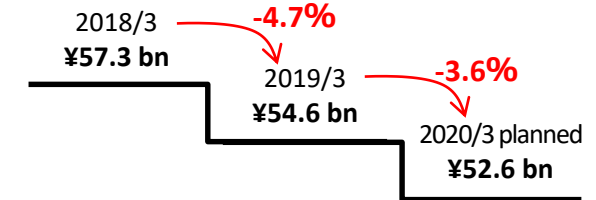


OHR

◆ Result



✳Changes in expenses

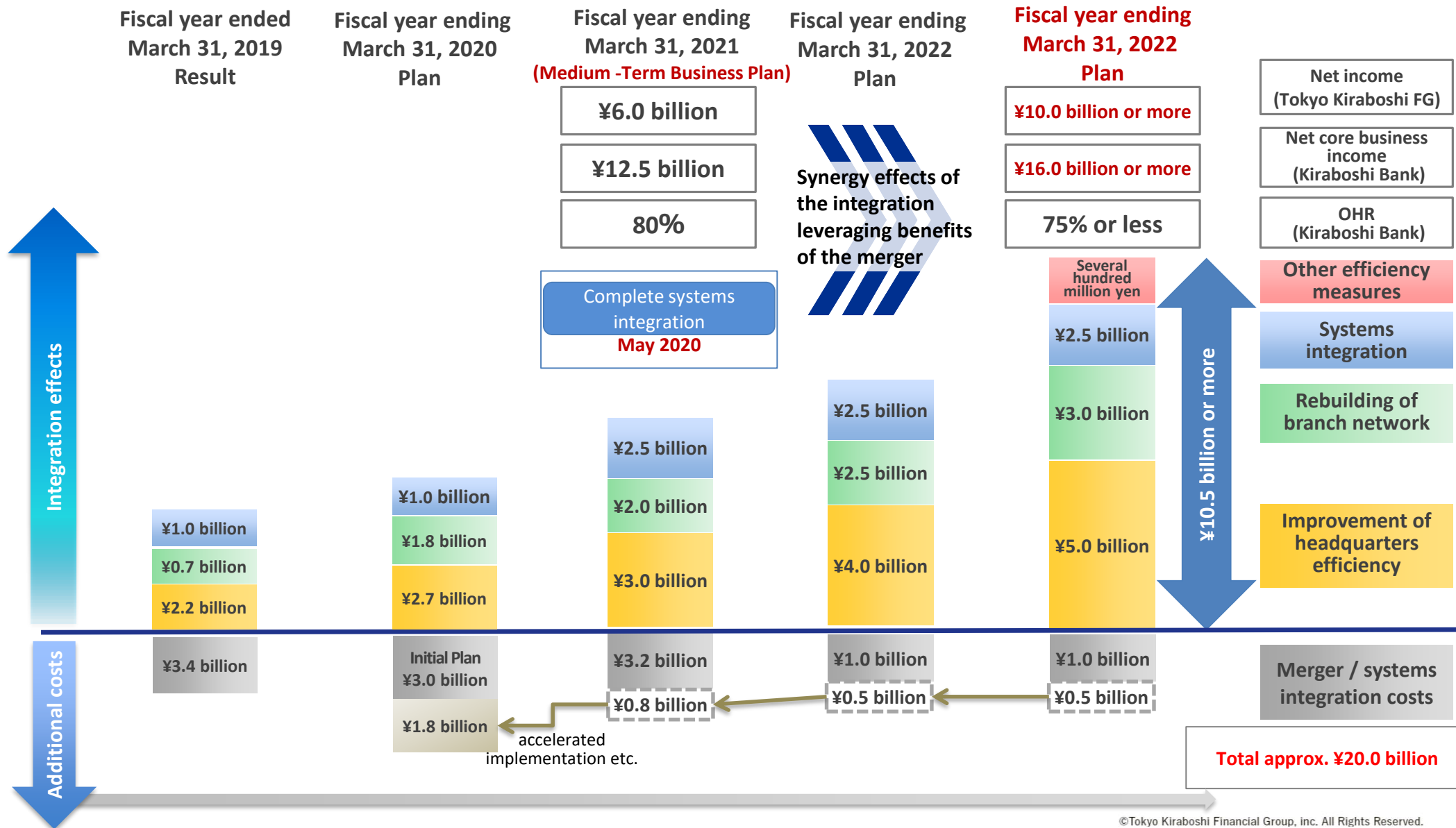


In the Financial System Report published by the Bank of Japan on Oct. 24, 2019, an annual rate of 1% reduction in overhead costs is indicated in the assumption relating to operating efficiency for measuring sustainability of regional banks. Kiraboshi Bank has achieved cost reduction of over 3% per year since the merger.



Integration Effects and Improvement of Management Efficiency

Plan to achieve **net core business income of ¥16.0 billion** or more, **net income of ¥10.0 billion** or more

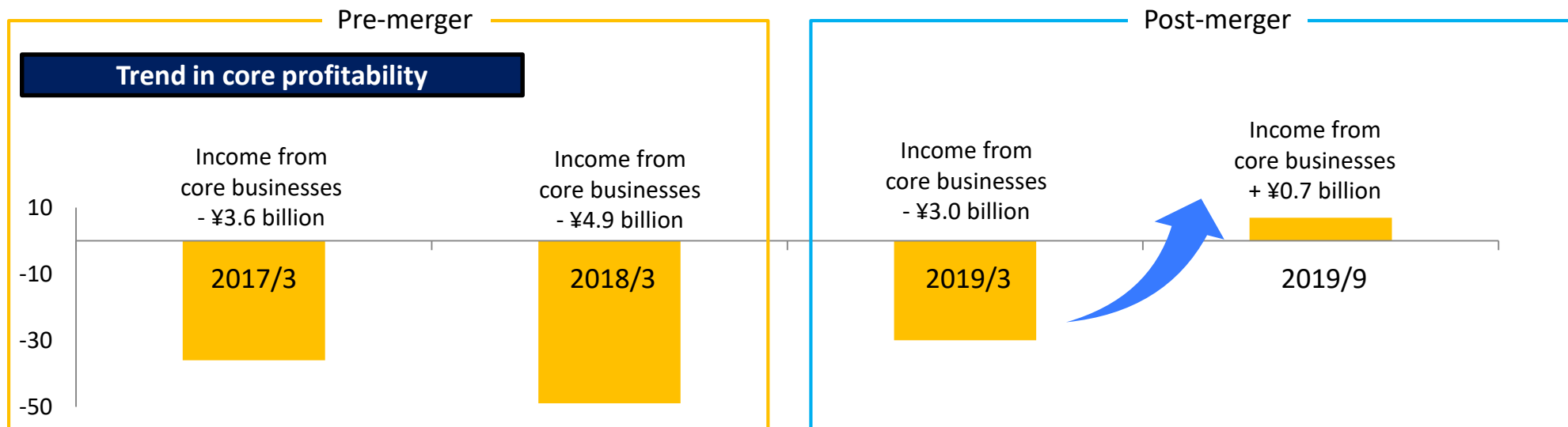


Core Businesses Return to Profitability



Tokyo Kiraboshi FG

Core businesses return to profitability in the first half ended September 2019



■ Income from core businesses = average loan balance x (loan yield – yield on deposits etc.) + income from fees and commissions – general and operating expenses

Issues pre-merger (FY2014-FY2017)

Deterioration in financial market and decline of core profitability

Decrease in loan margin due to decline in loan yields

Income from fees and commissions dependent on sales of financial products

Heavy costs attributed notably to rents of branches of regional banks in the Tokyo metropolitan area, overlap of headquarters personnel

Achievements post-merger

Improvement of core profitability through development of sustainable businesses

Increase in interest on loans and discounts as a result of first call exercise and financing based on business feasibility evaluations. Steady growth also in fee and commission income from corporate customers.

Transformation to a customer-oriented business without resorting excessively to sales of financial products

Cost reduction at an annual rate of over 3% from the merger effect



Background of Core Businesses Returning to Profitability (1)

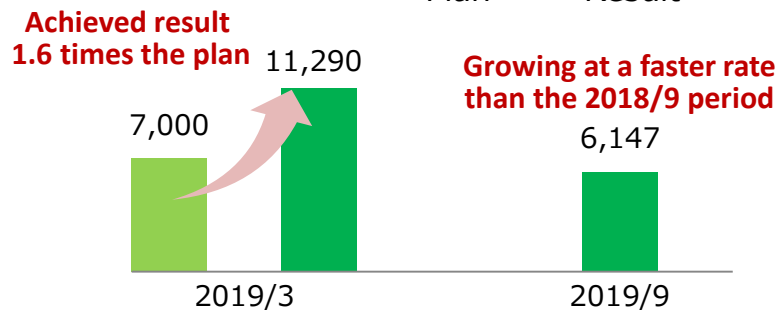
Securing first calls x establishment of SF Div. : Provision of comprehensive financial services

First call exercise

- With a business model that takes dialogue as its starting point, provided support for customers' mainstay operations and financing based on business feasibility evaluations
- In 2019/3, proposals were made to 11,290 contacts during the year (of which 6,035 deals were closed, a success rate of 53%)
- In 2019/9, proposals were made to 6,147 contacts in just the 6 months (of which 4,428 deals were closed, a success rate of 72%)

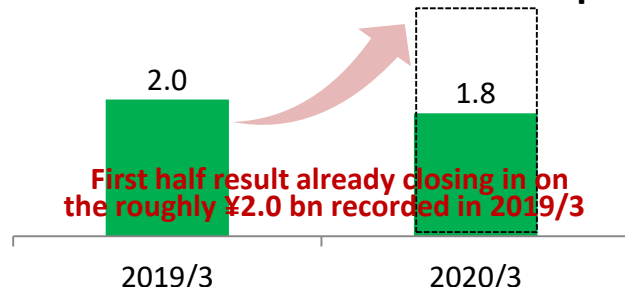
Success rate of first calls is going up!

Number of contacts (count) ■ Plan ■ Result



Profit (¥ billion)

Approx. ¥1.8 billion in contribution to profit in 2019/9

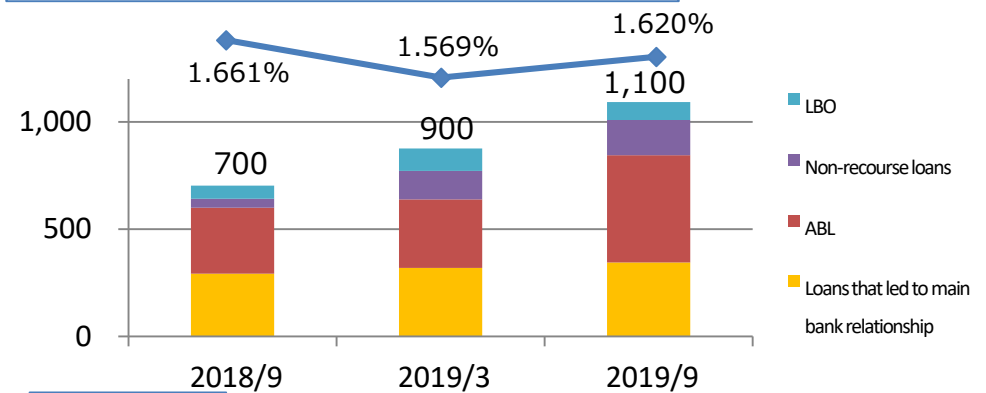


- *Number of first call contacts
- Number of contacts to which mainstay business support proposals were made (corporates and owner-managers)
 - Number of contacts to which life plan support proposals were made (individuals)

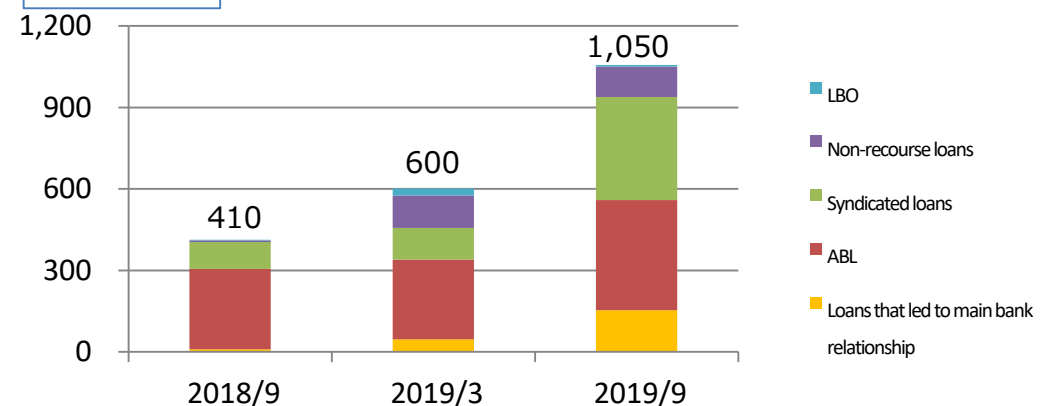
SF Div.'s comprehensive financial services

- "SF Division" was set up in Jan. 2019 to offer proposals in highly specialized financial services (about 90 personnel)
- The three functions of financing based on business feasibility evaluations, structured finance and medial/welfare fields were consolidated
- Loan yields improved with provision of fine-tuned financial services
- By giving a push to the first call exercise, steady growth is achieved in fee and commission income from corporate customers

Amount of loans extended and average interest rate (in ¥100 million, %)



Fee income (¥ million)

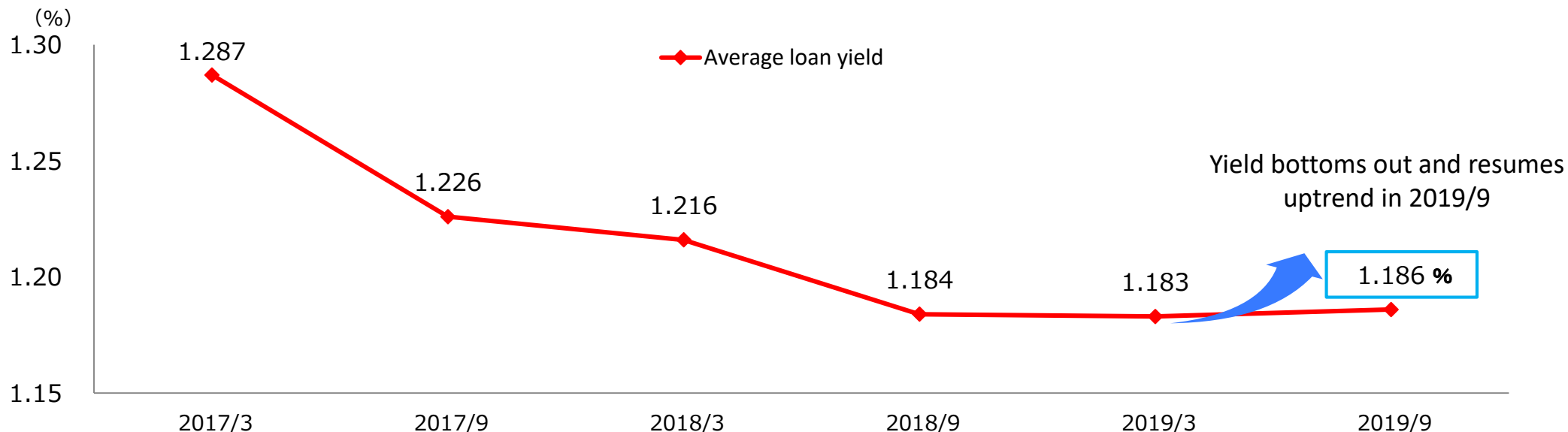


Background of Core Businesses Returning to Profitability (2)

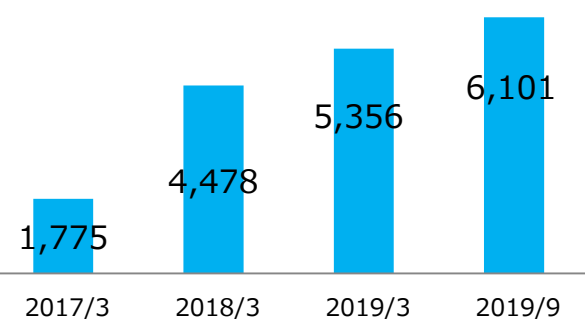


Tokyo Kiraboshi FG

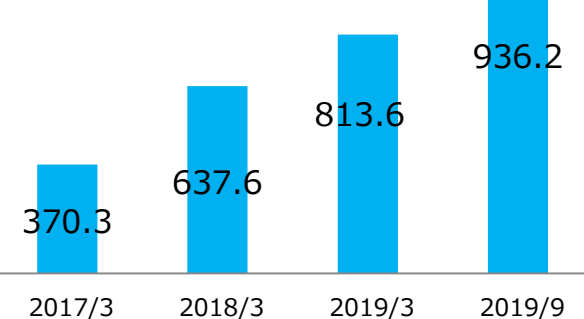
Securing first calls x establishment of SF Div. : Improvement in loan yields



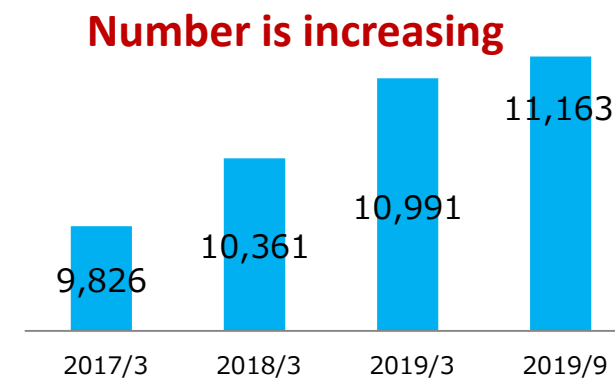
■ Number of customers receiving loans based on business feasibility evaluations (cumulative)



■ Outstanding balance of loans based on business feasibility evaluations (cumulative) (¥ billion)



■ Number of customers whose main bank is Kiraboshi (cumulative)

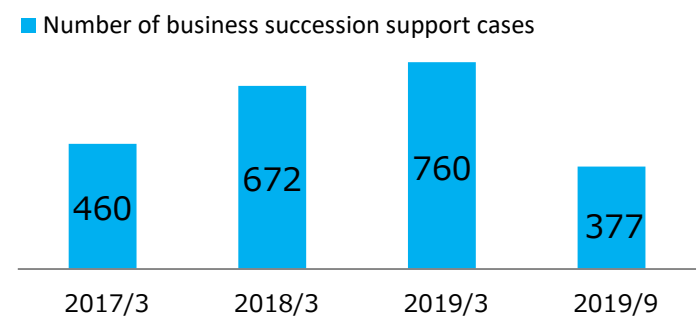
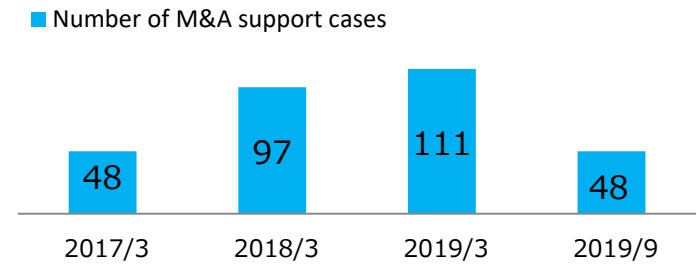
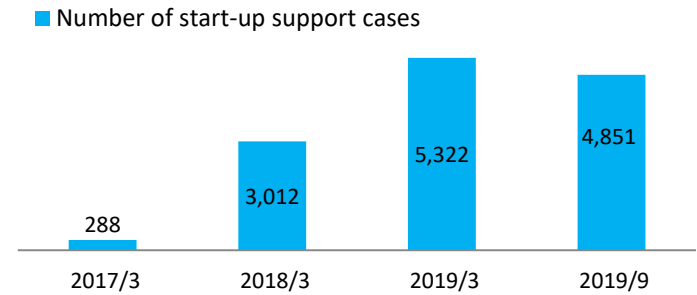
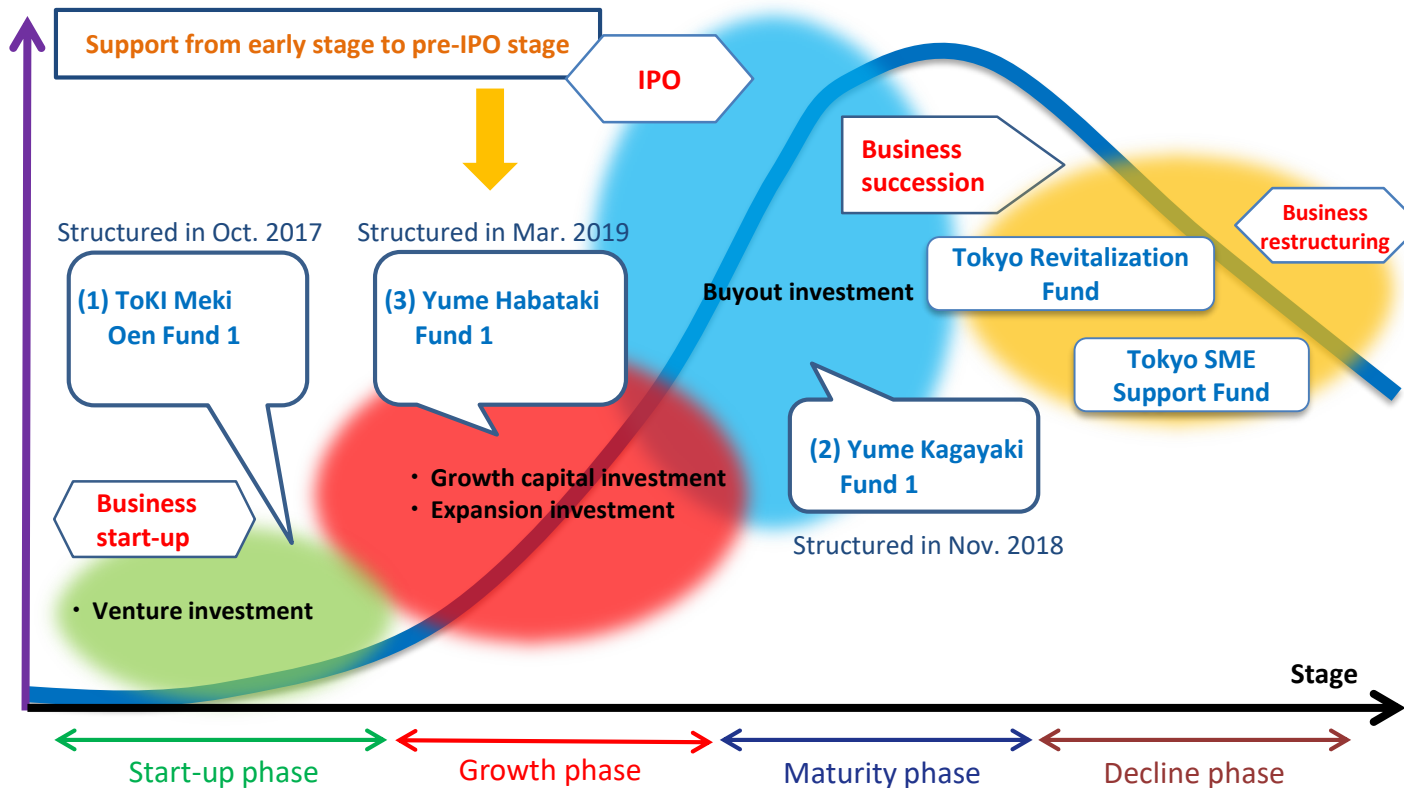




Support at Diverse Stages

Support at diverse stages, from start-up to growth phase and maturity phase

- With the aim of making Kiraboshi Bank the natural partner for start-ups, provide support to founders and entrepreneurs in partnership with external organizations as appropriate.
- Established “Kiraboshi Capital” in Sep. 2018. Made active use of equity mezzanine finance by structuring “Yume Kagayaki Fund 1” and “Yume Habataki Fund 1” to respond to customer needs in business succession, etc.
- Provide support in business restructuring, using “Tokyo Revitalization Fund”, “Tokyo SME Support Fund”.



Enhancement of Overseas Strategy



Tokyo Kiraboshi FG

Enhance **overseas strategy** through expansion of overseas networks and use of offshore funds

Kiraboshi Bank's new overseas strategy

Asian business support in Japan and overseas

<Southeast Asia market>

- High economic growth, market expansion, population growth
- Market that can, now and in the future, take in technologies and services which in Japan are in their maturity stage
- **Time machine model**

Needs of SMEs

- Overseas expansion
- Business development of own products and services in overseas markets
- Local information
- Alliance with local companies, etc.



Intermediation by Kiraboshi Bank

Aug. 2009

Consulting subsidiary in Shanghai, China
Kiraboshi Business Consulting Shanghai Co., Ltd.

Sep. 2019

Conclusion of business matching agreement with HIS

Oct. 2019

Opening of consulting subsidiary in Ho Chi Minh, Vietnam

Market maturation
Asian markets as an extension of the domestic market

Personnel dispatch to local banks

Thailand
Vietnam

July 2019
Business alliance with Shinhan Bank Japan (Shinhan Financial Group)

Southeast Asia **119** offices

... Shinhan Financial Group locations (as of July 2019)

Hub of information related to Asia

Capital injection and personnel dispatch to local funds

Successful example of overseas support

Case of time machine model

- Issue: Manufacturing company A is faced with a challenging outlook in expanding sales of its products due to such factors as the products' already high penetration of domestic market in Japan, pricing pressure from intensifying competition, and market saturation.
- Action taken: Business matching by Kiraboshi Bank's Vietnamese subsidiary succeeded in identifying a local company B that matched the needs of Company A. Discussions developed into Company B envisaging that "Company A's technologies have high added value in Vietnam and can open sales channels to large local corporations which traditionally were not targets for Company B".
- Results: Company A was able to find a new revenue opportunity with potential for expanding distribution of its products in the Vietnamese market.



[Signing ceremony with Shinhan Bank Japan]



[Opening ceremony of subsidiary in Vietnam]

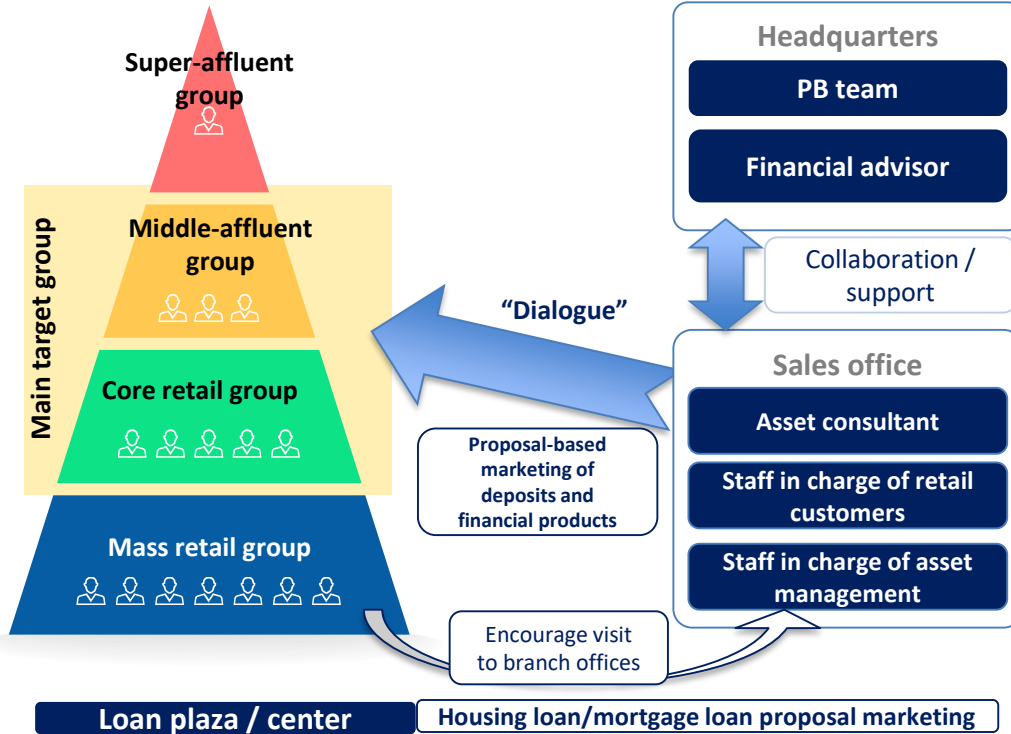
Initiatives for Individual Customers



Tokyo Kiraboshi FG

Development of **high quality consulting services** to meet **customer needs**

Strengthen customer-oriented marketing structure for individual customers



Initiatives using trust functions

Proposals on property management geared to an aging society. The first **trust product for individuals**.
Launch of **“Longevity Support Trust”** (scheduled for Jan. 2020)

Product features

- (1) Necessary fund can be withdrawn with the consent of a close relative designated in advance
- (2) Necessary living expenses are deposited into an account at fixed time and fixed amount
- (3) Swindlers trying to approach are shut out.

Conventional products

- (1) “Contrust”, a public construction cost credit trust
- (2) “One Trust”, a real estate management trust

[Bank engaged in trust business activities]
Second largest among regional banks
in trust property value (as of Mar. 2019)

Measures related to customer-oriented business operations

With the objective of deepening customer-oriented business operations, pushed forward with the development of **securities business** as well as activities that would bring “enjoyment/happiness to customers” as measurement for “evaluation of sales offices”.

Gradual abolishment of profit target related to sales of financial products, starting with specialized branches catering to individual customers (Expanded from 3 branches in Apr. 2019 to 24 branches in Oct. 2019)

Gradual implementation of evaluation system based on contribution to customers’ benefits and customer satisfaction, starting with specialized branches catering to individual customers

Establishment of securities subsidiary, subject to regulatory approval (operations scheduled to be launched in August 2020)

Expansion of asset management options by providing a one-stop shop through Kiraboshi Bank for offering various financial products and services.



Kiraboshi Life Design Securities Co., Ltd. (scheduled)

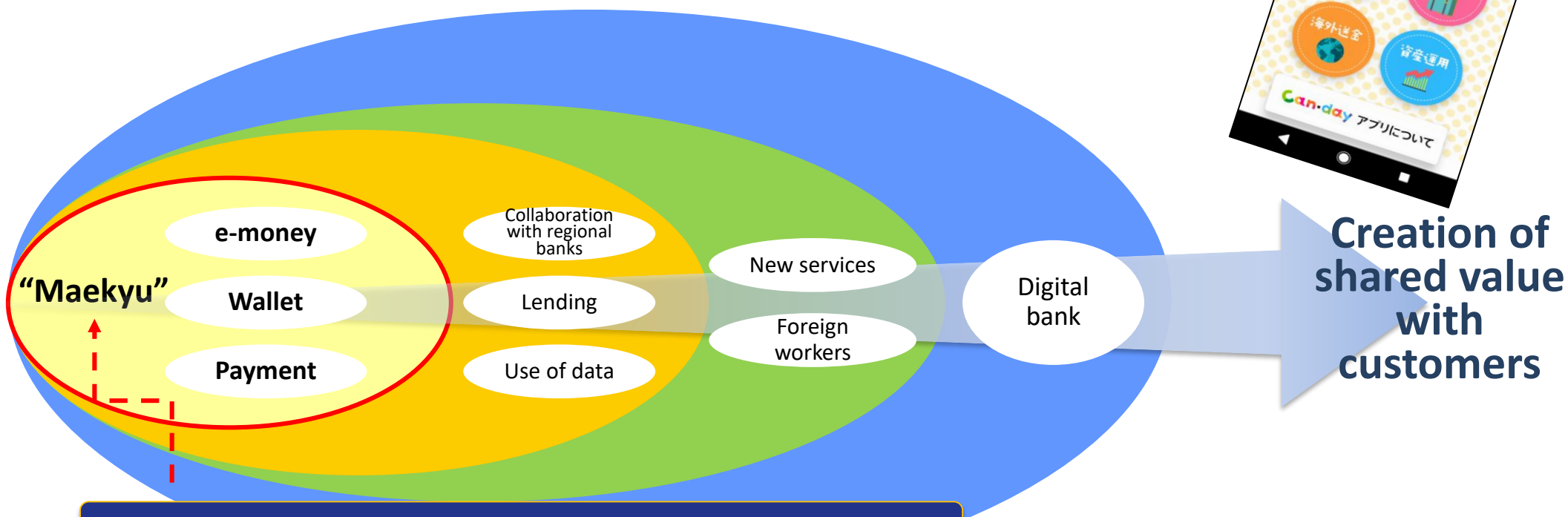
【The ideas we wanted to put into the company name】

Seek to be an organization that thinks together with the customers, runs alongside the customers to help them feel enjoyment and happiness, can earn the trust also from customers’ family members and be a bridge to the next generation, and thereby supports customers realize their ultimate objectives in building their assets.

Development and provision of Maekyu service using FinTech

Toward the goal of realizing a comprehensive service business that is also strong in finance

- Actively engage in discussions with regional banks for collaboration in Maekyu service for wide-area expansion of the business
- Planning to add payment processing service during FY2020, by developing electronic money, digital wallet and other functions



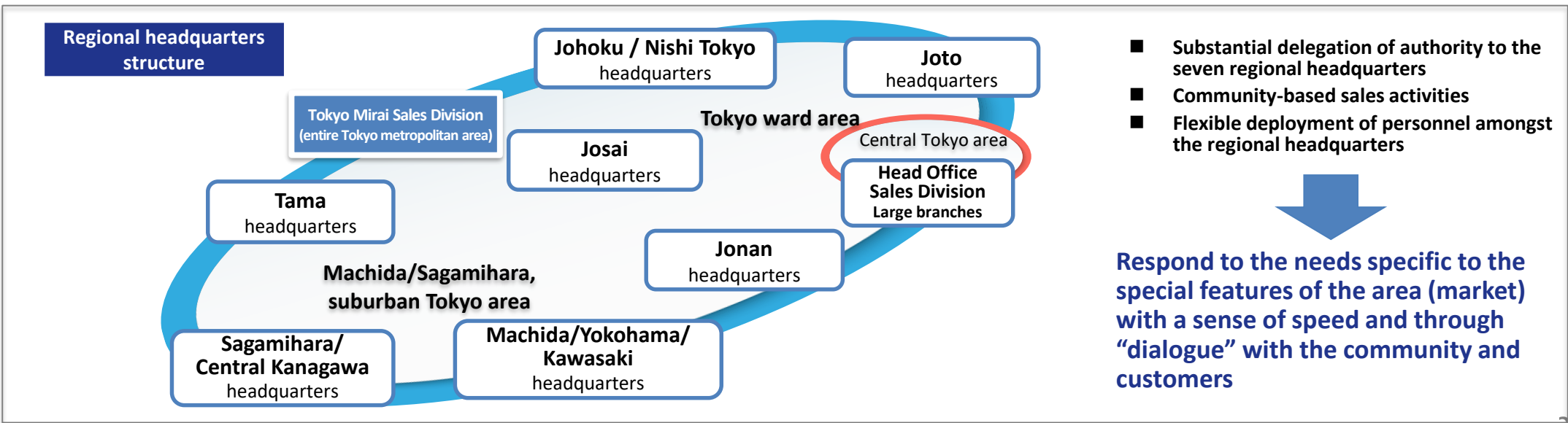
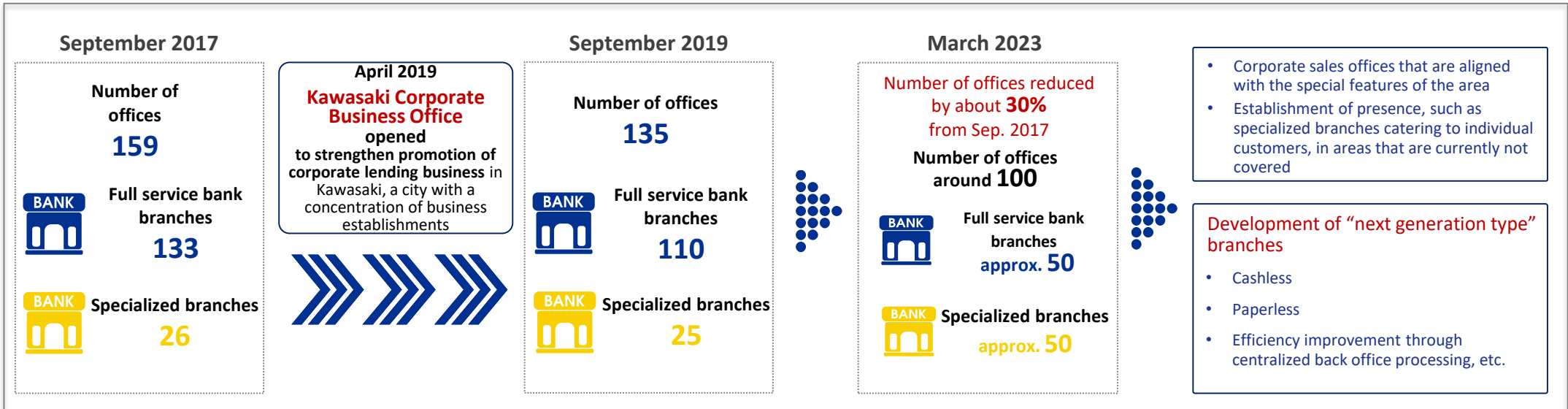
“Maekyu” service Number of subscribers: over 700 companies (as of Mar. 2019)
Usage per year: around 1,110,000 uses (Apr. 2018-Mar. 2019)

Branch Strategy / Local Strategy



Tokyo Kiraboshi FG

Build a **new branch network** to meet the market needs of the Tokyo area



Group Strategy and Strengthening of Partnership with External Organizations



Tokyo Kiraboshi FG

Enhancement of functions within the Group and strengthening of partnerships with external organizations

Group strategy		Partnerships with external organizations
Oct. Establishment of Tokyo FY Financial Group, Inc.	2014	
	2015	Sep. Conclusion of Comprehensive Collaboration Agreement with Tokyo Metropolitan Government
Apr. Business integration with ShinGinko Tokyo Aug. Investment in Sky Ocean Asset Management Co., Ltd.	2016	June Business and capital tie-up with Sumitomo Mitsui Trust Bank, Ltd. Nov. Alliance with Jimoto Holdings, Inc.
Apr. Establishment of Kiraboshi Consulting Co., Ltd. ⇒to strengthen consulting functions aimed at enhancing comprehensive financial services Nov. Establishment of Kiraboshi Tech, Inc. ⇒to expand into the FinTech area	2017	Jan. Alliance with Senshu Ikeda Holdings, Inc. Aug. Alliance with Tokyo Metropolitan University
May Merger of the three banks Sep. Establishment of Kiraboshi Capital Co., Ltd. ⇒to respond to the needs in mezzanine, funding (including IPOs)	2018	May Alliance with Orix
May Launch of leasing brokerage business Oct. Opening of subsidiary in Vietnam Dec. Establishment of securities subsidiary (scheduled) ⇒to embrace a new challenge of developing securities business in the Tokyo area	2019	Jan Conclusion of Comprehensive Collaboration Agreement with Tokyo Chamber of Commerce and Industry May Conclusion of agreement for investment in ASEAN Region Funds July Alliance with Shinhan Bank Japan ⇒to strengthen overseas support Sep. Alliance with freee

Building a comprehensive service business that is also strong in finance

Improve operational efficiency and increase "dialogue" with customers

(1) Promotion Project "ZERO"

Conducted a survey on sales offices to identify time-consuming or burdensome processes, based on which re-engineering measures were implemented. Implemented measures to simplify and streamline processes such as deposit seal slip, address change procedure, loss related work, real estate related work, inheritance work. The exercise is still ongoing.

"Goal"
Seal-less, cashless,
and paperless bank



Piloting business process re-engineering program

Conducted trial exercises in Setagaya Branch and Kanda Central Branch, to review deposit, loan and other office forms, with a view to achieving a significant reduction in document storage. Also conducted trial exercises in Kanda Central Bank and Shinjuku Head Office Sales Division, to review office forms related to loans and sales operations. Going forward, it is planned to introduce paperless operation in all sales offices.

(2) IT/Digital Strategy Project Team

An expense settlement system was introduced in all branches in order to improve operational efficiency. A trial deployment of RPA tool etc. in head office operations will be carried out to identify issues, which will then be reviewed for phased application to branch operation.



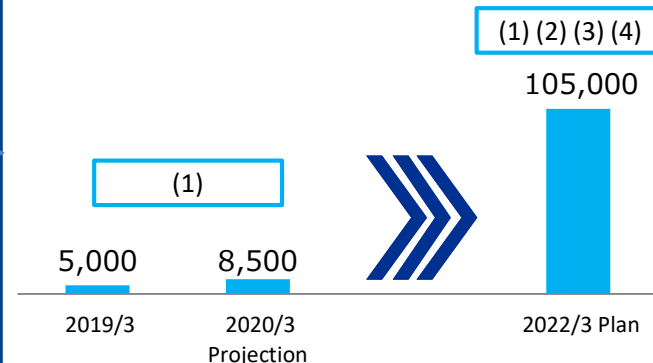
(3) Trial implementation of teleworking and free address

Prepared an environment enabling officers, regional general managers, head office sales personnel, etc. to work while on the move, visiting sales offices or out of their office by using tablet computers, to create time for "dialogue" with customers.



Administrative work volume reduced or streamlined

■ Changes in volume of administrative work reduced (hours per year)



(4) Improvement of operational efficiency

- With the sale of Shinjuku Office, ¥0.6 billion to be recorded in FY ending March 2020, for strategic investment in construction of groupware and implementation of paperless operation in order to achieve further improvement of operational efficiency.
- Plan to arrange about 1,000 PCs and 1,900 smartphones for distribution to sales personnel.



Aiming to **develop Kiraboshi People** who can think and act

Concept of human resources development

Development platform for Kiraboshi People

[Who are Kiraboshi People]

People who are able to win the trust of customers, think and act by putting themselves in their shoes, and experience success as a result

Fundamental financial competence

- Obtaining financial knowledge
- OJT
- Self-development

Improve attributes/practical skills

- Implement new programs for human resources development in line with HR development policies
- Kiraboshi report
- First penguin program
- New leadership program
- Innovation board
- Training specific to rank
- Training camp for mid-career staff jointly with officers

Dispatch to external organizations in and outside of Japan

- Administrative organizations/economic organizations
- Financial institutions, fund companies, and others
- Graduate schools
- Overseas related (finance/public)
- Medical related
- FinTech related, etc.

Dispatch to affiliated Group companies

- Kiraboshi Consulting
- Kiraboshi Tech
- Kiraboshi Capital
- Shanghai subsidiary and Ho Chi Minh subsidiary

Realizations and behavior modification

[First Penguin Program (FPP Training)]

- Implementing original training program that ensures “psychological safety” based on self-understanding, mutual understanding and self-reflection. The program runs over a three year period and is intended for young, mid-career and leader level employees.
- For the leader level program, an overnight camp of dialogue training session was organized, in which President Ajioka, President Watanabe and other members of the top management participated. This is also an ongoing program.



[From training to self-action]

- Participants who completed FPP training launched a community team called “KI-BANG”, and are engaged in diverse voluntary activities.
- For instance, they have arranged “conversation session between the president and young employees”, “conversation session among mid-career and young bank employees from various sales offices”, “SDGs game study session”, “trade game study session”, and “complaints contest for new bank employees”.



Personnel reform

- Initiated measures for reforming corporate culture and employees’ awareness under the banner of “visualization of HR information”, “promotion of internal communication” and “support for employees’ individual career design”.
- Introduced talent management system, conducted an assessment of personal attributes on all officers and employees, organized a trial workshop for deepening self-understanding and mutual understanding. Used the functions of the system to initiate actions for disseminating information on internal community activities, voluntary conversation and study sessions.
- In conjunction with “visualization of HR information”, started trial implementation of 1-on-1 meetings, communication surveys and 360 degree evaluation as measures aimed at promoting internal communication.

Work style reform / diversity

- Positioning “work style reform” as one of the priority issues for the management, promoted “Kiraboshi style’ work style reform” through such activities as promotion of women’s active participation and advancement, and “lifestyle reform” that attaches importance not only to work but also to private lifestyle.
- Set up “Diversity Promotion Section” and “Project team for the promotion of work style reform”, encouraged both male and female employees to take childcare leave, organized events such as “Kiraboshi Women’s Inclusion Network” with the intention particularly to promote women’s active participation and advancement.
- Abolished performance target for first and second year employees. This period is to be used as “development period” to cultivate their ability to have “dialogue”
- Introduced flex-time system
- Recruited foreign nationals
- Conducted joint training sessions with SBJ personnel



Networking of employees who took childcare leave



Kiraboshi Women’s Inclusion



Initiatives to Strengthen Risk Management

Ensure full commitment to compliance, strengthen risk management

Compliance

- To prevent misconduct, implemented radical measures aimed at establishing a corporate culture that gives top priority to compliance, with advice and support from outside directors and external experts
- Implemented measures to strengthen compliance functions, including an exhaustive examination of possible occasions for misconduct and occurrence of administrative risks, review of operational processes, and reconstruction of the three lines of defense
- Conducted compliance awareness survey to understand the actual situation, and implemented measures to address the issues
- Reemphasized the availability of the whistle-blowing system which serves as a point of contact for Group personnel to discuss or report their problems
- Strengthened measures for anti-money laundering and combating the financing of terrorism. (In Oct. 2018, established AML/CFT group within the Compliance Section of Risk Management Department, use of external experts.)

Credit risk management

- Strengthened credit risk management functions in anticipation of economic slowdown, etc.
- Made available allocation methods in line with diverse financing methods
- Conducted study on introduction of basic internal credit rating process as part of a more sophisticated risk management

Market risk management

- With respect to the materiality test of the new interest rate risk in the banking book (IRRBB), provisionally started trial calculation since June 2018 (on a quarterly basis)

Internal audit

- Strengthened audit processes in line with risk profile based on business model, business strategy and organizational structure
- Put in place an operational structure by drawing on the insights and perspectives of audit corporations, outside auditors and other external experts.
- Implemented initiatives to transform from compliance audit to management audit
- Use of a third party evaluation organization may be considered.

Create “social value”, contribute to the development of local communities



■ In May 2019, the Group adopted the SDGs declaration, the main themes of which are “**environmental protection**”, “**contributing to local communities**”, “**creation of shared value with customers**”, “**employees’ work style reform and promotion of diversity**”, and “**dialogue with shareholders and investors**”, with the objective of creating “social values” through provision of a variety of products and services, and turn them into “economic values” of the Group.

Return to shareholders

■ Recognizing the public nature of its role as a bank holding company, the Group strives to ensure financial soundness by maintaining appropriate internal reserves, and adopts a basic policy of implementing consistent and stable dividends as it regards returning profits to shareholders as a key management priority.

Major activities





• Blood donation activity • Dementia supporter initiative




• Support for activities to grow low pollen forests (Cooperating in “Corporate Forests”, a forest preservation project, organized planting activity at “Kiraboshi Forest”)




• Investment in Tokyo Green Bond and green finance (Green Jointly Operated Designated Money Trust)

Photo credit: courtesy of the Tokyo Metropolitan Government




Kiraboshi Bank Day © F.C.TOKYO






• Certified as “Eruboshi” (with the highest rank) by the Ministry of Health, Labour and Welfare



健康優良企業

• Excellent Company in Health Silver rank (Certification #940 Silver)

• Aoyama Office (use of rainwater/solar power generation), (Temporary stay facilities for people having difficulties returning home)

• Aoyama Office

- ❑ Figures of “Kiraboshi Bank” for the periods up to the fiscal year ended March 31, 2018 are sums of the pre-merger figures of the former Tokyo Tomin Bank, the former Yachiyo Bank and the former ShinGinko Tokyo.
- ❑ In conjunction with the merger of the three banks effective May 1, 2018, the former Tokyo Tomin Bank and the former ShinGinko Tokyo were liquidated effective April 30, 2018. However, from the point of view of appropriate period-over-period comparison of each item, the figures of “Kiraboshi Bank (non-consolidated)” presented herein for the first half of the fiscal year ended March 31, 2019 are simple sums of Kiraboshi Bank figures for May 2018 onward and figures of the former Tokyo Tomin Bank, the former Yachiyo Bank and the former ShinGinko Tokyo for the month of April 2018.
- ❑ Please note that some of the figures in the “Profit plan and strategy” section are taken from preliminary reports.
- ❑ 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.

■ Please direct any comments or questions about these briefing materials or other IR topics to the IR office below.

Tokyo Kiraboshi Financial Group, Inc. Corporate Planning Division

TEL 03-5341-4301

MAIL ir@kiraboshibank.co.jp