



Tokyo Kiraboshi Financial Group, Inc.

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Listed Stock Exchange: TSE (Prime Market)

November 11, 2022

Consolidated Financial Report
for the First Half of the Fiscal Year Ending March 31, 2023
<Under Japanese GAAP>

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Division

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Date to start dividend payment: December 2, 2022

Establishment of special transaction account: Not established

Preparation of supplementary material on financial results: Yes

Holding of financial results presentation meeting: Yes

Note: Figures have been rounded down to the nearest million yen.

1. Consolidated Operating Performance for the First Half of the Fiscal Year Ending March 31, 2023
(From April 1, 2022 to September 30, 2022)

(1) Results in consolidated operations

(Percentages represent year-on-year changes.)

	Ordinary income		Ordinary profit		Profit attributable to owners of parent	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
First half of the fiscal year ending March 31, 2023	60,608	29.1	13,217	78.6	8,625	80.9
First half of the fiscal year ended March 31, 2022	46,930	(0.0)	7,399	109.0	4,765	131.6
(Note) Comprehensive income: First half of the fiscal year ending March 31, 2023: ¥(6,834 million)					—	
First half of the fiscal year ended March 31, 2022: ¥11,420 million					81.8%	

	Profit attributable to owners of parent per share (¥)	Profit attributable to owners of parent per share (Diluted) (¥)
First half of the fiscal year ending March 31, 2023	281.47	149.89
First half of the fiscal year ended March 31, 2022	152.64	75.42

(2) Consolidated financial position

	Total assets (¥ million)	Total net assets (¥ million)	Net assets to total assets ratio (%)
First half of the fiscal year ending March 31, 2023	6,536,199	310,896	4.7
Fiscal year ended March 31, 2022	6,443,807	319,312	4.9

(Reference)

Equity:

First half of the fiscal year ending March 31, 2023: ¥310,800 million

Fiscal year ended March 31, 2022: ¥319,290 million

(Note)

“Equity” consists of subscription rights to shares at the end of the period and non-controlling interests at the end of the period subtracted from net assets, and the “Net assets to total assets ratio” is calculated by dividing equity by total assets at the end of the period. Note that this “Net assets to total assets ratio” is not the net assets to total assets ratio required for the Capital Adequacy Ratio Notification (Financial Services Agency Notification No. 20 of 2006).

2. Dividends

	Annual dividend per share (¥)				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended March 31, 2022	–	30.00	–	45.00	75.00
Fiscal year ending March 31, 2023	–	52.50			
Fiscal year ending March 31, 2023 (Forecast)			–	52.50	105.00

(Note 1) Changes to the dividend forecast most recently announced: None

(Note 2) “Dividends” above refers to dividends for common stock. With regard to dividends for class shares (unlisted) issued by the Company with different rights than those of common stock, refer to “Dividend situation for class shares” below.

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Percentages represent increases or decreases from the previous year results.)

	Ordinary profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)
	Full-year	27,800	11.4	19,500	7.2

(Note) Changes to the forecast of consolidated operating performance most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in change in scope of consolidation): None

Included subsidiaries: ___ (name of company(ies))

Excluded subsidiaries: ___ (name of company(ies))

(Note)

Two companies are added as consolidated subsidiaries. Note that this does not constitute a change in specified subsidiaries. For details, please refer to “(5) Changes in Significant Subsidiaries during the First Half of the Fiscal Year Ending March 31, 2023” in “2. Consolidated Interim Financial Statements and Notes” on page 10 of the Attached Materials.

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

(3) Number of shares issued (common stock)

a. Total number of shares issued at the end of the period (including treasury stock)

First half of the fiscal year ending March 31, 2023 30,650,115 shares

Fiscal year ended March 31, 2022 30,650,115 shares

b. Number of treasury stock at the end of the period

First half of the fiscal year ending March 31, 2023 531,125 shares

Fiscal year ended March 31, 2022 434,295 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

First half of the fiscal year ending March 31, 2023 30,193,034 shares

First half of the fiscal year ended March 31, 2022 30,394,304 shares

(Note)

The Company introduced Board Benefit Trust and the Company’s shares held by the said trust are included in treasury stock.

(Non-consolidated Financial Statements)

1. Non-consolidated Operating Performance for the First Half of the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to September 30, 2022)

(1) Results in non-consolidated operations

(Percentages represent year-on-year changes.)

	Operating income		Operating profit		Ordinary profit		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
First half of the fiscal year ending March 31, 2023	2,335	34.3	1,580	43.2	1,556	37.3	1,539	39.3
First half of the fiscal year ended March 31, 2022	1,737	10.2	1,103	6.2	1,132	8.4	1,104	5.0
	Net income per share							
	(¥)							
First half of the fiscal year ending March 31, 2023	46.80							
First half of the fiscal year ended March 31, 2022	32.21							

(2) Non-consolidated financial position

	Total assets (¥ million)	Total net assets (¥ million)	Net assets to total assets ratio (%)
First half of the fiscal year ending March 31, 2023	218,096	199,298	91.3
Fiscal year ended March 31, 2022	209,942	199,470	95.0

(Reference)

Equity:

First half of the fiscal year ending March 31, 2023: ¥199,284 million Fiscal year ended March 31, 2022: ¥199,457 million

(Note)

“Equity” consists of subscription rights to shares at the end of the fiscal year subtracted from net assets, and the “Net assets to total assets ratio” is calculated by dividing equity by total assets at the end of the fiscal year. Note that this “Net assets to total assets ratio” is not the net assets to total assets ratio required for the Capital Adequacy Ratio Notification (Financial Services Agency Notification No. 20 of 2006).

* This report is not subject to the scope of review by certified public accountants and audit corporations.

* Disclaimer and special note for referring to the forecast of operating performance

1. Since the Company falls under the category of specified company (a company undertaking businesses specified in Article 17-15, Paragraph 2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.), it prepares the Interim Consolidated and Non-consolidated Financial Statements for the first-half accounting period.
2. Forward-looking statements concerning financial forecasts contained in these materials are based on information available when the forecasts were made and certain assumptions judged to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved, and actual results may differ significantly from the forecasts due to a variety of factors.

*** Dividend situation for class shares**

The breakdown of dividend per share for class shares with different rights to those of common stock is as follows.

(First series Class I preferred shares)

	Dividend per share (¥)				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended March 31, 2022	–	126.00	–	126.00	252.00
Fiscal year ending March 31, 2023	–	126.00			
Fiscal year ending March 31, 2023 (Forecast)			–	126.00	252.00

(Notes)

1. Changes to the dividend forecast most recently announced: None

2. Amount paid per share: ¥20,000

3. Computation used to calculate dividend per share

(1) Fiscal year ended March 31, 2022

(a) Computation

Dividend = amount paid per share × annual dividend rate

(b) Annual dividend rate (*)

Annual dividend rate = Japanese yen TIBOR + 1.1%

(c) Japanese yen TIBOR

On April 1, 2021, the Japanese yen TIBOR (12-month maturity) = 0.15636%

(d) Shares issued

750,000

(2) Fiscal year ending March 31, 2023 (Forecast)

(a) Computation

Dividend = amount paid per share × annual dividend rate

(b) Annual dividend rate (*)

Annual dividend rate = Japanese yen TIBOR + 1.1%

(c) Japanese yen TIBOR

On April 1, 2022, the Japanese yen TIBOR (12-month maturity) = 0.16000%

(d) Shares issued

750,000

(*Annual dividend rate: Figures less than one percent are calculated to three decimal places with the third decimal place rounded off to the second decimal place.)

(Class II preferred shares)

	Dividend per share (¥)				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended March 31, 2022	–	15.636	–	15.636	31.272
Fiscal year ending March 31, 2023	–	16.000			
Fiscal year ending March 31, 2023 (Forecast)			–	16.000	32.000

(Notes)

1. Changes to the dividend forecast most recently announced: None

2. Amount paid per share: ¥20,000

3. Computation used to calculate dividend per share

(1) Fiscal year ended March 31, 2022

(a) Computation

Dividend = amount paid per share × annual dividend rate

(b) Annual dividend rate

Annual dividend rate = Japanese yen TIBOR + 0.0%

(c) Japanese yen TIBOR

On April 1, 2021, the Japanese yen TIBOR (12-month maturity) = 0.15636%

(d) Shares issued

2,000,000

(2) Fiscal year ending March 31, 2023

(a) Computation

Dividend = amount paid per share × annual dividend rate

(b) Annual dividend rate

Annual dividend rate = Japanese yen TIBOR + 0.0%

(c) Japanese yen TIBOR

On April 1, 2022, the Japanese yen TIBOR (12-month maturity) = 0.16000%

(d) Shares issued

2,000,000

Attached Materials

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* Financial Results for the First Half of the Fiscal Year Ending March 31, 2023
- Supplementary Information -

1. Qualitative Information Regarding Consolidated Results for the First Half of the Fiscal Year Ending March 31, 2023

(1) Operating Results

In the consolidated operating results for the first half of the fiscal year ending March 31, 2023, profit of Kiraboshi Bank, Ltd., which makes up the majority of consolidated results, recorded substantial growth. However, reflecting adjustments made for consolidated accounting, including elimination of internal transactions, ordinary profit came to ¥13.2 billion, an increase of ¥5.8 billion year-on-year, while profit attributable to owners of parent increased by ¥3.8 billion year-on-year to ¥8.6 billion.

The main factors affecting the operating results of Kiraboshi Bank, Ltd., compared with the same period of a year earlier, are as follows.

(i) Interest on loans and discounts*1:

An increase of ¥3.5 billion year-on-year in interest on loans and discounts, due to an increase in loan balances resulting largely from the promotion of main bank relationship building and business financing activities, combined with rising yields.

(ii) Interest and dividends on securities:

An increase of ¥7.0 billion year-on-year attributable largely to ¥6.4 billion of dividends received from equity-method affiliates. (Dividends from affiliates are internal transactions and thus eliminated from consolidated results.)

(iii) Non-interest income*2:

An increase of ¥2.8 billion year-on-year as a result notably of ¥3.3 billion of gains from derivatives transactions associated with unwinding of asset swaps in conjunction with sale of foreign bonds, and a decrease of ¥0.5 billion in commission from domestic exchange services.

(iv) Expenses:

A decrease of ¥0.7 billion year-on-year due partly to a reduction in personnel expenses.

(v) Credit-related costs:

A decrease of ¥2.6 billion year-on-year attributable partly to ongoing enhancement of the credit management system, and to a reversal of ¥0.6 billion in reserve for possible loan losses that had been posted in consideration of the Russia/Ukraine situation, such reversal being carried out in light of the status in occurrence of costs and other factors.

(vi) Gains (losses) on bonds:

A decrease of ¥3.8 billion year-on-year due notably to the posting of ¥6.4 billion in loss from sale of foreign bonds.

(vii) Gains (losses) on stocks and other securities:

An increase of ¥3.0 billion year-on-year due largely to an increase in gain on sale of equity securities held for pure investment.

(viii) Extraordinary profit (loss)

An increase of ¥1.4 billion year-on-year due to the posting of ¥1.5 billion in gain on partial return of assets from a retirement benefit trust to Kiraboshi Bank, Ltd. (The return of assets mentioned above resulted in an increase of ¥1.3 billion in income taxes – deferred.)

*1 Interest on loans and discounts includes interest subsidies associated with effectively interest-free, unsecured loans on which interest would later be reimbursed by local governments.

*2 Non-interest income is the figure for constituents of gross core business profit, excluding net interest income. (Non-interest income = trust fees + net fees and commissions + other business income (excluding gains/losses on bonds))

(2) Financial Position

As of September 30, 2022, total assets amounted to ¥6,536.1 billion, up ¥92.3 billion from the end of the previous fiscal year, and net assets stood at ¥310.8 billion, a ¥8.4 billion decrease from the end of the previous fiscal year due to a decrease in net unrealized gain on available-for-sale securities.

With respect to major account balances, deposits increased by ¥135.2 billion from the end of the previous fiscal year to ¥5,292.7 billion, loans and bills discounted increased by ¥160.0 billion from the end of the previous fiscal year to ¥4,506.1 billion, and securities decreased by ¥74.7 billion from the end of the previous fiscal year to ¥938.0 billion.

(3) Note on the Forecast of the Consolidated Operating Performance and Other Forward-Looking Statements

There is no change to the forecasts on operating performance for the fiscal year ending March 31, 2023, announced on May 12, 2022.

2. Consolidated Interim Financial Statements and Notes

(1) Consolidated Interim Balance Sheets

(¥ million)

	As of March 31, 2022	As of September 30, 2022
Assets		
Cash and due from banks	844,418	859,795
Call loans and bills bought	6,095	5,285
Other debt purchased	70,029	59,799
Trading account securities	777	763
Money held in trust	1,739	2,659
Securities	1,012,755	938,001
Loans and bills discounted	4,346,138	4,506,197
Foreign exchange	6,860	6,449
Lease receivables and investment assets	22,198	23,732
Other assets	65,135	68,331
Tangible fixed assets	55,636	56,779
Intangible fixed assets	7,918	9,766
Net defined benefit assets	28,952	15,876
Deferred tax assets	4,769	9,237
Customers' liabilities for acceptances and guarantees	5,623	6,197
Reserve for possible loan losses	(35,240)	(32,672)
Total assets	6,443,807	6,536,199
Liabilities		
Deposits	5,157,583	5,292,788
Negotiable certificates of deposit	9,500	9,500
Call money and bills sold	117,525	262,606
Payables under securities lending transactions	302,567	232,627
Borrowed money	463,903	354,942
Foreign exchange	655	505
Bonds	3,800	3,700
Other liabilities	60,044	59,407
Reserve for employee bonuses	1,605	1,431
Provision for directors' bonuses	114	—
Provision for stock compensation	217	207
Net defined benefit liabilities	56	72
Reserve for directors' retirement benefits	7	68
Reserve for point card certificates	51	71
Provision for loss on interest repayments	3	6
Reserve for loss on dormant deposit repayments	370	300
Provision for contingent loss	757	781
Reserves under special laws	0	0
Deferred tax liabilities	106	88
Acceptances and guarantees	5,623	6,197
Total liabilities	6,124,495	6,225,303

(¥ million)

	As of March 31, 2022	As of September 30, 2022
Net Assets		
Common stock	27,500	27,500
Capital surplus	150,966	150,969
Retained earnings	133,470	140,599
Treasury stock	(966)	(1,182)
Total shareholders' equity	310,969	317,885
Net unrealized gain on available-for-sale securities	4,186	(9,679)
Net deferred gains (losses) on hedges	675	324
Revaluation reserve for land	(242)	(242)
Foreign currency translation adjustment	24	31
Remeasurements of defined benefit plans	3,676	2,480
Total accumulated other comprehensive income	8,320	(7,085)
Subscription rights to shares	13	13
Noncontrolling interests	8	82
Total net assets	319,312	310,896
Total liabilities and net assets	6,443,807	6,536,199

**(2) Consolidated Interim Statements of Income and Consolidated Interim Statements of Comprehensive Income
(Consolidated Interim Statements of Income)**

(¥ million)

	First half of the fiscal year ended March 31, 2022	First half of the fiscal year ending March 31, 2023
Ordinary income	46,930	60,608
Interest income	30,030	34,843
Interest on loans and discounts	24,000	27,530
Interest and dividends on securities	5,500	6,348
Trust fees	194	221
Fees and commissions	8,945	8,724
Other operating income	918	6,650
Other ordinary income	6,842	10,167
Ordinary expenses	39,530	47,391
Financing expenses	598	1,180
Interest on deposits	448	532
Fees and commissions payments	1,542	1,653
Other operating expenses	249	7,949
General and administrative expenses	27,518	28,186
Other ordinary expenses	9,621	8,422
Ordinary profit	7,399	13,217
Extraordinary income	0	1,520
Gain on disposal of non-current assets	0	—
Gains on return of securities from retirement benefit trust	—	1,520
Extraordinary losses	52	557
Loss on disposal of non-current assets	52	104
Impairment losses	—	452
Profit before income taxes	7,347	14,180
Income taxes – current	1,693	3,351
Income taxes – deferred	888	2,256
Total income taxes	2,581	5,608
Profit	4,765	8,572
Profit (Loss) attributable to non-controlling interests	—	(53)
Profit attributable to owners of parent	4,765	8,625

(Consolidated Interim Statements of Comprehensive Income)

(¥ million)

	First half of the fiscal year ended March 31, 2022	First half of the fiscal year ending March 31, 2023
Profit	4,765	8,572
Other comprehensive income	6,654	(15,406)
Net unrealized gain on available-for-sale securities	6,883	(13,853)
Net deferred gains (losses) on hedges	(54)	(350)
Foreign currency translation adjustment	2	7
Remeasurements of defined benefit plans	(183)	(1,196)
Share of other comprehensive income of entities accounted for using equity method	6	(12)
Comprehensive income	11,420	(6,834)
(Breakdown)		
Comprehensive income attributable to owners of parent	11,420	(6,781)
Comprehensive income attributable to non-controlling interests	—	(53)

(3) Consolidated Interim Statements of Changes in Net Assets

First half of the fiscal year ended March 31, 2022

(¥ million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	27,500	150,677	117,514	(742)	294,949
Cumulative effects of changes in accounting policies			(151)		(151)
Restated balance at beginning of the year reflecting changes in accounting policies	27,500	150,677	117,363	(742)	294,798
Changes of items during the reporting period					
Dividends of surplus			(1,036)		(1,036)
Profit attributable to owners of parent			4,765		4,765
Acquisition of treasury stock				(7)	(7)
Disposition of treasury stock		(1)		37	35
Net changes of items other than shareholders' equity during the reporting period					
Total changes of items during the reporting period	—	(1)	3,728	29	3,756
Balance at end of period	27,500	150,676	121,092	(713)	298,555

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	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		
Balance at beginning of the year	13,078	189	(242)	11	2,863	15,900	30	310,880
Cumulative effects of changes in accounting policies								(151)
Restated balance at beginning of the year reflecting changes in accounting policies	13,078	189	(242)	11	2,863	15,900	30	310,729
Changes of items during the reporting period								
Dividends of surplus								(1,036)
Profit attributable to owners of parent								4,765
Acquisition of treasury stock								(7)
Disposition of treasury stock								35
Net changes of items other than shareholders' equity during the reporting period	6,890	(54)	—	2	(183)	6,654	(17)	6,637
Total changes of items during the reporting period	6,890	(54)	—	2	(183)	6,654	(17)	10,394
Balance at end of period	19,968	135	(242)	13	2,680	22,555	13	321,123

First half of the fiscal year ending March 31, 2023

(¥ million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	27,500	150,966	133,470	(966)	310,969
Changes of items during the reporting period					
Capital increase of consolidated subsidiaries		2			2
Dividends of surplus			(1,496)		(1,496)
Profit attributable to owners of parent			8,625		8,625
Acquisition of treasury stock				(225)	(225)
Disposition of treasury stock		(0)		9	9
Net changes of items other than shareholders' equity during the reporting period					
Total changes of items during the reporting period	—	2	7,128	(215)	6,915
Balance at end of period	27,500	150,969	140,599	(1,182)	317,885

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	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			
Balance at beginning of the year	4,186	675	(242)	24	3,676	8,320	13	8	319,312
Changes of items during the reporting period									
Capital increase of consolidated subsidiaries									2
Dividends of surplus									(1,496)
Profit attributable to owners of parent									8,625
Acquisition of treasury stock									(225)
Disposition of treasury stock									9
Net changes of items other than shareholders' equity during the reporting period	(13,866)	(350)	—	7	(1,196)	(15,406)	—	74	(15,331)
Total changes of items during the reporting period	(13,866)	(350)	—	7	(1,196)	(15,406)	—	74	(8,416)
Balance at end of period	(9,679)	324	(242)	31	2,480	(7,085)	13	82	310,896

(4) Notes on Premise of Going Concern

Not applicable.

(5) Changes in Significant Subsidiaries During the First Half of the Fiscal Year Ending March 31, 2023

Not applicable.

The following two companies were made consolidated subsidiaries of the Company or other Group company.

Note that this does not constitute a change in specified subsidiaries.

- Effective July 1, 2022, the Company acquired the shares in Be.Brave Co., Ltd. and made it a consolidated subsidiary of the Company.
- Effective October 3, 2022, Kiraboshi Bank, Ltd., a subsidiary of the Company, acquired the shares in H.S. Servicer Co., Ltd. and made it a consolidated subsidiary.

(6) Changes in Accounting Policies

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from the beginning of the first half of the fiscal year ending March 31, 2023. In accordance with the transitional treatment set forth in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. There is no impact of this application on the consolidated financial statements of the first half of the fiscal year ending March 31, 2023.

(7) Additional Information

(Accounting estimates related to the impact of COVID-19 pandemic and the Russian aggression against Ukraine)

With respect to accounting estimates related to the impact of the COVID-19 pandemic for the first half of the fiscal year ending March 31, 2023, and assumptions used to calculate the estimates thereof, there are no material changes from the information provided under Significant Accounting Estimates in the Securities Report for the fiscal year ended March 31, 2022.

With respect to accounting estimates related to the impact of Russian aggression against Ukraine, while an additional provision of ¥632 million was posted at the end of the fiscal year ended March 31, 2022, as reserve for possible loan losses against claims to certain groups of borrowers whose earnings may be affected, including borrowers with commercial distribution in the region, this additional provision has been reversed in its entirety considering the situation that was observed during the first half ended September 30, 2022, such as damages involving the borrowers, etc. and the extent to which it has been reflected in borrower classification.

(8) Significant Subsequent Event

(Conversion to a subsidiary through share acquisition)

At a meeting of the Board of Directors held on July 29, 2022, Kiraboshi Bank, Ltd. (hereinafter referred to as “Kiraboshi Bank”), a subsidiary of the Company, resolved to acquire shares in H.S. Servicer Co., Ltd. (hereinafter referred to as “H.S. Servicer”) and convert the same to a subsidiary. On September 22, 2022, Kiraboshi Bank, Ltd. filed a notification with the relevant authorities and on October 3, 2022, acquired the shares in H.S. Servicer, making it a subsidiary.

(1) Name and business description of the acquired company

- (i) Name of the acquired company: H.S. Servicer Co., Ltd.
- (ii) Business description: servicer business

(2) Purpose of the share acquisition

Kiraboshi Bank provides continuous financial support to companies in financial difficulty, such as companies with excessive debt due to the pandemic or companies that are operating in a severe business environment, in their business restructuring efforts.

Against this backdrop and looking ahead to a post-pandemic future, a decision has been taken to make H.S. Servicer a subsidiary and enter the servicer business on a full scale with the aim of further enhancing financial support, claim management operations, and related activities.

H.S. Servicer is a servicer company established in November 2006 and authorized by the Ministry of Justice.

It has a wealth of experience, operating nationwide with offices in Tokyo, Osaka, Fukuoka, and Kumamoto.

By utilizing H.S. Servicer's nationwide network, specialized personnel, and accumulated know-how, and integrating them with the Group's comprehensive financial services functions, the Group will work on resolving issues confronting regional companies and regional financial institutions throughout Japan.

We will also work on development of human resources for the future and accumulation of know-how.

The Group will continue its efforts in expanding Group functions to be able to address various management challenges that customers face, and contribute to the sustainable development of regional economies and communities.

(3) Name of the counterparty in the share acquisition

H.S. Holdings Co., Ltd.

(4) Number of shares to be acquired, acquisition price, and ratio of voting rights after acquisition

(i) Number of shares to be acquired 10,000 shares

(ii) Acquisition price ¥3.2 billion

(iii) Ratio of voting rights after the acquisition 100%

(5) Details and amount of main acquisition-related costs

Advisory fees ¥8 million

(6) Date of share acquisition

October 3, 2022

(Reference)

**Trust Asset Balance Table
(As of September 30, 2022)**

(¥ million)

Assets	Value	Liability	Value
Loans and bills discounted	2,700	Specified money in trust	2,812
Loans on deeds	2,700	Monetary claims in trust	14,659
Monetary claims	14,626	Composite trusts	81,996
Other monetary claims	14,626		
Property, plant and equipment	80,036		
Movables	669		
Real estate	79,367		
Other receivables	0		
Other receivables	0		
Cash and due from banks	2,104		
Deposits	2,104		
Total	99,468	Total	99,468

3. (Reference) Non-consolidated Financial Statements of Kiraboshi Bank, Ltd. (1) Overview of Non-consolidated Financial Statements

November 11, 2022

Company name: Kiraboshi Bank, Ltd.

Representative: Hisanobu Watanabe, President

Responsible person for inquiries: Taketoshi Doi, General manager of Corporate Planning Division

URL: <https://www.kiraboshibank.co.jp>

Telephone: +81-3-6447-5799

Note: Figures have been rounded down to the nearest million yen.

1. Non-consolidated Operating Performance for the First Half of the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to September 30, 2022)

(1) Results in non-consolidated operations (cumulative)

(Percent tages represent year-on-year changes.)

	Ordinary income		Ordinary profit		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
First half of the fiscal year ending March 31, 2023	59,838	51.9	21,764	212.7	17,332	271.9
First half of the fiscal year ended March 31, 2022	39,368	(6.2)	6,959	63.3	4,659	73.3

(2) Non-consolidated financial position

	Total assets (¥ million)	Total net assets (¥ million)	Net assets to total assets ratio (%)
First half of the fiscal year ending March 31, 2023	6,492,823	305,733	4.7
Fiscal year ended March 31, 2022	6,361,437	305,159	4.7

(Reference)

Equity: First half of the fiscal year ending March 31, 2023: ¥305,733 million

Fiscal year ended March 31, 2022: ¥305,159 million

(Note)

"Equity" is the value of total net assets at the end of the period, and "Net assets to total assets ratio" is calculated by dividing equity by total assets at the end of the period. Note that this "Net assets to total assets ratio" is not the net assets to total assets ratio required for the Capital Adequacy Ratio Notification (Financial Services Agency Notification No. 19 of 2006).

(2) Non-consolidated Interim Balance Sheets

Kiraboshi Bank, Ltd.

(¥ million)

	As of March 31, 2022	As of September 30, 2022
Assets		
Cash and due from banks	786,460	826,726
Call loans	6,095	5,285
Other debt purchased	70,008	59,778
Trading account securities	777	763
Money held in trust	1,739	2,659
Securities	1,005,565	937,308
Loans and bills discounted	4,369,783	4,540,743
Foreign exchange	6,860	6,449
Other assets	46,668	48,140
Tangible fixed assets	61,797	63,028
Intangible fixed assets	5,418	5,994
Prepaid pension cost	22,911	11,610
Deferred tax assets	5,549	9,408
Customers' liabilities for acceptances and guarantees	5,633	6,207
Reserve for possible loan losses	(33,831)	(31,281)
Total assets	6,361,437	6,492,823
Liabilities		
Deposits	5,045,602	5,097,064
Negotiable certificates of deposit	11,630	9,500
Call money	117,525	262,606
Payables under securities lending transactions	302,567	232,627
Borrowed money	522,372	530,102
Foreign exchange	655	505
Other liabilities	45,971	44,487
Reserve for employee bonuses	1,389	1,207
Provision for directors' bonuses	91	—
Provision for stock compensation	173	163
Reserve for point card certificates	2	2
Reserve for loss on dormant deposit repayments	370	300
Provision for contingent loss	757	781
Deferred tax liabilities for land revaluation	1,535	1,535
Acceptances and guarantees	5,633	6,207
Total liabilities	6,056,278	6,187,090
Net Assets		
Common stock	43,734	43,734
Capital surplus	166,173	166,173
Retained earnings	89,685	105,492
Total shareholders' equity	299,594	315,400
Net unrealized gain on available-for-sale securities	6,660	(8,221)
Net deferred gains (losses) on hedges	675	324
Revaluation reserve for land	(1,770)	(1,770)
Total valuation and translation adjustments	5,564	(9,667)
Total net assets	305,159	305,733
Total liabilities and net assets	6,361,437	6,492,823

(3) Non-consolidated Interim Statements of Income

Kiraboshi Bank, Ltd.

(¥ million)

	First half of the fiscal year ended March 31, 2022	First half of the fiscal year ending March 31, 2023
Ordinary income	39,368	59,838
Interest income	30,492	41,489
Interest on loans and discounts	23,985	27,527
Interest and dividends on securities	5,921	12,962
Trust fees	194	221
Fees and commissions	7,225	6,791
Other operating income	825	7,894
Other ordinary income	631	3,442
Ordinary expenses	32,408	38,074
Financing expenses	620	1,475
Interest on deposits	448	307
Fees and commissions payments	1,871	1,754
Other operating expenses	206	7,942
General and administrative expenses	25,522	24,790
Other ordinary expenses	4,187	2,112
Ordinary profit	6,959	21,764
Extraordinary income	0	1,520
Gain on disposal of fixed assets	0	—
Gains on return of securities from retirement benefit trust	—	1,520
Extraordinary losses	42	104
Loss on disposal of non-current assets	42	104
Income before income taxes	6,917	23,180
Income taxes – current	1,211	3,038
Income taxes – deferred	1,046	2,808
Total income taxes	2,258	5,847
Net income	4,659	17,332

4. (Reference) Non-consolidated Financial Statements of UI Bank Co., Ltd.

(1) Overview of Non-consolidated Financial Statements

November 11, 2022

Company name: UI Bank Co., Ltd

Representative: Toshikazu Tanaka, President

Responsible person for inquiries: Nobuhito Fukuda, General manager of Corporate Planning Division

URL: <https://www.uibank.co.jp>

Telephone: +81-3-6271-5979

Note: Figures have been rounded down to the nearest million yen.

1. Non-consolidated Operating Performance for the First Half of the Fiscal Year Ending March 31, 2023

(From April 1, 2022 to September 30, 2022)

(1) Results in non-consolidated operations

(Percentages represent year-on-year changes.)

	Ordinary income		Ordinary profit		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
First half of the fiscal year ending March 31, 2023	555	—	(915)	—	(917)	—
First half of the fiscal year ended March 31, 2022	—	—	—	—	—	—

(2) Non-consolidated financial position

	Total assets	Total net assets	Net assets to total assets ratio
	(¥ million)	(¥ million)	(%)
First half of the fiscal year ending March 31, 2023	247,454	7,389	2.9
Fiscal year ended March 31, 2022	140,390	4,007	2.8

(Reference)

Equity: First half of the fiscal year ending March 31, 2023: ¥7,389 million

Fiscal year ended March 31, 2022: ¥4,007 million

(Note)

“Equity” is the value of total net assets at the end of the period, and “Net assets to total assets ratio” is calculated by dividing equity by total assets at the end of the period. Note that this “Net assets to total assets ratio” is not the net assets to total assets ratio required for the Capital Adequacy Ratio Notification (Financial Services Agency Notification No. 19 of 2006).

For UI Bank Co., Ltd., figures of its non-consolidated operations in the first half of the fiscal year ended March 31, 2022, and year-on-year comparison are not provided, as it only commenced operation in January 2022.

(2) Non-consolidated Interim Balance Sheets

UI Bank Co., Ltd.
(¥ million)

	As of March 31, 2022	As of September 30, 2022
Assets		
Cash and due from banks	64,898	54,959
Securities	502	502
Loans and bills discounted	72,000	189,000
Other assets	1,427	1,109
Tangible fixed assets	32	32
Intangible fixed assets	1,558	1,926
Reserve for possible loan losses	(28)	(75)
Total assets	140,390	247,454
Liabilities		
Deposits	136,221	239,621
Other liabilities	161	443
Total liabilities	136,382	240,064
Net Assets		
Common stock	2,725	4,875
Capital surplus	2,275	4,425
Retained earnings	(992)	(1,910)
Total shareholders' equity	4,007	7,389
Total net assets	4,007	7,389
Total liabilities and net assets	140,390	247,454

(3) Non-consolidated Interim Statements of Income

UI Bank Co., Ltd.

(¥ million)

	First half of the fiscal year ended March 31, 2022	First half of the fiscal year ending March 31, 2023
Ordinary income	—	555
Interest income	—	550
Interest on loans and discounts	—	557
Interest and dividends on securities	—	0
Fees and commissions	—	4
Other ordinary income	—	0
Ordinary expenses	—	1,470
Financing expenses	—	225
Interest on deposits	—	225
Fees and commissions payments	—	9
General and administrative expenses	—	1,142
Other ordinary expenses	—	93
Ordinary profit (loss)	—	(915)
Income (loss) before income taxes	—	(915)
Income taxes – current	—	1
Total income taxes	—	1
Net income (loss)	—	(917)

(Note)

Figures for the first half of the fiscal year ended March 31, 2022, are not provided for UI bank Co., Ltd., as it only commenced operation in January 2022.